NEWPORT ROAD MAINTENANCE LIMITED ("the Company")

MINUTES of the annual general meeting (AGM) of the Company held at The Mecure Hotel, Newport Road, Cardiff on the 18 day of June 2012 at 1900hrs.

17 Voting members (in seating order):

Arthur Munday Director, ratified 2011 AGM
Emrys and Sian Davies
Phil Parry
Thomas Dye Director, ratified 2011 AGM
Hamed Bayat
Richard Tinkler
James Parish
Matthew Currie
Steven Posner
Rowena Hermon
Michael Chen
Colin Davison Finance, director, ratified 2011
Richard Battrick Chairman, director, ratified 2011
Alod Wilson
Simon Brock Director of Admiral House (Cardiff) Limited, Freeholder from Aug 2011
Nasir Jargis
Mark O'Grady Director, ratified 2011 AGM

In attendance:

Paul Atkins Living City Asset Management - Director
Karl Ashton Living City Works Limited -Building Manager
Tony Tobin Living City Works Limited – Concierge
Emma Crawford Cranleys Partnership LLP, Trainee Accountant (Minute taker)

1 Introduction

Introduction of current Directors:

- Richard Battrick
- Colin Davison
- Mark O'Grady
- Thomas Dye
- Arthur Munday

Introduction of Paul Atkins, Living City. Living city was appointed at the last AGM, with their current contract ending this year. In their opinion the company is in a stronger position now, with an increased service cash flow. There has been a re-introduction of services provided including landscaping and window cleaning.

Although it has been a turbulent year, the company is now financially stronger and Living City is hoping to renew the contract. They have made a 5% saving on service charges in comparison with the previous year.

The key issues they are addressing currently are the car lift, achieving added value and approaching the 2013 service charge budget.

2 DIRECTOR'S APPOINTMENTS

The chair put to the members if anyone would like to become an active director. Four people put themselves forward:

James Parish Resident, trainee solicitor.
Nasir Jargis Owns 2 apartments, Civil Engineer
Emerys Davies Owns 1 apartment, retired engineer
Phil Parry Owns 3 apartments, Journalist.

Richard and Colin thanked those for coming forward.

IT WAS RESOLVED that the aforementioned be appointed as directors of the company.

Emma Crawford noted this so Cranleys would register these company registrar.

3 DIRECTOR'S RESIGNATION

Mark O'Grady tendered his resignation as a director of the Company.

IT WAS RESOLVED that the aforementioned resignation be accepted and that Mark O'Grady had no further responsibilities for the company.

Richard and Colin thanked Mark for the support he offered over the last few years.

Emma Crawford noted this so Cranleys would register these company registrar.

4 ESTABLISHMENT OF THE NEW BOARD OF DIRECTORS

IT WAS RESOLVED that there are now 8 active directors, with no objections. It was recommended that they use Skype for correspondence.

5 FINANCIAL REVIEW

Colin Davison recorded that Accounts will be filed by Cranleys for the company, as dormant as previous years.

Introduced the background as having reviewed and audited a number of Right to Manage and Residential Management Companies we as well as working on the Board of other large blocks, there were areas of concern. Contract retendering and changes were identified for the benefit of all leaseholders to ensure service charges are fair, necessary and reasonable to ensure any lessees objections in a court or leasehold tribunal will be noted. Under RICS code contracts for management agents require annual feedback and development to actively encourage excellence and Management Company involvement.

It is fair to establish a list of expectations required by the company from Living City. The key objective is to achieve best practice. All costs should be reasonable, necessary and fair. Last year, the company expected to achieve a 10% reduction in cost which was not achieved, therefore it isappropriate for Living City to have to re-tender for 2013, approximately 6 months before the end of contract.

VAT saving

The biggest expectation is on driving costs with the VAT saving on all labour based services provided to the Managing Agents. Living City Works Limited is a subcontractor of Living City Asset Management (LCAM), which therefore incurs VAT. As a management company, should have a statutory exemption from this VAT, which has not been applied over many years. Living City stated at the last AGM that this request was pending approval and informed CD that it was not going to change, but they have still continued to charge VAT.

CD mentioned had spoken to the finance directors at LC and it was not applied as the result would be LC Group would have a lower recovery of it's VAT to offset against VAT collected in.
Labour costs are currently over 50% of the service charges and the company cannot re-claim VAT, therefore it would be appropriate to go back and re-credit that money.

IT WAS AGREED that Paul Atkins would discuss this with his finance team and arrange to meet up with CD to discuss matters further.

Labour premium

The arrangement currently also works well against how other Residential Management Companies (RMCs) work as there is a profit uplift above the actual staff costs of 18%. Ideally, there would be no subcontractor and the management agency would employee the workers as outlined in the RICS code. This is currently not acceptable to continue this way and require negotiation.

PA (LCAM) suggested that is the arrangement was to change in this way then the company would lose the opportunity to re-tender staff contracts.

CD referred, as management agents, they should take responsibility for costs such as redundancy and uniforms. Part of the agency's fees are for Human Resources element.

LCAM responded to state it has not been looked at an whilst noted it was referred to last year it had not been formally communicated to the company outside the meeting last year, therefore had not been looked at.

Living City would be willing to change this, but has not been instructed to do so by Living City Directors. He will go away and chase this issue up with Living City's Financial Controller and Financial Director.

ACTION POINT:

Paul Atkins to go back to Living City and chase up 2 point. Firstly 20% VAT and secondly the contractor premium of 18% and get back to the company within 4-6 weeks.

Accounting disclosure

ARMA, RICS and ICAEW produced a guidelines accounting standard in 2011 called "Tech03/11" which show exactly how accounts for RMC are ideally laid out and reported to members. Whilst it is not a requirement, it is thought only small blocks like a converted house with smaller advisers would not essentially follow it. Haines Watts have not produced the accounts to this guideline to the year ended 31 December 2011 accounts.

Company accounts have full disclosure include where profits are made from a related party's involvement yet service charge accounts would otherwise have few disclosed and not even require notes to support balance sheet policies.

Related Party transactions and Transactions with Directors lead to therefore can be misleading or

influential to contractual decision making so should have full disclosure, Cranleys providing Company Secretarial support and Richard Battrick which I provide a debt recovery service for LCAM in the collection of debts. Was known to not by an error on LC but it is a technical realise issued by both of their professional bodies – ARMA and RICS and as members and in interests of best practice a review should be made. This is also required for a comparable for 2011.

PA (LCAM) Haines Watt do not agree with the above points, however Paul will email them to question this. Also, living City Works is not a related party and therefore do not have to be noted in the accounts.

CD argued we are not looking to ensure items which give a fuller picture of the arrangement the Managing Agent has with it's suppliers is important to ensure readers of accounts are well informed. It is necessary for full disclosure to bring transparency of profits made. Currently they do not give the full picture. It is under Companies Act disclosure of profits must be made which is not recorded on behalf of the company in it's communication to members.

IT WAS RESOLVED that the company require more information on accounts and these are approved by directors before release.

Living City mentioned that it was an open book policy and that they will provide any information requested.

Night CCTV Contractor

CD mentioned, one of the company's largest costs is that of the night watchmen, which is in the nominal ledger for £51,000. Evidence has been obtained from neighbouring properties such as Landmark place, Aspect and Altrusso to propose that there is very little trouble except the occasional noise complaint which is passed onto the council to deal with.

PA mentioned in 2011, Last year £48,000 was budgeted for this cost, but the actual cost was £51,800. Initially the service was provided free of charge in 2006, then there was a period of 9 months without the 24 hour security but due to certain incidents which were backed up by Carl the building Manager, security was re-established and re-charged through the service accounts. It is key to note that by reducing security costs, other costs may rise, for example insurance. Living City calculations suggest that it costs each owner 90p a day for the security.

After numerous discussions, 3 proposals were put forward:

1. To leave it as the contract currently is with 24 Hour Security
2. To have 2 shifts working until 2100 hours, 7 days a week.
3. To reduce the current contract by 5 hours a day, between the hours of 0300-0800.

An indicative vote taken of members present resulted in 7 votes for proposal 1, 3 votes for proposal 2 and 6 votes for proposal 3. However it is necessary to provide costing of each proposal.

Emerys Davies proposed that the company review the events log before any decision is made, however this may not be accurate as the security acts as a deterrent rather than prevention IT WAS

RESOLVED that if Living City present satisfactory responses, they will be invited to re-tender with little competition. However, if they do not, then serious competition will be invited to tender. Costs must be established for all proposals before a vote can take place.

Fair apportionment of car parking

The fair allocation criteria as listed in the lease has not been followed as all time referred to addressing costs in proportion to different areas particularly as there are few leaseholders with parking spaces there is an imbalance in the service charges where costs incurred in the block are subsidising users in the car park. Currently the car parking area has only direct cleaning contractor costs and the management charge allocated to it from the main budget. Proposed that currently Labour and insurance is allocated across the whole development, but night security should be apportioned to car parking spaces as this has been seen on other sets of service charge accounts which have a similar issue and therefore would be unlikely to be upheld if questioned.

Under the lease it refers to fair apportionment of costs to both parking areas and the block and from the conversations had the parking takes a considerable time in it's management as well as equipment issues. There are 9 CCTV cameras covering the development and only 2 are securing the interior of the building, the provision of the security watchman paid for by the building is supporting the protection of the car park and car park users in car park allocation issues and maintenance of the lift (note – cleaning has lower proportion -16% actually incurred in car park, management fee 10%) Richard Battrick proposed that labour costs would not be reduced as a consequence to this proposal, and it would be impossible to apportion them fairly.

BS referred to a fair method being the surface areas of the car park covered by security compared to the walkways to refuse store, cycle bin and compare to the common part intrareas which staff protect internal to the building should be the best method.

SB asked Living City is to look into the proposals made and value it, and if the difference is less than 5% then the company should leave it. However, if the difference is more than 5%, the company should action it as happy to ensure fairness of costs.

Water meters

Colin Davison proposed water meters for individual apartments. The costing of which is approximately £50-70 per sub unit. This gives the advantage that tenants can be charged their individual water bills and will also mean that they are more conservative with their usage.

Living City agreed that there is no transparency, and that they will require a chartered surveyor to cost the process and see if it is possible.

IT WAS RESOLVED that Living City will commission a report, which will cost approximately £1000 + VAT.

6 LIVING CITY SUMMARY

Paul Atkins summarised Living City's action points as:
1. VAT Margin
2. Format of Accounts
3. Night time security
4. Apportionment of car park
5. Individual Water meters

7 NIGHT TIME SECURITY

IT WAS RESOLVED that only 2 of the 3 proposals be put forward to the vote. The following proposals will be voted on:

1. To leave the current security contract as it is (24Hours a day)
2. To reduce the number of hours by 5 a night between 0300hrs- 0800hrs.

8 ANY OTHER BUSINESS

Please do not discuss the above proposals with the current night staff.

Concierge will be redecorated imminently.

Fire compliant sofas will be utilised.

Maintenance of the second floor roofing. There has been ingress of water due to one of the pipes being cracked. This has now been replaced. The insurance policy excess is £350, as apartments are a demised area and therefore not communal. Currently the landlords pick up the excess.

IT WAS RESOLVED that this is inappropriate and the insurance policy will be looked at to resolve this issue. The managing company should be responsible for the condition of the damaged flat, but not the contents. Living City will issue that instruction.

Cash flow has increased, and therefore so has the reserves, however these are being offset against the debt. This year, £11,000 was not transferred into a separate bank account, but instead wrapped up in debt, therefore not available in a cash balance. However, the debt is 100% recoverable, so property cannot be sold until the debt is paid. However, this does affect the current cash flow. Living City working closely with Richard Battrick's firm are currently pursuing this debt under Section 142.

However, the company must be aware that they cannot start any projects until this debt is paid. There is no available time scale for when this debt will be diminished as it is dependent on the speed at which the apartments are repossessed.

IT WAS RESOLVED that it is hoped the sale of car parking will boost the reserves held, and there will be a major capital boost. The freeholder is willing to keep the cash flow going, and all services are currently being delivered.

Car Park. It has been decided that a ramp is not a viable option. The current decision is to enclose the stairwell and car lift, strip out everything that is not working and replace with new including CCTV to cover the sensors. An approximate cost has been £92500 + VAT. The company are now close to seeing a solution.

9 SUMMARY

Living City has 48 Hours to come back to the company with a projected timescale. Therefore there will be a timescale on the aforementioned proposals by COP Wednesday 20th June 2012.
Thank you to Richard and Colin and all of the directors.
Richard thanked Emma Crawford for taking the notes

6 CONCLUSION

There being no further business, the meeting concluded. Meeting ended 9.50pm.

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Mr Richard Battrick – Director Mr Colin Davison – Director