



COUNTRYWIDE RENTALS 4 PLC
DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

for the year ended 31 December 1997





COUNTRYWIDE RENTALS 4 PLC

COMPANY PROFILE

DIRECTORS

JP Spens (Chairman)
M Beswick
RA Lo

SECRETARY

LA Childs ACA

REGISTERED OFFICE

17 Gay Street
Bath BA1 2PH

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol BS1 4JP

BANKERS

Midland Bank plc
45 Milsom Street
Bath BA1 1DU

SOLICITORS

Howard Kennedy
23 Harcourt House
19 Cavendish Square
London W1A 2AW

DIRECTORS' REPORT
for the year ended 31 December 1997

FINANCIAL STATEMENTS

The directors present their report and financial statements for the year ended 31 December 1997.

STATEMENT OF 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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. 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.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is to act as a property investment company.

The company has purchased residential property from Leeds and Holbeck Building Society which it is renting under the Assured Tenancy rules contained within the Housing Act 1988 and the Business Expansion Scheme.

The company has entered into the following agreements, details of which were set out in the Memorandum to the Issue dated 19 October 1993:

- with Leeds and Holbeck Building Society and the directors, a Deed of Covenant; and
- with Pinnacle Housing Limited (formerly Johnson Fry Housing Limited), the Letting and Management Agreement.

On 31 January 1997 Johnson Fry Housing Limited changed its name to Pinnacle Housing Limited.

The company's business developed satisfactorily during the year and at the end of the year the company was in a good position to continue this development.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £6,110 (1996: £269,929). The directors do not propose the payment of a dividend and recommend that £6,110 is transferred from reserves.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 5 to the financial statements.

DIRECTORS' REPORT
for the year ended 31 December 1997

DIRECTORS

The directors during the year were as follows:

JP Spens (Chairman)
M Beswick
RA Lo

DIRECTORS' INTERESTS IN SHARES

No directors who held office at 31 December 1997 had any beneficial interests in the shares of the company at the beginning or end of the financial year.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where payment is made by Pinnacle Housing Limited in accordance with the management agreement, Pinnacle Housing Limited complies with the company's payment policy. Where terms are not negotiated, both the company and Pinnacle Housing Limited endeavour to adhere to the supplier's standard terms.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board on **30 APR 1998**



JP Spens



Chartered Accountants

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol BS1 4JP

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AUDITORS' REPORT

to the members of Countrywide Rentals 4 PLC

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 7.

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 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 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 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

19 May 1998

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

COUNTRYWIDE RENTALS 4 PLC

**PROFIT AND LOSS ACCOUNT
AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1997**


	Notes	Continuing operations	
		1997	1996
		£	£
PROFIT AND LOSS ACCOUNT			
Rental income		259,556	259,395
Property expenses		(153,684)	(142,189)
Amounts written off investment properties		(72,051)	(312,194)
Gross profit/(loss)		33,821	(194,988)
Administrative expenses	2	(26,354)	(21,963)
Operating profit/(loss)		7,467	(216,951)
Loss on disposal of tangible fixed assets		-	(34,173)
Bank interest receivable		8,317	3,800
Profit/(loss) on ordinary activities before taxation		15,784	(247,324)
Tax on profit/(loss) on ordinary activities	4	(21,894)	(22,605)
Retained loss for the year	10	(6,110)	(269,929)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
Loss for the financial year		(6,110)	(269,929)
Unrealised surplus on revaluation of properties		222,931	-
Total recognised gains/(losses)		216,821	(269,929)

COUNTRYWIDE RENTALS 4 PLC

BALANCE SHEET
 as at 31 December 1997

	Notes	1997	1996
		£	£
FIXED ASSETS			
Tangible assets	5	3,163,745	3,040,997
CURRENT ASSETS			
Debtors	6	4,994	6,217
Cash at bank and in hand		200,160	105,007
		205,154	111,224
CREDITORS: amounts falling due within one year	7	(22,572)	(22,715)
Net current assets		182,582	88,509
Total assets less current liabilities		3,346,327	3,129,506
CAPITAL AND RESERVES			
Called up share capital	8	1,767,624	1,767,624
Share premium account		1,522,266	1,522,266
Profit and loss account	10	(166,494)	(160,384)
Revaluation reserve	11	222,931	-
Total equity shareholders' funds		3,346,327	3,129,506

The financial statements on pages 4 to 11 were approved by the Board on **30 APR 1998**


 JP Spens
 Director

COUNTRYWIDE RENTALS 4 PLC

CASH FLOW STATEMENT
 for the year ended 31 December 1997

	Notes	1997	1996
		£	£
Net cash inflow from operating activities	12	114,053	114,225
Returns on investments and servicing of finance			
Interest received		3,594	3,644
Net cash inflow from returns on investments and servicing of finance		3,594	3,644
Taxation			
UK corporation tax paid		(22,494)	(25,949)
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		-	(117,043)
Receipts from sale of tangible fixed assets		-	23,017
Net cash outflow from capital expenditure and financial investments		-	(94,026)
Increase/(decrease) in cash in the year	13	95,153	(2,106)

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets and depreciation

Tangible fixed assets (with the exception of investment properties) are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of each asset on a straight-line basis over its estimated useful life as follows:

Fixtures and fittings - 5 years

Investment properties

Statement of Standard Accounting Practice 19 'Accounting for Investment Properties' (SSAP 19), requires investment properties to be revalued annually and any aggregate surplus or deficit arising which is deemed temporary to be transferred to the revaluation reserve. Permanent deficits are required to be charged against the profit and loss account. No depreciation should be provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption but for their investment potential, in order to give a true and fair view, they should not be depreciated.

If this departure from the Act had not been made, the loss for the financial year would have been increased by depreciation and the net assets of the company would have reduced accordingly. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Rental income

Rental income comprises gross rents receivable.

2 ADMINISTRATIVE EXPENSES

Under the terms of the Letting and Management Agreement between Pinnacle Housing Limited and the company, Pinnacle Housing Limited are responsible, out of the management fee charged, for all the administrative costs of the company, including the following costs:

	1997 £	1996 £
Auditors' remuneration		
- audit services	1,539	1,340
- other services including taxation	385	335
Directors' emoluments (Note 3)	2,164	2,112

3 DIRECTORS

	1997 £	1996 £
The emoluments of directors of the company were:		
Fees	2,164	2,112

4 TAXATION

UK current year taxation		
UK corporation tax at 22% (1996: 24.25%)	22,000	22,600
(Over)/under provision from previous year	(106)	5
Tax on profit/(loss) on ordinary activities	21,894	22,605

The tax charge is high in the current and prior year as amounts written off investment properties and the loss on disposal of fixed assets are not allowable tax deductions.

5 TANGIBLE FIXED ASSETS

(1) Summary

	Investment properties £	Fixtures and fittings £	Total £
Cost			
1 January 1997	2,989,000	98,960	3,087,960
Revaluation	150,880	-	150,880
31 December 1997	3,139,880	98,960	3,238,840
Depreciation			
1 January 1997	-	46,963	46,963
Charge for the year	-	28,132	28,132
31 December 1997	-	75,095	75,095
Net book value			
31 December 1997	3,139,880	23,865	3,163,745
31 December 1996	2,989,000	51,997	3,040,997

The historical cost of the company's investment properties at 31 December 1997 was £3,301,194 (1996: £3,301,194).

(2) Analysis of investment properties	1997 £	1996 £
Net book value		
Freehold	2,025,842	1,948,000
Long leasehold	1,114,038	1,041,000
	3,139,880	2,989,000

5 TANGIBLE FIXED ASSETS *continued*

(3) Asset valuations

Investment properties were revalued by Chestertons, Chartered Surveyors, on an open market value basis with vacant possession as at 31 December 1997. This has resulted in an increase in the carrying value of the company's properties of £150,880 (1996: decrease of £312,194).

6 DEBTORS	1997	1996
	£	£
Other debtors	135	779
Prepayments and accrued income	4,859	5,438
	4,994	6,217

7 CREDITORS: amounts falling due within one year

Corporation tax	22,000	22,600
Accruals and deferred income	572	115
	22,572	22,715

8 CALLED UP SHARE CAPITAL

(1) Authorised

	Number	1997
		£
50p 'A' ordinary share	1	1
50p 'B' ordinary shares	10	5
50p Ordinary shares	5,999,989	2,999,994

(2) Allotted and fully paid

	1997	1996
	£	£
50p 'A' ordinary share	1	1
50p 'B' ordinary shares	5	5
50p Ordinary shares	1,767,618	1,767,618
31 December	1,767,624	1,767,624

8 CALLED UP SHARE CAPITAL *continued*

(3) Rights attached to shares

In the event of the winding up of the company at any time after the fifth anniversary of the last issue of shares, the holders of the 'B' ordinary shares will be entitled to receive 50% of any balance of funds available for distribution to shareholders in excess of 117p per share. Any balance of funds then available will be distributed equally between the holder of the 'A' ordinary share and the holders of the ordinary shares.

The holder of the 'A' ordinary share has the right to appoint and remove one director. The consent of the holder of the 'A' ordinary share is required for:

- any alteration to the Articles of Association;
- passing of any extraordinary or special resolution or any resolution to wind up the company proposed in the five year period after the last issue of shares;
- any increase in authorised or issued share capital;
- the creation of any new class of share capital of the company;
- the variation of any right attaching to any shares; and
- the company incurring borrowings in excess of £50,000 or the company mortgaging or charging its undertaking, property or assets.

The holder of the 'A' ordinary share shall, after the expiration of five years from the date of issue of the last shares, be entitled to call for a resolution to wind up the company.

9 PROVISION FOR LIABILITIES AND CHARGES

The amounts of deferred tax provided in the accounts is as follows:

	£
Taxation on revaluation surplus	19,000
Less losses on amounts written off investment properties	(19,000)

31 December 1997	-
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10 PROFIT AND LOSS ACCOUNT

1 January 1997	(160,384)
Retained loss for the year	(6,110)

31 December 1997	(166,494)
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11 REVALUATION RESERVE

1 January 1997	-
Unrealised surplus on revaluation of properties	222,931

31 December 1997	222,931
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12	RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES	1997	1996
		£	£
	Operating profit/(loss)	7,467	(216,951)
	Amounts written off investment properties	72,051	312,194
	Depreciation	28,132	18,945
	Decrease in debtors	5,946	366
	Increase/(decrease) in creditors	457	(329)
	Net cash inflow from operating activities	114,053	114,225
13	NET FUNDS		
	Analysis of net funds		
	Cash at bank and in hand	200,160	105,007
	Reconciliation of net cash flows to movements in net funds		
	1 January	105,007	107,113
	Increase/(decrease) in cash in the year	95,153	(2,106)
	31 December	200,160	105,007
14	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
	Loss for the financial year	(6,110)	(269,929)
	Other recognised gains and losses relating to the year	222,931	-
	Net addition/(reduction) in shareholders' funds	216,821	(269,929)
	Opening shareholders' funds	3,129,506	3,399,435
	Closing shareholders' funds	3,346,327	3,129,506
15	RELATED PARTY DISCLOSURE		

Under the terms of the Management Agreement entered into between Pinnacle Housing Limited and the company, Pinnacle Housing Limited is responsible for managing the properties owned by the company and for handling all the administrative matters associated with the running of the company. During the year, Pinnacle Housing Limited and other group companies received fees for these and other services of £85,574 (gross of irrecoverable VAT). There were no amounts due to or from Pinnacle Housing Limited at the year end.