

THE JOSEPH ROWNTREE REFORM
TRUST LIMITED (COMPANY LIMITED BY
GUARANTEE) & SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS
31 December 1997

Company Number 357963

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THE JOSEPH ROWNTREE REFORM TRUST LIMITED
DIRECTORS' REPORT

The Directors submit their Accounts of the Group for the year ended 31st December 1997.

1. ACTIVITIES

The Group administers investments in securities and real property and makes grants and undertakes projects for political and other purposes in accordance with the terms of the Group Companies Memoranda of Association.

2. STATE OF AFFAIRS

The income for the year added to the surplus on sale of investments after charging all expenses - was	1,138,963
Taxation in respect of income for the year amounts to	164,349

Leaving Net Income and gains for the year after taxation of	974,614
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Grants have been made as follows:
For political purposes:

Lord Alderdice	3,000
Alliance Party of Northern Ireland	15,000
Calderdale Liberal Democrats	2,000
Cannock Chase Constituency Labour Party	1,000
Conservative Group for Europe	17,000
Dagenham Constituency Labour Party	1,000
Ealing South Liberal Democrats	500
Harrogate & Knaresborough Constituency Liberal Democrats	10,000
Cllr. David Heath	4,167
Geoff Hoon MP	4,952
Cllr. Peter Hunter	4,500
A.J. Kirkwood MP - research assistance and publication costs	15,069
Labour Initiative on Co-operation (LINC)	19,250
Labour Party Leader's Office	5,000
Liberal Democrats	87,750
Macleod Group	35,000
Northern Ireland Women's Coalition	10,000
Lord Plant of Highfield	6,750
John Prescott Research Campaign Trust	2,916
Progressive Unionist Party	10,000
George Robertson MP	4,000
Roxburgh & Berwickshire Liberal Democrats	2,000
Ryedale Liberal Democrats	250
Sheffield Hallam Constituency Liberal Democrats	7,500
John Smith Memorial Lectures Publication	689
Social Democratic & Labour Party	7,500
Jack Straw MP	3,750
Torridge & West Devon Liberal Democrats	6,875
David Trimble MP	20,000
Tweeddale, Ettrick & Lauderdale Liberal Democrats	550
Ulster Democratic Party	10,000
Ulster Unionist Party	7,500
Malcolm Wicks MP	17,500
Dr. Tony Wright MP	5,000
4 grants of less than £200 each	550

348,518

For other purposes	211,685
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560,203

Resulting in excess of expenditure and losses over income for the year of

414,411

THE JOSEPH ROWNTREE REFORM TRUST LIMITED

DIRECTORS' REPORT

Brought forward	414,411
From which is deducted:	
The transfer (to) Realised Surpluses Account	(110,137)
	<hr/>
	304,274
To which is added:	
Accumulated deficit on Revenue reserves brought forward	(775,662)
	<hr/>
Leaving an accumulated deficit on Revenue	
Account to be carried forward at 31st December 1997	£(471,388)
	<hr/>

3. DIRECTORS

The Directors during the year were:

Trevor A. Smith (Chairman)
 David A. Currie
 Christine J. Day
 Christopher J. Greenfield
 Archibald J. Kirkwood MP
 Diana E. Scott
 David T. Shutt

None of the Directors has an interest in Group Companies' Shares or Capital Accounts.

The Directors retiring by rotation are David A. Currie and Christine J. Day who, being eligible, offer themselves for re-election.

4. 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 and of the profit 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;
- 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.

5. AUDITORS

Messrs. Barron & Barron have intimated their willingness to continue in office and a resolution to re-appoint them will be proposed in accordance with Section 385 of the Companies Act 1985.

By Order of the Board

LOIS A. JEFFERSON

Secretary

The Garden House,
 Water End,
 York.

6th March 1998

We hereby certify that the Directors' Report above is a true copy of the Directors' Report attached to the only Balance Sheet laid before the Company in general meeting during the period to which the Annual Return made up to 29 September 1998 relates.

Director *David T. Shutt*

Secretary *Lois A. Jefferson*

**AUDITORS' REPORT
TO THE MEMBERS OF THE JOSEPH ROWNTREE REFORM TRUST LIMITED**

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

Respective responsibilities of directors and auditors

As described on page 2 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.

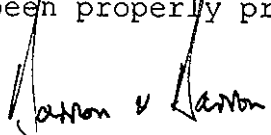
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from non-compliance with Accounting Standard

The freehold and leasehold properties included in fixed assets are investment properties. The properties are stated at cost less aggregated depreciation instead of at open market value as required by Statement of Standard Accounting Practice No. 19. If the open market value for these properties were to be included, the amount stated in the balance sheet would increase by £1,182,761 and this would be reflected by a corresponding balance on revaluation reserve.

Opinion

Except for the failure to account for the investment properties at their open market value, in our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st December 1997 and of the group's surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BARRON & BARRON

Chartered Accountants
and Registered Auditor

Bathurst House,
86 Micklegate,
York.

6th March 1998

THE JOSEPH ROWNTREE REFORM TRUST LIMITED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
for the year ended 31st December 1997

	Note	1997	1996
INCOME	2	761,906	762,043
LESS:			
Administration expenses	3	(185,468)	(188,263)
		<hr/>	<hr/>
LESS: Exceptional item	6	576,438 -	573,780 (349,480)
		<hr/>	<hr/>
		576,438	224,300
LESS:			
Grants paid and project expenditure	7	(560,203)	(877,805)
		<hr/>	<hr/>
EXCESS OF INCOME OVER EXPENDITURE (EXPENDITURE OVER INCOME) FOR THE YEAR BEFORE TAXATION		16,235	(653,505)
TAXATION ON INCOME	8	(164,349)	(111,366)
		<hr/>	<hr/>
EXCESS OF EXPENDITURE OVER INCOME FOR THE YEAR AFTER TAXATION		(148,114)	(764,871)
Surplus on sale of investments after taxation	9	562,525	353,162
		<hr/>	<hr/>
SURPLUS (DEFICIT) FOR YEAR Including a deficit of £70,676 (1996:£307,990) dealt with in the Accounts of the Holding Company		414,411	(411,709)
Transfer (to) from Realised Surpluses - Subsidiary Company		(110,137)	(216,086)
		<hr/>	<hr/>
SURPLUS (DEFICIT) for the year		£304,274	£(627,795)
		<hr/> <hr/>	<hr/> <hr/>
CONSOLIDATED STATEMENT OF RETAINED INCOME for the year ended 31st December 1997			
SURPLUS (DEFICIT) FOR THE YEAR		304,274	(627,795)
(DEFICIT) AT THE BEGINNING OF THE YEAR		(775,662)	(147,867)
		<hr/>	<hr/>
(DEFICIT) AT THE END OF THE YEAR		£(471,388)	£(775,662)
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains or losses either in the current or preceding year other than those recorded in the income and expenditure account.

THE JOSEPH ROWNTREE REFORM TRUST LIMITED

CONSOLIDATED BALANCE SHEET
As at 31st December 1997

	Note	1997	1996
ASSETS EMPLOYED			
FIXED ASSETS			
Tangible Assets	10	2,384,831	2,581,779
Investments	11	6,849,894	7,430,721
Loans by the Group	12	42,750	56,500
		<u>9,277,475</u>	<u>10,069,000</u>
CURRENT ASSETS			
Debtors		69,931	261,079
Cash at bank		1,527,533	174,467
Cash in hand		4	18
		<u>1,597,468</u>	<u>435,564</u>
CREDITORS - amounts falling due within one year			
Creditors and accrued charges		20,398	22,196
Current corporation tax		91,021	133,255
		<u>111,419</u>	<u>155,451</u>
NET CURRENT ASSETS		<u>1,486,049</u>	<u>280,113</u>
		<u>£10,763,524</u>	<u>£10,349,113</u>
FINANCED BY			
CAPITAL AND RESERVES			
Trust Capital Account		4,606,760	4,606,760
Reserves	13	6,156,764	5,742,353
		<u>£10,763,524</u>	<u>£10,349,113</u>

The financial statements were approved by the board of directors on 6th March 1998 and were signed on its behalf by:

We hereby certify that the Balance Sheet above (together with the documents required by law to be annexed thereto) and the Report of the Auditors relative thereto, is a true copy of the only Balance Sheet, etc laid before the Company in general meeting during the period to which the Annual Return made up to 29 September 1998 relates.

David J. Shutt
John A. Jefferson

)
) Directors

.....*David J. Shutt*.....Director

.....*John A. Jefferson*.....Secretary

THE JOSEPH ROWNTREE REFORM TRUST LIMITED

BALANCE SHEET

As at 31st December 1997

	Note	1997	1996
ASSETS EMPLOYED			
FIXED ASSETS			
Tangible Assets	10	24,703	28,145
Investments	11	5,010	5,010
Loan - Subsidiary Companies		4,241,640	4,136,890
		<u>4,271,353</u>	<u>4,170,045</u>
CURRENT ASSETS			
Debtors	39,284	186,591	
Cash at bank	4,425	3,717	
Cash in hand	4	18	
	<u>43,713</u>	<u>190,326</u>	
CREDITORS: amounts falling due within one year			
Creditors and accrued charges	7,343	9,427	
Current corporation tax	48,851	21,396	
	<u>56,194</u>	<u>30,823</u>	
NET CURRENT ASSETS		(12,481)	159,503
		<u>£4,258,872</u>	<u>£4,329,548</u>
FINANCED BY:			
CAPITAL AND RESERVES			
Trust Capital Account		4,606,760	4,606,760
Revenue Reserve		(347,888)	(277,212)
		<u>£4,258,872</u>	<u>£4,329,548</u>

The financial statements were
approved by the board of directors
on 6th March 1998 and were signed
on its behalf by:



) Directors

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a. DEPRECIATION

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected life as follows:-

Freehold property	- Over 50 years
Leasehold property	- Over the term of the lease
Office equipment	- Over 5 years

b. INVESTMENTS

Investments are stated at cost. If the total cost is higher than the total market value, investments are reduced to market value.

c. FOREIGN CURRENCY

Transactions during the year are converted at the rate prevailing at the time. Investments and deposits held at the year end date are converted at the rate ruling at that date for valuation purposes.

d. INTEREST RECEIVABLE

Interest on bank and other deposit accounts is included on a receipts basis with no provision being made for accrued interest receivable at the year end.

e. PENSIONS

The company operates a defined contribution pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. The cost of the contributions made by the company to the scheme are charged to profit and loss account as incurred.

2. INCOME

		1997	1996
Listed Investments - U.K.	477,232	455,112	
- Overseas	-	10,453	
Unlisted Investments	3,125	3,136	
Short term loans and cash deposits	24,544	21,584	
Corporation tax repayment supplement	1,091	11,006	
		505,992	501,291
Rents (less expenses including provision for amortisation of the lease)		255,914	260,752
		<u>£761,906</u>	<u>£762,043</u>

3. ADMINISTRATION EXPENSES

Administration expenses include:-

Directors' emoluments			
Fees	NIL	NIL	
Other emoluments	NIL	NIL	
Pension contributions	NIL	NIL	
		NIL	NIL
Depreciation		51,129	51,605
Auditors' remuneration		5,699	5,288
		<u>56,828</u>	<u>56,893</u>

NOTES TO THE FINANCIAL STATEMENTS

	1997	1996
4. EMPLOYEES		
The average weekly number of employees during the year was made up as follows:		
Directors	7	7
Office and management	2	2
	—	—
	9	9
	==	==
Staff costs during the year amounted to:		
Wages and salaries	42,838	39,903
Social Security costs	4,498	4,252
Other pension costs	5,733	5,341
	—	—
	£53,069	£49,496
5. DIRECTORS REMUNERATION		
Chairman	NIL	NIL
Highest paid director	NIL	NIL
Other directors - £0 - £5,000	6	6
6. EXCEPTIONAL ITEM		
The leasehold property at 16 Perseverance Works, 38 Kingsland Road, London E2 was valued by Goodman Mann in December 1996 at £160,000. An exceptional provision of £349,480 was therefore made at 31st December 1996 in order to reflect the permanent diminution in value of the property.		
7. GRANTS AND PROJECTS		
Only the Grants and Projects expenditure paid during the year are shown in the Income and Expenditure Account.		
Amounts authorised by Directors but unpaid at 31st December 1997 totalled £578,964 (1996:£510,869).		
Under an arrangement with the Trustees of the J.R.S.S.T. Charitable Trust, the Company reimburses the Trust in respect of Grants ultimately rejected by the Inland Revenue as not being charitable. There was no potential liability under this arrangement at 31st December 1997.		
8. TAXATION		
The charge for the year against income:-		
Tax deducted from dividends	97,736	94,275
UK Corporation tax at a rate of 32% (1996: 34%)	56,245	60,241
ADD: Underprovision in previous year	10,368	18
LESS: Overpaid in previous year	—	(43,168)
	66,613	17,091
	—	—
	£164,349	£111,366
9. SURPLUS ON INVESTMENTS		
Surplus for the year before taxation	597,301	426,176
LESS: Corporation tax liabilities arising thereon	34,776	73,014
	—	—
	£562,525	£353,162

THE JOSEPH ROWNTREE REFORM TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 TANGIBLE FIXED ASSETS GROUP	FREEHOLD PROPERTY	LEASEHOLD PROPERTY	OFFICE EQUIPMENT	TOTAL
COST				
At 1st January 1997	1,505,244	1,664,386	62,369	3,231,999
Additions	-	-	17,126	17,126
Disposals	-	(513,092)	(36,778)	(549,870)
At 31st December 1997	1,505,244	1,151,294	42,717	2,699,255
DEPRECIATION				
At 1st January 1997	116,754	485,107	48,359	650,220
Provided during the year	30,105	12,925	8,099	51,129
Disposals	-	(353,092)	(33,833)	(386,925)
At 31st December 1997	146,859	144,940	22,625	314,424
NET BOOK VALUE				
At 31st December 1997	£1,358,385	1,006,354	20,092	2,384,831
At 31st December 1996	£1,388,490	1,179,279	14,010	2,581,779
TANGIBLE FIXED ASSETS COMPANY				
COST				
At 1st January 1997		34,590	39,705	74,295
Disposals		-	(22,053)	(22,053)
At 31st December 1997		34,590	17,652	52,242
DEPRECIATION				
At 1st January 1997		13,648	32,502	46,150
Provided during the year		355	3,087	3,442
Disposals		-	(22,053)	(22,053)
At 31st December 1997		14,003	13,536	27,539
NET BOOK VALUE				
At 31st December 1997		£ 20,587	4,116	24,703
At 31st December 1996		£ 20,942	7,203	28,145

In the opinion of the directors, the freehold and leasehold properties are worth in excess of their book value.

NOTES TO THE FINANCIAL STATEMENTS

	UNLISTED	LISTED IN U.K.	TOTAL
11 INVESTMENTS			
GROUP			
Cost at 1st January 1997	221,079	7,209,642	7,430,721
Additions	4,940	533,696	538,636
Disposals	-	(1,119,463)	(1,119,463)
Cost at 31st December 1997	<u>226,019</u>	<u>6,623,875</u>	<u>6,849,894</u>

The market value of the listed investments at 31st December 1997 was £18,473,617 (1996:£17,833,903) and if they had been sold at this value there would have been a liability to tax of £2,300,000 (1996:£2,300,000) on the capital gains arising from the sale.

	GROUP COMPANIES	OTHER INVESTMENTS	TOTAL
COMPANY			
Cost at 1st January 1997	5,000	10	5,010
Cost at 31st December 1997	<u>£5,000</u>	<u>10</u>	<u>5,010</u>

- The other investments are unlisted.
- In the opinion of the Directors, the unlisted shares are worth in excess of their book value.
- In the case of each of the following unlisted investments, the Company's holding represents 10% or more of the equity capital of the company whose shares are held.

	PERCENTAGE OF SHARES ISSUED 1997	PERCENTAGE OF SHARES ISSUED 1996
COMPANY		
J.R.R.T. (Properties) Ltd.		
£1 ordinary shares	100%	100%
J.R.R.T. (Investments) Ltd.		
£1 ordinary shares	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

	1997	GROUP 1996
12 LOANS		
Hebden Royd Publications Ltd.	-	13,750
Fortnight Publications Ltd.	42,750	42,750
	<hr/>	<hr/>
	42,750	56,500
	<hr/>	<hr/>

The figure for Hebden Royd Publications Limited represents a loan of £15,000 made in 1987 and a further loan of £10,000 made in 1989. The total loan was to be repaid over 5 years. The directors agreed to suspend the repayments due in 1995 and 1996 and in 1997 decided to write off the loan due to the company's continuing financial difficulties.

The Fortnight Publications Limited loan is secured on the company's premises in Belfast. The loan is repayable over 15 years and interest is payable quarterly at 4/5 of bank base rate.

	1997	1996
13 RESERVES		
Realised surpluses	6,628,152	6,518,015
Revenue Account	(471,388)	(775,662)
	<hr/>	<hr/>
	£6,156,764	£5,742,353
	<hr/>	<hr/>

14 CONSTITUTION

The Company is limited by guarantee, having no share capital. Each member is liable to contribute a sum not exceeding 50p in the event of the Company being wound up while they are members or within one year thereafter. The number of members is declared not to exceed twenty.

15 CAPITAL COMMITMENTS

At 31st December 1997 there were no capital commitments (1996:£NIL).

16 CONTINGENT LIABILITIES

The capital gains arising on the sale of 4,000 shares in Europa Publications Ltd. have been calculated using a March 1982 valuation of £11.25 per share. This figure has not yet been agreed by the Inland Revenue who have proposed £5 per share. Additional corporation tax of £30,333 will be payable if the Inland Revenue proposed valuation has to be adopted.