

Co.No 2844685

**FIRST RESIDENTIAL PROPERTIES III PLC**

**ACCOUNTS FOR THE PERIOD ENDED**

**30TH NOVEMBER, 1998**



## FIRST RESIDENTIAL PROPERTIES III PLC

DIRECTORS	R.J. Harding R.W. Devlin S.F. Ronaldson C.L. Powell D.N. Fell
SECRETARY	D.N. Fell
REGISTERED OFFICE	Audrey House, 16/20 Ely Place, London, EC1N 6SN.
REGISTERED NUMBER	2844685

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### 1998 REPORT AND ACCOUNTS

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	5	Statement of Total Recognised Gains and Losses
	6	Balance Sheet
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## FIRST RESIDENTIAL PROPERTIES III PLC

### DIRECTORS' REPORT

The Directors present their Report and the Accounts for the period ended 30th November, 1998.

#### PRINCIPAL ACTIVITY

The principal activity of the Company is that of property letting under assured tenancies.

#### BUSINESS REVIEW

A summary of the year's trading results is given on page 4 of the Accounts. The retained profit of £167,670 was transferred to reserves at the period end.

#### DIVIDENDS

The Directors do not recommend the payment of a dividend.

#### DIRECTORS

The Directors who served during the year and their beneficial interests, including family interests, in the ordinary share capital of the Company were as follows:

	<u>At 30th September, 1997</u> <u>and 30th November, 1998</u>
R.J. Harding	80,000
R.W. Devlin	10,000
S.F. Ronaldson	10,000
C.L. Powell	35,000
D.N. Fell	6,000

#### FIXED ASSETS

Details of movements in fixed assets are given in the Notes on the Accounts.

It has been the Company's accounting policy not to reflect the impact of any revaluation on the Company's property assets during the period when restrictions on sale imposed by the BES regulations applied. During the whole of that period property assets were regarded as fixed assets and were shown at cost. The Company is no longer restricted by the BES regulations and accordingly the Directors now consider it appropriate to comply with Statement of Standard Accounting Practice 19, and show investment properties at valuation. This represents a change in accounting policy and prior year figures are adjusted accordingly.

#### DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company at the end of the accounting year and of the profit or loss of the Company for the year. In preparing those accounts the Directors are required to:

- \* select suitable accounting policies and then apply them consistently;
- \* make judgements and estimates that are reasonable and prudent;
- \* state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts;
- \* prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FIRST RESIDENTIAL PROPERTIES III PLC

DIRECTORS' REPORT (CONTINUED)

**PAYMENT POLICY**

The Company does not follow any code or standard on payment practice.

With respect to all its suppliers the Company's policy is:

- \* to settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- \* to ensure that those suppliers are made aware of the terms of payment; and
- \* to abide by the terms of payment.

In respect of the period ended 30th November, 1998, the number of days which the trade creditors, at the balance sheet date, represented in relation to amounts invoiced by the Company's suppliers during the year was 9.

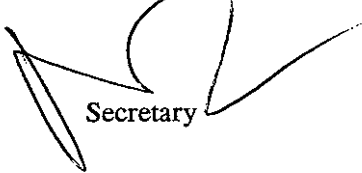
**AUDITORS**

A resolution for the re-appointment of the Auditors, Beavis Walker, will be proposed at the forthcoming Annual General Meeting.

**YEAR 2000 COMPUTER ISSUES**

The Directors have assessed the risks for the Company of the year 2000 problem. They have obtained assurances where appropriate from their suppliers of goods and services concerning the compliance of their systems and are satisfied that the problem has no significant implications for the Company. No material expenditure is therefore considered necessary in this regard.

BY ORDER OF THE BOARD



Secretary

AUDITORS REPORT TO THE MEMBERS OF

FIRST RESIDENTIAL PROPERTIES III PLC

We have audited the accounts on pages 4 to 12 which have been prepared on the historical cost basis as modified by the revaluation of investment properties and in accordance with the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

As described on page 1 the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination on a test basis of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**OPINION**

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 30th November, 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Beavis Walker

BEAVIS WALKER

Chartered Accountants  
Registered Auditor

Audrey House,  
16/20 Ely Place,  
London, EC1N 6SN.

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FIRST RESIDENTIAL PROPERTIES III PLC

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30TH NOVEMBER, 1998

		14 months ended 30th November, <u>1998</u> £	Year ended 30th September, <u>1997</u> £
	<u>Notes</u>		
TURNOVER from continuing activities	2	534,533	359,911
Cost of sales		<u>121,183</u>	<u>77,740</u>
GROSS PROFIT		413,350	282,171
Administrative expenses		<u>56,122</u>	<u>40,694</u>
OPERATING PROFIT on continuing activities	3	357,228	241,477
Interest payable	4	<u>144,714</u>	<u>75,076</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		212,514	166,401
TAX	5	<u>44,844</u>	<u>36,181</u>
PROFIT for the period/year		167,670	130,220
RETAINED PROFIT at 1st October, 1997		<u>291,396</u>	<u>161,176</u>
RETAINED PROFIT at 30th November, 1998		<u>£459,066</u>	<u>£291,396</u>

FIRST RESIDENTIAL PROPERTIES III PLC

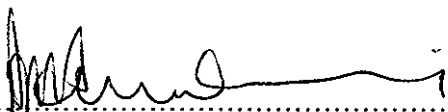
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 30TH NOVEMBER, 1998

	14 months ended 30th November,	Year ended 30th September, (As restated)
	<u>1998</u>	<u>1997</u>
	£	£
Retained profit for the period	167,670	130,220
Unrealised surplus on revaluation of freehold properties	1,388,109	528,911
Total recognised gains and losses for the period	<u>1,555,779</u>	<u>659,131</u>
Prior year adjustment (note 18)	528,911	-
Total recognised gains and losses since last annual report	<u>£2,084,690</u>	<u>£659,131</u>

FIRST RESIDENTIAL PROPERTIES III PLC

BALANCE SHEET AT 30TH NOVEMBER, 1998

	Notes	30th November, 1998	Restated 30th September, 1997
		£	£
<b>FIXED ASSETS</b>			
Tangible fixed assets	6	5,673,750	3,579,334
<b>CURRENT ASSETS</b>			
Debtors	7	10,014	11,549
Bank and cash in hand		-	50
		<u>10,014</u>	<u>11,599</u>
CREDITORS due within one year	8	303,427	171,707
<b>NET CURRENT LIABILITIES</b>		<u>(293,413)</u>	<u>(160,108)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,380,337	3,419,226
CREDITORS due after one year	9	1,330,648	925,316
<b>NET ASSETS</b>		<u>£4,049,689</u>	<u>£2,493,910</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	912,001	912,001
Share premium account	11	761,602	761,602
Revaluation reserve	12	1,917,020	528,911
Profit and loss account		459,066	291,396
<b>SHAREHOLDERS' FUNDS - Equity interests</b>		<u>£4,049,689</u>	<u>£2,493,910</u>

..........Director

Approved by the Board on 29th January 1999

# FIRST RESIDENTIAL PROPERTIES III PLC

## CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH NOVEMBER, 1998

	Notes	14 months ended 30th November, <u>1998</u> £	Year ended 30th September, <u>1997</u> £
<b>CASH FLOW STATEMENT</b>			
Net cash inflow from operating activities		405,309	273,631
Returns on investments and servicing of finance	16	(118,344)	(75,808)
Taxation		(36,555)	(30,182)
Capital expenditure	16	(743,431)	(384,632)
Financing	16	446,048	217,147
(Decrease)/increase in cash		<u>£(46,973)</u>	<u>£156</u>

### Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	357,228	241,477
Depreciation charges	35,552	32,093
Loss on disposal of fixed assets	1,572	-
Decrease/(increase) in debtors	1,535	(195)
Increase in creditors	9,422	256
Net cash inflow from operating activities	<u>£405,309</u>	<u>£273,631</u>

### Reconciliation of net cash flow to movement in net debt (note 17)

	£	<u>1998</u>	£	£	<u>1997</u>	£
(Decrease)/increase in cash in the year	(46,973)			156		
Repayment of bank loans	119,623			232,853		
Bank loans obtained	(565,671)			(450,000)		
Change in net debt		(493,021)			(216,991)	
Net debt at 1st October, 1997		<u>(1,044,889)</u>			<u>(827,898)</u>	
Net debt at 30th November, 1998		<u>£(1,537,910)</u>			<u>£(1,044,889)</u>	

## FIRST RESIDENTIAL PROPERTIES III PLC

### NOTES ON THE ACCOUNTS

#### 1. ACCOUNTING POLICIES

##### a) Basis of accounting

The accounts have been prepared on the historical cost basis as modified by the revaluation of investment properties, and in accordance with applicable accounting standards.

##### b) Turnover

Turnover represents gross income receivable from rental properties.

##### c) Depreciation

Except as noted in d) below, depreciation is provided on tangible fixed assets in order to write off their costs over their expected useful lives at the following annual rates:

Fixtures and fittings - 25 % on written down value

##### d) Freehold properties

Properties held for investment are included in the balance sheet at professional valuations at 30th November, 1998. The valuations, at open market value, with existing tenancies were carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. In accordance with SSAP 19 (revised) surpluses and deficits on revaluation are adopted in the accounts and taken to the investment revaluation reserve, with the exception of deficits on individual properties which are considered permanent. Provisions for permanent diminution in value are taken to the profit and loss account as an exceptional item. The adoption of the revised SSAP 19 represents a change in accounting policy. Comparative figures have been restated on the same basis.

##### e) Deferred tax

Deferred tax is provided using the liability method in respect of timing differences which are expected to reverse in the foreseeable future without replacement. In the opinion of the Directors, there is no liability to deferred tax. No provision is made for deferred tax arising on the revaluation of investment properties as there is no intention to dispose of any property and hence no liability is expected to crystallise in the foreseeable future. The total potential liability for deferred tax on revalued properties is given in note 6.

#### 2. TURNOVER

Turnover is attributable to the Company's principal activity and arose in the U.K.

	14 months to 30th November, 1998 £	Year to 30th September, 1997 £
3. OPERATING PROFIT		
Stated after charging:		
Auditors' remuneration	- Audit work 2,950	2,938
	- Non-audit work 226	87
Depreciation	35,552	32,093
	<hr/>	<hr/>
4. INTEREST PAYABLE		
On bank overdraft	5,908	1,110
On bank loan - repayable after five years by instalments	138,806	73,966
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	£144,714	£75,076
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# FIRST RESIDENTIAL PROPERTIES III PLC

## NOTES ON THE ACCOUNTS (CONTINUED)

	14 months ended 30th November, 1998 £	Year ended 30th September, 1997 £
5. TAX		
Corporation tax at 21 % (1997 - 21 %/24 %) on the adjusted profit for the period	45,288	37,000
Prior year adjustment	(444)	(819)
	<u>£44,844</u>	<u>£36,181</u>

6. TANGIBLE FIXED ASSETS	Freehold Properties £	Fixtures, fittings and equipment £	Total £
Cost or valuation:			
At 1st October, 1997 (restated)	3,483,250	239,480	3,722,730
Additions	702,391	41,040	743,431
Revaluation	1,388,109	-	1,388,109
Disposals	-	(1,572)	(1,572)
At 30th November, 1998	<u>5,573,750</u>	<u>278,948</u>	<u>5,852,698</u>
Depreciation			
At 1st October, 1997	-	143,396	143,396
Charge for period	-	35,552	35,552
At 30th November, 1998	<u>-</u>	<u>178,948</u>	<u>178,948</u>
Written down value			
At 30th November, 1998	<u>£5,573,750</u>	<u>£100,000</u>	<u>£5,673,750</u>
At 30th September, 1997 (restated)	<u>£3,483,250</u>	<u>£96,084</u>	<u>£3,579,334</u>

The historical cost of freehold properties, included above at a valuation of £5,573,750 was £3,656,730 (1997 - £2,954,339). All properties were valued at 30th November, 1998 by Marsh & Parsons, Chartered Surveyors. The total potential unprovided deferred tax liability in respect of revalued properties is approximately £414,000.

	30th November, 1998 £	30th September, 1997 £
7. DEBTORS		
Trade debtors	-	1,974
Prepayments and accrued income	10,014	9,575
	<u>£10,014</u>	<u>£11,549</u>

FIRST RESIDENTIAL PROPERTIES III PLC

NOTES ON THE ACCOUNTS (CONTINUED)

	30th November, 1998	30th September, 1997
8. CREDITORS DUE WITHIN ONE YEAR		
Trade creditors	2,850	2,182
Accruals and deferred income	48,026	12,515
Other creditors	-	387
Bank loan and overdraft (note 14)	207,262	119,623
Corporation tax	45,289	37,000
	<u>£303,427</u>	<u>£171,707</u>
9. CREDITORS DUE AFTER ONE YEAR		
Bank loans (note 14)	<u>£1,330,648</u>	<u>£925,316</u>
10. CALLED UP SHARE CAPITAL		
Authorised	£	£
5,000,000 Ordinary shares of 50p each	2,500,000	2,500,000
100 A Ordinary shares of 50p each	50	50
	<u>£2,500,050</u>	<u>£2,500,050</u>
Allotted, issued and fully paid		
1,824,002 Ordinary shares of 50p each	<u>£912,001</u>	<u>£912,001</u>
11. SHARE PREMIUM ACCOUNT		
At 1st October, 1997 and 30th November, 1998	<u>£761,602</u>	<u>£761,602</u>
12. INVESTMENT REVALUATION RESERVE	£	£
At 1st October, 1997	528,911	-
Restatement of 1997 figures (see note 1(d))	-	528,911
Revaluation in year	<u>1,388,109</u>	<u>-</u>
At 30th November, 1998	<u>£1,917,020</u>	<u>£528,911</u>
13. TRANSACTIONS WITH DIRECTORS		
a) FRP Investments Limited, a company in which D.N. Fell, C.L. Powell, S.F. Ronaldson, R.W. Devlin and R.J. Harding are interested as shareholders and Directors, is entitled to subscribe for the 100 A Ordinary shares until 31st December, 1999. These shares would entitle the holder to receive 25% of the excess realisable value of the Company above 135% of funds raised by the share issue. FRP Investments Limited exercised its right to subscribe for the A Ordinary shares, after the balance sheet date.		
b) The Company paid commissions totalling £88,179 (1997 - £54,602) to a company controlled by D.N. Fell relating to management of properties and their purchases.		
c) The Company purchased services totalling £4,777 (1997 - £3,630) from Ronaldsons solicitors, in which firm S.F. Ronaldson, a director of the Company, is a partner.		

# FIRST RESIDENTIAL PROPERTIES III PLC

## NOTES ON THE ACCOUNTS (CONTINUED)

14. BANK LOANS AND OVERDRAFT	30th November, 1998 £	30th September, 1997 £
Due within one year:		
Bank overdraft	91,742	44,819
Bank loans	115,520	74,804
	<u>207,262</u>	<u>119,623</u>
Bank loans:		
Due between one and two years	115,520	74,804
Due between two and five years	346,560	224,412
Due after five years	868,568	626,100
	<u>£1,537,910</u>	<u>£1,044,939</u>

One bank loan is repayable over 15 years by quarterly instalments of £20,845 and interest is charged at 1.75% percent above base rate per annum. A second bank loan is repayable over 15 years by quarterly instalments of £8,035 and interest is payable at a fixed rate of 9.07% per annum for 3 years from the date of draw down and 7.32% per annum thereafter. The loans are secured over 19 properties of the Company which are shown in the accounts at a valuation of £4,172,750.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	14 months ended 30th November, 1998 £	Restated Year to 30th September, 1997 £
Profit for the period	167,670	130,220
Revaluation surplus (note 12)	1,388,109	528,911
Shareholders' funds at 1st October, 1997 (restated) (originally £1,964,999 before prior year adjustment of £528,911)(note 18)	<u>2,493,910</u>	<u>1,834,779</u>
Shareholders' funds at 30th November, 1998	<u>£4,049,689</u>	<u>£2,493,910</u>
16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT		
Returns on investments and servicing of finance		
Interest paid	<u>£(118,344)</u>	<u>£(75,808)</u>
Capital Expenditure		
Payments to acquire tangible fixed assets	<u>£(743,431)</u>	<u>£(384,632)</u>
Financing		
Bank loans obtained	565,671	450,000
Repayment of bank loans	(119,623)	(232,853)
	<u>£446,048</u>	<u>£217,147</u>

# FIRST RESIDENTIAL PROPERTIES III PLC

## NOTES ON THE ACCOUNTS (CONTINUED)

### 17. ANALYSIS OF CHANGES IN NET DEBT

	1st October, 1997	Cash flows	Other changes	At 30th November, 1998
	£	£	£	£
Cash in hand, at bank	50	(50)		-
Overdrafts	(44,819)	(46,923)		(91,742)
	<u>(44,769)</u>	<u>(46,973)</u>		<u>(91,742)</u>
Debt due within 1 year	(74,804)	119,623	(160,339)	(115,520)
Debt due after 1 year	(925,316)	(565,671)	160,339	(1,330,648)
	<u>(1,000,120)</u>	<u>(446,048)</u>	<u>(44,000)</u>	<u>(1,486,168)</u>
TOTAL	<u>£(1,044,889)</u>	<u>£(493,021)</u>	<u>£ -</u>	<u>£(1,537,910)</u>

### 18. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the revaluation of freehold properties from historical cost (note 12). The change in policy relating to the valuation of freehold properties has no effect on the profit for the year (1997 - £Nil).

### 19. POST BALANCE SHEET EVENT

After the year-end FRP Investments Limited subscribed at par for 100 A Ordinary shares of 50p each pursuant to the agreement described in note 13(a).