

FIRST RESIDENTIAL PROPERTIES III PLC

G. No 2844685

1996 REPORT AND ACCOUNTS



BEAVIS WALKER

Chartered Accountants

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

1996 REPORT AND ACCOUNTS

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FIRST RESIDENTIAL PROPERTIES III PLC

DIRECTORS' REPORT

The Directors present their Report and the Accounts for the year ended 30th September, 1996.

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 £92,920 was transferred to reserves at the year 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:

	At 30th September, <u>1995 and 1996</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.

The Company purchased one property comprising three residential units during the year for £190,585 and carried out refurbishment work totalling £988 on existing properties. In their statement of Valuation Practice Number 23, the Royal Institution of Chartered Surveyors set out a recommended valuation practice for investment properties under assured tenancies. Consideration has been given by the Board and the auditors as to whether the Company's property assets are fixed assets or investment properties and the appropriate valuation basis for adoption in the accounts.

Taking into account the restrictions imposed by the BES regulations on the ability to sell the property, the Directors have concluded, in conjunction with the auditors, that it is most appropriate to regard the Company's assets as fixed assets and not as investment properties; therefore Statement of Valuation Practice Number 23 does not apply to our properties.

Accordingly, the properties are stated at cost at 30th September, 1996. The Directors consider that cost equates to the open market value of the properties assuming vacant possession.

FIRST RESIDENTIAL PROPERTIES III PLC

DIRECTORS' REPORT (CONTINUED)

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.

PAYMENT POLICY

The Company does not follow any code or standard on payment practice. Generally the Company intends to settle all invoices from suppliers in the month following the month of their receipt.

AUDITORS

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

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 11 which have been prepared on the historical cost basis and in accordance with the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 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 September, 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BEAVIS WALKER

Chartered Accountants
Registered Auditor

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

20/1/97

FIRST RESIDENTIAL PROPERTIES III PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 1996

	<u>Notes</u>	£	<u>1996</u>	£	£	<u>1995</u>	£
TURNOVER from continuing activities	2		314,940			282,753	
Cost of sales			77,190			67,708	
GROSS PROFIT			237,750			215,045	
Other operating income	3		-			810	
			237,750			215,855	
Administrative expenses			52,307			53,160	
OPERATING PROFIT on continuing activities	3		185,443			162,695	
Interest receivable	4	-			17		
Interest payable	5	(62,392)			(65,466)		
			(62,392)			(65,449)	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX			123,051			97,246	
TAX	6		30,131			28,500	
PROFIT for the year			92,920			68,746	
RETAINED PROFIT/(DEFICIT) at 1st October, 1995			68,256			(490)	
RETAINED PROFIT at 30th September, 1996 - Equity shareholders			£161,176			£68,256	

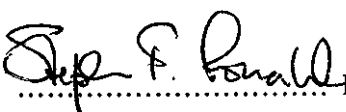
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The loss on ordinary activities, after taxation, as stated above, recognises all gains and losses for the year, as defined by Financial Reporting Standard No. 3.

FIRST RESIDENTIAL PROPERTIES III PLC

BALANCE SHEET AT 30TH SEPTEMBER, 1996

	Notes	£	1996 £	£	1995 £
FIXED ASSETS					
Tangible fixed assets	7		2,697,884		2,536,367
CURRENT ASSETS					
Debtors	8	11,562		5,349	
Bank and cash in hand		50		685	
		<u>11,612</u>		<u>6,034</u>	
CREDITORS due within one year	9	180,092		100,373	
NET CURRENT LIABILITIES			<u>(168,480)</u>		<u>(94,339)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,529,404		2,442,028
CREDITORS due after one year	10		694,625		700,169
			<u>£1,834,779</u>		<u>£1,741,859</u>
CAPITAL AND RESERVES					
Called up share capital	11		912,001		912,001
Share premium account	12		761,602		761,602
Profit and loss account			161,176		68,256
SHAREHOLDERS' FUNDS - Equity interests			<u>£1,834,779</u>		<u>£1,741,859</u>

 Director

Approved by the Board on 16.01.97

FIRST RESIDENTIAL PROPERTIES III PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	1	207,148	211,495
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		-	17
Interest paid		(62,009)	(65,429)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(62,009)	(65,412)
TAX			
Corporation tax paid		(27,631)	(11,400)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(192,453)	(331,575)
Proceeds from sale of furniture		-	1,048
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(192,453)	(330,527)
NET CASH OUTFLOW BEFORE FINANCING		(74,945)	(195,844)
FINANCING			
Bank loans	4	962,124	812,000
Repayment of bank loans	4	(932,789)	(58,362)
NET CASH INFLOW FROM FINANCING		29,335	753,638
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	2	£(45,610)	£557,794

FIRST RESIDENTIAL PROPERTIES III PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 1996

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1996</u>	<u>1995</u>
	£	£
Operating profit	185,443	162,695
Depreciation	31,314	41,330
Profit on disposal of fixed assets	-	(72)
(Increase)/decrease in debtors	(6,005)	526
(Decrease)/increase in creditors	(3,604)	7,016
Net cash inflow from operating activities	<u>£207,148</u>	<u>£211,495</u>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD

Balance at 1st October, 1995	685	(557,109)
Net cash (outflow)/inflow	(45,610)	557,794
Balance at 30th September, 1996	<u>£(44,925)</u>	<u>£685</u>

3. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	<u>Balance at</u> <u>30th September,</u>		<u>Change in year</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£	£	£	£
Bank balances and cash	50	685	(635)	685
Bank overdraft	(44,975)	-	(44,975)	557,109
	<u>£(44,925)</u>	<u>£685</u>	<u>£(45,610)</u>	<u>£557,794</u>

4. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<u>Share capital</u> <u>(including premium)</u>		<u>Bank loans</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Balance at 1st October, 1995	1,673,603	1,673,603	753,638	-
Bank loans obtained	-	-	962,124	812,000
Repayment of bank loans	-	-	(932,789)	(58,362)
Balance at 30th September, 1996	<u>£1,673,603</u>	<u>£1,673,603</u>	<u>£782,973</u>	<u>£753,638</u>

During the year the Company refinanced its loans.

NOTES ON THE ACCOUNTS

a) **Basis of accounting**
The accounts have been prepared on the historical cost basis, and in accordance with applicable accounting standards.

Turnover represents gross income receivable from rental properties.

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

Freehold properties are stated at cost rather than at open market value on the basis of the assured tenancies as required by Statement of Standard Accounting Practice Number 19. In view of the nature of the property the Directors do not consider it appropriate to value the properties on this basis, since they are not currently available for sale. The Directors consider the treatment adopted gives a true and fair view.

Cost includes incidental costs of acquisition. Such costs comprise legal fees and fees paid for locating, analysing and negotiating property purchases.

No depreciation is provided in respect of freehold properties since they are maintained to a high standard and their residual values, based on prices prevailing at the date of acquisition, are so high that depreciation is insignificant.

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.

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

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FIRST RESIDENTIAL PROPERTIES III PLC

NOTES ON THE ACCOUNTS (CONTINUED)

5.	INTEREST PAYABLE		<u>1996</u>	<u>1995</u>
			£	£
	On bank overdraft		1,056	22,692
	On bank loan - repayable after five years by instalments		61,336	42,774
			<u>£62,392</u>	<u>£65,466</u>
6.	TAX			
	Corporation tax at 25% on the adjusted profit for the year		31,000	28,500
	Prior year adjustment		(869)	-
			<u>£30,131</u>	<u>£28,500</u>
7.	TANGIBLE FIXED ASSETS			
		Freehold Properties	Fixtures, fittings and equipment	Total
		£	£	£
	COST			
	At 1st October, 1995	2,412,377	203,979	2,616,356
	Additions	191,573	1,258	192,831
		<u>2,603,950</u>	<u>205,237</u>	<u>2,809,187</u>
	At 30th September, 1996			
	DEPRECIATION			
	At 1st October, 1995	-	79,989	79,989
	Charge for year	-	31,314	31,314
		<u>-</u>	<u>111,303</u>	<u>111,303</u>
	At 30th September, 1996			
	WRITTEN DOWN VALUE			
	At 30th September, 1996	£2,603,950	£93,934	£2,697,884
		<u>£2,412,377</u>	<u>£123,990</u>	<u>£2,536,367</u>
	At 30th September, 1995			
8.	DEBTORS		<u>1996</u>	<u>1995</u>
			£	£
	Trade debtors		2,218	1,590
	Prepayments and accrued income		9,344	3,225
	Other debtors		-	534
			<u>£11,562</u>	<u>£5,349</u>

FIRST RESIDENTIAL PROPERTIES III PLC

NOTES ON THE ACCOUNTS (CONTINUED)

	<u>1996</u>	<u>1995</u>
9. CREDITORS DUE WITHIN ONE YEAR	£	£
Trade creditors	217	129
Accruals and deferred income	15,165	17,689
Other creditors	387	586
Bank loan and overdraft (note 14)	133,323	53,469
Corporation tax	31,000	28,500
	<u>£180,092</u>	<u>£100,373</u>
10. CREDITORS DUE AFTER ONE YEAR		
Bank loan (note 14)	<u>£694,625</u>	<u>£700,169</u>
11. CALLED UP SHARE CAPITAL	<u>1996</u>	<u>1995</u>
Authorised	£	£
5,000,000 Ordinary shares of 50p each	5,000,000	5,000,000
100 A Ordinary shares of 50p each	100	100
	<u>£5,000,100</u>	<u>£5,000,100</u>
Allotted, issued and fully paid		
1,824,002 Ordinary shares of 50p each	<u>£912,001</u>	<u>£912,001</u>
12. SHARE PREMIUM ACCOUNT		
At 1st October, 1995 and 30th September, 1996		<u>£761,602</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, 1998. 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.		
b) The Company paid commissions totalling £48,222 (1995 - £42,932) to a company controlled by D.N. Fell relating to management of properties and their purchases.		
c) The Company purchased services totalling £6,094 (1995 - £2,585) 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	1996 £	1995 £
Due within one year:		
Bank overdraft	44,975	-
Bank loan	88,348	53,469
	<hr/>	<hr/>
	133,323	53,469
Bank loan:		
Due between one and two years	88,348	53,468
Due between two and five years	265,044	160,404
Due after five years	341,233	486,297
	<hr/>	<hr/>
	£827,948	£753,638
	<hr/>	<hr/>

The bank loan is repayable over 15 years by quarterly instalments of £22,087 and interest is charged at 2.25 percent above base rate per annum. A new facility of £1.25 million was negotiated after the year end. The loan is secured over 15 properties of the Company which are shown in the accounts at a cost of £1,890,776.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS		
Profit for the year	92,920	68,746
Shareholders funds at 1st October, 1995	1,741,859	1,673,113
	<hr/>	<hr/>
Shareholders funds at 30th September, 1996	£1,834,779	£1,741,859
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16. CAPITAL COMMITMENTS
- The Company had committed but not yet contracted for the refurbishment of 101 Coningham Road. The value of the contract is £73,000.