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 Chartered Accountants

**MILLBANK ESTATE MANAGEMENT
ORGANISATION LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

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MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

REPORT OF THE MANAGEMENT COMMITTEE

The Management Committee submits its report and the financial statements of the Millbank Estate Management Organisation Limited ('MEMO' or 'Management Organisation') for the year ended 31 March 2009.

Activity

The principal activity of the company is estate management.

Results and state of affairs

The financial statements on pages 5 to 11 set out the results for the year ended 31 March 2009 and reflect the state of the company's affairs at that date.

Business Review

Approximately a year ago the newly appointed Board of MEMO, comprising of volunteer residents of the Millbank Estate, resolved not to dwell on MEMO's past management and operational problems, but to improve on the services it provided to the residents and to develop a positive community spirit within the Estate. At the time, the new Board acknowledged that it had a choice in the legacy that its actions and those of past MEMO management leaves behind, but it promised residents a better organisation and a higher level of management input.

During the financial year to 31 March 2009 the Board began an ongoing overhaul of MEMO's accounting and financial systems, with the aim of transforming and drastically improving the way in which MEMO operates and is managed. The achievements of the Board to date are as follows:

Financial systems and procedures

MEMO has for a number of years operated the accounting software SAGE, a versatile and widely used accounting package suitable for the accounting requirements of an organisation of MEMO's size and range of activities. Unfortunately, difficulties have been encountered in the past, resulting from inadequately trained and supervised personnel with insufficient working knowledge of the accounting software being operated.

After identifying inconsistencies within MEMO's past accounting processes, the Board has implemented modifications to the accounting system, which is now managed by a full-time finance officer, experienced and trained in the operation of SAGE. The finance officer is supported and supervised by MEMO's new Estate Director, Annelie Sernevall. Together with the Treasurer, they have ensured that the recommendations arising from the independent audit and risk assessment carried out in 2007 have been, and continue to be, implemented.

With these recommendations implemented, subject to some minor outstanding issues, CityWest Homes ('CWH') has confirmed that MEMO has returned to the required levels of compliance standards.

Furthermore, with MEMO now applying reliable financial reporting and budgeting controls and better in-house resources management, the Board has already identified savings of approximately £25,000 in contractor invoicing costs compared with the previous year.

However, notwithstanding the recent implementation of improved management and budgeting controls, the year 2008/09 ended with a deficit of approximately £71,000. This deficit is attributable to three main factors:

- Staff turnover issues within MEMO's administrative and building operations, resulting in fragmented services and service levels and excessive costs for recruitment and temporary staff cover (see below);

MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

REPORT OF THE MANAGEMENT COMMITTEE
(CONTINUED)

Financial systems and procedures - (continued)

- Previous MEMO staff incurring overspends on certain contracts involving some deferred invoicing by contractors, which did not in all case pass through the required approval protocols normally applied within the organisation;
- Works performed by MEMO prior to contractual approval for reimbursement by CWH, which were not subsequently authorised in full by CWH, resulting in either late or insufficient funding of the earlier expenditure.

Although substantial sums have now been received from CWH in relation to past expenditures, further large amounts remain due, and discussions between MEMO and CWH are ongoing, albeit that those discussions have been hampered by periodic changes in CWH personnel involved with the negotiations.

With negotiations on contract reimbursements between MEMO and CWH ongoing, the 2008/09 financial statements presently reflect substantial sums due by CWH to MEMO, the recovery of which is subject to a successful outcome of those negotiations.

Furthermore, accounting issues relating to the method of VAT accounting on major works expenditure incurred on behalf of CWH have resulted in certain VAT recoveries held by MEMO for CWH being held pending an outcome to the wider negotiations.

In relation to future developments the Treasurer, together with the new Estate Director proposes developing a business case for procuring an increase in MEMO's management allowance, to ensure that its resources are put on a level footing with the increased expenditure demands placed on it in recent years when management allowances proved insufficient.

Staff issues

During the past year, various Board members have spent significant amounts of their own time on the recruitment of new and better-qualified staff for the MEMO operation and also on dealing with stressful grievance and disciplinary proceedings, notably involving three ground staff and a previous estate manager. These actions were considered necessary due to past problems with staffing, policies towards staffing, and discipline generally. This has led to the employment of several new full-time staff including an experienced Estate Director and the Board approving the involvement of a specialist consultant when resolving future disciplinary, grievance and employment tribunal cases, reporting directly to the Board for management approval.

Also during the year, problems arose where some residents utilised staff services, in breach of MEMO rules and without providing formal notification or evidence, causing difficulties with the disciplinary process and prolonging management involvement and resources in dealing with the investigation process.

Following these staffing difficulties in the past, the new Estate Director has the full support of the Board in her application of day to day management controls over these and other staffing issues.

MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

REPORT OF THE MANAGEMENT COMMITTEE
(CONTINUED)

Board

The ten Board members have given a considerable amount of their time voluntarily for the benefit of residents. Twelve Board meetings were held during the year and a range of trainings were concluded. Sub-Committees were established on a range of activities such as major works, employment and financial management and meetings were generally well attended.

Chairman Mark Korad, Treasurer Wilfried Rimensberger and Secretary Pat Johnstone shared the legal responsibility and stewardship of the organisation, and the further work of Barbara Charalambous, chair of the employment sub-committee, Olivia de Graaf, chair of the contracts sub-committee, Margaret Landman and Linda Hiscock, responsible for estate inspections and reporting to the Board on courtyard and cleanliness issues, and Kathy Clifford, who has actively represented MEMO as and when necessary and has organised trips, all had a major impact on MEMO's progress during the year under review.

During the year Constanze Rimensberger resigned from the Board. She had contributed a considerable amount of time to MEMO business, including serving on the contract sub-committee and working on the new digital document management system which MEMO is now using. However, some residents took objection to having two members of the same household on MEMO's Board. Therefore, the Board reluctantly accepted her resignation, believing that her departure was a loss to a majority of residents who appreciated the many hours that Board and sub-committee members give voluntarily for the benefit of MEMO and the Estate generally.

The Board's outlook for 2009/10 is focused on the renegotiation of the MMA, induction of related new policies and processes and reviewing the rules and statutes of MEMO under the guidance of a specialist consultant. Also we will continue to develop a long-term approach towards keeping the estate in a desirable state and establish further community enhancing activities that were started last year.

Management Committee

The members of the Management Committee during the year were as follows:

M. Korad (Chair)
W. Rimensberger (Treasurer)
P. Johnstone (Secretary)
B Charalambous
K. Clifford
P. Fitzgerald
O. De Graaf
L. Hiscock
M. Landman
C. Rimensberger

Statement of Management Committee's responsibilities

The Management Committee is required by legislation to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Management Organisation as at the end of the financial year and of the results for that year.

The Management Committee confirms that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the financial statements and that applicable accounting standards have been followed. The financial statements have been prepared on the going concern basis.

MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

REPORT OF THE MANAGEMENT COMMITTEE
(CONTINUED)

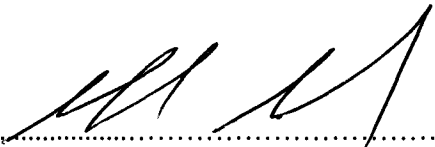
Statement of Management Committee's responsibilities – (continued)

The Management Committee is also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Management Organisation and enable them to ensure that the financial statements comply with the relevant legislation. They are also responsible for safeguarding the assets of the Management Organisation and hence for taking reasonable steps for preventing and detecting fraud and other irregularities.

By order of the Management Committee

28 August 2009

Dated.....


.....
(M. Korad)
Chair

MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	<u>Note</u>	<u>2009</u>		<u>2008</u>	
		£	£	£	£
<u>Income</u>					
Allowances receivable	2		417,314		405,160
Net interest received	3		7,665		15,896
Income from residents			3,530		5,078
			<hr/>		<hr/>
			428,509		426,134
<u>Expenditure</u>					
Administration	4	167,993		160,519	
Compensation costs		2,275		5,000	
Audit and accountancy		12,300		9,048	
Sundry expenses		10,866		5,249	
Training costs		1,263		1,354	
Publicity and advertising		-		1,786	
Rent and rates		(43)		6,227	
Cleaning	4	58,594		49,840	
Light and heat		28,319		21,292	
Telephone		2,910		2,868	
Printing, postage and stationery		4,118		3,026	
Insurance		5,376		5,483	
Legal and professional fees		10,369		26,082	
Repairs and maintenance	4, 5	182,762		129,562	
Hire of equipment		177		156	
Gardening		174		75	
Depreciation		2,251		1,878	
Bank charges		555		461	
Computer costs		10,157		3,770	
			<hr/>		<hr/>
			(500,416)		(433,676)
			<hr/>		<hr/>
<u>Net deficit for the year</u>			(71,907)		(7,542)
<u>Transfer to surplus fund</u>	11		71,907		7,542
			<hr/>		<hr/>
			-		-
			<hr/> <hr/>		<hr/> <hr/>

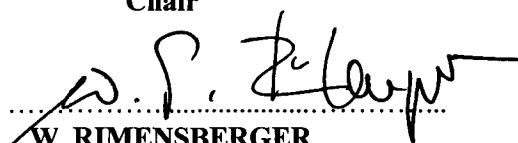
MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

BALANCE SHEET AS AT 31 MARCH 2009

	<u>Note</u>	<u>2009</u>		<u>2008</u>	
		£	£	£	£
<u>Fixed Assets</u>					
Tangible assets	6		10,527		8,862
<u>Current Assets</u>					
Debtors	7	245,840		336,175	
Cash at bank and in hand	8	376,970		403,379	
			622,810		739,554
<u>Creditors: amounts falling due within one year</u>	9	(390,505)		(290,847)	
<u>Net current assets</u>			232,305		448,707
<u>Total assets less current liabilities</u>			242,832		457,569
<u>Represented by:-</u>					
Share capital	10		23		23
Major works fund	11		287,988		430,818
Reserve fund	11		-		-
Surplus fund	11		(45,179)		26,728
			242,832		457,569

The financial statements set out on pages 5 to 11 were approved by the Management Committee of Millbank Estate Management Organisation Limited on 28 August 2009 and were signed on its behalf by:


.....
M. KORAD
Chair


.....
W. RIMENSBERGER
Committee Member

MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. **Accounting Policies**

a) **Convention**

The financial statements of Millbank Estate Management Organisation Limited (“the Management Organisation”) have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) **Allowances receivable**

Cyclical decorations grant – Grants, receivable from local authority, made available for the purpose of internal and external decorations of the Estate are reflected as movements in the Major Works Funds.

Other allowances receivable are analysed in note 2 and represent the following:-

Management allowances – Grants, receivable from local authority, made available for the purposes of maintaining the Estate and running the Management Organisation.

Sundry allowances – Grants receivable for ad hoc purposes, as agreed between the Management Organisation and the local authority.

c) **Depreciation**

Depreciation is provided on all tangible fixed assets, at annual rates calculated to write off the cost or valuation of each asset over its expected useful life, as follows:-

Fixtures and equipment	- 15% reducing balance
Computer equipment	- 20% reducing balance

2. <u>Allowances receivable</u>	<u>2009</u>	<u>2008</u>
	£	£
Westminster City Council: Management allowance	417,314	405,160
	<u> </u>	<u> </u>
3. <u>Net interest received</u>	<u>2009</u>	<u>2008</u>
	£	£
Bank interest receivable (net)	11,580	21,715
Less: Transfer to Major Works Fund	(3,915)	(5,819)
	<u> </u>	<u> </u>
	<u>7,665</u>	<u>15,896</u>

The transfer to Major Works Fund represents the interest receivable on the monies held for cyclical works, referred to in Note 11(a).

MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

4.	<u>Total staff costs</u>	<u>2009</u> £	<u>2008</u> £
	Wages and salaries	175,774	195,017
	Employer's NI contributions	16,509	19,601
		<hr/>	<hr/>
	Temp agency and recruitment charges	192,283	214,618
		80,088	10,318
		<hr/>	<hr/>
		<u>272,371</u>	<u>224,934</u>

Total staff costs are categorised within the following headings:

		<u>2009</u> £	<u>2008</u> £
	Administration	167,993	149,362
	Cleaning	54,888	46,697
	Repairs and maintenance	49,490	28,875
		<hr/>	<hr/>
		<u>272,371</u>	<u>224,934</u>

The average number of employees during the year was 9 (2008: 10).

5.	<u>Repairs and maintenance</u>	<u>2009</u> £	<u>2008</u> £
	Contractors and materials	133,272	100,687
	Maintenance wages and salaries	49,490	28,875
		<hr/>	<hr/>
		<u>182,762</u>	<u>129,562</u>

6.	<u>Tangible fixed assets</u>	<u>Total</u> £	<u>Fixtures and equipment</u> £	<u>Computer equipment</u> £
	<u>Cost</u>			
	At 1 April 2008	48,796	17,466	31,330
	Additions	3,916	1,505	2,411
		<hr/>	<hr/>	<hr/>
	At 31 March 2009	52,712	18,971	33,741
		<hr/>	<hr/>	<hr/>
	<u>Depreciation</u>			
	At 1 April 2008	39,934	12,879	27,055
	Charge for the year	2,251	914	1,337
		<hr/>	<hr/>	<hr/>
	At 31 March 2009	42,185	13,793	28,392
		<hr/>	<hr/>	<hr/>
	<u>Net book value at 31 March 2009</u>	<u>10,527</u>	<u>5,178</u>	<u>5,349</u>
	<u>Net book value at 31 March 2008</u>	<u>8,862</u>	<u>4,587</u>	<u>4,275</u>

MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

7. <u>Debtors</u>	<u>2009</u> £	<u>2008</u> £
Sundry debtors	243,885	333,507
Prepayments and accrued income	1,955	2,668
	<u>245,840</u>	<u>336,175</u>

8. **Bank balances and cash**

Bank balances include cyclical and other major works monies held in separate interest yielding accounts which are available for drawdown only with prior approval from Westminster City Council (see note 11).

9. <u>Creditors: amounts falling due within one year</u>	<u>2009</u> £	<u>2008</u> £
Trade creditors and accrued works expenditures	144,555	45,097
Taxation and social security	10,414	135,418
Other creditors and accruals	235,536	110,332
	<u>390,505</u>	<u>290,847</u>

10. **Share Capital**

<u>Issued and fully paid</u>	<u>2009</u> £	<u>2008</u> £
Ordinary shares of 10 pence each	<u>23</u>	<u>23</u>

On valid application by secured tenants and lessees, the Management Committee approves the issue of one fully paid ordinary share of 10 pence to each qualifying resident.

11. <u>Funds</u>	<u>Major works</u> £	<u>Reserve fund</u> £	<u>Surplus fund</u> £
Balance at 1 April 2008	430,818	-	26,728
Major works monies received	199,118	-	-
Major works expenditure in the year	(345,863)	-	-
Transfer from income and expenditure account re:			
Bank interest (net)	3,915	-	-
Excess expenditure over income for the year	-	-	(71,907)
	<u>287,988</u>	<u>-</u>	<u>(45,179)</u>
Balance at 31 March 2009	<u>287,988</u>	<u>-</u>	<u>(45,179)</u>

In a prior year the balances on the Reserve Fund and the Surplus Fund (which are described below) were combined to enable amounts previously set aside to consolidate with, or offset the effects of, the annual surpluses and deficits arising in the Income and Expenditure Account.

MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

11. **Funds - (continued)**

a) **Major Works Funds**

Under the terms of the arrangement with Westminster City Council, the organisation receives periodic grants to fund future expenditure on cyclical works.

In addition, under the terms of the Decent Homes Programmes, further periodic grants are received to fund necessary expenditure on the replacement and/or upgrading of baths and kitchens.

The authority for expenditure on cyclical and major works is subject to prior approval by Westminster City Council up to which time the funds are held in separate bank deposit accounts (see note 8).

In the previous year Westminster City Council conducted a detailed review of the controls applied by the Management Organisation in the operation of the Major Works Fund and the application of those controls in approving and disbursing monies held for the designated purposes. Following its review, Westminster City Council issued a report on its findings, further to which the Management Organisation has been conducting its own review of the processes relating to the operation of its Major Works obligations, with a view to improving the relevant internal approval and control procedures.

b) **Reserve Fund**

In previous years the Reserve Fund represented a provision to meet the following potential liabilities:-

- i) anticipated costs in future years resulting from underspending on repairs and services;
- ii) known commitments for future work in addition to the Major Works Fund; and
- iii) a contingency against costs arising from unforeseen circumstances

However, as indicated above, a transfer of the Reserve Fund balance to the Surplus Fund was made as at 31 March 2009.

c) **Surplus Fund**

The Surplus Fund represents the accumulated surplus of income over expenditure after transfers to other Funds.

12. **Management committee and officers**

Details of management committee members and officers serving during the year were as follows:

i) **Management committee members**

M. Korad (Chair)
W. Rimensberger (Treasurer)
P. Johnstone (Secretary)
B Charalambous
K. Clifford
P. Fitzgerald
O. De Graaf
L. Hiscock
M. Landman
C. Rimensberger

MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

12. **Management committee and officers - (continued)**

ii) Auditors

Gerald Edelman
25 Harley Street
London
W1G 9BR

iii) Bankers

National Westminster Bank Plc
PO Box 3038
57 Victoria Street
London
SW1H 0HN

INDEPENDENT AUDITORS' REPORT
TO MILLBANK ESTATE MANAGEMENT ORGANISATION LIMITED

We have audited the financial statements of Millbank Estate Management Organisation Limited ("the Management Organisation") on pages 5 to 11 for the year ended 31 March 2009. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE MANAGEMENT COMMITTEE AND AUDITORS

As described on page 3, the Management Committee is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Management Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Management Organisation's circumstances, consistently applied and adequately disclosed.


We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE

As indicated in the Report of the Management Committee, the Management Organisation is in negotiations with CityWest Homes regarding contract reimbursements for works carried out on its behalf, and also the treatment for recovering VAT on major works, in respect of which the Management Organisation has recovered sums due for reimbursement to CityWest Homes. As at the balance sheet date the financial statements include in debtors an amount due from CityWest Homes of £241,470 and in creditors a refundable amount of £227,536 in respect of recovered VAT, both balances being subject to a conclusion to those negotiations.

Subject to any adjustments that might result from a conclusion to the Management Organisation's negotiations with CityWest Homes on the matters referred to above, in our opinion the financial statements give a true and fair view of the state of affairs of the Management Organisation as at 31 March 2009 and of its results for the year then ended and have been properly prepared in accordance with the requirements of the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies Acts 1965 and 1978.

25 Harley Street
London W1G 9BR


GERALD EDELMAN
REGISTERED AUDITOR AND
CHARTERED ACCOUNTANTS
28 August 2009