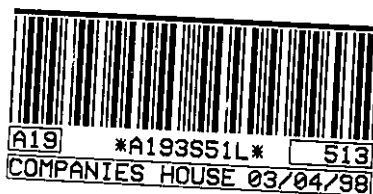


THE PARAGON MANAGEMENT COMPANY LIMITED

DIRECTOR'S REPORT
ACCOUNTS
&
REVIEW OF ACTIVITIES
FOR THE YEAR ENDED
31ST DECEMBER
1997



THE PARAGON MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT

REVIEW OF THE BUSINESS

The Company's only activity is that of the management of The Paragon, Blackheath, London SE3.

DIRECTORS' SHAREHOLDINGS

The Directors during the year and their interests in the share capital of the Company were as follows:

| | | | Ordinary shares of £25 each | |
|------------------|--------------------|-----------|-----------------------------|------|
| | | | 1997 | 1996 |
| M.F. Ansell | (resigned in year) | (jointly) | 1 | 1 |
| Miss H.A. Croome | | | 1 | 1 |
| G.A. Greaves | | | 2 | 2 |
| J.S. Harman | | (jointly) | 2 | 2 |
| J.H. Measures | | | 2 | 2 |
| Miss D. Thompson | | | 1 | 1 |
| F.G. Woodgate | | (jointly) | 1 | 1 |

DIRECTORS' INTERESTS

No Director has any beneficial interest in any contract to which the Company was a party during the year.

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to consider that the Company will continue in business.

The Directors are 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the Company's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


AUDITORS

The Companies Act 1985 (Audit Exemption) Regulations permitted smaller companies to opt not to have annual accounts formally audited and the Board has resolved to present the accounts unaudited.

RETIREMENT OF DIRECTORS

J.S. Harman and Miss D. Thompson retire by rotation and have offered themselves for election.

BY ORDER OF THE BOARD



John H Measures
Secretary

Flat 3
14 The Paragon
Blackheath
London SE3 OPA

1 February 1998

THE PARAGON MANAGEMENT COMPANY LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

| | | 1997 | | 1996 | |
|--|-------------------------------|---------------|---|---------------|---|
| | | £ | £ | £ | £ |
| INCOME | | | | | |
| Service charges receivable | | 29,832 | | 25,477 | |
| Building Society and Bank interest received (net of tax) | | 641 | | 383 | |
| Donation | | 2,250 | | - | |
| Charges on overdue accounts | | 442 | | 528 | |
| | | <u>33,165</u> | | <u>26,388</u> | |
| <u>LESS EXPENDITURE</u> | | | | | |
| Garden maintenance | - Contract with Emery | 7,446 | | 7,230 | |
| | - Contract with Wyllie | 2,685 | | 2,020 | |
| | - Casual wages | 703 | | 950 | |
| | - Additional lawn expenditure | 607 | | 352 | |
| | - Additional tree expenditure | 1,145 | | - | |
| | - Water rates | 168 | | 160 | |
| | - Plants and materials | 469 | | 374 | |
| | | <u>13,223</u> | | <u>11,086</u> | |
| Window & staircase cleaning | | 7,222 | | 6,981 | |
| Handyman wages | | 1,738 | | 1,688 | |
| General maintenance | - Walls and fences | (2,500) | | 182 | |
| | - Gutter clearance | 280 | | 70 | |
| | - Drains clearance | 580 | | 580 | |
| | - Pavement and road | 10,000 | | 2,589 | |
| | - Barrier | 1,146 | | - | |
| Printing, postage & stationery | | 359 | | 352 | |
| Insurance | | 287 | | 284 | |
| Bank charges | | 60 | | 86 | |
| Accountancy | | 900 | | 1,534 | |
| | | <u>900</u> | | <u>1,534</u> | |
| Excess of Income over Expenditure | | (33,295) | | (25,432) | |
| | | (130) | | 956 | |
| Balance brought forward | | 1,319 | | 363 | |
| BALANCE CARRIED FORWARD | | <u>1,189</u> | | <u>1,319</u> | |

THE PARAGON MANAGEMENT COMPANY LIMITED
BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 1997

| | | 1997 | 1996 |
|--|--------------|---------------|---------------|
| | <u>Notes</u> | £ | £ |
| CURRENT ASSETS | | | |
| Stock | | 800 | 71 |
| Debtors | 2 | 644 | 1,574 |
| Cash in hand | | 4 | 4 |
| Building Society accounts | | 85,776 | 79,603 |
| Cash at Bank - current account | | 1,658 | 2,311 |
| | | <u>88,882</u> | <u>83,563</u> |
| CREDITORS | | | |
| Amounts due within one year | 3 | (23,121) | (13,665) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>65,761</u> | <u>69,898</u> |
| CAPITAL AND RESERVES | | | |
| Share Capital | 4 | 2,025 | 2,025 |
| Revenue Account | | 1,189 | 1,319 |
| Painting & Repair Fund | 5 | 62,547 | 66,554 |
| | | <u>65,761</u> | <u>69,898</u> |

In preparing these accounts advantage has been taken of the special exemptions applicable to small companies provided by Part I of Schedule 8 of the Companies Act 1985.

The Directors hereby confirm as follows:

That for the year ended 31 December 1997 the Company was entitled to exemption from the requirement for audit under subsection (1) of section 249A Companies Act 1985; and

That no notice requiring an audit has been deposited with the Company under subsection (2) of section 249B Companies Act 1985 in relation to its accounts for the year ended 31 December 1997.

The Directors acknowledge their responsibilities for ensuring that the Company keeps accounting records which comply with section 221 Companies Act 1985 and for preparing accounts which give a true and fair view of the state of affairs of the Companies at the end of the financial year and of its profit and loss for the financial year and which otherwise comply with the requirements of the Companies Act 1985 so far as they are applicable to the Company.

Directors

Approved on 1 February 1998

THE PARAGON MANAGEMENT COMPANY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

1 ACCOUNTING POLICIES

- a. These accounts have been prepared under the historic cost convention.
- b. Staircase lighting charges are only payable by the Company on behalf of certain Houses. With effect from 1 January 1996 these amounts have been charged to the respective Houses annually in arrears and are not shown as passing through the profit and loss account.
- c. Interest from Banks and Building Societies is recognised in these accounts in the year in which it is credited to the appropriate Bank or Building Society account. In certain instances the Company will collect money on behalf of a House and place it on deposit before paying out the money to third parties on behalf of the House. Where the amount deposited is substantial, the Company will make an allowance to the House. Interest due to the House is accrued if such a deposit is held over the year end.
- d. Stock at the year end comprises curved glass, which is valued at cost.

2 DEBTORS

| | 1997 | 1996 |
|--|------------|--------------|
| | £ | £ |
| <u>Amounts due within one year</u> | | |
| Service and Painting & Repair Fund charges | 182 | 986 |
| Reclaimable repairs | 138 | 334 |
| Due from Leaseholders in respect of staircase lighting | 324 | 254 |
| | <u>644</u> | <u>1,574</u> |

| | 1997 | 1996 |
|------------------------|------------|------------|
| | £ | £ |
| 5/9 McLeod-Mackenzie | - | 812 |
| 2/12 Patsalou and Wood | - | 174 |
| 5/13 Roe | 182 | - |
| | <u>182</u> | <u>986</u> |

THE PARAGON MANAGEMENT COMPANY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

3 CREDITIORS

| | 1997 | 1996 |
|--|---------------|---------------|
| | £ | £ |
| <u>Amounts due within one year:</u> | | |
| Corporation tax | 1,829 | 2,429 |
| Garden wages and accrued expenses | 1,338 | 1,263 |
| Cleaning wages | 456 | 407 |
| General maintenance - repairs to pavement and road | 16,000 | 6,000 |
| Gas lighting | 400 | 400 |
| Handyman wages | 139 | 135 |
| Legal expenses | 41 | 41 |
| Other expenses | 100 | - |
| | <u>20,303</u> | <u>10,675</u> |
| <u>Amounts recoverable by Leaseholders from Company:</u> | | |
| Staircase cleaning | - | 100 |
| <u>Amounts collected in advance from Leaseholders for:</u> | | |
| Repairs | <u>2,818</u> | <u>2,890</u> |
| | <u>23,121</u> | <u>13,665</u> |

4 SHARE CAPITAL

| | 1997 | 1996 |
|--|--------------|--------------|
| | £ | £ |
| Authorised: 100 Ordinary shares of £1 each | <u>2,500</u> | <u>2,500</u> |
| Allotted, issued and fully paid | | |
| 81 Ordinary shares of £25 each | <u>2,025</u> | <u>2,025</u> |

5 PAINTING AND REPAIR FUND

| | 1997 | 1996 |
|--|-----------------|---------------|
| | £ | £ |
| Balance on Fund at 1 January 1997 | 66,554 | 141,058 |
| <u>Less</u> amounts returned to Leaseholders in year | <u>(18,576)</u> | <u>-</u> |
| | 47,978 | 141,058 |
| <u>Less</u> expenditure in year: | | |
| Surveyor's fees (Stephenson Partnership) | (1,005) | (11,091) |
| Main painting contract (Bradford Watts Ltd) | (33,758) | (113,663) |
| Glass reimbursed/paid for | 391 | (848) |
| | <u>13,606</u> | <u>15,456</u> |
| Amounts charged to Leaseholders in year | 43,090 | 44,098 |
| Building Society interest received (net of tax) | 5,851 | 7,000 |
| Balance on Fund at 31 December 1997 | <u>62,547</u> | <u>66,554</u> |

THE PARAGON MANAGEMENT COMPANY LIMITED
REVIEW OF ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 1997

ADMINISTRATION

At the year end came the sad news of the death of Douglas Foster. As Secretary of the Company for its first three years and then as Chairman for a further eight, Douglas was responsible for the foundation of an organisation which has served Leaseholders extremely well. We are grateful for all he did and our deepest sympathies go to Daphne and their children.

In February the exterior of The Paragon was used for a film to promote the sale of Rover cars in Germany. A donation of £2,250 was received for this. In August a considerably larger sum was offered by the BBC to film part of an episode of "Our Mutual Friend". Only a fortnight's notice of the date of the proposed filming was given. As this came so soon after the earlier film and at a time when many Leaseholders were on holiday, the offer was declined.

A contribution of £2,500 has been obtained from our freeholders, Morden College, towards the cost of repairs to the rear garden wall which was carried out some time ago.

At 31st December, only one Leaseholder had failed to pay the service charge which was due on 1st October.

FINANCE

As the Company received the unanticipated income referred to in the previous section of this review and the expenditure incurred was significantly less than that budgeted, it has been decided to put aside £10,000 to the cost of repairing the drive. This leaves a small surplus on income and expenditure account, £1,189, which will be carried forward to 1998 (rather than returned to Leaseholders).

In last year's review it was stated that a net £18,576 would be distributed to Leaseholders in 1997 to leave £10,000 in the Painting and Repair Fund. Currently it looks as if the overall expenditure on the repainting of The Paragon will be slightly less than that anticipated. The total amount spent compares favourably with that spent last time round:

| | 1996 | 1991 |
|--------------------|----------------|----------------|
| Surveyor's fees | 12,096 | 17,629 |
| Cleaning colonnade | - | 860 |
| Temporary repairs | 236 | 6,397 |
| Painting | 147,421 | 72,320 |
| Joinery work | - | 70,943 |
| Glass | 457 | - |
| | <u>160,210</u> | <u>168,149</u> |

The Company has continued to invest the majority of its funds in the Building Society. Since the Greenwich Building Society merged with the Portman Building Society, the Company benefited from a bonus (equal to 5% of the balance on its investment account at 31st March 1997).

The budget for 1998 is the same as that set in 1997, which will result in the same amount of service charges, £29,832, being collected for both years.

GARDEN

The weather, though not as consistently dry as in previous seasons, had unseasonable patches of very high temperatures (Spring) and heavy rain (June) followed by near drought conditions in the Autumn. We were still watering in October. This disrupted the smooth flow of lawn and plant care.

Having tracked down a well recommended local tree surgeon, a survey of The Paragon's trees was carried out in January in the front and back garden. Treatment was completed in three operations in September. About 50 dead elm stems were cleared from the front boundary hedge. In the rear garden an over-tall and hollow poplar was topped, a dead sycamore was felled and dead branches were cleared.

The long-term rationalisation of general garden care, its maintenance and its improvement (i.e. all horticultural aspects apart from grass care) was commenced in August. Alex Wyllie, the single horticultural contractor, now has overall responsibility for employing a regular assistant to help him and the occasional use of a labourer for unskilled heavy jobs. This results in a more systematic treatment of the garden as a whole, a long term plan of improvement and planting and, incidentally, much better control over watering during the dry spells that are becoming a chronic feature of the South East's seasons. The contractors are, of course, answerable to the Garden Director and report to her.

A substantial campaign of grass improvement was undertaken on the front lawn starting at the eastern end with the whole area being spiked and treated during the year. In addition, David Withycombe of Landscape Management Services carried out a complete survey of the grass areas and presented a 10 page report with recommendations in December, giving time to start on a rehabilitation programme this Spring.

The garden sub-committee currently comprise Molly Oppitz, Mona Ensor and Angela Croome.

BUILDINGS

The external repair and painting carried out in 1996 seem to be lasting reasonably well.

NON-GARDEN ESTATE

The major item of note in this area is that The Paragon's private drive will be completely resurfaced during the Spring/Summer 1998. It is anticipated that the Company will have sufficient cash to finance this exercise from existing resources and will not need to seek any additional contributions from Leaseholders. Plans include the provision of a kerb (or low post and chain fence) to prevent incursion on to the lawn and the improvement of drainage on that side of the drive. In view of this planned major work, no minor patching up exercise has been undertaken during 1997, so the surface of the drive has naturally deteriorated somewhat.

Arrangement will be made for the residents' cars to be parked elsewhere during the resurfacing exercise. We will endeavour to ensure that the time taken for the resurfacing will be kept to a minimum. Advance notice will, of course, be given to enable everybody to plan accordingly.

The chain barrier has continued to function satisfactorily - making early morning rat-runners a thing of the past - despite there having been several occurrences of tampering with the barrier's timing mechanism. It is hoped that the boxing in of the barrier time-clock will prevent further problems although it may eventually prove necessary to fit a padlock to the timer cover.

The usual drain and gutter cleaning exercises have taken place during the year and one of the taps which is used for watering the rear of the garden has been replaced as it was leaking badly. Thames Water has been making suggestions for the voluntary fitting of water meters in individual flats, although the unusual plumbing in some houses may make this difficult due to identifying the precise location of stopcocks.

Steps are underway to repair and replace parts of the damaged wooden fence at the rear of The Paragon and it is intended to install a new length of wooden fencing to increase privacy and security around the centre, where poor soil has left the area relatively bare of plant cover.

Following protracted discussions both Greenwich and Lewisham Councils have now at last agreed to take steps to limit parking outside both the east and west ends of our drive, where parked vehicles obscure sight lines for drivers leaving The Paragon. The existing white line at the Morden College end will be replaced by a yellow line, while the notice which limits parking at the South Row junction will be moved further along Morden Road. It is hoped that this will reduce the risk of accidents once the changes have taken place.

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