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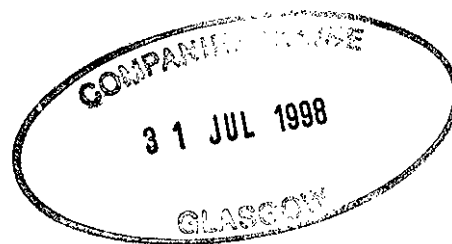
UNCHAINED REVERSIONS PLC

ANNUAL REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31st DECEMBER 1997



UNCHAINED REVERSIONS PLC

Annual report and financial statements for the year ended 31st December 1997

Contents

Page

1	Company information
2	Chairman's statement
3-4	Report of the Directors
5	Report of the auditors
6	Profit and loss account and Statement of total recognised gains and losses
7	Balance sheet
8	Cash flow statement
9-13	Notes forming part of the Financial Statements
14	Notice of annual general meeting
15	Proxy form for annual general meeting

Registered number: No 146263

Company information

Directors

D R Macdonald, B.L., N.P.

H B Shulman, LL.M

A D B Taylor, B.A.

Secretary and Registered Office

Park Circus (Secretaries) Limited

6 Park Circus Place

Glasgow G3 6AN

Auditors

Ernst & Young

George House

50 George Square

Glasgow G2 1RR

Bankers

The Royal Bank of Scotland Plc

122 Cathcart Street

Greenock

PA15 1BA

Registrars

Park Circus Registrars Limited

6 Park Circus Place

Glasgow

G3 6AN

Solicitors

Neill Clerk & Murray

6 Park Circus Place

Glasgow

G3 6AN

Solicitors and Property Managers

Graham Harvey

Sarda House

183-189 Queensway

London

W2 5HL

Chairman's Statement

Dear Shareholder,

I am pleased to enclose the Directors Report and the Profit and Loss Account and Balance Sheet of the Company for the Company's third financial period which ended on 31 December 1997.

The Company owns a total of 66 properties, including properties purchased in the previous year.

Four properties fell vacant during the year (bringing the total to 10) and have been re-let or are available for letting on assured tenancies. The change in the status of these properties contributed to an overall increase in the value of the property portfolio of £67,401.

However, against that, we do find that when very old tenants die it is generally necessary to carry out some work to bring houses up to an attractive standard. In 1997 the costs of such remedial work increased substantially, including one fairly extensive refurbishment. These costs are shown in the Profit and Loss Account, and were the major factor in the Company operating at a loss in the year under review.



D Ross Macdonald
Chairman

14 July 1998

Report of the Directors for the year ended 31 December 1997

The Directors submit their report together with the audited financial statements for the year ended 31 December 1997.

Results and Dividends

The profit and loss account of the Company is set out on page 6 and shows the loss for the year. The Directors propose that no dividend be paid.

Principal activities, review of business and future developments

The principal activity of the Company is the letting of residential property. The Directors consider the results of the year to be satisfactory.

Fixed assets

Movements in fixed assets are set out in note 5 to the Financial Statements.

Statement of Directors' responsibilities in respect of the financial statements

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 the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

Select suitable accounting policies and 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 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.

Directors Interests

The Directors of the Company during the year were those listed on page 1 and their interests in the ordinary share capital of the Company were:

	Ordinary shares of 50p each	
	31 December 1997	31 December 1996
H B Shulman	5,000	5,000
D R Macdonald	1	1

Payment to creditors

The Company does not follow any specified code or standard on payment practice. However, it is the Company's policy to negotiate terms with its suppliers and to ensure that they are aware of the terms of payment when business is agreed. It is the Company's policy to abide by these terms. Creditor days have not been calculated as the Company has no trade creditors.

Auditors

Ernst & Young, Registered Auditor, have indicated their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By order of the Board



Park Circus (Secretaries) Limited
Secretary

14 July 1998

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention as modified by the revaluation of investment properties, and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3, the Company's Directors are responsible for the preparation of the 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.

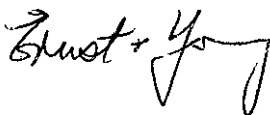
Basis of opinion

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 affairs of the Company 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.



Ernst & Young
Registered Auditor
Glasgow

14 July 1998

**Profit and loss account
for the year ended 31 December 1997**

	Notes	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Turnover	1	<u>73,143</u>	<u>71,748</u>
Depreciation on Furnishings		(1,891)	(1,273)
Other cost of sales		<u>(59,024)</u>	<u>(27,895)</u>
		<u>(60,915)</u>	<u>(29,168)</u>
Gross profit		12,228	42,580
Administrative expenses		<u>(39,794)</u>	<u>(39,756)</u>
Operating (Loss)/profit		(27,566)	2,824
Bank interest receivable		<u>343</u>	<u>862</u>
(Loss)/profit on ordinary activities before taxation	3	(27,223)	3,686
Tax on (loss)/profit on ordinary activities	4	<u>-</u>	<u>(852)</u>
(Loss)/profit for the financial year	11	<u>(£27,223)</u>	<u>£2,834</u>

All of the activities undertaken by the Company during the period were continuing activities.

**Statement of Recognised Gains and Losses
for the year ended 31 December 1997**

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
(Loss)/profit attributable to the shareholders of the Company	(27,223)	2,834
Unrealised gain on revaluation of assets	<u>67,401</u>	<u>72,942</u>
Total recognised gains	<u>£40,178</u>	<u>£75,776</u>

The notes on pages 9-13 form part of these financial statements.

Balance sheet at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	5	1,911,587	1,821,951
Current assets			
Debtors	6	32,541	33,980
Cash at bank and in hand		-	12,683
		32,541	46,663
Creditors			
Amounts falling due within one year	7	(88,958)	(53,622)
Net current liabilities		(56,417)	(6,959)
Net assets		<u>£1,855,170</u>	<u>£1,814,992</u>
Capital and reserves			
Called up share capital	8	911,056	911,056
Share premium account	9	730,723	730,723
Revaluation reserve	10	218,655	151,254
Profit and loss account		(5,264)	21,959
Equity Shareholders' Funds	11	<u>£1,855,170</u>	<u>£1,814,992</u>

Approved by the Board on 14 July 1998


Mr D.R. Macdonald
Director

The notes on pages 9 to 13 form part of these financial statements

**Cash flow statement
for the year ended 31 December 1997**

		Year ended 31 December 1997 £	Year ended 31 December 1996 £
	Notes		
Net cash inflow/(outflow) from operating activities	12	2,765	(7,564)
Returns on investments and servicing of finance			
Interest received		343	862
Taxation			
U K Corporation tax paid		(646)	(1,939)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(24,126)	(8,840)
Decrease in cash for the year	13	<u>(£21,664)</u>	<u>(£17,481)</u>

Notes forming part of the financial statements
for the year ended 31 December 1997

1 Accounting Policies

Basis of preparation

The Financial Statements are prepared under the historical cost convention modified by the revaluation of investment properties, in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 1985 have been invoked as explained below.

Turnover

Turnover represents the net amount derived from the continuing activity of the letting of residential property. Letting income is accounted for on an accruals basis and arises solely in the United Kingdom.

Investment properties

Investment properties are accounted for in accordance with Statement of Standard Accounting Practice No. 19 as follows:

Investment properties are revalued annually and surpluses or deficits are transferred to a revaluation reserve. In the case of permanent impairments in the value of individual properties, any deficits below cost are taken to the profit and loss account for the year.

No depreciation is provided in respect of investment properties.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the Directors believe that the policy of not providing depreciation is necessary in order for the Financial Statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Other tangible fixed assets and depreciation

Depreciation is provided on other tangible fixed assets at rates calculated to write off the cost or valuation less estimated residual value of each asset evenly over its expected useful life as follows:

Furnishings - 7 years straight line method

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Notes forming part of the financial statements
for the year ended 31 December 1997

2 Employees' and Directors' Remuneration

The only employees of the Company are its Directors, the costs of whom were:

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Amounts paid to third parties (including VAT)	<u>£10,575</u>	<u>£10,575</u>

In addition to the above the Company entered into the following arrangements in which Directors had an interest:

Park Circus (Management) Ltd of which D R Macdonald is a Director, and in which he has an interest by virtue of his shareholding in its parent company, Neill Clerk Group Plc, received fees of £11,750, including VAT, in respect of company administration services (1996: £11,750). Park Circus Registrars Ltd of which D R Macdonald is a director and shareholder received fees of £1,074, including VAT, in respect of secretarial services (1996: £1,072).

Graham Harvey & Co., of which Mr Shulman and Mr Taylor are partners, received fees of £17,839 (1996: £15,680) including VAT in the period, in respect of professional services.

3 Profit on Ordinary Activities before Taxation

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
This is stated after charging :		
Auditors' remuneration for audit services	3,000	2,937
Depreciation	<u>1,891</u>	<u>1,273</u>

The auditors received no fees in respect of non-audit services.

4 Tax on profit on ordinary activities

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
United Kingdom Corporation tax	-	646
Under provision in prior year	<u>-</u>	<u>206</u>
	<u>£0</u>	<u>£852</u>

There is no liability to corporation tax on the loss for the year.

Notes forming part of the financial statements
for the year ended 31 December 1997

5 Tangible Fixed Assets

	Investment Properties £	Furnishings £	Total £
Cost or valuation			
At 31 December 1996	1,816,749	8,909	1,825,658
Revaluation of properties	67,401	-	67,401
Additions	19,800	4,326	24,126
At 31 December 1997	<u>1,903,950</u>	<u>13,235</u>	<u>1,917,185</u>
Depreciation			
At 31 December 1996	-	3,707	3,707
Charge for the year	-	1,891	1,891
At 31 December 1997	-	<u>5,598</u>	<u>5,598</u>
Net Book Value			
At 31 December 1997	<u>£1,903,950</u>	<u>£7,637</u>	<u>£1,911,587</u>
At 31 December 1996	<u>£1,816,749</u>	<u>£5,202</u>	<u>£1,821,951</u>

Investment properties are included in the balance sheet at Directors' valuation at 31 December 1997. The Directors' valuation of the reversionary property portfolio has been determined taking into account the actuarially derived purchase price, together with certain incidental acquisition costs.

If the properties were sold at their revalued amount there would be a liability of approximately £46,000 on capital gains arising from the sales (1996: £40,000).

The historical cost of investment properties included at valuation is as follows:

	£
At 31 December 1997	<u>1,685,294</u>
At 31 December 1996	<u>1,665,494</u>

6 Debtors

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	29,163	31,323
Other debtors and prepayments	<u>3,378</u>	<u>2,657</u>
	<u>£32,541</u>	<u>£33,980</u>

Notes forming part of the financial statements
for the year ended 31 December 1997

7 Creditors: Amounts falling due within one year

	1997 £	1996 £
Bank overdraft	8,981	-
Other creditors	11,385	11,316
Corporation tax	-	646
Accruals	68,592	41,660
	<u>£88,958</u>	<u>£53,622</u>

The bank overdraft is secured by way of a legal charge over 5 of the company's properties.

8 Share Capital

	1997 £	1996 £
Authorised: 6,000,000 Ordinary Shares of 50p each	<u>£3,000,000</u>	<u>£3,000,000</u>
Allotted issued and fully paid 1,822,112 Ordinary Shares of 50p each	<u>£911,056</u>	<u>£911,056</u>

9 Share Premium Account

	1997 £	1996 £
At 31 December 1997 and 31 December 1996	<u>£730,723</u>	<u>£730,723</u>

10 Revaluation Reserve

	1997 £	1996 £
At 31 December 1996	151,254	78,312
Revaluation during year	<u>67,401</u>	<u>72,942</u>
At 31 December 1997	<u>£218,655</u>	<u>£151,254</u>

11 Reconciliation of Movements in Shareholders' Funds

	Share Capital £	Share Premium Account £	Revaluation Reserve £	Profit & Loss Account £	Total £
Shareholders' funds at 31 December 1996	911,056	730,723	151,254	21,959	1,814,992
Loss for the year	-	-	-	(27,223)	(27,223)
Unrealised gain on revaluation of assets	-	-	67,401	-	67,401
Shareholders' funds at 31 December 1997	<u>911,056</u>	<u>730,723</u>	<u>218,655</u>	<u>(£5,264)</u>	<u>£1,855,170</u>

Notes forming part of the financial statements
for the year ended 31 December 1997

12 Reconciliation of Operating (Loss)/profit to Net Cashflow From Operating Activities

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Operating (loss)/profit	(27,566)	2,824
Depreciation charge	1,891	1,273
Decrease/(increase) in debtors	1,439	(22,470)
Increase/(decrease) in creditors	27,001	10,809
Net cash outflow from operating activities	<u>£2,765</u>	<u>(£7,564)</u>

13 Reconciliation of net cash flow to movement in net (debt) / funds

	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Decrease in cash in the period	<u>(21,664)</u>	<u>(17,481)</u>
Change in net funds	(21,664)	(17,481)
Net funds at 1 January 1997	<u>12,683</u>	<u>30,164</u>
Net (debt) / funds at 31 December 1997	<u>(8,981)</u>	<u>12,683</u>

Note - Analysis of changes in net (debt) / funds

	31 December 1996 £	Cash Flows £	31 December 1997 £
Cash at bank and in hand	12,683	(12,683)	-
Bank overdraft	-	(8,981)	(8,981)
	<u>12,683</u>	<u>(21,664)</u>	<u>(8,981)</u>

14 Commitments and Other Obligations

The Company had no capital commitments at 31 December 1997 and 31 December 1996.

15 Fixed Fall Back Realisation Date

The Company's Articles of Association provide that unless the members by Special Resolution resolve otherwise, the Company shall be deemed on 31 December 1998 to have passed a resolution that on that date that it would be wound up voluntarily,

NOTICE IS HEREBY GIVEN That the Annual General Meeting of Unchained Reversions Plc will be held at 6 Park Circus Place, Glasgow, G3 6AN, on Monday, 7 September 1998 at 3.30pm for the following purposes:

- 1 To receive the Report of the Directors and the Financial Statements for the year ended 31 December 1997.
(Resolution 1)
- 2 To re-appoint Ernst & Young as Auditors of the Company.
(Resolution 2)
- 3 To authorise the Directors to fix the remuneration of the Auditors.
(Resolution 3)

Members entitled to attend and vote at the above meeting are entitled to appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not also be a member.

BY ORDER OF THE BOARD



Park Circus (Secretaries) Limited

14 July 1998

Proxy Form for Annual General Meeting

I/We

of

being a member of the above company, hereby appoint

or, failing him/her, the Chairman of the Meeting as my/our proxy to vote in my/our names and on my/our behalf at the Annual General Meeting to be held on 7 September 1998 at 3.30pm and at any adjournment thereof.

This form is to be used in respect of the resolutions mentioned below as follows :-

RESOLUTION NO 1	*FOR	*AGAINST
RESOLUTION NO 2	*FOR	*AGAINST
RESOLUTION NO 3	*FOR	*AGAINST

* strike out whichever is not desired. Unless otherwise instructed the proxy may vote as he thinks fit or abstain from voting.

Signed thisday of1998

This form to be valid should be deposited at the office of Park Circus (Secretaries) Limited, 6 Park Circus Place Glasgow G3 6AN not less than 48 hours before the meeting.