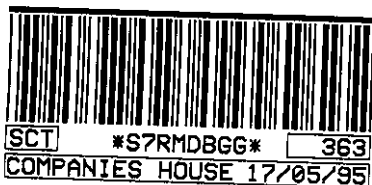


**REPORT AND ACCOUNTS**  
**REVERSIONARY GAINS II PLC**  
**YEAR TO 31 OCTOBER 1994**

**COMPANY REGISTRATION NO. 132641**



## **REVERSIONARY GAINS II PLC**

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### **CONTENTS**

	<b>Page</b>
Directors and Advisers	1
Notice of Annual General Meeting	2
Chairman's Statement	3
Directors' Report	4
Statement of Directors' Responsibilities	5
Report of the Auditors	6
Profit and Loss Account	7
Statement of Total Recognised Gains and Losses	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Accounts	10-16
BES Monitoring Letter	17
Proxy Form	18

**DIRECTORS AND ADVISERS**

**DIRECTORS**

D R Macdonald, B.L., N.P.  
H B Shulman, LL.M.  
D H S Toplas, M.A., M.Sc., A.C.A.  
A D B Taylor, B.A.

**SECRETARY**

Neill Clerk & Murray

**REGISTERED OFFICE**

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

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the members of REVERSIONARY GAINS II PLC will be held at 31 Sackville Street, London W1X 1DB on Thursday, 15 June 1995 at 10.15 a.m.

The following resolutions will be put to the meeting:

1. To receive the Report of the Directors and the Accounts for the year ended 31 October 1994.
2. To re-appoint Messrs Ernst & Young as auditors of the Company and to authorise the directors to fix their remuneration.

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 be a member. Holders of Certificates of Beneficial Entitlement can instruct the relevant Nominee Company (being either Reversionary Gains II (First Nominees) Limited, Reversionary Gains II (Second Nominees) Limited or Reversionary Gains II (Third Nominees) Limited) to vote by using the enclosed Form of Instruction.

By order of the Board



Neill Clerk & Murray  
Secretaries

16 May 1995

## CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to enclose the Directors' Report and Accounts for the year to 31 October 1994; while I would have preferred these to be with you earlier, the complexities of the property portfolio have again caused delay. I shall try to ensure more prompt Accounts for the current year.

The Company had the benefit of a full year's rental and the previous period's loss of £5,160 has been turned to a profit of £5,374.

One property fell vacant and has been re-let (or marketed for re-letting) on an assured tenancy. The change in status of this property contributed to an increase in the portfolio value of £23,807.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Ross Macdonald', written in a cursive style.

D. Ross Macdonald  
Chairman

16 May 1995

**DIRECTORS' REPORT**

The directors present their annual report and the audited accounts for the year ended 31 October 1994.

**RESULTS AND DIVIDENDS**

The profit for the year amounts to £5,374 (1993: £5,160 loss) and is dealt with as shown in the profit and loss account. The directors propose that no dividend be paid.

**PRINCIPAL ACTIVITY**

The principal activity of the company is the letting of residential property on assured tenancies.

**DIRECTORS**

The directors of the company during the year ended 31 October 1994, were those listed on page 1.

**DIRECTORS' INTERESTS**

According to the register maintained as required under the Companies Act 1985, the directors' interests in the share capital of the company were as follows:

	<i>Ordinary Shares of 50p each</i>	
	<i>At 31 October 1994</i>	<i>At 31 October 1993</i>
D R Macdonald, B.L., N.P.	1	1

**AUDITORS**

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the General Meeting.

By order of the Board

  
Neill Clerk & Murray  
Secretaries

16 May 1995

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts 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 period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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.

## REPORT OF THE AUDITORS

to the members of Reversionary Gains II Plc

We have audited the accounts on pages 7 to 16 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 pages 10 and 11.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

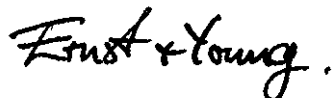
## BASIS OF OPINION

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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

## OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 October 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
Glasgow

16 May 1995



PROFIT AND LOSS ACCOUNT  
for the year ended 31 October 1994

	<i>Notes</i>	<i>Year to 31/10/94 £</i>	<i>Year to 31/10/93 £</i>
<b>TURNOVER</b>	2	<u>40,474</u>	<u>12,015</u>
Depreciation on Furnishings		(451)	(451)
Other cost of sales		<u>(8,580)</u>	<u>(4,505)</u>
		<u>(9,031)</u>	<u>(4,956)</u>
<b>GROSS PROFIT</b>		31,443	7,059
Administration expenses		<u>(23,062)</u>	<u>(20,491)</u>
<b>OPERATING PROFIT/(LOSS)</b>	3	8,381	(13,432)
Other income	6	1,159	6,142
Interest payable	7	<u>(7)</u>	<u>(1)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		9,533	(7,291)
Tax on profit on ordinary activities	8	<u>(4,159)</u>	<u>2,131</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	15	<u>5,374</u>	<u>(5,160)</u>

A reconciliation of movements in shareholders' funds is given in note 16.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
for the year ended 31 October 1994

	<i>Year to 31/10/94 £</i>	<i>Year to 31/10/93 £</i>
Profit/(loss) for the financial year	5,374	(5,160)
Unrealised surplus on revaluation of investment properties	<u>23,807</u>	<u>-</u>
Total recognised gains/(losses) related to the year	<u>29,181</u>	<u>(5,160)</u>

All amounts relate to the continuing activities of the business.

BALANCE SHEET  
at 31 October 1994

	<i>Notes</i>	<i>1994</i> £	<i>1993</i> £
<b>FIXED ASSETS</b>			
Tangible assets	9	<u>1,388,537</u>	<u>1,368,681</u>
<b>CURRENT ASSETS</b>			
Debtors	10	23,805	1,857
Cash at bank and in hand	11	<u>21,692</u>	<u>46,406</u>
		45,497	48,263
<b>CREDITORS: amounts falling due within one year</b>			
	12	<u>(32,506)</u>	<u>(44,597)</u>
<b>NET CURRENT ASSETS</b>			
		<u>12,991</u>	<u>3,666</u>
		<u>1,401,528</u>	<u>1,372,347</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	737,750	737,750
Share premium account	15	558,434	558,434
Revaluation Reserve	15	23,807	-
Profit and loss account	15	<u>81,537</u>	<u>76,163</u>
		<u>1,401,528</u>	<u>1,372,347</u>



D R Macdonald

Director

16 May 1995

CASH FLOW STATEMENT  
for the year ended 31 October 1994

	<i>Notes</i>	<i>Year to 31/10/94 £</i>	<i>Year to 31/10/93 £</i>
<b>NET (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	3(b)	<u>(4,104)</u>	<u>2,184</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		1,421	10,417
Interest paid		<u>(7)</u>	<u>(1)</u>
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<u>1,414</u>	<u>10,416</u>
<b>TAXATION</b>			
Corporation tax paid		<u>(2,141)</u>	<u>(23,452)</u>
<b>TAX PAID</b>		<u>(2,141)</u>	<u>(23,452)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property & furniture		<u>(19,883)</u>	<u>(543,622)</u>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<u>(19,883)</u>	<u>(543,622)</u>
<b>NET CASH OUTFLOW BEFORE FINANCING</b>		<u>(24,714)</u>	<u>(554,474)</u>
<b>FINANCING</b>			
Issue of ordinary share capital		-	-
Share issue costs		<u>-</u>	<u>-</u>
<b>NET CASH INFLOW FROM FINANCING (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	11	<u>(24,714)</u>	<u>(554,474)</u>
		<u>(24,714)</u>	<u>(554,474)</u>

NOTES TO THE ACCOUNTS  
at 31 October 1994

1. ACCOUNTING POLICIES

*Basis of preparation*

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

*Investment properties*

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

- (i) 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.
- (ii) net gains or losses on disposal of investment properties are calculated by reference to book value and included as exceptional items.

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 accounts 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.

*Depreciation of tangible fixed assets.*

No depreciation is provided in respect of freehold investment properties. Investment properties are included in the balance sheet at directors' valuation.

Other fixed assets are depreciated over their useful lives as follows:-

Furnishings - 8 years straight line method.

## NOTES TO THE ACCOUNTS

at 31 October 1994

## 1. ACCOUNTING POLICIES (continued)

*Letting income*

Letting income is accounted for on an accruals basis.

*Deferred taxation*

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that the liability will crystallise.

## 2. TURNOVER

Turnover comprises proceeds from the continuing activity of the letting of residential property.

## 3. OPERATING PROFIT/(LOSS)

	<i>Year to</i> 31/10/94	<i>Year to</i> 31/10/93
	£	£
(a) Operating profit/(loss) is stated after charging:		
Auditors' remuneration - audit services -		
including VAT	2,350	2,000
- non audit services -		
including VAT	1,278	39
Depreciation of owned fixed assets	451	451
	<u>          </u>	<u>          </u>

(b) Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities:

	<i>Year to</i> 31/10/94	<i>Year to</i> 31/10/93
	£	£
Operating profit/(loss)	8,381	(13,432)
Depreciation	451	451
(Increase)/Decrease in operating debtors	(22,210)	3,735
Increase in operating creditors	9,274	11,430
	<u>          </u>	<u>          </u>
Net cash (outflow)/inflow from operating activities	<u>(4,104)</u>	<u>2,184</u>

NOTES TO THE ACCOUNTS  
at 31 October 1994

4. DIRECTORS' EMOLUMENTS

	<i>Year to</i> <i>31/10/94</i>	<i>Year to</i> <i>31/10/93</i>
	£	£
Directors' fees	<u>5,657</u>	<u>8,406</u>

5. STAFF COSTS AND NUMBERS

The company has no employees.

6. OTHER INCOME

	<i>Year to</i> <i>31/10/94</i>	<i>Year to</i> <i>31/10/93</i>
	£	£
Bank interest receivable	<u>1,159</u>	<u>6,142</u>

7. INTEREST PAYABLE

	<i>Year to</i> <i>31/10/94</i>	<i>Year to</i> <i>31/10/93</i>
	£	£
Bank overdraft interest	<u>7</u>	<u>1</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>Year to</i> <i>31/10/94</i>	<i>Year to</i> <i>31/10/93</i>
	£	£
The charge based on the profit for the year comprises:		
Corporation tax under/(over) provided in previous years	2,141	(2,131)
UK Corporation Tax	<u>2,018</u>	<u>-</u>
	<u>4,159</u>	<u>(2,131)</u>

UK corporation tax has been provided at 25%.

NOTES TO THE ACCOUNTS  
at 31 October 1994

9. TANGIBLE FIXED ASSETS

	<i>Investment Properties</i> £	<i>Furnishings</i> £	<i>Total</i> £
<b>COST OR VALUATION</b>			
At 1 November 1993	1,365,525	3,607	1,369,132
Over provision in 1993	(3,500)	-	(3,500)
Revaluation of properties	23,807	-	23,807
At 31 October 1994	<u>1,385,832</u>	<u>3,607</u>	<u>1,389,439</u>
<b>DEPRECIATION</b>			
At 1 November 1993	-	451	451
Charge for year	-	451	451
At 31 October 1994	<u>-</u>	<u>902</u>	<u>902</u>
<b>NET BOOK VALUE</b>			
At 31 October 1994	<u>1,385,832</u>	<u>2,705</u>	<u>1,388,537</u>
At 31 October 1993	<u>1,365,525</u>	<u>3,156</u>	<u>1,368,681</u>

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

At 31 October 1994	<u>1,362,025</u>
At 1 November 1993	<u>1,365,525</u>

The Directors have taken in at full value those dwelling houses which have reverted to vacant possession on death of reversionary tenants. Having done that, the Directors have made no further increase for the current year in the values of properties still rented to reversionary tenants, except to adjust for movements in the house price indices'.

If the properties were sold at the revalued amount there would be a liability of £NIL on the capital gains arising on the sale.

NOTES TO THE ACCOUNTS  
at 31 October 1994

10. DEBTORS

	1994	1993
	£	£
Other debtors - operating	21,874	1,595
- non-operating	-	262
Prepayments	1,931	-
	<u>23,805</u>	<u>1,857</u>

11. CASH AND CASH EQUIVALENTS

(a) Analysis of changes in cash and cash equivalents during the year:

	Year to 31/10/94	Year to 31/10/93
	£	£
Balance at 1 November 1993	46,406	600,880
Net cash outflow	(24,714)	(554,474)
Balance at 31 October 1994	<u>21,692</u>	<u>46,406</u>

(b) Analysis of the balances of cash as shown in the balance sheet:

	1994	1993
	£	£
Cash at bank	<u>21,692</u>	<u>46,406</u>

12. CREDITORS: amounts falling due within one year

	1994	1993
	£	£
Accruals	23,360	11,865
Property Accruals	-	27,665
Deferred Income	7,128	5,067
Corporation Tax	2,018	-
	<u>32,506</u>	<u>44,597</u>



NOTES TO THE ACCOUNTS  
at 31 October 1994

**13. DEFERRED TAXATION**

No deferred taxation was necessary at 31 October 1994 as there are no timing differences which are expected to reverse and give rise to a tax change in the future.

**14. CALLED UP SHARE CAPITAL**

	1994 £	1993 £
Authorised:		
12,000,000 ordinary shares of 50p each	<u>6,000,000</u>	<u>6,000,000</u>
Allotted and fully paid:		
1,475,499 ordinary shares of 50p each	<u>737,750</u>	<u>737,750</u>

**15. RESERVES**

	<i>Share premium account</i> £	<i>Revaluation reserve</i> £	<i>Profit and loss account</i> £
At 1 November 1993	558,434	-	76,163
Profit for the year	-	-	5,374
Surplus on revaluation	-	23,807	-
At 31 October 1994	<u>558,434</u>	<u>23,807</u>	<u>81,537</u>

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1994 £	1993 £
Retained profit/(loss)	5,374	(5,160)
New ordinary share capital subscribed	-	1,501
Unrealised gains on revaluation of assets	23,807	-
Expenses of issue	-	-
Net increase in shareholders' funds	<u>29,181</u>	<u>(3,659)</u>
Opening shareholders' funds	1,372,347	1,376,006
Closing shareholders' funds	<u>1,401,528</u>	<u>1,372,347</u>

Shareholders' funds are entirely attributable to equity interests.

**NOTES TO THE ACCOUNTS**  
**at 31 October 1994**

**17. CAPITAL COMMITMENTS**

The company has no capital commitments.

**18. DIRECTORS' INTEREST IN CONTRACTS**

Park Circus Registrars Ltd, of which Mr Macdonald is a director, received fees of £540 (1993: £540) in respect of registrars fees, Park Circus (Management) Ltd, of which Mr Macdonald is a director, received fees of £4,000 (1993: £NIL) in respect of accountancy and administration and Neill Clerk & Murray, of which Mr Macdonald is a partner, received fees of £NIL (1993: £5,810) in respect of BES monitoring and legal advice, all excluding VAT.

Graham Harvey, of which Messrs Shulman and Taylor are partners, received fees of £1,750, excluding VAT (1993: £27,701), in respect of property management.

# NEILL CLERK & MURRAY

*Solicitors*

6 PARK CIRCUS PLACE, GLASGOW G3 6AN  
D.X. 512228 GLASGOW SANDYFORD PLACE  
TEL: 0141 332 2055 FAX: 0141 332 4608

Our Ref EHR/DP/SR Your Ref

Date 16 May 1995

The Directors  
REVERSIONARY GAINS II PLC  
6 Park Circus Place  
Glasgow  
G3 6AN

Gentlemen

## BES Monitoring

During the Company's financial year ended on 31 October 1994, you provided to us all property manager's reports to your Board, all Board agenda and all Board minutes.

We maintained close contact with you and had full information on the Company's affairs during the financial year.

In our view full information indicates that the Company maintained its qualifying status in terms of the Business Expansion Scheme.

Yours faithfully



PARTNERS: D. IAN BANNER, D. ROSS MACDONALD, IAN H. JOHNSTONE, DUNCAN M. BLAIR  
ALASTAIR J. GORDON, ALAN M. URQUHART, WILLIAM TOMLINSON, HUGH CRAWFORD, GEORGE S. ROSS  
KENNETH A. CALDWELL, ROBIN E. GIBSON, JANE A. WADDELL, TRACEY M. GINN  
ASSOCIATE: JOHN P. BERESFORD

OFFICES AT GREENOCK, GOUROCK AND GLASGOW

AUTHORISED TO CONDUCT INVESTMENT BUSINESS UNDER THE FINANCIAL SERVICES ACT 1986 BY THE LAW SOCIETY OF SCOTLAND

## PROXY FOR GENERAL MEETING

I, We

of

being the beneficial owner of shares in Reversionary Gains II Plc registered in the name of either Reversionary Gains II (First Nominees) Limited, Reversionary Gains II (Second Nominees) Limited or Reversionary Gains II (Third Nominees) Limited (the Nominee Companies) hereby instruct the relevant Nominee Company to vote in my/our names and on my/our behalf at the Annual General Meeting to be held at 31 Sackville Street, London W1X 1DB on Thursday, 15 June 1995 at 10.15 a.m. 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

\*Strike out whichever is not desired. Unless otherwise instructed the relevant Nominee Company may vote as it thinks fit or abstain from voting.

Signed this ..... day of ..... 1995

1 This form to be valid should be deposited at the office of Neill Clerk & Murray, 6 Park Circus Place, Glasgow, G3 6AN not less than 48 hours before the meeting. The Nominee Companies shall appoint a corporate representative to exercise votes in accordance with the instructions so received.

2. Any beneficial owner wishing to attend the Annual General Meeting in person may do so and shall then be deemed to be a corporate representative of the Nominee Companies in respect of such shares of which they are the beneficial owner only and shall accordingly be entitled to vote at the meeting.