

Unchained Reversions PLC

Report and Accounts

31 December 1999

Registered Number 146263



SCT	S7P0HR3Z	0167
COMPANIES HOUSE		05/06/00
COMPANIES HOUSE		20/05/00

AD

Directors

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

H B Shulman, LL.M.

A D B Taylor, B.A.

Secretaries and Registered Office

Park Circus (Secretaries) Limited

James Sellars House

144 West George Street

Glasgow

G2 2HG

Solicitors and Property Managers

Graham Harvey

Northway House

1379 High Road

London

N20 9LP

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

James Sellars House

144 West George Street

Glasgow

G2 2HG

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 1999.

Results and dividends

The profit and loss account of the Company is set out on page 5 and shows the profit for the year. The Directors propose that no dividend be paid.

Principal activities, review of the 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.

The surplus on revaluation represents the movement for the two years to 31 December 1999, the Directors having chosen not to obtain valuations for the properties in 1998 and including them in the 1998 accounts at their 1997 values. The 1999 valuation is the Directors' valuation based on professional advice including a valuation of the reversionary properties as at 31 March 2000 which indicates a further increase in value. Details of the position as at 31 March 2000 will be communicated to shareholders separately.

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 period. In preparing those accounts, 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.

Unchained Reversions PLC

DIRECTORS' REPORT

Directors and their interests

The Directors of the Company during the year and their interests in the ordinary share capital of the Company were:

	<i>Ordinary shares of 50p each</i>	
	<i>31 December 1999</i>	<i>31 December 1998</i>
H B Shulman, LL.M.	5,000	5,000
D R Macdonald, B.L., N.P.	1	1
A D B Taylor, B.A.	-	-

Payments to creditors

The Company does not follow any specific 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. Creditors days have not been calculated as the Company has no trade creditors.

Year 2000

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to 2000. The risk to the business relates not only to the company's computer systems, but also to some degree on those of our suppliers. The company has requested from major suppliers and other trading partners with whom information is exchanged electronically, confirmation that their relevant systems are Year 2000 compliant.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. However, the Board believes that its plans and resources allocated are appropriate and adequate to address the issue.

Auditors

Ernst & Young 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



Director - on behalf of
Park Circus (Secretaries) Limited
Secretaries

16 May 2000

**REPORT OF THE AUDITORS
to the shareholders of Unchained Reversions PLC**

We have audited the financial statements on pages 5 to 12, which have been prepared under the historical cost convention as modified by the revaluation of investment properties, and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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 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 as to whether the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because the directors did not obtain valuations of the investment properties at 31 December 1998, with the investment properties being included in the 1998 accounts at their 31 December 1997 values with subsequent additions at cost, in contravention of Statement of Standard Accounting Practice 19 (SSAP 19). As a result the gains on sale and revaluation of investment properties reported in the current year may include gains or losses which should have been reflected in the 1998 accounts. In the absence of valuations at 31 December 1998, we are unable to determine the impact, if any, that this departure from SSAP 19 would have on the financial statements.

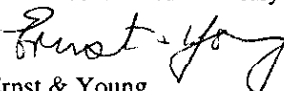
In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from departure from SSAP 19 and limitation in audit scope

As noted above the investment properties held at 31 December 1998 were not included in the financial statements at that date at their open market value. This is not in accordance with the requirements of SSAP 19.

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1999 and, except for the non-compliance with the above aspect of SSAP 19 and except for any adjustments that might have been found to be necessary had the open market values of the company's investment properties been determined at 31 December 1988, of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect of the limitation on our work relating to investment properties, we have not obtained all the information that we considered necessary for the purpose of our audit.


Ernst & Young
Registered Auditor
Glasgow

16 May 2000

Unchained Reversions PLC

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	1	70,151	96,782
Depreciation on furnishings		(1,891)	(1,891)
Other cost of sales		(33,627)	(45,408)
		(35,518)	(47,299)
Gross profit		34,633	49,483
Administration expenses		(73,853)	(28,689)
Operating (loss)/profit		(39,220)	20,794
Gain/(loss) on sale of investment properties		85,693	(38,574)
Interest payable and similar charges		(980)	(3,746)
Bank interest receivable		9,587	1,642
Profit/(loss) on ordinary activities before taxation	3	55,080	(19,884)
Tax on profit/(loss) on ordinary activities	4	(8,605)	-
Profit/(loss) for the financial year	12	46,475	(19,884)

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1999

	1999 £	1998 £
Profit/(loss) for the financial year	46,475	(19,884)
Unrealised gain on revaluation of properties	649,234	-
Deferred tax provision on revaluation of properties	(124,751)	-
Corporation tax on gains recognised in previous periods	(2,229)	-
Total recognised gains and losses relating to the period	568,729	(19,884)

The notes on pages 8 to 12 form part of these financial statements.

Unchained Reversions PLC

BALANCE SHEET

at 31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible fixed assets	5	2,247,927	1,726,173
Current assets			
Debtors	6	22,158	26,645
Cash at bank and in hand		313,641	105,399
		335,799	132,044
Creditors: amounts falling due within one year	7	(54,960)	(22,931)
Net current assets		280,839	109,113
Total assets less current liabilities		2,528,766	1,835,286
Provision for liabilities and charges	8	(124,751)	-
		2,404,015	1,835,286
Capital and reserves			
Called up share capital	9	911,056	911,056
Share premium account	10	730,723	730,723
Revaluation reserve	11	683,646	172,546
Profit and loss account		78,590	20,961
Equity Shareholders' Funds		2,404,015	1,835,286

Approved by the Board on 16 May 2000



D R Macdonald
Director

The notes on pages 8 to 12 form part of these financial statements.

Unchained Reversions PLC

STATEMENT OF CASH FLOWS

for the year ended 31 December 1999

	<i>Notes</i>	<i>1999</i> £	<i>1998</i> £
Net cash outflow from operating activities	13	(11,647)	(28,465)
Returns on investments and servicing of finance			
Interest received		9,587	1,642
Interest paid and similar charges		(980)	(3,746)
Taxation			
Corporation tax paid		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,585)	(47,312)
Sale proceeds of tangible fixed assets		213,867	192,261
Increase in cash for the year		<u>208,242</u>	<u>114,380</u>

Reconciliation of net cash flow to movement in net funds

	<i>1999</i> £	<i>1998</i> £
Increase in cash for the period	208,242	114,380
Net funds/(debt) at 1 January 1999	105,399	(8,981)
Net funds at 31 December 1999	<u>313,641</u>	<u>105,399</u>

Note - Analysis of changes in net funds

	<i>At</i> <i>1 January</i> <i>1999</i> £	<i>Cash 31 December</i> <i>Flows</i> <i>1999</i> £	<i>At</i> <i>1999</i> £
Cash at bank and in hand	105,399	208,242	313,641

NOTES TO THE ACCOUNTS

at 31 December 1999

1. Accounting Policies

Basis of preparation

The accounts are prepared under the historical cost convention modified by the revaluation of investment properties, and in accordance with applicable accounting standards. The true and fair view 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 arise solely in the United Kingdom.

Investment properties

Investment properties are normally 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 this 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.

Although the investment properties have been included at a current valuation this year, as explained in the Directors' Report they were included in the 1998 accounts at their 1997 values.

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.

Letting income

Letting income is accounted for on an accruals basis.

Unchained Reversions PLC

NOTES TO THE ACCOUNTS

at 31 December 1999

2. Employees' and Directors' Remuneration

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

	1999 £	1998 £
Amounts paid to third parties (including VAT)	9,880	10,575

In addition to the above the Company entered into the following arrangements in which the 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, received fees of £11,750 (1998 - £11,750) including VAT for professional services and £5,875 (1998 - £2,820) including VAT in respect of exit advice.

Park Circus Registrars Limited of which D R Macdonald is a Director and was a shareholder during the year received fees of £1,106 (1998 - £1,074) including VAT for professional services.

Mercantile Securities (Scotland) Limited, in which D R Macdonald has an interest by virtue of his shareholding in its parent company, received fees of £5,875 (1998 - £Nil) including VAT in respect of exit advice.

Graham Harvey & Co., of which A D B Taylor is a partner and H B Shulman is a consultant, received fees of £19,838 (1998 - £24,944) including VAT in respect of property management and other professional services.

3. Profit/(loss) on Ordinary Activities before Taxation

This is stated after charging:

	1999 £	1998 £
Auditors' remuneration for audit services (including VAT)	4,050	3,000
Exit costs	16,156	2,820

The auditors received no fees in respect of non-audit services (1998 - £Nil).

4. Tax on Profit/(loss) on Ordinary Activities

	1999 £	1998 £
Corporation tax on:		
Gain on sale of investment properties	14,276	-
Other activities	(3,950)	-
	10,326	-

Unchained Reversions PLC

NOTES TO THE ACCOUNTS

at 31 December 1999

5. Tangible Fixed Assets

	<i>Investment Properties</i>	<i>Furnishings</i>	<i>Total</i>
	£	£	£
Cost or valuation:			
At 1 January 1999	1,720,428	13,235	1,733,663
Additions	2,585	-	2,585
Disposals	(128,174)	-	(128,174)
Surplus on revaluation	649,234	-	649,234
At 31 December 1999	2,244,073	13,235	2,257,308
Depreciation:			
At 1 January 1999	-	7,490	7,490
Provided in the year	-	1,891	1,891
Balance at 31 December 1999	-	9,381	9,381
Net book value at 31 December 1999	2,244,073	3,854	2,247,927
Net book value at 31 December 1998	1,720,428	5,745	1,726,173

The company's investment portfolio of reversionary properties is included at a value based on calculations by Messrs Geoffrey Bernstein & Co., Consultant Actuaries, dated 31 March 2000, which included inter alia the results of independent professional valuations on a vacant possession basis of each of the company's properties and actuarial calculations reflecting existing life tenancies.

The company's 4 non reversionary properties are included at a value based on professional advice, dated 2 March 2000, received from FPD Savills, International Property Consultants, on the basis of open market value with vacant possession.

The historical cost of the investment properties is as follows:

	£
At 31 December 1999	1,435,676
At 31 December 1998	1,547,882

Unchained Reversions PLC

NOTES TO THE ACCOUNTS

at 31 December 1999

6. Debtors

	1999 £	1998 £
Other debtors	19,682	22,388
Prepayments	2,476	4,257
	<u>22,158</u>	<u>26,645</u>

7. Creditors: amounts falling due within one year

	1999 £	1998 £
Other creditors	3,389	6,275
Corporation tax	10,834	-
Accruals and deferred income	40,737	16,656
	<u>54,960</u>	<u>22,931</u>

8. Provision for Liabilities and Charges

	1999 £	1998 £
Deferred taxation		
At 1 January 1999	-	-
Arising during the period	124,751	-
At 31 December 1999	<u>124,751</u>	<u>-</u>

The provision represents the estimated capital gains tax liability which would arise if the properties were sold at their revalued amounts.

9. Share Capital

	1999 £	1998 £
<i>Authorised:</i>		
6,000,000 Ordinary shares of 50p per share	<u>3,000,000</u>	<u>3,000,000</u>
<i>Allotted, issued and fully paid</i>		
1,822,112 Ordinary shares of 50p per share	<u>911,056</u>	<u>911,056</u>

10. Share Premium Account

	1999 £	1998 £
At 31 December 1998 and 31 December 1999	<u>730,723</u>	<u>730,723</u>

Unchained Reversions PLC

NOTES TO THE ACCOUNTS

at 31 December 1999

11. Revaluation Reserve

	1999 £	1998 £
At 1 January 1999	172,546	218,655
Revaluation during year	649,234	-
Deferred taxation on revaluation of assets	(124,751)	-
Transfer to profit and loss account on disposal	(13,383)	(46,109)
At 31 December 1999	683,646	172,546

12. Reconciliation of Movements in Shareholders' Funds

	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total £
At 31 December 1997	911,056	730,723	218,655	(5,264)	1,855,170
Loss for the financial year	-	-	-	(19,884)	(19,884)
Transfer to profit and loss account	-	-	(46,109)	46,109	-
At 31 December 1998	911,056	730,723	172,546	20,961	1,835,286
Profit for the financial year	-	-	-	46,475	46,475
Revaluation surplus	-	-	649,234	-	649,234
Deferred taxation	-	-	(124,751)	-	(124,751)
Corporation tax	-	-	-	(2,229)	(2,229)
Transfer to profit and loss account	-	-	(13,383)	13,383	-
At 31 December 1999	911,056	730,723	683,646	78,590	2,404,015

13. Reconciliation of Operating (Loss)/Profit to Net Cash Outflow from Operating Activities

	1999 £	1998 £
Operating (loss)/profit	(39,220)	20,794
Depreciation charge	1,891	1,891
Decrease in debtors	4,487	5,896
Increase/(decrease) in creditors	21,195	(57,046)
Net cash outflow from operating activities	(11,647)	(28,465)

14. Commitments and Other Obligations

The company has no capital commitments at 31 December 1999 (1998 - £Nil).