

# Davy Property Holdings Limited

Financial Statements 31 December 1999  
together with directors' and auditors' reports

Registered number: 31754



# Davy Property Holdings Limited

## Directors' Report

The directors present their report, together with the financial statements and auditors' report, for the year ended 31 December 1999.

### Principal activities and business review

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

### Year 2000

No problems have been caused by the year 2000 "computer bug" as at the date of this report and the directors do not envisage that any problems will arise in the foreseeable future.

### Results

The results for the year are set out in the profit and loss account on page 3. Retained profits of £638,269 (1998 - £65,929) have been transferred to reserves.

### Dividends

The directors do not recommend the payment of any dividend on the issued ordinary share capital of the company in respect of the year ended 31 December 1999.

### Directors

The directors of the company during the year were:

H G R Williams	(resigned 30 June 1999)
N Latham	
Trafalgar House Developments Limited	(appointed 30 June 1999)

### Directors' share interests

None of the directors, at 31 December 1999, had any interests requiring to be disclosed under the Companies Act 1985. There were no changes in the directors' interests between 31 December 1999 and the date of this report. No director, during the year, had a material interest in any contract significant to the company's business.


### Annual general meeting

The company has dispensed with the obligation to hold annual general meetings.

### Auditors

Pursuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors annually has been passed at an Extraordinary General Meeting.

By order of the Board,



N Latham  
Secretary  
Kvaerner House  
68 Hammersmith Road  
London W14 8YW

30 JUNE 2000

## Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss 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, 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.

# Davy Property Holdings Limited

## Auditors' Report

To the Shareholders of Davy Property Holdings Limited :

We have audited the financial statements on pages 3 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 1, preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. 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. 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.

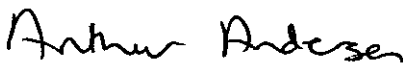
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

### Going concern

In forming our opinion, we have considered the adequacy of the disclosures set out in Note 11 relating to the post balance sheet events, strategic review and financing of the ultimate holding company, Kvaerner ASA, and its subsidiaries including Kvaerner PLC. In particular, we draw attention to the disclosure of the uncertainties relating to the compliance of the Kvaerner ASA group with the covenants related to its banking arrangements and the group's plans to raise further capital. In view of the significance of these matters and their potential impact on the going concern basis adopted in these accounts, we believe that they should be brought to your attention. Our opinion is not qualified in this respect.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street  
LONDON WC2R 2PS

30 JUNE 2000

# Davy Property Holdings Limited

## Profit And Loss Account for the Year Ended 31 December 1999

	Note	Year ended 31 December 1999 £	Year ended 31 December 1998 £
<b>Turnover</b>			
Continuing operations			
Rental income		2,171,249	2,332,919
Property outgoings	2	<u>(1,522,996)</u>	<u>(2,266,990)</u>
<b>Operating profit on continuing operations</b>		648,253	65,929
Loss or disposal of tangible fixed asset		<u>(10,000)</u>	-
<b>Profit on ordinary activities before interest</b>		638,253	65,929
Interest receivable and similar income		16	-
<b>Profit on ordinary activities before taxation</b>	3	<u>638,269</u>	<u>65,929</u>
<b>Taxation - on profit on ordinary activities</b>	4	<u>-</u>	<u>-</u>
<b>Retained profit for the financial year</b>	9	<u><u>638,269</u></u>	<u><u>65,929</u></u>

The notes on pages 5 to 9 form part of this profit and loss account.

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

The only movement in shareholders' funds is the profit for the year. Accordingly, a statement reconciling the movements in shareholders' funds has not been prepared.

# Davy Property Holdings Limited

## Balance Sheet at 31 December 1999

	Note	31 December 1999		31 December 1998	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	5		1,133,771		1,087,144
<b>Current assets</b>					
Debtors	6	<u>27,521,243</u>		<u>27,587,856</u>	
<b>Creditors: Amounts falling due within one year</b>					
Trade creditors		(99,205)		(56,332)	
Amounts owed to fellow subsidiary undertakings		(10,796,668)		(10,845,594)	
Taxation and social security		(15,279)		(193,641)	
Accruals and deferred income		<u>(521,459)</u>		<u>(333,767)</u>	
		<u>(11,432,611)</u>		<u>(11,429,334)</u>	
<b>Net current assets</b>			<u>16,088,632</u>		<u>16,158,522</u>
<b>Total assets less current liabilities</b>			17,202,403		17,245,666
<b>Provisions for liabilities and charges</b>	7		-		(681,532)
<b>Net assets</b>			<u>17,202,403</u>		<u>16,564,134</u>
<b>Capital and reserves</b>					
Called up equity share capital	8		26,000,000		26,000,000
Equity reserves					
Share premium account			1,259,260		1,259,260
Profit and loss account - (deficit)	9		<u>(10,056,857)</u>		<u>(10,695,126)</u>
<b>Shareholders' funds</b>			<u>17,202,403</u>		<u>16,564,134</u>

The notes on pages 5 to 9 form part of this balance sheet.

The financial statements were approved by the Board of Directors on 30 June 2000 and signed on its behalf by:



N Latham  
Director

## Notes to accounts 31 December 1999

### 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 tangible fixed assets.

#### (b) Cash flow statement

The company has taken advantage of the exemption under the rules of FRS1 (revised) not to produce a cash flow statement. The appropriate amounts have been included in the consolidated financial statements of Kvaerner PLC.

#### (c) Turnover

Turnover, which includes inter company trading, arises wholly within the United Kingdom and represents rental income, net of VAT, from properties owned by the company.

#### (d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided at the anticipated tax rates on timing 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 financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

#### (e) Fixed asset properties

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 and accordingly annual depreciation or amortisation would not be material to the financial statements. Plant and equipment is depreciated over 10 years.

#### (g) Revaluation reserve

Surpluses or deficits arising on the revaluation of individual properties are transferred to the revaluation reserve, unless a deficit (or its reversal) is expected to be permanent, in which case it is charged (or credited) to 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 period.

**Notes to accounts (continued)**  
**31 December 1999**

**2. Property outgoings and other operating amounts**

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Property outgoings	2,114,042	2,221,790
Provisions for liabilities and charges no longer required (note 7)	(696,658)	-
Depreciation	105,612	45,200
	<u>1,522,996</u>	<u>2,266,990</u>

**3. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Hire charges on land and buildings	<u>1,832,500</u>	<u>1,832,500</u>

None of the directors received any emoluments from the company during the year (1998 - £Nil). Administration expenses and auditors' remuneration were borne by the company's immediate parent undertaking.

**4. Taxation - on profit on ordinary activities**

There is no charge for corporation tax on the profit for the year as relief will be obtained for losses incurred by other companies in the group surrendered for no consideration.

There is no potential liability to deferred taxation.

# Davy Property Holdings Limited

## Notes to accounts (continued) 31 December 1999

### 5. Fixed assets Tangible assets

	Plant and Equipment £	Freehold Investment properties £	Total £
<b>Cost or valuation:</b>			
At 1 January 1999	832,344	300,000	1,132,344
Additions during the year	432,239	-	432,239
Disposals during the year	-	(300,000)	(300,000)
At 31 December 1999	<u>1,264,583</u>	<u>-</u>	<u>1,264,583</u>
<b>Accumulated depreciation</b>			
At 1 January 1999	45,200	-	45,200
Raised during the year	105,612	-	105,612
At 31 December 1999	<u>150,812</u>	<u>-</u>	<u>150,812</u>
<b>Net book value</b>			
At 31 December 1999	<u>1,113,771</u>	<u>-</u>	<u>1,113,771</u>
At 31 December 1998	<u>787,144</u>	<u>300,000</u>	<u>1,087,144</u>

### 6. Debtors

	31 December 1999 £	31 December 1998 £
<b>Amounts falling due within one year:</b>		
Trade debtors	58,537	33,537
Amount owed by immediate parent undertaking	17,616,077	17,616,077
Amounts owed by fellow subsidiary undertakings	9,388,504	9,479,249
Prepayments and accrued income	<u>458,125</u>	<u>458,993</u>
	<u>27,521,243</u>	<u>27,587,856</u>

# Davy Property Holdings Limited

## Notes to accounts (continued)

31 December 1999

### 7. Provisions for liabilities and charges

	£
At 1 January 1999	681,532
Recovered during the year less utilised	15,126
Provisions no longer required	(696,658)
At 31 December 1999	-

The provisions related to potential contractual liabilities on certain leases.

	31 December 1999	31 December 1998
	£	£

### 8. Called up equity share capital

Authorised, allotted and fully paid:

104,000,000 ordinary shares of 25 pence	26,000,000	26,000,000
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### 9. Profit and loss account

	£
At 1 January 1999 - (deficit)	(10,695,126)
Retained profit for the financial year	638,269
At 31 December 1999 - (deficit)	(10,056,857)

### 10. Commitments

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

	31 December 1999	31 December 1998
	£	£
Operating leases which expire over 5 years		
Land and buildings	1,832,500	1,832,500

### 11. Contingencies, Post balance sheet events and strategic review and financing

The company and other members of the Kvaerner ASA group are co-dependent on each other for funding support (see note 6 for balances outstanding at year end). In this connection, it should be noted that in April 1999, Kvaerner ASA announced a far-reaching strategic restructuring with a view to returning the Group to profitable performance and significantly reducing group borrowings. The directors of the company are working with other members of the Kvaerner ASA group to implement the restructuring plan and to ensure adequacy of financing. The board of Kvaerner ASA has recommended a NOK2.5 billion rights issue, which was approved at an Extraordinary General Meeting held on 19 June 2000. The group is also raising additional funds through asset disposals and securitisations, which are at an advanced stage.

**Notes to accounts (continued)**

**31 December 1999**

**11. Contingencies, Post balance sheet events and strategic review and financing (continued)**

The Kvaerner ASA group principal loan facilities contain certain financial covenants relating to gross borrowings, shareholders' equity and interest coverage. Certain of the accounting provisions created in connection with the restructuring programme relate to potential losses anticipated on the sale of the Kvaerner ASA group's shipbuilding activities. In its calculation of certain of the financial covenants, Kvaerner ASA has excluded the provision and is of the opinion that it is in compliance with these covenants.

Forecasts prepared by Kvaerner ASA group for the period ended 30 June 2001 assume the satisfactory completion of the rights issue referred to above and indicate that the group will be in compliance with the financial covenants, as interpreted above, for the period and these accounts have been prepared on this basis. The group expects to be able to operate within its facilities over the coming year and within those expected to be agreed when the group's bankers consider their renewal on renewal dates arising during this period. However, there can be variances between forecasts and actual results, and there can be no assurance over the Kvaerner ASA Group's ability to meet all covenants contained in its lending agreements or the lenders' willingness to extend waivers or amend terms to avoid and actual or anticipated breaches of such covenants.

The auditors' report on the 1999 accounts of Kvaerner ASA contained an emphasis of matter note referring to various uncertainties described in the notes to the accounts.

**12. Ultimate parent undertaking**

Kvaerner PLC heads the smallest group in which the results of the company are consolidated.

The ultimate parent company is Kvaerner ASA, a company incorporated in Norway, which heads the largest group in which the results of the company are consolidated.

Copies of the respective financial statements can be obtained from Kvaerner PLC at Kvaerner House, 68 Hammersmith Road, London W14 8YW.