London, 25 October 2018.

Dear Leaseholders and Residents,

The Board of Directors for One Warrington Gardens Management Company Limited would like hereby to provide an update of the key actions since the new Board took over in October 2017.

Financial Performance:

The financial statements in the last few years have evidenced that the Company has been undergoing continuous financial deterioration, with losses respectively of £ 1,221, £9,396 and £ 25,458 in 2015, 2016 and 2017. In essence, the Company has been spending more than it should/could, based on the current service charges.

After looking at the expenses in detail, the Board identified the following main areas of concern:

- Service charges have not been reviewed since 2010 and therefore have not even reflected inflationary costs in the last few years. For instance, the cost of renting the resident caretaker's flat, his council tax and utilities, the maintenance contracts and general expenses of the building.

- Costs associated with the resident caretaker's service are responsible for approx. 30% of the Company's income. Other relevant costs are insurance, water, electricity.

- Large amount of late service charges due to lack of follow-up procedure on late invoices, in some cases over one year or more.

- Increasing maintenance and repair costs with respect to major equipment, such as the lift and garage door.

Overall, as a consequence of the increased level of expenses, the Company hasn't been able to provision the required funds in order to rebuild the Reserve fund after the exterior refurbishment in 2013. This includes the required funds for interior refurbishment as well as the replacement and/or upgrade of the lifts, garage gate and backup generator, all of which are outdated and require constant costly maintenance. The lack of investment has brought deterioration to the building's premises, impairing our quality of living and the value of the property.

Actions Taken:

In order to start addressing these financial issues, the Board took the following actions:

- Replaced Barley Chambers for Westbourne Management in February 2018 (with no increase in fees), in order to allow full transparency of management of the company's funds and full review of contractors.

- Reviewed Year End accounts from 2010 to 2017 to identify cost saving opportunities, as well as all invoices from 2017 to ensure amounts spent were in line with bank statements and understand the most relevant expenditure items.

- Performed review of all maintenance contracts

- Held an AGM on May 1st 2018 to update leaseholders and provide a draft of 2017 YE accounts and report on the financial concerns.

- This was followed by a survey to obtain feedback on the current porter service and costs associated with it so that the board could gauge the level of costs leaseholders are willing to pay for the service.

- Established new procedures for approval of expenses, all non-emergency expenses have to be approved by the Board and have at least 2 quotes.

- Implemented monthly review of expenses and company's financials.

- Established procedures around the collection of late fees/service charges. By the end of October 2018 it is expected that all amounts owed before 2018 will be paid and all invoices are now tracked accordingly and sent to solicitors if needed.

- Board restructuring and assignment of roles so that we can work more effectively

As a result of these actions, the Board estimates that in 2018 we will be able to reduce expenses by the amount of £ 30,000.00, compared to 2017.

Those figures do not fully reflect the result of the cost savings due to additional one-off expenditures such as redundancy cost and other non- routine safety/maintenance items that had to be addressed with urgency and will not repeat in 2019.

<u>Porter Service:</u>

In order to save costs and provide the level of service required, the Board initiated the redundancy of the Resident Caretaker position. By eliminating the said role and its associated costs (rent, utilities and council tax) we estimate an additional saving up to £ 20,000 per annum from 2019.

The Board have replaced the resident caretaker position with 2 porters carrying out a split shift Monday – Saturday. This situation is being reviewed on an ongoing basis, taking residents' feedback into account.

<u>Out-of-Hours/ Emergency Service:</u>

The Board are currently finalizing the details and appointment of an out-of-hours/ emergency service on a retainer basis. This will cover all communal areas only and must be used for emergencies only. Any call-outs of a private nature/ to private properties will be charged by the service provider directly to the individual.

<u>Cleaning Service:</u>

The Board have appointed a cleaning company for a general weekly clean and a much-needed initial deep clean.

Maintenance and Utilities:

The Board have identified a discrepancy in the building's communal electricity accounts dating back a few years. We are working with the supplier to credit the account accordingly and have arranged for a replacement meter. Once the issue is resolved we will be considering changing to an alternative supplier to reduce costs.

The Board are also looking into upgrading all communal lighting to LED lights. It is estimated that this will save in the region of £3,000 per year and will pay for itself within two to three years. There may be further savings to be made if we install motion sensors to illuminate lighting in the garage only when it is in use.

The lifts have shown signs of reaching the end of their useful life. We have appointed a specialist firm of lift engineers to assess each lift and advise on the ongoing maintenance schedule and propose possible upgrades. We hope to take a preventative maintenance approach to avoid the significant impact and inconvenience of further breakdowns.

The Garage Gates have also been the source of many issues over the years. It seems that the mechanism has always been under-specified and therefore have been running close to their designed limits. Repairs have been expensive and breakdowns an inconvenience. We are assessing the possibility of replacing the mechanisms in the hope of increasing reliability, extending their lifespan, and minimising ongoing maintenance costs.

All routine maintenance contracts for services such as water systems checks, drain cleaning, and smoke alarm testing, have been renewed. The service providers will now be closely monitored and alternative providers will be considered on an ongoing basis. Drains have had a major cleaning which was long overdue and should reduce the risk of flooding and blockage in the garage.

The Board have approached the subject by identifying areas where costs were not being sufficiently controlled and services provision was not satisfactory. This phase is almost completed and we are now changing our focus to a longer-term approach that should see improved reliability in all systems but at reduced cost. This will be an ongoing project and we will continue to keep you well informed.

Interior Refurbishment:

Commencement of works for the interior refurbishment in 2017 were halted due to poor workmanship. The Board questioned the competence of the contractors and decided it best to change both, and consequently start from scratch.

The Board then had a few set-backs, including the imperative change of managing agents and review of accounts to ascertain we had the funds necessary for the interior refurbishment.

The Board has taken over the responsibility of the refurbishment and supervision of the surveyors, enabling us to ensure the standard of works and the budget.

Surveyors, Matthews & Son, were appointed and they arranged for some investigative/ sample works and discussed options going forward with the Board. Some of these included:

- Identifying the cause of the cracking on the walls either side of the lift on floors 1-6 on the east wing of the building and coming up with a solution.

- Finding a solution for redecorating the front doors to flats at an economical cost and without compromising security.

- Finding a solution how to redecorate the walls that would require least disruption yet achieve a high finish

- Finding a solution to clean the floor. The floor cleaning company recently carried out sample works in two stages. The Board are in the process of reviewing the outcome.

Matthew & Sons are in the process of preparing a Tender Report for the Board to review.

Due to a limited budget, the Interior Refurbishment will be carried out in two phases:

Phase 1 will cover all the landings between flats, from the ground floor to the sixth floor, on both wings of the building.

Phase 2 will cover the reception area on the ground floor.

Phase 1

Due to set-backs and the upcoming Christmas period, the revised deadline for Phase 1 to commence is beginning January 2019.

In total, the surveyors anticipate 8-12 weeks work.

Phase 2

We have not yet set a date of commencement for Phase 2, as this will depend on the finances available to us once Phase 1 is completed.

Garden:

Dissatisfied with the upkeep of the garden and flowers/plants at the front of building, the Board have appointed new gardeners, who have already changed the plants at the front of the building, which should see us into the Spring and is now looking much smarter and in keeping with the building.

Challenges and Priorities going forward:

There is further work required in order to position the Company in a stable and sustainable financial situation, to the benefit of all leaseholders.

In order to i) improve the quality of service to all leaseholders and residents; ii) maintain a solid financial standing to the Company and therefore iii) ensure our ability to maintain the building in a suitable condition, at the same time avoid material increases to the service charge paid by leaseholders, these are the key priorities of the Board of Directors in the next few months:

- Implement a revised service model, including the definition of responsibilities of the Porter/Caretaker, Management Agency and Board members as well as the establishment of contractors for Cleaning, Gardening and other possible services.

- Enhance budgeting process and cashflow projection so that we have efficient financial control. This starts with the Budget 2019 which is currently in preparation.

- Develop medium/long term strategic planning so that we can plan properly for a schedule of refurbishment and maintenance that will keep the building in optimum state

The Board of Directors appreciates your patience and support while we continue our work in order to improve One Warrington Gardens. We welcome any offers of help or involvement if and when you have the time.

Kind Regards,

OWG Management Company Board of Directors