

QUEENSWOOD GARDENS LIMITED

Company No. 4473572

Registered Office: 164 Cranbrook Road, Ilford, Essex IG1 4NR

MINUTES OF THE ANNUAL GENERAL MEETING HELD AT THE ALDERSBROOK BOWLING CLUB, ALDERSBROOK ROAD, WANSTEAD, LONDON E11 AT 8.00 P.M. ON WEDNESDAY 12TH JULY, 2006

Present:

John McElarney (Chair)
Griff Griffith (Company Secretary)
Bob Haswell (Treasurer)
Len Kerridge
Pauline Thurman
Mike Thompson

In Attendance:

Steve Barrable (Hull & Co)
Derek Mitchell (The Kings Mill Partnership -
Auditors)

There were also 10 founder shareholders present

John McElarney introduced the Board and the professional advisors.

1 To approve the minutes of the Annual General Meeting held on 14th April 2005

That the minutes be approved:

Proposed by Mr Harrison (Flat 52)
Seconded by Mrs Welham (Flat 21)

Vote: Unanimous in favour

2 To receive and adopt the Directors' Report and Accounts for the year ended 31st March 2005

That the Directors' Report and Accounts be adopted:

Proposed by Mr Harrison (Flat 52)
Seconded by Griff Griffith (Flat 105)

Vote: Unanimous in favour

3 To receive and adopt the Directors' Report and Accounts for the year ended 31st March 2006

The Board was asked to explain the rise in AGM costs from £45 in 2005 to £406 in 2006. Griff Griffith explained that in 2005 the Company had only one shareholder; by 2006 there were 116. This inevitably increased the costs of producing and distributing documentation and hiring the hall for the AGM.

That the Directors' Report and Accounts be adopted:

Proposed by Ms C Smith (Flat 12)
Seconded by Mr P Piper (Flat 42)

Vote: Unanimous in favour

4 To re-elect John McElarney as a Director of the Company

Mrs. Lucas (Flat 3) opposed John McElarney's re-election because she considered that as Mr McElarney was a member of the Boards of both Queenswood Gardens Management Association Limited and Queenswood Gardens Limited, there was a conflict of interest.

Griff Griffith advised that he had taken independent legal advice from a barrister specialising in company law recommended by the Institute of Directors on this very point. The barrister's view was that, far from there being a conflict of interest, it was considered to be in the best interests of the Estate that the two companies have common directors, as they do not compete in any way but are complementary in nature.

Mrs. Lucas advised that she was unable to take independent legal advice and took Griff Griffith to task for spending the Company's income on solicitors – Griff Griffith advised that he had paid the legal fees personally and the Company had not been involved. Derek Mitchell said the situation of having the same Directors on both companies' boards existed successfully on many other Estates. Mrs. Lucas maintained that shareholders had no redress and were unable to gain an independent opinion.

Mrs Smith (Flat 12) stated that the Company failed to reply to letters but many other shareholders did not agree and said that replies were always received.

John McElarney called for a vote of confidence in the Board. This was postponed temporarily. Mrs Smith (Flat 12) said that she had asked about an EGM to discuss perceived problems but was told that this was not possible. She then moved on to discuss the subject of television aerials. John McElarney advised that this project was still ongoing, and was dealt with by Queenswood Management Association Ltd, not Queenswood Gardens Ltd. Mrs. Smith stated that in her opinion, residents were never given any information.

John McElarney again called for a vote of confidence. Mr Harrison (Flat 52) said that a vote of confidence should be dealt with at the end of the Agenda. Mrs. Lucas (Flat 3) suggested that the six directors should split their activities, with three looking after each Company.

Mr Harrison stated that if the matter was of concern to shareholders then more would have attended the meeting. He requested that the vote on the election of John McElarney go ahead.

The vote was:

For: 15

Against: 1

Abstentions: 0

Vote: Majority in favour – John McElarney was re-elected as a Director

5 To re-elect Griff Griffith as a Director of the Company

For: 15

Against: 1

Abstentions: 0

Vote: Majority in favour – Griff Griffith was re-elected as a Director

6 To elect Mike Thompson as a Director of the Company

John McElarney explained who Mike Thompson was and, as there was apparently no conflict of interests in this case, the vote went ahead without comment.

Vote: Unanimous in favour – Mike Thompson was elected as a Director

7 To re-appoint the Kings Mill Partnership as Auditors to the Company and to authorise the Directors to fix the remuneration of the Auditors

Mr Peters (Flat 86) suggested that an auditor closer to Queenswood Gardens should be used in future. It was explained that with e-mail and phone communications, the location of the auditor was of secondary importance to the working relationship between the auditor and the board.

For: 15

Against: 1

Abstentions: 0

Vote: Majority in favour – the Kings Mill Partnership reappointed as Auditors and Directors of Queenswood Gardens Ltd authorised to fix the remuneration of said Auditors.

8 Any Other Business

Shareholders Loan Agreements

Griff Griffith advised the shareholders present that he had uncovered a number of potential problems for present and future Founder shareholders with the original Shareholders' Loan Agreements. Of the 116 Shareholders Loan Agreements, 31 (26%) were missing. There were 4 agreements for people who are not shareholders of the Company. The existing loan agreements were incomplete as the final amount of the loan was not known at the time they were printed and could not be filled in at that time, and they were also unsigned by the Company and the original directors.. It would not be possible for the agreements to be fully signed now as some directors had left the estate and their whereabouts was not known, and most of the other directors were no longer on the board.

Griff Griffith also advised that the wording on the agreement was ambiguous, as there was nothing in it to say what happens to the loan when a share is transferred to a new lessee. If the loan stays with the original shareholder then there might be problems with subsequent transfers. The administration necessary to keep track of the original

shareholder would be a nightmare. Alternatively, the loan agreements could be 'sold' with the flat.

Griff Griffith made the point that ground rents are insufficient to run the Company meaning that in time, the reserves will be whittled away. Under the Leasehold Reform Act, when new lease extensions are granted, ground rent disappears.

This could lead to a problem with possible insolvency. To guard against this, the Directors needed to retain some of the proceeds of lease sales as a financial 'cushion' to cover this, but the agreement required that all the proceeds less direct expenses must be used to repay the loans. The Directors could not, by law, run the Company in such a way as to run it into the ground. But if monies were retained, the Board could be liable to legal action by shareholders.

A possible solution was that, if shareholders agreed, the existing agreement could be scrapped and replaced with a new one which would be legally correct, allow for the retention of some of the proceeds of lease sales to cover operating costs and tidy up some other anomalies in the original agreement.

Each shareholder would have to individually accept the new agreement. If they did not then they would not have a completed agreement. Also, if a shareholder did not accept a new agreement, then Ground Rent might have to be reinstated to off-set any higher loan payments paid to them.

In answer to a question, Griff Griffith advised that he couldn't say how long it would take for loans to be repaid but operating costs have to be covered first by law. If all the remaining flats requested a lease extension in the immediate future then there would be no problem as they are currently worth more than twice the Founder shareholders' loans.

Mrs. Lucas (Flat 3) congratulated Griff Griffith on a job well done and requested that the details should be circulated in writing to all shareholders. Griff Griffith agreed to do this.

Miss Johnston (Flat 109) asked how costs of lease extensions were calculated. Steve Barrable explained that the formula is laid down by legislation.

Mr Piper (Flat 42) said that because a loan repayment had already been made, it seemed that the agreements had been 'approved' in some way.

Griff Griffith explained the Company's running costs - directors' insurance, auditors fees, Companies House charges, Data Protection registration charges, printing, etc. He advised that annual costs were approximately £1,000 over the Company's current income. Miss Beasley (Flat 87) said that Ground Rents were very low and wondered if they could be raised. Griff Griffith said that this was not possible as the level of ground rent was specified in the lease.

At this point Mrs Lucas (Flat 3) thanked God for Griff Griffith.

Miss Beasley (Flat 87) said that the agreements were drafted at a traumatic time with big

personnel changes. Griff Griffith said that he had no intention of attempting to apportion blame of any kind – the discussion was about what to do now, and not about the past.

Mr Harrison (Flat 52) thought that the sooner things were in order the better for the shareholders and the Company. He asked if more residents could buy into Founder shareholding but Griff Griffith said that under the Company's Memorandum & Articles of Association this wasn't possible; purchasers of lease extensions can only become 'ordinary shareholders'. He said that the main thing was to have monetary reserves for the Company to avoid insolvency. Mrs Smith (Flat 12) agreed with this point.

Griff Griffith said that as the meeting seemed to be broadly in favour of the proposed approach, he would take it forward. He undertook to write to all Founder shareholders with details of what he had outlined to the meeting.

Mrs Lucas (Flat 3) asked that the minutes show her thanks to Griff Griffith for all his hard work

There being no other business, John McElarney closed the meeting.