

REPORT AND ACCOUNTS

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The directors submit their Report and Accounts of the Company for the year ended 31 December 1987 prepared in accordance with the provisions of the Companies Act 1985. The Annual General Meeting of the Company will be held on 24 March 1988.

Review of Activities

The Company and its subsidiaries continued on the business of property trading and development. During the period under review, there were no significant changes in the Company's activities.

It is intended that, during 1988, as part of the general reorganisation within the Commercial Union Properties Limited Group, the investment properties will be transferred to Holloways' Properties Limited. The activities of the Company will then principally be property development.

Results

The turnover for the year 1987 amounted to £5,141,703 (1986 £2,616,611) and the profit/(loss) for the financial year amounted to £1,451,009 (1986 £(62,566)) (see page 3).

Dividend

The directors, having declared an interim dividend of £1,450,000 (1986 Nil), do not recommend the payment of any further dividend for the year.

Tangible Fixed Assets - Land and Buildings

The movements in land and buildings are set out in note 9 to the accounts.

Directors

The names of the directors at the date of this report, both of whom served throughout the year, are:

A.F. BOWNESS
I.D. MATHIESON



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COMMERCIAL UNION PROPERTIES (U.K.) LIMITEDREPORT AND ACCOUNTSDirectors' Interests

None of the directors has an interest in the shares of the Company or its fellow subsidiaries.

Those interests of the directors and of their families in the shares of the ultimate holding company, Commercial Union Assurance Company plc, that require disclosure under Schedule 7 paragraph 2 of the Companies Act 1985 are set out below:-

	Ordinary Shares of 25p each			
	31 December 1987		1 January 1987	
			or	
			Date of Appointment	
	Shareholdings	Share Options	Shareholdings	Share Options
A. F. Bowness	1,508	1,037	971	535
I. D. Mathieson	2,285	22,435	1,597	2,678

Share Options relate to options to subscribe for shares made under the Commercial Union Assurance Company plc's 1986 Savings Related Share Option Scheme and the 1987 Executive Share Option Scheme.

Reappointment of Auditors

It will be proposed at the Annual General Meeting that the retiring Auditors, Coopers & Lybrand, be reappointed as Auditors to the Company to hold office for the period prescribed by section 384(1) of the Companies Act 1985 and that the directors be authorised to fix the amount of their remuneration.

24 March 1988
St. Helen's,
1 Undershaft,
London EC3P 3DQ.

By Order of the Board
P. G. GRAM
Secretary

COMMERCIAL UNION PROPERTIES (U.K.) LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 1987

	1987 £	1986 £
Turnover (notes 1a & 2)	5,141,703	2,616,611
Cost of sales (note 2)	(2,941,986)	(837,107)
Movement in provision for diminution in value of properties held as trading assets (notes 1c & 2)	184,985	(1,686,519)
Gross profit	2,384,702	92,985
Administrative expenses	(125,403)	(186,487)
Profit/(loss) on ordinary activities before taxation	2,259,299	(93,502)
Tax credit/(charge) on ordinary activities (notes 1a & 7)	(808,290)	79,112
Profit/(Loss) on ordinary activities after taxation	1,451,009	(14,390)
Extraordinary profit before taxation (note 8)	-	109,456
Tax on extraordinary profit	-	(32,500)
Extraordinary profit after taxation	-	76,956
Profit for the financial year	1,451,009	62,566
Interim dividend	(1,450,000)	-
Transfer to capital reserve (notes 1b & 14)	-	(76,956)
	1,009	(14,390)
Accumulated losses brought forward	(83,655)	(69,265)
Accumulated losses carried forward	(82,646)	(83,655)

The notes and signatures on pages 6 to 10 are an integral part of these accounts.

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COMMERCIAL UNION PROPERTIES (U.K.) LIMITED

4.

BALANCE SHEET

AT 31 DECEMBER 1987

	1987 £	1986 £
FIXED ASSETS		
Tangible assets		
Land and buildings (notes 1b & 9)	1,662,000	1,487,000
CURRENT ASSETS		
Stocks		
Property held as trading assets (note 1c)	27,324,877	27,874,010
Debtors		
Trade debtors	355,119	627,865
U.K. income tax recoverable (note 1e)	-	2,500
Amounts owed by group companies (note 10a)	32,151,003	27,985,748
	32,506,122	28,616,113
	216,948	430,681
	60,047,947	56,920,804
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	(715,175)	(664,949)
Amounts owed to group companies (note 10a)	(52,214,880)	(51,430,144)
UK Corporation Tax payable	(805,790)	-
Accruals and deferred income: rental income received in advance	(460,560)	(430,177)
Interim dividend	(1,450,000)	-
	(55,646,405)	(52,525,270)
NET CURRENT ASSETS	4,401,542	4,395,534
TOTAL ASSETS LESS CURRENT LIABILITIES	6,063,542	5,882,534
CAPITAL AND RESERVES		
Called up share capital (note 12)	500,000	500,000
Share premium account	52,865	52,865
Revaluation reserve (notes 1b and 13)	1,244,480	1,064,481
Other reserves: Capital reserve (notes 1b and 14)	4,348,843	4,348,843
Profit and loss account	(82,646)	(83,655)
	6,063,542	5,882,534

The notes and signatures on pages 6 to 10 are an integral part of these accounts.

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SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 31 DECEMBER 1987

SOURCE OF FUNDS	£ 1987	£ 1986
Profit/(loss) on ordinary activities before taxation	2,259,299	(93,502)
Item not involving the movement of funds:		
Adjustment to trading property valuation	(184,985)	1,686,519
Taxation received	-	-
Proceeds from sale of fixed assets	-	114,556
<u>Total funds generated</u>	<u>2,074,314</u>	<u>1,707,573</u>

APPLICATION OF FUNDS

Net additions to fixed assets (note 9)	(5,000)	5,000
Tax paid	-	505,888
	<u>(5,000)</u>	<u>510,888</u>

INCREASE/(DECREASE) IN WORKING CAPITAL:

Stocks : properties held as trading assets	(734,117)	1,312,207
Trade debtors	(272,746)	129,412
Amounts owed by group companies	4,165,255	3,434,834
Trade creditors	(50,226)	449,381
Amounts owed to group companies	(784,736)	(4,039,480)
Accruals and deferred income	(30,383)	(4,722)
	<u>2,293,047</u>	<u>1,281,632</u>
Decrease in cash and bank balances	(213,733)	(84,947)
<u>Total funds applied</u>	<u>2,074,314</u>	<u>1,707,573</u>

The notes and signatures on pages 6 to 10 are an integral part of these accounts.

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NOTES ON THE ACCOUNTS - 31 DECEMBER 1987

1. Accounting Policies

(a) Turnover

Turnover comprises the sales proceeds of properties held as trading assets, and the rental income attributable to properties held for investment.

(b) Land and Buildings

Land and Buildings, comprising properties held for investment, are valued annually at open market value (see note 9), and unrealised gains are credited to the revaluation reserve. No depreciation charge has been made on land and buildings held for investment, but there would have been no effect on the capital and reserves if it had been, as the value disclosed in the accounts for land and buildings would not be altered.

Realised profits, after taxation, on the sale of properties held for investment are credited to capital reserve. Such profits are calculated by reference to the original cost of the property, and any unrealised gains on previous years' valuations included in the opening revaluation reserve are reversed.

(c) Properties held as Trading Assets

Properties held as trading assets are included at the lower of cost or net realisable value based on a valuation carried out annually by a chartered surveyor employed by the group. Unrealised losses arising from annual valuations are charged to the profit and loss account in the year in which they arise, and are adjusted annually by charging/crediting the profit and loss account to reflect the latest valuation.

(d) Shares in Group Companies

Shares in group companies are shown at the lower of cost or directors' valuation based on net asset value. Any resulting diminution in value or reversal thereof is charged/credited to profit and loss account.

(e) Taxation

The taxation charge/credit in the profit and loss account and the income tax recoverable in the balance sheet are based on the taxable profits for the year. Provision is made for deferred taxation where it is expected that a liability will crystallise. No amount is provided where a liability or relief is not expected to arise and where timing differences are of a continuing nature.

(f) Accounting Convention

These accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (continued)

2. Turnover

The contributions of the various activities of the company to turnover and gross profit are set out below:

	<u>1987</u>			<u>1986</u>		
	Sales of Trading properties	Rents	Total	Sales of Trading properties	Rents	Total
	£	£	£	£	£	£
Turnover	3,227,513	1,914,190	5,141,703	730,375	1,886,236	2,616,611
Cost of sales	(2,846,923)	(95,063)	(2,941,986)	(725,969)	(111,138)	(837,107)
Movement in provision for diminution of properties held as trading assets	184,985	-	184,985	(1,686,519)	-	(1,686,519)
Gross profit/(loss)	<u>565,575</u>	<u>1,819,127</u>	<u>2,384,702</u>	<u>(1,682,113)</u>	<u>1,775,098</u>	<u>92,985</u>

3. Interest Receivable

This comprises interest relating to the sale of properties to non-related companies.

4. Interest Payable and Similar Charges

Interest payable and similar charges comprises interest payable to the ultimate holding company on loans to finance property development.

5. Directors' Emoluments

All directors are employed by Commercial Union Assurance Company plc and are remunerated by that company in respect of their services to the group as a whole. Their emoluments are charged in the group accounts and they received no emoluments from this Company. Commercial Union Assurance Company plc makes a charge to the Company in respect of management and other services, which charge is included in the accounts.

6. Auditors' Remuneration

Auditors' remuneration is charged in the accounts of the ultimate holding company.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (continued)

7. Tax on Profit/(Loss) on Ordinary Activities

The taxation charge of £808,290 (1986 credit of £79,112) shown in the profit and loss account is made up as follows:

	1987 £	1986 £
United Kingdom corporation tax charge/(credit) based on the income for the year at 35.00% (1986 36.25%)	785,000	(35,000)
Prior years' items	23,290	(44,112)
	<u>808,290</u>	<u>(79,112)</u>

8. Extraordinary Profit

The extraordinary profit included in the profit and loss account in 1987 of £N11 (1986 £109,456) less taxation thereon of £N11 (1986 £32,500) arises from the net surplus on disposal of investment properties.

9. Land and Buildings

Land and buildings comprise properties held for investment.

The movements in properties held for investment during the year were:

	Freeholds £	Leasehold less than 50 years unexpired £	Leasehold over 50 years unexpired £	Total £
Professional valuation at 1 January 1987	600,000	12,000	875,000	1,487,000
Additions at cost during the year	-	-	(5,000)	(5,000)
	<u>600,000</u>	<u>12,000</u>	<u>870,000</u>	<u>1,482,000</u>
Unrealised gains arising from valuation of properties at 31 December 1987	150,000	-	30,000	180,000
	<u>750,000</u>	<u>12,000</u>	<u>900,000</u>	<u>1,662,000</u>
Cost at 31 December 1987	<u>110,000</u>	<u>35,553</u>	<u>271,966</u>	<u>417,519</u>

The valuation of properties carried out as at 31 December 1987 was undertaken by qualified members of staff reporting to the Managing Director of Commercial Union Properties Limited who is a Fellow of the Royal Institution of Chartered Surveyors.

The £5,000 shown as an addition relates to an overstatement of additions in 1986.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (continued)

10. Group companies

(a) Amounts owed by/to Group Companies

These amounts include £3,334,719 (1986 £3,338,375) owed by and £332,857 (1986 £333,399) owed to the company's subsidiaries.

(b) Subsidiary Companies

The Company had the following wholly owned property investment and trading subsidiaries at 31 December 1987, both of which are incorporated in England.

	Cost
	£
Arthur Hill Limited - 100 £1 shares	100
Commercial Union Properties (Developments) Limited - 100 £1 shares	100
	<hr/>
	200
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In the opinion of the directors the value of the Company's investments in its subsidiaries is below cost consequently the cost of £200 was written off in the profit and loss account in 1982 as amounts written off investments.

(c) Group accounts have not been submitted as the Company is a wholly-owned subsidiary of Commercial Union Properties Limited.

11. Deferred Taxation

The potential amount of deferred taxation not expected to become a liability in the foreseeable future for which provision has not been made is £360,000 (1986 £310,000), and results principally from the revaluation of investment properties.

12. Called up Share Capital	Ordinary shares of 10p each	
	1987	1986
	£	£
Authorised : 6,000,000 shares	600,000	600,000
	<hr/>	<hr/>
Allotted, called up and fully paid : 5,000,000 shares	500,000	500,000
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13. Revaluation Reserve

This comprises the investment property revaluation reserve.
The movements in the revaluation reserve during the year were as follows:

	£
Balance 1 January 1987	1,064,481
Unrealised gains on previous year's valuation of investment property disposed of during the year	-
Unrealised gains arising from valuation of investment properties at 31 December 1987	180,000
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Balance at 31 December 1987	1,244,481
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NOTES ON THE ACCOUNTS - 31 DECEMBER 1987 (continued)

14. Other Reserves : Capital Reserve

The movements in the capital reserve during the year were as follows:-

	£
Balance 1 January 1987	4,348,843
Transfer from profit and loss account	-
Balance 31 December 1987	<u>4,348,843</u>

15. Future Capital Expenditure

The Company has in hand developments of properties that will require further expenditure estimated to amount to £1,755,000 (1986 - £763,000) of which £150,000 (1986 £434,000) is the subject of signed contracts. No provision has been made in the accounts in respect of this future expenditure.

16. Ultimate Holding Company

The ultimate holding company is Commercial Union Assurance Company plc (Incorporated in England).

Approved by the Board
on 24 March 1988

[Signature]
Director
[Signature]
Director
[Signature]
Secretary

London

REPORT OF THE AUDITORS TO THE
MEMBERS OF COMMERCIAL UNION PROPERTIES (UK) LIMITED

We have audited the accounts on pages 3 to 10 in accordance with approved Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of the Company's affairs at 31 December 1987 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.

London, 24 March 1988

[Signature]
Chartered Accountants

[Signature]
19/3/88