

Company number 31754

DAVY PROPERTY HOLDINGS LIMITED

REPORT AND ACCOUNTS

30 SEPTEMBER 1995

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## DAVY PROPERTY HOLDINGS LIMITED

### DIRECTORS' REPORT

The directors have pleasure in submitting their Report and Statement of Accounts for the year ended 30 September 1995.

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activity, is and will continue to be, property management.

#### RESULTS

The results for the year are set out in the profit and loss account on page 3 and the loss for the year of £140,653 (1994 - £6,628,404) has been transferred to reserves.

#### SHARE CAPITAL

The authorised and issued share capital was increased from £21,600,000 to £26,000,000 on 12 June 1995 to provide the Company with additional working capital.

#### DIVIDENDS

The directors do not recommend a dividend.

#### FIXED ASSETS

Details of the movements in fixed assets during the year are given in note 7 to the accounts.

#### DIRECTORS

The directors of the Company during the year were:

A L Fenton	(resigned 31 May 1995)
P Stevens	(resigned 31 May 1995)
G P Kelly	(appointed 31 May 1995 - resigned 14 August 1995)
T C Garnham	(appointed 31 May 1995)
H G R Williams	(appointed 31 May 1995)
N Latham	(appointed 14 August 1995)

During the year the ultimate parent undertaking, Trafalgar House Public Limited Company, maintained insurance for directors and officers against liabilities in relation to its subsidiary companies.

#### DIRECTORS' SHARE INTERESTS

Given below are details of the interests in the Shares and Debentures of Trafalgar House Public Limited Company (the ultimate parent undertaking) at 30 September 1994, or subsequent date of appointment, and at 30 September 1995 of the directors of the Company at that latter date who were not also directors of Trafalgar House Public Limited Company.

DAVY PROPERTY HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' SHARE INTERESTS (continued)

Ordinary and Preference Shares


	<u>30 September 1995</u>			<u>30 September 1994</u> (or subsequent date of appointment)		
	Convertible Cumulative Preference Shares of <u>6p each</u>	Ordinary Shares of <u>20p each</u>	Share Options	Convertible Cumulative Preference Shares of <u>6p each</u>	Ordinary Shares of <u>20p each</u>	Share Options
T C Garnham	-	-	57,139	-	-	57,139
H G R Williams	-	-	66,228	-	-	58,562
N Latham	-	-	7,666	-	-	-

These figures include interests acquired under the terms of Trafalgar House Public Limited Company's profit sharing and share option schemes.

AUDITORS

Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors annually was passed at an Extraordinary General Meeting of the Company held on 23 June 1992.

By Order of the Board

  
N LATHAM  
Secretary

10 Bedford Street  
London WC2E 9HE

12 December 1995

DAVY PROPERTY HOLDINGS LIMITED

STATEMENT OF 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 as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed;
- d) 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.

AUDITORS' REPORT TO THE MEMBERS

OF

DAVY PROPERTY HOLDINGS LIMITED

We have audited the financial statements on pages 3 to 11 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1, 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 an 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 the company's affairs as at 30 September 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants and Registered Auditors

8 Salisbury Square  
London EC4Y 8BB

12 December 1995

DAVY PROPERTY HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1995

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
<u>TURNOVER</u>		
Gross rental income - Continuing operations	2,298,233	1,824,602
Property outgoings (note 2)	(2,263,119)	(8,514,559)
	<hr/>	<hr/>
<u>GROSS PROFIT/(LOSS)</u>	35,114	(6,689,957)
<u>ADMINISTRATIVE EXPENSES</u> (note 3)	-	(4,019)
	<hr/>	<hr/>
<u>OPERATING PROFIT/(LOSS)</u> - continuing operations (note 4)	35,114	(6,693,976)
<u>EXCEPTIONAL ITEMS:</u>		
<u>PROFIT/(LOSS) ON SALES OF PROPERTIES</u> <u>IN CONTINUING ACTIVITIES</u>	(125,000)	68,674
<u>PROVISION FOR RESTRUCTURING IN</u> <u>CONTINUING OPERATIONS</u>	-	25,000
	<hr/>	<hr/>
<u>LOSS ON ORDINARY ACTIVITIES</u> <u>BEFORE INTEREST</u>	(89,886)	(6,600,302)
<u>INTEREST PAYABLE AND SIMILAR</u> <u>CHARGES</u> (note 5)	(50,767)	(28,102)
	<hr/>	<hr/>
<u>LOSS ON ORDINARY ACTIVITIES</u> <u>BEFORE TAXATION</u>	(140,653)	(6,628,404)
<u>TAXATION</u> - on loss on ordinary activities (note 6)	-	-
	<hr/>	<hr/>
<u>RETAINED LOSS FOR THE</u> <u>FINANCIAL YEAR</u> (note 12)	(140,653) =====	(6,628,404) =====

The notes on pages 6 to 11 form part of these accounts.

The Company has no recognised gains or losses other than the loss for the financial year. Accordingly, a statement of total recognised gains and losses has not been prepared.

DAVY PROPERTY HOLDINGS LIMITED  
BALANCE SHEET AT 30 SEPTEMBER 1995

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
<u>FIXED ASSETS</u>		
Tangible assets (note 7)	400,000	525,000
<u>CURRENT ASSETS</u>		
Cash at bank and in hand	23,480	431,250
Debtors (note 8)	20,274,900	13,841,745
	<hr/>	<hr/>
	20,298,380	14,272,995
	<hr/>	<hr/>
<u>CREDITORS:</u>		
Amounts falling due within one year:		
Bank borrowings	-	(399,032)
Creditors (note 9)	(3,280,131)	(1,586,553)
	<hr/>	<hr/>
	(3,280,131)	(1,985,585)
	<hr/>	<hr/>
<u>NET CURRENT ASSETS</u>	17,018,249	12,287,410
	<hr/>	<hr/>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>	17,418,249	12,812,410
<u>PROVISIONS FOR LIABILITIES AND CHARGES (note 10)</u>	(14,346,469)	(13,999,977)
	<hr/>	<hr/>
<u>NET ASSETS</u>	3,071,780	(1,187,567)
	=====	=====
<u>CAPITAL AND RESERVES</u>		
Called up equity share capital (note 11)	26,000,000	21,600,000
Equity reserves		
Share premium account	1,259,260	1,259,260
Profit and loss account -		
- deficit (note 12)	(24,187,480)	(24,046,827)
	<hr/>	<hr/>
<u>SHAREHOLDERS' FUNDS</u>	3,071,780	(1,187,567)
	=====	=====

The notes on pages 6 to 11 form part of these accounts.

These accounts were approved by the Board of Directors on  
and signed on its behalf by:

12 December 1995



N LATHAM  
Director

DAVY PROPERTY HOLDINGS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 30 SEPTEMBER 1995

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Loss for the financial year	(140,653)	(6,628,404)
Share capital subscribed	4,400,000	11,600,000
	-----	-----
Net addition to shareholders' funds	4,259,347	4,971,596
Opening shareholders' funds	(1,187,567)	(6,159,163)
	-----	-----
Closing shareholders' funds	3,071,780	(1,187,567)
	=====	=====



DAVY PROPERTY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1995

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

(a) Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified for the revaluation of certain fixed assets, and include the results of activities described in the directors' report, which are continuing.

(b) Cash flow statement

The Company has taken advantage of the exemption under the rules of FRS1 not to produce a cash flow statement. The appropriate amounts have been included in the consolidated accounts of Trafalgar House Public Limited Company.

(c) Turnover

Turnover, which include inter company trading, arises wholly within the United Kingdom and represents the rental income from properties owned by the company and the proceeds of property sales.

(d) Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability will crystallise in the future.

(e) Fixed asset

Properties occupied by the Group.

Properties owned and occupied as business premises are included in fixed assets at their latest valuation plus subsequent additions at cost.

(f) Depreciation

Depreciation is not provided on freehold and long leasehold properties where the directors are of the opinion that the buildings concerned are currently sufficiently well maintained to ensure that the residual values of such properties are not less than the cost or valuation (based on prices prevailing at the time of acquisition or subsequent valuation) and accordingly annual depreciation or amortisation would not be material to the financial statements.

DAVY PROPERTY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1995 (CONTINUED)

1. ACCOUNTING POLICIES (continued)

(g) Revaluation reserve

Surpluses arising on the revaluation of tangible fixed assets are credited to a non distributable reserve known as the revaluation reserve. Any permanent diminution in valuation is written off firstly against amounts previously credited to revaluation reserve and secondly written off in the profit and loss account. In accordance with FRS3, the profit or loss on sale of a tangible fixed asset is the difference between the disposal proceeds and the carrying value of the asset, including any revaluation. Any amount in the revaluation reserve relating to such an asset is transferred directly to the profit and loss reserve and is not included in the profit for the financial year.

2. PROPERTY OUTGOINGS

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Property outgoings consist of:		
Provisions raised in respect of contractual liabilities on onerous leases	-	6,300,000
Property expenses	2,263,119	2,214,559
	<hr/>	<hr/>
	2,263,119	8,514,559
	=====	=====

3. ADMINISTRATIVE EXPENSES

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
This is stated after charging:		
Depreciation	-	3,745
	=====	=====

None of the directors received any emoluments from the Company during the year (1994 - £ nil).

Staff costs and auditors' remuneration were borne by the Company's immediate parent undertaking.

4. OPERATING PROFIT/(LOSS) ON CONTINUING OPERATIONS

Operating profit/(loss) on continuing ordinary activities is stated after charging:

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Hire charges on land and buildings	1,832,500	1,832,500
	=====	=====

DAVY PROPERTY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1995 (CONTINUED)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Bank loans, overdrafts and other loans repayable within five years	190	28,102
Intercompanies	50,577	-
	<hr/>	<hr/>
	50,767	28,102
	=====	=====

6. TAXATION

There is no charge for corporation tax as the Company has incurred a loss for the year. Relief for the loss will be surrendered to other companies in the group for no consideration.

7. TANGIBLE FIXED ASSETS

	<u>Freehold Properties</u>	<u>Plant and Equipment</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Cost or Valuation:			
At 1 October 1994	525,000	23,012	548,012
Disposals	(125,000)	-	(125,000)
	<hr/>	<hr/>	<hr/>
At 30 September 1995	400,000	23,012	423,012
	=====	=====	=====
Accumulated depreciation:			
At 1 October 1994 and 30 September 1995	-	23,012	23,012
	=====	=====	=====
Net book value:			
At 30 September 1995	400,000	-	400,000
	=====	=====	=====
At 30 September 1994	525,000	-	525,000
	=====	=====	=====

DAVY PROPERTY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1995 (CONTINUED)

7. TANGIBLE FIXED ASSETS (Continued)

The comparable amount on a historical cost basis in respect of Freehold properties is £1,366,491 (1994 - £1,491,491).

The freehold properties are carried at their 30 September 1993 valuations. All major properties were valued as at 30 September 1993 by Jones Lang Wootton, Chartered Surveyors, on an open market existing use basis.

All of the above valuations were carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors.

8. DEBTORS

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Amounts falling due within one year:		
Trade debtors	-	151,481
Amount owed by immediate parent undertaking	17,616,077	-
Amounts owed by subsidiary undertakings	2,151,326	13,216,500
Taxation and social security	34,244	-
Prepayments and accrued income	473,253	473,764
	<hr/>	<hr/>
	20,274,900	13,841,745
	=====	=====

9. CREDITORS

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Amounts falling due within one year:		
Payments in advance	29,997	27,779
Amounts owed to fellow subsidiaries	2,956,282	984,491
Accruals and deferred income	293,852	574,283
	<hr/>	<hr/>
	3,280,131	1,586,553
	=====	=====

DAVY PROPERTY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1995 (CONTINUED)

10. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Taxation, including</u> <u>deferred taxation</u>	<u>Other</u> <u>provisions</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
At 1 October 1994	(23)	14,000,000	13,999,977
Reclassified from accruals	-	461,000	461,000
Utilised during the year	-	(114,508)	(114,508)
	<hr/>	<hr/>	<hr/>
At 30 September 1995	(23)	14,346,492	14,346,469
	=====	=====	=====

Other provisions relate to potential contractual liabilities on certain leases.

11. CALLED UP EQUITY SHARE CAPITAL

	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>
	<u>£</u>	<u>£</u>
Ordinary shares of 25 pence each		
At 1 October 1994	21,600,000	21,600,000
Increase in authorised share capital	4,400,000	-
Shares allotted at par	-	4,400,000
	<hr/>	<hr/>
At 30 September 1995	26,000,000	26,000,000
	=====	=====

On 12 June 1995 the company issued 17,600,000 ordinary shares of 25 pence each at par in order to provide working capital.

12. PROFIT AND LOSS ACCOUNT

	<u>£</u>
At 1 October 1994 - (deficit)	(24,046,827)
Retained loss for the financial year	(140,653)
	<hr/>
At 30 September 1995	(24,187,480)
	=====

13. COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Operating leases which expire:		
in over 5 years	1,832,500	1,832,500
	=====	=====

DAVY PROPERTY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1995 (CONTINUED)

14. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking is Trafalgar House Public Limited Company, which is registered in England and Wales. Copies of the Report and Accounts of Trafalgar House Public Limited Company are available from The Company Secretary's office at 1 Berkeley Street, London W1A 1BY.