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Registration Number 26390

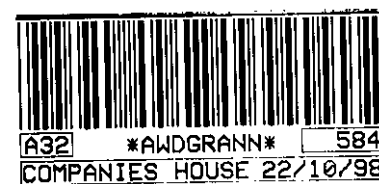
Hastings Cottage Improvement Society Limited

Directors' Report and Financial Statements

for the year ended 31 March 1998

Gibbons & Mannington

Chartered Accountants
7/9 Wellington Square
Hastings
East Sussex
TN34 1PD



Hastings Cottage Improvement Society Limited

Company Information

Directors	M. A. Lester J. W. Lester R. Sandford
Secretary	R Sandford FRICS
Company Number	26390
Registered Office	3 Cambridge Gardens Hastings East Sussex TN34 1EH
Auditors	Gibbons & Mannington 7/9 Wellington Square Hastings East Sussex TN34 1PD
Business Address	3 Cambridge Gardens Hastings East Sussex TN34 1EH
Bankers	National Westminster Bank PLC Havelock Road Hastings East Sussex TN34 1BW
Solicitors	Funnell & Perring 192/193 Queens Road Hastings East Sussex TN34 1RG

Hastings Cottage Improvement Society Limited

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Hastings Cottage Improvement Society Limited

Directors' Report for the year ended 31 March 1998

The directors present their report and the financial statements for the year ended 31 March 1998.

Principal Activity

The principal activity of the company which remained unchanged during the year under review was that of providing and improving living accommodation for renting.

Directors and their Interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	1998	1997
M. A. Lester	58	58
J. W. Lester	71	71
R. Sandford	80	80

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and 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 presume that the company will continue in business.

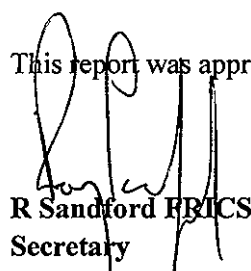
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Gibbons & Mannington be reappointed as auditors of the company will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 29.8.1998 and signed on its behalf by


R Sandford FRICS
Secretary

Hastings Cottage Improvement Society Limited

Auditors' Report to the Shareholders of Hastings Cottage Improvement Society Limited

We have audited the financial statements on pages 3 to 9 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 relating to small companies.



**7/9 Wellington Square
Hastings
East Sussex
TN34 1PD**

1.9.1998

**Gibbons & Mannington
Chartered Accountants and
Registered Auditor**

Hastings Cottage Improvement Society Limited

Profit and Loss Account for the year ended 31 March 1998

		1998	1997
	Notes	£	£
Turnover	2	156,278	155,343
Property costs		(101,432)	(54,965)
Administrative expenses		(28,237)	(27,090)
Other operating income		-	12
Operating profit	3	<u>26,609</u>	<u>73,300</u>
Interest receivable and similar income		1,350	1,724
Interest payable and similar charges	4	<u>(7,003)</u>	<u>(4,040)</u>
Profit on ordinary activities before taxation		20,956	70,984
Tax on profit on ordinary activities	7	<u>(3,462)</u>	<u>(16,578)</u>
Profit on ordinary activities after taxation		17,494	54,406
Dividends		<u>(9,600)</u>	<u>(9,000)</u>
Retained profit for the year		7,894	45,406
Retained profit brought forward		<u>199,254</u>	<u>153,848</u>
Retained profit carried forward		<u><u>207,148</u></u>	<u><u>199,254</u></u>

The notes on pages 5 to 9 form an integral part of these financial statements.

Hastings Cottage Improvement Society Limited

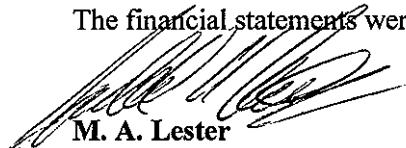
Balance Sheet as at 31 March 1998

		1998		1997	
	Notes	£	£	£	£
Fixed Assets					
Tangible assets	8		766,654		713,004
Current Assets					
Debtors	9	8,260		24,064	
Cash at bank and in hand		4,676		38,859	
		<u>12,936</u>		<u>62,923</u>	
Creditors: amounts falling due within one year	10	<u>(95,305)</u>		<u>(99,536)</u>	
Net Current Liabilities			<u>(82,369)</u>		<u>(36,613)</u>
Total Assets Less Current Liabilities			<u>684,285</u>		<u>676,391</u>
Capital and Reserves					
Called up share capital	11		15,000		15,000
Revaluation reserve	12		462,137		462,137
Profit and loss account	12		207,148		199,254
Shareholders' Funds			<u>684,285</u>		<u>676,391</u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

The financial statements were approved by the Board on

and signed on its behalf by


M. A. Lester
Director

29/8/98

The notes on pages 5 to 9 form an integral part of these financial statements.

Hastings Cottage Improvement Society Limited

Notes to the Financial Statements for the year ended 31 March 1998

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

1.2 Turnover

Turnover represents aggregate rentals receivable from operating leases granted to tenants of the freehold investment properties in respect of continuing activities.

1.3 Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost or valuation less residual value of each asset over its expected useful life, as follows:

Plant and machinery - 25% reducing balance method

Investment properties were revalued in November 1995. The Directors do not consider that a further revaluation is necessary at this time as in their opinion no significant alteration has arisen in the valuations. A further revaluation will be considered by the Directors within the next two years.

1.4 Pensions

A defined contribution scheme is provided for a director. The premiums paid by the company are charged to the profit and loss account during the year in which they are paid.

1.5 Operating leases

The rental costs under an operating lease for the company's administration office are charged to the profit and loss account during the year in which they are due to be paid.

1.6 Deferred taxation

Deferred taxation is provided at the anticipated rates on differences arising from the inclusion of tangible fixed assets in the financial statements at different written down values to those at which they are included in taxation computations to the extent that it is probable that a liability will crystallize in the future.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

3. Operating profit

	1998	1997
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	12	17

Hastings Cottage Improvement Society Limited

Notes to the Financial Statements for the year ended 31 March 1998

..... continued

4. Interest payable and similar charges	1998	1997
	£	£
On loans and overdrafts	<u>7,003</u>	<u>4,040</u>
5. Directors' emoluments	1998	1997
	£	£
Remuneration and other benefits	<u>16,240</u>	<u>15,062</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	1	1
6. Pension costs		
The company operates a defined contribution pension scheme in respect of the directors. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £5,112 (1997 - £4,926).		
7. Taxation	1998	1997
	£	£
UK current year taxation		
UK Corporation Tax at 21% (1997 - 24%)	<u>3,462</u>	<u>16,578</u>

No provision has been made for deferred taxation as no liability is likely to crystallize.

Hastings Cottage Improvement Society Limited

Notes to the Financial Statements for the year ended 31 March 1998

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8. Tangible fixed assets

	Land and buildings freehold	Plant machinery	Total
	£	£	£
Cost/revaluation			
At 1 April 1997	712,955	753	713,708
Additions	53,662	-	53,662
At 31 March 1998	<u>766,617</u>	<u>753</u>	<u>767,370</u>
Depreciation			
At 1 April 1997	-	704	704
Charge for the year	-	12	12
At 31 March 1998	<u>-</u>	<u>716</u>	<u>716</u>
Net book values			
At 31 March 1998	<u>766,617</u>	<u>37</u>	<u>766,654</u>
At 31 March 1997	<u>712,955</u>	<u>49</u>	<u>713,004</u>

The 1995 valuation was made on 20 November 1995 by Messrs W A Bryan & Co., Chartered Surveyors and Valuers on an open market value for existing use basis.

9. Debtors

	1998 £	1997 £
Trade debtors	4,201	19,690
Other debtors	2,400	2,250
Prepayments	1,659	2,124
	<u>8,260</u>	<u>24,064</u>

Hastings Cottage Improvement Society Limited

Notes to the Financial Statements for the year ended 31 March 1998

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10. Creditors: amounts falling due within one year	1998 £	1997 £
Bank loan	65,399	71,293
Trade creditors	9,172	2,440
Other creditors, taxation and social security costs	7,442	-
Corporation tax	3,612	16,803
Accruals	80	-
Proposed dividend	9,600	9,000
	<u>95,305</u>	<u>99,536</u>

The company's bankers hold a legal charge in their favour over certain of the company's freehold properties.

11. Share capital	1998 £	1997 £
Authorised		
2,000 ordinary shares of £25.00 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
600 ordinary shares of £25.00 each	<u>15,000</u>	<u>15,000</u>

12. Reserves	Revaluation reserve £	Profit and loss account £	Total £
At 1 April 1997	462,137	199,254	661,391
Retained profit for the year		7,894	7,894
At 31 March 1998	<u>462,137</u>	<u>207,148</u>	<u>669,285</u>

13. Capital commitments

The board of directors has authorised refurbishment work on existing freehold investment properties at a cost of approximately £ - (1997 - £50,000). Of this work contracts have been agreed for £ - (1997 - £50,000).

Hastings Cottage Improvement Society Limited

Notes to the Financial Statements for the year ended 31 March 1998

..... continued

14. Contingent liabilities

There is a contingent liability for repayment of local authority grants if the properties were sold within a period after receipt of the grant amounting to £Nil (1997 - £13,424).

15 Transactions with directors

During the year the company occupied premises owned by Mr R Sandford, a director and secretary of the company. The rent paid was £1,000 which is considered to be not materially different from the market rent. During the year the company purchased goods and services to the value of £18,602 (1997-£23,577) from Mr R Sandford practising as W A Bryan & Co., Chartered Surveyors. All goods and services were supplied at market value.

16. Related party transactions

During the year the company used the local builders merchants' trade accounts of Gensing Investment Co. Limited a company of which Mrs N L Sandford, the wife of Mr R Sandford is a director and major shareholder to purchase building materials to the value of £2,345(1997- £792).

17. Ultimate parent undertaking

In the directors' opinion no party has overall control of the company.

Hastings Cottage Improvement Society Limited

Detailed Trading and Profit and Loss Account for the year ended 31 March 1998

	1998		1997	
	£	£	£	£
Rents receivable				
Rent receivable		156,278		155,343
Property costs				
Agents commission	18,363		18,253	
Insurance	4,447		4,948	
Electricity	96		109	
Repairs and maintenance	74,646		27,497	
Professional fees	3,800		4,158	
Legal fees	80		-	
		(101,432)		(54,965)
		54,846		100,378
Administration costs				
Salary: secretary and manager	8,683		8,145	
Directors' fees	10,000		9,000	
Employer's NI contributions	1,128		1,136	
Secretary's pension contributions	5,112		4,926	
Accountancy	705		682	
Auditors remuneration	975		940	
Bank charges	84		801	
Bad debts	405		348	
Office rent and general expenses	1,133		1,095	
Depreciation	12		17	
		(28,237)		(27,090)
Operating profit		26,609		73,288
Other income and expenses				
Other income	-		12	
Interest receivable				
Bank deposit interest	1,350		1,724	
		1,350		1,736
		27,959		75,024
Interest payable				
Interest on loans repayable in less than 5 years	7,003		4,040	
		(7,003)		(4,040)
Net profit for the year		20,956		70,984