

Davy Property Holdings Limited

Financial Statements 31 December 1998
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 1998.

Principal activities and business review

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

Year 2000

The company has recognised that the year 2000 'computer bug' is an important issue and has established a programme to address the problem.

The company is following the framework set out by Kvaerner ASA, the company's ultimate parent company, and work has been completed on assessing the impact upon the company.

The cost of implementing the year 2000 compliance programme is estimated as being not significant to the company.

There can be no absolute guarantee that the problem will have been completely eliminated in advance of the year 2000. However, the company is taking the steps it considers necessary to mitigate the risk.

Results

The results for the year are set out in the profit and loss account on page 3. Retained profits of £65,929 (1997 - £32,255) have been transferred to reserves.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the year were:

H G R Williams	
GP Kelly	(resigned 26 June 1998)
N Latham	(appointed 26 June 1998)

Directors' share interests

None of the directors, at 31 December 1998, had any interests requiring to be disclosed under the Companies Act 1985. There were no changes in the directors' interests between 31 December 1998 and the date of this report. No director, during the year, had a material interest in any contract significant to the Company's business.

Davy Property Holdings Limited

Directors' Report (Continued)

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
Windsor Plaza
68 Hammersmith Road
London W14 8YW

14 JUNE 1999

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.

Auditors' Report

To the Shareholders of Davy Property Holdings Limited :

We have audited the financial statements on pages 3 to 8 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 page 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the 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.

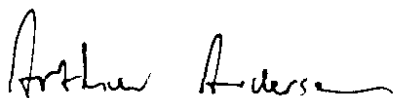
Basis of opinion

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.

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 1998 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

14 JUNE 1999

Davy Property Holdings Limited

Profit And Loss Account for the Year Ended 31 December 1998

	Note	Year ended 31 December 1998 £	Year ended 31 December 1997 £
Turnover			
Continuing operations			
Rental income		2,332,919	2,601,372
Property outgoings	2	<u>(2,266,990)</u>	<u>(2,569,117)</u>
Operating profit on continuing operations and profit on ordinary activities before taxation	3	65,929	32,255
Taxation - on profit on ordinary activities	4	<u>-</u>	<u>-</u>
Retained profit for the financial year	9	<u>65,929</u>	<u>32,255</u>

The notes on pages 5 to 8 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 1998

	Note	31 December 1998		31 December 1997	
		£	£	£	£
Fixed assets					
Tangible assets	5		1,087,144		300,000
Current assets					
Debtors	6	<u>27,587,856</u>		<u>26,606,338</u>	
Creditors: Amounts falling due within one year					
Trade creditors		(56,332)		(40,815)	
Amounts owed to fellow subsidiary undertakings		(10,845,594)		(9,188,656)	
Taxation and social security		(193,641)		(394,162)	
Accruals and deferred income		<u>(333,767)</u>		<u>(181,531)</u>	
		<u>(11,429,334)</u>		<u>(9,805,164)</u>	
Net current assets			<u>16,158,522</u>		<u>16,801,174</u>
Total assets less current liabilities			17,245,666		17,101,174
Provisions for liabilities and charges	7		(681,532)		(602,969)
Net assets			<u>16,564,134</u>		<u>16,498,205</u>
Capital and reserves					
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>(10,695,126)</u>		<u>(10,761,055)</u>
Shareholders' funds			<u>16,564,134</u>		<u>16,498,205</u>

The notes on pages 5 to 8 form part of this balance sheet.

The financial statements were approved by the Board of Directors on 14 June 1999 and signed on its behalf by:



N Latham
Director

Notes to accounts 31 December 1998

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.

Davy Property Holdings Limited

Notes to accounts (continued) 31 December 1998

2. Property outgoings and other operating amounts

	Year ended 31 December 1998 £	Year ended 31 December 1997 £
Property outgoings	2,221,790	2,569,117
Depreciation	45,200	-
	<u>2,266,990</u>	<u>2,569,117</u>

3. Operating profit on continuing operations and profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 1998 £	Year ended 31 December 1997 £
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 (1997 - £Nil). Staff costs 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 1998

5. Fixed assets Tangible assets

	Plant and Equipment £	Freehold Investment properties £	Total £
Cost or valuation:			
At 1 January 1998	23,012	300,000	323,012
Additions during the year	832,344	-	832,344
Disposals during the year	(23,012)	-	(23,012)
At 31 December 1998	<u>832,344</u>	<u>300,000</u>	<u>1,132,344</u>
Accumulated depreciation			
At 1 January 1998	23,012	-	23,012
Raised during the year	45,200	-	45,200
Disposals during the year	(23,012)	-	(23,012)
At 31 December 1998	<u>45,200</u>	<u>-</u>	<u>45,200</u>
Net book value			
At 31 December 1998	<u>787,144</u>	<u>300,000</u>	<u>1,087,144</u>
At 31 December 1997	<u>-</u>	<u>300,000</u>	<u>300,000</u>

The comparable amount on a historical cost basis in respect of freehold properties is £1,266,491 (1997 - £1,266,491).

The freehold properties are carried at their open market value at 31 December 1998 as valued by the directors.

6. Debtors

	31 December 1998 £	31 December 1997 £
Amounts falling due within one year:		
Trade debtors	33,537	33,310
Amount owed by immediate parent undertaking	17,616,077	17,616,077
Amounts owed by fellow subsidiary undertakings	9,479,249	8,497,025
Prepayments and accrued income	<u>458,993</u>	<u>459,926</u>
	<u>27,587,856</u>	<u>26,606,338</u>

Davy Property Holdings Limited

Notes to accounts (continued) 31 December 1998

7. Provisions for liabilities and charges

At 1 January 1998	£ 602,969
Utilised during the year less recoveries	78,563
At 31 December 1998	<u>681,532</u>

The provisions relate to potential contractual liabilities on certain leases.

	31 December 1998	31 December 1997
8. Called up equity share capital	£	£

Authorised, allotted and fully paid:

104,000,000 ordinary shares of 25 pence	<u>26,000,000</u>	<u>26,000,000</u>
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9. Profit and loss account

At 1 January 1998 - (deficit)	£ (10,761,055)
Retained profit for the financial year	65,929
At 31 December 1998 - (deficit)	<u>(10,695,126)</u>

10. Commitments

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

	31 December 1998	31 December 1997
	£	£
Operating leases which expire over 5 years		
Land and buildings	<u>1,832,500</u>	<u>1,832,500</u>

11. 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 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 St James's House, 23 King Street, London SW1Y 6QY.