

CMSE18 Management Co. Ltd
20 Lantern House
Connaught Mews
Woolwich
London
SE18 6SU



2 May 2008

Re: The Gym at Connaught Mews

Dear Fellow Freeholder/Director,

At the beginning of April I wrote to you regarding the gym, asking for your views and for you to vote on its future. The following is an analysis of the forms returned:

- 88% voted against holding an Extraordinary General Meeting
- 75% asked for their response to be included in the vote
- 65% voted in favour of proceeding with the sale of the gym
- 24% voted in favour of the money from the sale being distributed as dividend
- 82% voted in favour of the money from the sale being spent on a project
(Please note some voted for both a dividend and a project)

The debate about the future of the gym has generated a lot of comments, suggestions and questions. Rather than attempt to respond to these individually, these have been collated into the following "Questions and Answers".

I was greatly encouraged by the number of responses we received with nearly 70% of the forms sent out returned. I was however a little disappointed by some responses, particularly from some absentee landlords, who seem to have a scant knowledge of events of the last year on the Mews.

As you know the management team consists of a small group of 'First Directors' who work on a voluntary and unpaid basis for the benefit of the Mews as a whole. You may not be aware that we recently lost one First Director when Niki moved away from the Mews and when Sarah sells her flat, there will only be myself left. I am sure if you were to ask Niki or Sarah, they would tell you that the role of a First Director can be enjoyable, rewarding and even fun at times. However, unless other Directors step forward at the next AGM to help I will be

forced to resign. I am not prepared to shoulder the burden of managing the company alone.

However, it has to be said that the burden on the First Directors has been greatly diminished since we have appointed Redwood Estates to help us in the running of the estate. Not only have we seen a marked reduction in our workload, there has also been a definite improvement in the quality of the work being done and some very substantial savings have been made, which we hope will be reflected in the setting of future service charges.

Kind regards,

Richard Horner
Chairman of Connaught Mews SE18 Management Company Ltd

- 1 **Question:** When was the gym closed and why?
Answer: The gym was closed almost exactly a year ago in May 2007 following a Health, Safety and Fire inspection which highlighted significant risks.
- 2 **Question:** Will there be an Extraordinary General Meeting (EGM) to discuss the future of the gym?
Answer: No. There was an overwhelming vote against an EGM
- 3 **Question:** Will the results of the survey will be treated as a postal vote?
Answer: Yes. The vast majority of people asked for their responses to be treated as their postal vote.
- 4 **Question:** Are the majority in favour of selling the gym to Mr David Shaw?
Answer: Yes. 65% of Freeholders/Directors who responded were in favour of selling the gym.
- 5 **Question:** Were independent valuations of the gym sought?
Answer: Yes. We approached several estate agents, all of whom refused to value the room as it has no commercial value in its own right as a residential unit. Their advice, which we followed, was to approach a chartered surveyor.
- 6 **Question:** What was the Chartered Survey's advice?
Answer: His advice to calculate a sale price was to take the difference between a one and two bedroom property and deduct from that the costs of converting the gym.
- 7 **Question:** What were the results of your comparisons between the values

of one and two bedroom flats?

Answer. As I am sure you know there are no two flats the same on the mews, so it is not possible to make any direct comparisons. For example, a 2 bedroom basement flat is worth substantially less than a similar sized flat on the ground or first floor. Similarly it is not possible to make comparisons between flats on the same floor as each flat is unique.

8 **Question:** How was the value of £9,000 reached?

Answer. Estate agents were approached to value flat 3 Lantern House as it currently is and as it could be with the benefit of an additional bedroom once the gym was converted. From this valuation we deducted the cost of the conversion to give us the net increase in value.

9 **Question:** Why is the valuation so low?

Answer. Part of the problem is that the room is relatively small, has very little natural light, prone to damp and the windows would have to keep the metal bars already across them. Also the addition of any plumbing will be difficult (if not impossible) and connecting it to an adjacent flat will be problematic given the 2 foot thick partitioning wall. In short, the conversion costs are significant.

10 **Question:** Isn't £9,000 too low a price for a 2 bedroom flat?

Answer. The gym is one small room, not a two bedroom flat! The proposal is for David Shaw to purchase this one small room to convert his flat into a two bedroom flat.

11 **Question:** Were any alternative uses of the gym considered?

Answer. We canvassed residents widely and on several occasions. Although there were many good suggestions none of them were deemed to be very practical. This was because they would have incurred an increase in the service charges and would have required people to volunteer time. Overwhelming residents were against increasing the service charge and no one was willing to volunteer their time to administer any of the schemes.

12 **Question:** How have you communicated with residents about the gym?

Answer. We have used a wide variety of communication methods. Posters, letters to residents/freeholders, surveys, email, information on the Website, discussions at the last AGM and at all the subsequent management meetings.

12a **Question:** Why was I not informed about the problems with gym?

Answer. We have made every effort to inform people, including writing to landlords who are not resident on the Mews. However, some landlords do not make the effort to keep us informed of their contact details. It is not practical to write to everyone all the time and we rely on landlords to keep

an eye on what is happening on the Mews, either through their tenants, or via email or the Website.

- 14 **Question:** How can I ensure I am made aware of future important issues?
Answer: We make every effort to communicate in an open way, however communication is a two way process. The best way to keep abreast of events is to keep an eye on the news page of our website (www.connaughtmews.co.uk/news.shtml). This is a rich source of information and is updated at least once a week. Alternatively you can give us an email address that we can send regular newsletters to. Not everyone has access to a computer or email, so we also put copies of newsletters and important notices on the notice boards as well as the main entrances of each block. It is however not practical to mail copies of these notices and newsletters to absentee landlords.
- 15 **Question:** What are the next steps for selling the gym?
Answer: We will now need to involve solicitors to start the transfer process.
- 16 **Question:** Will the sale definitely go ahead?
Answer: We will start the process, but it is still possible that we may hit legal or planning issues that would prevent the sale completing.
- 17 **Question:** What will happen to the £9,000?
Answer: The majority of Freeholders/Directors voted in favour of spending the money on a project that will benefit all of the residents of Connaught Mews.
- 18 **Question:** How will a project be chosen?
Answer: The management team will decide on a suitable project taking on board the comments and views of the residents. Why not share your views with the management team? You can email them at CMSE18@hotmail.com, write to them at 20 Lantern House, or you could attend one of their quarterly meetings.
- 19 **Question:** Why isn't the money being used to pay off company debts?
Answer: The company no longer has a mortgage. The current management team have ensured that it was repaid a head of schedule during 2007 through the sale of freehold shares. This will help reduce the burden on the company going forward and relieve some pressure on the service charge. As the company has no loans, or other debts, it is entirely appropriate that the money is spent on a project to improve the Mews.
- 20 **Question:** Why don't we just keep the money for a future unplanned projects, or unforeseen expenses, or to be offset against future service charges?

Answer. The company is run on a non profit basis. If the money is not spent it will be seen as company profit and liable for corporation tax.

21 **Question:** Why is the management team rushing the decision on what to do with the gym?

Answer. The gym was closed in May 2007. After a year of consultation and debate we feel it timely to bring this matter to a close.

22 **Question:** Why not wait until the AGM to decide on the future of the gym?

Answer. The future of the gym was discussed at the last AGM and every management meeting since May 2007. Very few residents choose to attend these meetings, so the best way to seek a wide democratic view was to write to the Freeholders/Directors.

23 **Question:** Could the gym be left until other possibilities arise?

Answer. The management team have been actively pushing to find a practical use of the gym for the last year without success. It seems unlikely that circumstances will change in the foreseeable future and if the gym is not sold it will remain empty, which will benefit no one.

24 **Question:** Couldn't the gym be converted for use as storage?

Answer. This has been proposed a number of times, but residents are not willing to commit to an increase in service charge for conversion costs and residents are not willing to give up their time to administer such a scheme. In any event there would still be Health, Safety and Fire implications with such a scheme, as well as insurance, access and security considerations.

25 **Question:** Do the management team plan to sell off other assets?

Answer. There are no current plans to sell off other company assets.

26 **Question:** Are there plans to make better use of the office?

Answer. The company office at 20 Lantern House is much larger than the gym and not widely used. Even with the sale of the gym we still have the potential to better utilise this space. The office could be converted for the benefit of residents, but again we would have to carefully consider all the implications. We welcome your views and suggestions.

27 **Question:** Will my vote still count if I forgot to put my name, or flat number, or block, or to sign the form?

Answer. The results have been analysed including and excluding anonymous/unsigned returned forms. Including or excluding these forms made no difference to the overall majority vote, which was unanimous.