

«T\_OCCUPY»  
«T\_ADDR1»  
«T\_ADDR2»  
«T\_ADDR3»  
«T\_ADDR4»  
«T\_POSTCODE»

31<sup>st</sup> October 2006

Our Ref: «T\_REF\_A»

Dear «T\_SALUT»,

### **Service Charges for 2007**

Over the past 2 years as Maintenance Trustee I have had to raise £6.5 million for reserve fund contributions to fund the major works and c £800,000 pa to cover the Annual Service Charge expenditure. The high level of reserve fund contribution was necessary due to the back log of maintenance work and because no reserve fund contributions were demanded in 2002, 2003 and 2004.

Despite the works recently undertaken and being undertaken it is clear from our surveyor's inspection of the premises that there is still a backlog of maintenance items, which require early attention.

The exterior of the building in places is in poor decorative order and there are areas of reported water ingress in a number of locations including to the north and south intermediate fire escape staircases. Localised temporary repairs were undertaken to the mansard slopes and gutters of the building in 2005 to rectify problems of reported water ingress to a number of flats. Building has not been redecorated externally for approximately ten years. External redecoration and repairs are recommended immediately. They have however been included within year two for budgetary reasons.

Our services consultants advise that substantial expenditure will be required during the next five years including in respect of the replacement of heating, hot and cold water services, associated pipe works and drainage systems. They have recommended that a phased replacement plan be created for those systems to minimize disruption at the building. Initially they advise that new horizontal distribution mains should be installed together with boilers in the basement and then replacing each riser in turn onto the new mains.

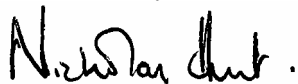
Some Lessees are keen to complete the interior works with the refurbishment of the main reception area of the building during 2007 and have requested that monies be included within the PPM in this regard. No scheme has been prepared for costing but I have suggested that the sum of £250,000 excluding fees and VAT should be allowed until a scheme has been developed and costed. Some Lessees are recommending new or re-polished doors for each flat, the cost of which has not been included in the PPM. The administration offices and porters area needs refurbishment and modernizing together with good bathroom facilities.

The proposed works have all been priced with current day costs, plus a cost escalator assuming that costs increase at 5% per annum.

As you can see from the attached schedules the average cost of the major works is £ 1.37 Million pa or c£3000 + per lessee. If the annual service charge cost of c £2000 is added then the total cost per lessee is £5000 pa, which is very high for a one bed roomed/ studio flat and could affect the capital value. If you are also considering purchasing a share in the freehold company then the cost over the next few years will be considerable.

I am therefore asking you to give me your opinion on the level of contribution by completing the attached questionnaire and returning it to me. I would be most grateful for your views in advance of fixing the budget for the next year.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Nicholas Hurst".

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Nicholas Hurst  
Maintenance Trustee