

## **Pavilions (Gosport) Management Company Limited**

Dear Fellow Member

I am sorry that it was not possible to issue the attached service charge accounts with the AGM Notice, but a final few queries took a bit longer than expected to be resolved. That has now been resolved and I am delighted to report that these accounts have been signed off and are hereby presented for your perusal and comment. These accounts cover the year 1 September 2008 to 31 August 2009; the first complete financial year in which the new owner-run Pavilions Gosport Management Company (PGMC) Ltd has operated.

As has already been advertised, there will be an EGM and AGM held on 20 February 2010 at St. Vincent College, Gosport to deal with formal PGMC business. It seemed sensible to use that opportunity to also hold a general meeting so that you could all have the opportunity to discuss any issues you may have, quiz the Directors and in particular comment on these service charge accounts. However, please be assured that you are absolutely not limited to confining any financial queries that you may have to just that meeting. These accounts are an important piece of communication from your elected Board of Directors, as they explain where your money has been spent during that year, so please don't worry if you are unable to attend the 20 February meeting. You can send me any finance related questions or comments direct, at any time, by e-mail via [pavilionsgosport@live.co.uk](mailto:pavilionsgosport@live.co.uk).

I hope that much of what is contained in these accounts is fairly self-explanatory but please be aware that they have been laid out in a specific format to meet legislation. It always helps to put some of the figures in some sort of context though, so I thought it might be helpful to add some explanatory comments:

Budgeting and Surpluses/Deficits. You will see from the accounts that we ended up with some items of unplanned expenditure on the one hand, and on the other some expenses which ended up being less than expected. Consequently, individual blocks have generally ended the financial year with either a small surplus or deficit. Any deficit must be recharged, whilst surpluses must be credited back to the relevant owners.

Loans to Estate. In previous years there has been such a shortage of available hard cash that former agents have instituted a complex web of loans from the Estate Fund to cover those Blocks which have been unable to meet their bills, due to the significant level of unpaid service charges. This has now been completely resolved, as the reducing level of debts has allowed the loans to be repaid. Therefore, when this year's accounts are finally published you will see that these will have been eliminated. The Directors do not intend ever to use such a system again, other than in the most extreme circumstances.

Accruals & Prepayments. Previously there has been an ongoing problem towards the end of a financial year where there have been insufficient funds to pay some bills on time, and so they have had to be carried forward (accrued) to the next financial year. Additionally, some annual contracts such as insurance policies have run to a different cycle than that of the financial year (ie. 1 April – 31 March rather than 1 Sep – 31 Aug), which means that part of the expenditure has to be apportioned within the current financial year and the rest is a pre-payment for part of the next year. This makes some of the calculations that have to be made much harder to understand than necessary.

As we have managed to reduce the PGMC debt mountain, thanks to the sterling efforts of those of you who have been assiduously paying your service charges, we should be able to pay all future invoices as they arise. Furthermore, where it is cost effective we intend to re-align annual insurances/contracts so that they run in line with the financial year. Therefore, at the risk of offering a hostage to fortune, I would hope that the current year's service charge accounts will end up being much simpler.

Emergency Assistance Insurance. The current policy to which we have all been paying ends in April 2010 but will not be renewed, as the service will in future be included as part of buildings insurance policies, free of charge.

Reserve Funds. Part of the service charges which you pay every year include a reserve fund, which grows over time such that if there is ever a major repair or maintenance job to be done, some or all of the costs will be covered by the reserves rather than having to fund the entire cost in a large, one-off hit on your pocket. Each Block has its own reserves, as does the Estate. For those properties which completed as long ago as 2004, one would normally expect significant reserves to have accumulated so far. Whilst previous sets of accounts have indeed set aside sums to be paid into the reserves, as the service charge accounts produced in 2004, 2005 and 2006 were accumulated accounts (ie. not individual accounts for each block), it makes working out exactly how much reserve fund money is applicable to each block a difficult exercise. It would mean having to go back to the beginning to find out from what date the reserve applies to each block and then further working out how much money should have been accrued. Even then that would not necessarily result in an automatic transfer of those funds to a dedicated reserve account for that block because service charge arrears also have to be taken into account (on paper the reserve fund may contain £x when in reality part of that figure is made up of debtors, so you don't actually have the hard cash – although once all debts have been recovered it will be a different story!)

We are currently working on this, and we expect that by the end of the current financial year we will have had the relevant funds transferred to their dedicated reserve accounts.

In summary, the service charge accounts continue to improve and are now much healthier than in previous years. Bills for the second half of this year are due to be issued by 1 March 2010 and I would urge you please to settle any sums due just as soon as you are able, or at the very least by 31 August!!

Many people have been coming up with all sorts of suggestions regarding bin stores, estate lighting, gates etc but in order to make improvements we have to have cash in the bank. That is now starting to happen and so the Directors have started to turn their thoughts toward what works we can undertake over the coming months. Hopefully we have some good news to report on 20 February, so please do come along if you are able. I'll be in The Clarence afterwards for anyone who'd like to continue the discussion over a pint.

Regards

Jon Hendrick

Finance Director