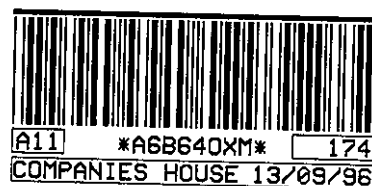


**PIC HOLDINGS LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 December 1995**



**Registered Number 1024618**

## PIC HOLDINGS LIMITED

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**PIC HOLDINGS LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

---

*Directors*

J.R. Strangfeld (Chairman)  
L.G. Horsager  
W.J. Clark  
M.A. Brunault  
K.C. Uebelein

*Secretary*

U.T. O'Dowd

*Registered Office*

Cutlers Court,  
115 Houndsditch,  
London EC3A 7BU

*Auditors*

Deloitte & Touche  
Chartered Accountants

*Solicitors*

White & Case

**PIC HOLDINGS LIMITED**  
**REPORT OF THE DIRECTORS**

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

**1. ACTIVITIES**

The company acts as a holding company. The company's principal subsidiaries during the year included a discount house, an investment company and companies providing investment introductions and real estate services to affiliated companies. Details of the company's principal subsidiaries are set out on page 32.

**2. REVIEW OF DEVELOPMENTS**

On 9 August 1995 the company disposed of Clive Discount Company Ltd and its' subsidiaries. A decision was taken by The Prudential Insurance Company of America to withdraw from the provisional real estate services in London. As a consequence PRICOA Realty Group Ltd was placed into members' voluntary liquidation on 4 December 1995.

The consolidated financial statements show results for the financial year as follows:

	1995 £	1994 £
Revenue	£ <u>22,838,844</u>	£ <u>15,831,717</u>
Profit on ordinary activities before taxation	5,557,562	4,847,475
Tax on profit on ordinary activities	(10,326,875)	(1,021,500)
(Loss)/Profit on ordinary activities after taxation for the financial year	(4,769,313)	3,825,975
Dividend paid	(33,120,000)	—
(Loss)/Profit for the financial year transferred (from)/to reserves	£ <u>(37,889,313)</u>	£ <u>3,825,975</u>

**PIC HOLDINGS LIMITED**  
**REPORT OF THE DIRECTORS**

---

**2. REVIEW OF DEVELOPMENTS (continued)**

The directors approved the payment of a dividend on 21 December 1995 to its parent company, of £41,400,000 (1994 - £nil) in respect of the year ended 31 December 1995.

**3. FUTURE PROSPECTS**

The directors expect the group to continue to develop during 1995.

**4. DIRECTORS**

The current directors of the company are listed on page 1. The following changes have been made during the year.

	<u>Date of Appointment</u>	<u>Date of Resignation</u>
M. Walker		10 August 1995
W.J. Clark	11 August 1995	
M.A. Brunault	11 August 1995	
K.C. Uebelein	11 August 1995	

During the year no director had any beneficial interests in the allotted share capital of the company or of its parent or fellow subsidiary company.

**5. 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 group and of the company as at the end of the financial year and, if applicable, of the profit and loss of the group 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 group 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 group and of the company and to enable them to ensure that the financial statements comply with the Companies Act. 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.

**PIC HOLDINGS LIMITED**  
**REPORT OF THE DIRECTORS**

---

**6. INSURANCE OF OFFICERS**

During the year the group did not purchase any cover for directors and officers under directors' and officers' liability insurance policies as this is dealt with by the ultimate parent company.

**7. DONATIONS**

During the year the group made donations to United Kingdom charities amounting to £2,135 (1994 - £2,600).

**8. ELECTIVE RESOLUTIONS**

In accordance with Section 379A of the Companies Act 1985 the company at an Extraordinary General Meeting held on 20 June 1991 passed elective resolutions to dispense with the requirements to lay financial statements and reports before General Meeting and to hold Annual General Meetings.

**9. AUDITORS**

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly have signed their report in their new name.

Pursuant to Section 386 of the Companies Act 1985, the company passed an elective resolution on 20 June 1991 to dispense with the obligation to appoint auditors annually.

Approved by the board of directors  
and signed on behalf of the board



U. T. O'Dowd  
Secretary

16 August 1996

## **PIC HOLDINGS LIMITED**

### **REPORT OF THE AUDITORS TO THE MEMBERS**

---

We have audited the financial statements on pages 6 to 32 which have been prepared under the accounting policies set out on pages 13 to 15.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 3, 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.

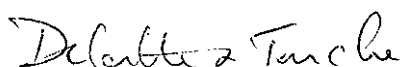
#### **BASIS OF OPINION**

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 and the group'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 affairs of the company and of the group as at 31 December 1995 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**  
Chartered Accountants  
and Registered Auditors  
16 August 1996

Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

**PIC HOLDINGS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1995

	Note	1995	1995	1994
<b>Revenue</b>				
Continuing operations	2	16,484,743		9,694,566
Discontinued operations		<u>6,354,101</u>		<u>6,137,151</u>
Total revenue			22,838,844	<u>15,831,717</u>
<b>Administrative expenses</b>	3			
Continuing operations		8,492,303		6,897,893
Discontinued operations		<u>3,763,639</u>		<u>3,156,407</u>
Total administrative expenses			(12,255,942)	(10,054,300)
<b>Other operating charges</b>				-
Continuing operations		-		<u>(860,434)</u>
Discontinued operations		<u>-</u>		-
Total operating charges			-	<u>(860,434)</u>
<b>Other operating profit</b>				
Continuing operations		7,992,440		2,796,673
Discontinued operations		<u>2,590,462</u>		<u>2,120,310</u>
<b>Total operating profit</b>			10,582,902	4,916,983
Loss on disposal of discontinued operations	30		(2,158,743)	-
Interest receivable	4		1,570,172	735,118
Interest payable	5		<u>(4,436,769)</u>	<u>(804,626)</u>
<b>Profit on ordinary activities before taxation</b>	6		5,557,562	4,847,475
Tax on profit on ordinary activities	7		<u>(10,326,875)</u>	<u>(1,021,500)</u>
<b>(Loss)/Profit on ordinary activities after taxation for the financial year</b>			(4,769,313)	3,825,975
Dividend paid			<u>(33,120,000)</u>	-
<b>(Loss)/Profit on ordinary activities after taxation for the financial year transferred (from)/to reserves</b>			£ <u>(37,889,313)</u>	£ <u>3,825,975</u>

There are no recognised gains or losses for the current financial year and preceding financial year other than the (loss)/profit for the year.



**PIC HOLDINGS LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 December 1995

---

	1995 £	1994 £
(Loss)/Profit for the financial year attributable to the members	(37,889,313)	3,825,975
Foreign exchange translation difference on foreign currency net investment in overseas operations	<u>( 115,800)</u>	<u>(54,826)</u>
<b>Total recognised gains and losses</b>	<b>£ <u>(38,005,113)</u></b>	<b>£ <u>3,771,149</u></b>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
for the year ended 31 December 1995

---

	1995 £	1994 £
(Loss)/Profit for the financial year attributable to the members	(37,889,313)	3,825,975
Other recognised gains and losses	(115,800)	(54,826)
New share capital subscribed	<u>4,425,822</u>	<u>12,983,012</u>
<b>Net (reduction)/addition to shareholders' funds</b>	<b>(33,579,291)</b>	<b>16,754,161</b>
Opening shareholders' funds	<u>77,485,045</u>	<u>60,730,884</u>
<b>Closing shareholders' funds</b>	<b>£ <u>43,905,754</u></b>	<b>£ <u>77,485,045</u></b>

**PIC HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
as at 31 December 1995

	Note	1995 £	1994 £
<b>Fixed assets</b>			
Tangible assets	9	326,844	1,274,487
Investments	10	<u>117,271,518</u>	<u>71,734,981</u>
		<u>117,598,362</u>	<u>73,009,468</u>
<b>Current assets</b>			
Dealing and market-making securities	12	-	1,363,964,169
Debtors	13	3,718,843	601,849,746
Investments	14	-	108,825,532
Cash at bank and in hand		<u>19,260,585</u>	<u>1,354,950</u>
		22,979,428	2,075,994,397
<b>Creditors: amounts falling due within one year</b>	15	<u>8,107,179</u>	<u>1,962,021,882</u>
<b>Net current assets</b>		<u>14,872,249</u>	<u>113,972,515</u>
<b>Total assets less current liabilities</b>		132,470,611	186,981,983
<b>Creditors: amounts falling due after more than one year</b>	16	(88,174,658)	(109,430,289)
<b>Provisions for liabilities and charges</b>	17	<u>(390,201)</u>	<u>(66,649)</u>
		£ <u>43,905,752</u>	£ <u>77,485,045</u>
<b>Capital and reserves</b>			
Called up share capital	18	35,576,498	31,150,678
Capital contribution reserve	19	2,919,944	37,656,414
Profit and loss account	20	<u>5,409,310</u>	<u>8,677,953</u>
<b>Shareholders' funds</b>		£ <u>43,905,752</u>	£ <u>77,485,045</u>
<b>MEMORANDUM ITEMS</b>			
Contingent liabilities	21	£ <u>Nil</u>	£ <u>1,424,983,100</u>
Commitments	22	£ <u>Nil</u>	£ <u>9,000,000</u>
<b>Shareholders' funds</b>			
Attributable to equity shareholders		36,155,752	69,735,045
Attributable to non-equity shareholders		<u>7,750,000</u>	<u>7,750,000</u>

These financial statements were approved by the directors on 16 August 1996.  
Signed on behalf of the board of directors.

W.J. Clark  
Director

*W.J. Clark*

**PIC HOLDINGS LIMITED**

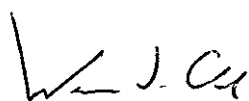
**BALANCE SHEET as at 31 December 1995**

	Note	1995 £	1994 £
<b>Fixed assets</b>			
Shares in group undertakings	11	<u>35,688,684</u>	<u>65,999,335</u>
<b>Current assets</b>			
Debtors	13	954,523	-
<b>Creditors: amounts falling due within one year</b>	15	<u>237,938</u>	<u>163</u>
<b>Net current assets/(liabilities)</b>		<u>716,585</u>	<u>(163)</u>
<b>Total assets less current liabilities</b>		<b>£ <u>36,405,269</u></b>	<b>£ <u>65,999,172</u></b>
<b>Capital and Reserves</b>			
Called up share capital	18	35,576,498	31,150,678
Capital contribution	19	154,110	34,890,580
Profit and loss account	20	<u>674,661</u>	<u>(42,086)</u>
<b>Shareholders' funds</b>		<b>£ <u>36,405,269</u></b>	<b>£ <u>65,999,172</u></b>
<b>Shareholders' Funds</b>			
Attributable to equity shareholders		28,655,269	58,249,172
Attributable to non-equity shareholders		<u>7,750,000</u>	<u>7,750,000</u>

The decrease in shareholders' funds is due to the sale of Clive Discount Company, and its subsidiaries during the year. See Note 20.

These financial statements were approved by the directors on 16 August 1996.

Signed on behalf of the board of directors.



W.J. CLARK  
Director

**PIC HOLDINGS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended at 31 December 1995**

	Note	1995 £	1994 £
Net cash inflow/(outflow) from operating activities	27	<u>39,522,124</u>	<u>(76,095,843)</u>
<b>Servicing of finance</b>			
Dividend paid to parent company		(33,120,000)	-
Interest received		1,564,213	735,118
Interest paid		<u>(3,272,311)</u>	<u>(511,106)</u>
<b>Net cash (outflow)/inflow from servicing of finance</b>		<u>(34,828,098)</u>	<u>224,012</u>
<b>Taxation</b>			
Corporation tax paid		<u>(10,057,414)</u>	<u>(676,845)</u>
<b>Tax paid</b>		<u>(10,057,414)</u>	<u>(676,845)</u>
<b>Investing activities</b>			
Purchase of investment securities		-	(98,834,450)
Sale of investment securities		58,795,532	48,988,000
Purchase of tangible fixed assets		(210,998)	(644,056)
Proceeds from sale of tangible fixed assets		28,341	126,220
Purchase of investments		<u>(45,536,537)</u>	<u>(42,484,241)</u>
Proceeds on sale of subsidiary		<u>42,145,257</u>	<u>-</u>
<b>Net cash inflow/(outflow) from investing activities</b>		<u>55,221,595</u>	<u>(92,848,527)</u>
<b>Net cash inflow/(outflow) before financing</b>		<u>49,858,207</u>	<u>(169,397,203)</u>
<b>Financing</b>			
(Decrease)/Increase in long term liabilities		(21,255,631)	32,163,623
Issue of ordinary shares		4,425,820	5,233,012
Issue of preference shares		<u>-</u>	<u>7,750,000</u>
<b>Net cash (outflow)/inflow from financing</b>		<u>(16,829,811)</u>	<u>45,146,635</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>	29	<b>£ <u>33,028,396</u></b>	<b>£ <u>(124,250,568)</u></b>

**PIC HOLDINGS LIMITED**  
**CONSOLIDATED SEGMENTAL ANALYSIS**  
**for the year ended 31 December 1995**

*By class of business*

	1995 £	1994 £
<u>Revenue</u>		
Discontinued operations:		
Discount house	5,870,716	5,205,714
Agency broker	411,698	931,440
Continued operations:		
Asset management	10,468,431	2,656,369
Administration services for affiliates	4,365,433	5,536,076
Investments	<u>1,722,566</u>	<u>1,502,118</u>
Total revenue	£ <u>22,838,844</u>	£ <u>15,831,717</u>

There is no inter-segmental revenue

	1995 £	1994 £
<u>Profits/(Losses) before tax</u>		
Discontinued operations:		
Discount house	2,667,580	2,092,799
Agency broker	(107,291)	53,938
Continued operations:		
Asset management	(3,711,975)	1,241,927
Administration services for affiliates	(1,464,154)	(588,194)
Investments	<u>8,173,402</u>	<u>2,047,005</u>
Profit on ordinary activities before taxation	£ <u>5,557,562</u>	£ <u>4,847,475</u>

**PIC HOLDINGS LIMITED**  
**CONSOLIDATED SEGMENTAL ANALYSIS**  
**for the year ended 31 December 1995**

*By class of business (continued)*

	1995	1994
	£	£
<u>Net current assets</u>		
Discontinued operations:		
Discount house	-	79,038,067
Agency broker	-	65,872
Continued operations:		
Asset management	1,089,579	6,094,622
Administration services for affiliates	2,063,990	1,490,446
Investments	<u>11,718,680</u>	<u>27,283,508</u>
Total net current assets	£ <u>14,872,249</u>	£ <u>113,972,515</u>

*By geographical destination*

	1995	1994
	£	£
<u>Revenue</u>		
Continuing operations/Discontinued operations		
UK	18,473,411	10,260,240
USA affiliated companies	<u>4,365,433</u>	<u>5,571,477</u>
Total revenue	£ <u>22,838,844</u>	£ <u>15,831,717</u>

*By geographical source*

No significant group business is sourced from outside the United Kingdom.

## PIC HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1995

---

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

##### (a) *Accounting convention*

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets.

##### (b) *Basis of accounting*

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups. The balance sheet of the company has been prepared in accordance with Section 226 of, and Schedule 4 to, the Act.

##### (c) *Consolidation*

The group financial statements consolidate the financial statements of the company and its subsidiaries up to 31 December. The results of subsidiaries acquired or sold during the year are included from the date of acquisition or up to the date of disposal.

Goodwill arising on the acquisition of subsidiaries is written off to reserves in the year of acquisition.

##### (d) *Revenue*

Revenue comprises income from financial fixed assets other than debt securities, together with asset management fees from third parties, service fees from affiliates and income from investments together with profits and losses on disposals of investments. Income from financial fixed assets other than debt securities comprises dividends and interest received together with profits and losses on the disposal or write down of the assets. Interest income is accounted for when due. Other income is accounted for when received.

##### (e) *Depreciation*

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	Over the term of the lease
Office equipment, furniture and fittings	10% - 25% per annum
Computer software	10%-50% per annum
Motor vehicles	25% per annum

**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1995**

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**1. ACCOUNTING POLICIES (continued)**

**(f) Pension costs**

Pension costs in respect of members of the defined benefits plan are charged against results so as to spread the costs over employees average service lives. The capital cost of ex-gratia pensions is recognised in the profit and loss account when granted.

Pension costs in respect of members of the tiered defined contribution plan are charged against the results in the period which they become payable.

**(g) Operating leases**

Rental costs under operating leases are taken to the profit and loss account evenly over the periods of the leases.

**(h) Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies, outstanding at the balance sheet date, are translated at the rates ruling at that date. Foreign currency transactions undertaken by the UK operations are translated into sterling at the exchange rates ruling at the time of the transactions and foreign exchange profits and losses arising are treated as part of the group's profit on ordinary activities.

The results of the overseas branch are translated at average rates and the difference in relation to the closing rates and the difference arising from the translation of the opening net investment in the branch at the closing rate is taken direct to reserves.

**(i) Deferred taxation**

Deferred taxation is provided at the anticipated rate of corporation tax on differences arising from the recognition of income and expenditure, for taxation purposes, in periods different from those used for accounting purposes to the extent that it is probable that an asset or liability will crystallise in the foreseeable future.

**(j) Financial fixed assets**

Investments in subsidiaries and other participating interests are stated at cost less provision for any permanent diminution in value.

Investment securities, which are securities held for continuing use in the business, are stated at cost plus accrued income, any premium or discount, representing the difference between cost and redemption proceeds being amortised over the period to redemption.



**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1995

**1. ACCOUNTING POLICIES (continued)**

**(k) Current assets**

Dealing and market making securities are stated at market value. Securities sold subject to commitments to repurchase on predetermined terms are included in the group's balance sheet.

**(l) Off balance sheet instruments**

Financial futures and forward rate agreements are valued at closing market prices ruling at the balance sheet date except where the position is taken specifically as a hedge against a cash asset in which case they are valued on the same basis as the underlying asset.

**2. REVENUE**

	1995 £	1994 £
Revenue includes the following items:		
Interest receivable from holding and fellow subsidiary companies	124,077	282,365
Income from listed investments	-	112,796
Fees receivable from holding and fellow subsidiary companies	4,176,442	5,878,556
Interest payable to holding and fellow subsidiary companies	(8,458)	(804,626)
Commission payable to fellow subsidiary companies	(221,261)	(291,177)
Profits less losses on securities dealing	1,759,795	1,203,939
Dividend income	<u>73,875</u>	<u>625</u>

Analyses of revenue by class of business and by geographical area are shown in the segmental analysis on pages 11 and 12.

**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1995

**3. ADMINISTRATIVE EXPENSES**

	1995 £	1994 £
(a) Administrative expenses comprise:		
Employment costs, including directors' emoluments		
Wages and salaries	6,458,674	5,019,658
Social security costs	412,659	369,311
Other pension costs	<u>270,134</u>	<u>312,486</u>
	7,141,467	5,701,455
Other administrative expenses	<u>5,114,475</u>	<u>4,352,845</u>
	<u>£ 12,255,942</u>	<u>£ 10,054,300</u>

	1995 £	1994 £
(b) Directors' emoluments:		
Management remuneration	£ <u>902,090</u>	£ <u>679,258</u>
Remuneration of the chairman	£ <u>173,682</u>	£ <u>264,824</u>
Remuneration of the highest paid director	£ <u>276,045</u>	£ <u>264,824</u>

Scale of other directors' remuneration	No.	No.
£ 0 - £ 5,000	2	-
£195,001 - £200,000	-	1
£205,001 - £210,000	1	-
£215,001 - £220,000	-	1
£240,001 - £245,000	<u>1</u>	<u>-</u>

# PIC HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1995

### 3. ADMINISTRATIVE EXPENSES (continued)

	1995	1994
(c) The average number of persons employed by the group, which includes directors, is analysed below:		
Dealing	18	17
Investment advisors	30	25
Finance and administration	<u>35</u>	<u>29</u>
	<u>83</u>	<u>71</u>

- (d) A group defined benefits pension plan is operated for all eligible employees of the PIC Holdings Limited group, except for employees of PRICOA Property Investment Management Limited, together with employees of affiliated companies in the UK. The plan is funded by contributions from the employer determined in accordance with the advice of a professionally qualified actuary. Contributions are based on pension costs across the UK group as a whole. The funding policy is the same as the accounting policy with the exception of instances where pension payments are increased, above the guaranteed provision, which are funded when paid.

The plan's assets are held separately from the group's assets and form no part of these financial statements.

Actuarial valuations of the defined benefits plan are undertaken on a regular basis using the projected unit method. The most recent valuation was at 6 April 1995. The assumption which has the most significant effect on the results of the valuation is the relationship between the rates of investment return and salary increases. It was assumed that the annual rate of investment return would be 9% and that salaries would increase on average by 7.5% per annum with a 1% promotional increase per annum on earnings below a promotional ceiling (currently £35,000). This ceiling was assumed to increase at 7.5% per annum. The overall pensionable salary ceiling of £88,000 was assumed to increase in line with the Retail Prices Index. Guaranteed pension increases of 5%, or the increase in the Retail Prices Index if lower, are given in respect of pensionable service after 5 April 1992. No allowance for discretionary increases has been made in the actuarial valuation. Allowance was made for dividend increases at the rate of 4% per annum in determining the actuarial value of the assets.

The most recent formal valuation showed that the market value of the plan's assets was £17,622,000 and that the actuarial value of these assets represented 99% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The average contribution rate for group companies to the defined benefits plan was 11.25% for the year ended 31 December 1995 (1994 - 11.25%).

# PIC HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1995

### 3. ADMINISTRATIVE EXPENSES (continued)

An additional pension plan is operated for all eligible employees of PRICOA Property Investment Management Limited. The plan is funded by contributions made by the employer. The average tiered contribution rate during the year was 11% (1994 - 13%).

- (e) The following amounts are advanced periodically on behalf of directors in connection with the rental by them of accommodation in the UK and are subject to repayment in monthly instalments.

	<u>Frequency of advance</u>	<u>Amount advanced</u> £	<u>1995</u> £	<u>Outstanding</u> <u>1994</u> £
M.A. Brunault	Quarterly	9,818	-	-
L.G. Horsager	Deposit	7,583	-	7,583
J.R. Strangfeld	Deposit	6,000	-	6,000
	Monthly	4,220	-	-
K.C. Uebelein	Deposit	2,708	2,708	-
	Monthly	<u>3,812</u>	<u>-</u>	<u>-</u>

### 4. INTEREST RECEIVABLE

Interest receivable includes £1,524,110 (1994 - £282,365) receivable from parent and fellow subsidiary companies.

### 5. INTEREST PAYABLE

	<u>1995</u> £	<u>1994</u> £
Interest payable on bank loans and overdrafts less than 5 years	20,267	-
Interest payable on loans from ultimate parent company	7,452	463,170
Interest payable to fellow subsidiary companies	<u>4,409,050</u>	<u>341,456</u>
	<u>£ 4,436,769</u>	<u>£ 804,626</u>

# PIC HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1995

### 6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

- (a) The profit on ordinary activities before taxation in 1995 includes the following charges relating to disposals: Legal and professional fees £428,547 and other administration expenses £210,775.
- (b) The profit on ordinary activities before taxation is arrived at after charging the following:

	1995 £	1994 £
Depreciation	444,817	320,330
Amortisation allocated by fellow subsidiary company for leasehold improvements	-	18,983
Operating lease rental - land & buildings	498,233	621,323
- equipment	49,738	28,993
Auditors' remuneration	39,319	55,248
Auditors' remuneration for non-audit work	<u>51,179</u>	<u>9,938</u>

### 7. TAX ON LOSS ON ORDINARY ACTIVITIES

	1995 £	1994 £
Withholding tax on dividends	14,775	-
Corporation tax on profits for the year at 33%	2,571,603	1,497,812
Deferred taxation	549,961	(25,128)
Adjustment in respect of prior year	(19,950)	(451,184)
Group relief	(126,019)	-
ACT transferred from parent company	(943,495)	-
Irrecoverable ACT	<u>8,280,000</u>	<u>-</u>
	<b>£ 10,326,875</b>	<b>£ 1,021,500</b>

There are no amounts of potential deferred tax not provided in these financial statements.

### 8. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year after tax but before dividend paid was (£899,724) (1994 - £ nil).

**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1995

**9. TANGIBLE FIXED ASSETS**

*Group*

	Leasehold improvements £	Office equipment furniture & fittings £	Motor vehicles £	Total £
<u>Cost</u>				
1 January 1995	392,889	1,593,288	247,966	2,234,143
Foreign exchange translation differences	2,435	6,596	2,045	11,076
Additions	4,293	145,851	60,854	210,998
Disposals	-	(1,223,882)	(114,452)	(1,338,334)
Inter-group transfers	-	(59,000)	(27,000)	(86,000)
31 December 1995	<u>399,617</u>	<u>462,853</u>	<u>169,413</u>	<u>1,031,883</u>
<u>Depreciation</u>				
1 January 1995	213,237	623,357	123,062	959,656
Foreign exchange translation differences	916	1,854	602	3,372
Charge for the year	140,912	243,170	60,735	444,817
Disposals	-	(543,096)	(81,710)	(624,806)
Inter-group transfers	-	(58,000)	(20,000)	(78,000)
31 December 1995	<u>355,065</u>	<u>267,285</u>	<u>82,689</u>	<u>705,039</u>
<u>Net book value</u>				
31 December 1995	£ <u>44,552</u>	£ <u>195,568</u>	£ <u>86,724</u>	£ <u>326,844</u>
31 December 1994	£ <u>179,652</u>	£ <u>969,931</u>	£ <u>124,904</u>	£ <u>1,274,487</u>

**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1995

**10. INVESTMENTS**

*Group*

	<u>Share capital</u> £	<u>Loans</u> £	<u>Other interest</u> £	<u>Total</u> £
(a) Analysis of movements:				
<u>Costs</u>				
1 January 1995	1,187,119	55,111,155	15,436,707	71,734,981
Acquisitions	-	51,769,653	-	51,769,653
Disposals	-	(6,187,005)	(46,111)	(6,233,116)
<b>31 December 1995</b>	<b>£ 1,187,119</b>	<b>£ 100,693,803</b>	<b>£ 15,390,596</b>	<b>£ 117,271,518</b>

(b) *Share capital*

The investment in share capital includes the following:

<u>Company</u>	<u>Activity</u>	<u>Class of Shares/ Securities</u>	<u>Proportion held</u> <u>Class of</u> <u>shares%</u>	<u>Total shares</u> <u>issued%</u>
Mithras Investment Trust plc	Provisions of mezzanine finance	Ordinary 2p each Warrants to Subscribe for Ordinary Share of 2p each	14.775  14.775	14.775  14.775

The above company is registered in England and Wales.

(c) *Other interests*

Other interests represent an 8.5% interest on 155 Bishopsgate Trust, a property holding trust based in Guernsey. See also Note 25 (b).

- (d) The accounts of two partnerships, TransEuropean Property Limited Partnership and Northern Retail Property Fund, for which consolidation would be immaterial to the group and for which subsidiaries of the group act as general partner are appended to the copy of the accounts sent to the Registrar of Companies. These partnerships are considered immaterial as the group does not have any equity invested in these partnerships.

**PIC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 1995**

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**11. SHARES IN GROUP UNDERTAKINGS**

<i>Company</i>	<u>Shares</u> £
Analysis of movements:	
<u>Cost</u>	
1 January 1995	65,999,335
Additions in the year	4,425,820
Disposals	<u>(34,736,471)</u>
<b>31 December 1995</b>	<b>£ <u>34,688,684</u></b>

The investments are in subsidiary companies, details of which are set out on page 32.

**12. DEALING AND MARKET MAKING SECURITIES**

<i>Group</i>	1995 £	1994 £
Debt securities	-	849,047,625
Eligible bills	<u>-</u>	<u>514,916,544</u>
	£ <u>-</u>	£ <u>1,363,964,169</u>

**13. DEBTORS**

<i>Group</i>	1995 £	1994 £
Loans to banks and customers	-	574,043,756
Other debtors	790,004	13,554,830
Prepayments and accrued income	2,256,300	6,569,763
Amounts owned by parent and fellow subsidiary companies	387,095	7,681,397
Amounts recoverable after more than one year: deferred taxation	<u>285,444</u>	<u>-</u>
	£ <u>3,718,843</u>	£ <u>601,849,746</u>



**PIC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 1995**

**13. DEBTORS (Continued)**

	Provided 1995	Provided 1994
Deferred tax asset:		
Other timing differences	£ <u>285,444</u>	£ <u>-</u>

There is no unprovided deferred taxation (1994 - £ nil).

<i>Company</i>	1995 £	1994 £
Amounts owed by parent and fellow subsidiary company	£ <u>954,523</u>	£ <u>-</u>

**14. INVESTMENTS HELD AS CURRENT ASSETS**

<i>Group</i>	1995 £	1994 £
Investment securities:		
Debt securities listed on a recognised stock exchange	-	87,881,223
Debt securities listed overseas	<u>-</u>	<u>20,944,309</u>
	£ <u>-</u>	£ <u>108,825,532</u>

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

<i>Group</i>	1995 £	1994 £
Loans from banks and customers:		
Secured	-	1,675,338,604
Unsecured	-	245,948,885
10% undated loan stock	-	100,000
Trade creditors	-	31,442,005
Amounts owed to parent and fellow subsidiary companies	823,062	1,354,350
Corporation tax	1,332,883	1,731,608
Other creditors	3,477,069	427,676
Accruals and deferred income	<u>2,474,165</u>	<u>5,678,754</u>
	£ <u>8,107,179</u>	£ <u>1,962,021,882</u>

**PIC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 1995**

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)**

Other creditors include £141,218 (1994 - £43,717) relating to other taxation and social security.

<i>Company</i>	1995 £	1994 £
Amounts owed to parent and fellow subsidiary companies	163	163
Corporation tax	<u>237,775</u>	<u>-</u>
	£ <u>237,938</u>	£ <u>163</u>

**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1995 £	1994 £
Long-term loans from a fellow subsidiary company	88,092,961	45,390,792
Finance leases	81,697	39,497
Loans from customers	<u>-</u>	<u>64,000,000</u>
	£ <u>88,174,658</u>	£ <u>109,430,289</u>

The long-term loans from a fellow subsidiary company are interest bearing, unsecured loans denominated in various currencies and are all repayable after more than five years.

**17. PROVISIONS FOR LIABILITIES AND CHARGES**

	1995 £	1994 £
Deferred taxation in respect of short-term timing differences	£ <u>390,201</u>	£ <u>66,649</u>

The movement in deferred taxation balance arises as a result of the deferred tax charge/(credits) included in Note 7.

**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1995

**18. CALLED UP SHARE CAPITAL**

<i>Group and company</i>	1995 £	1994 £
Authorised:		
Ordinary shares of £1 each (1994 - 100,000,000)	100,000,000	100,000,000
Non-Cumulative redeemable preference shares of £1 each (1994 - 7,750,000)	7,750,000	7,750,000
	<u>£ 107,750,000</u>	<u>£ 107,750,000</u>

Preference Shareholders are entitled to a dividend as determined by the directors. Preference shares rank before ordinary shares on winding up of the company and have restricted voting rights.

	1995 £	1994 £
Allotted and fully paid:		
Ordinary shares of £ 1 each (1994 - 23,400,678)	27,826,498	23,400,678
Non-Cumulative redeemable preference shares of £1 each (1994 - 7,750,000)	7,750,000	7,750,000
	<u>£ 35,576,498</u>	<u>£ 31,150,678</u>

An additional 4,425,820 (1994 - 5,233,012) ordinary shares were issued during the year fully paid, at par, for cash to provide funds for investment in subsidiaries.

**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1995**

**19. CAPITAL CONTRIBUTION RESERVE**

<i>Group</i>	1995 £	1994 £
At 1 January	37,656,414	37,656,414
Transfer to distributable reserves	<u>(34,736,470)</u>	-
<b>At 31 December</b>	<b>£ <u>2,919,944</u></b>	<b>£ <u>37,656,414</u></b>

The total goodwill written off to reserves is £2,036,565

<i>Company</i>	1995 £	1994 £
At 1 January	34,890,580	34,890,580
Transfer to distributable reserves	<u>(34,736,470)</u>	-
<b>At 31 December</b>	<b>£ <u>154,110</u></b>	<b>£ <u>34,890,580</u></b>

In prior years, capital contributions totalling £34,890,580 have been made by the parent company for investment in subsidiaries. No capital contributions were made in the current year.

**20. PROFIT AND LOSS ACCOUNT**

<i>Group</i>	1995 £	1994 £
At 1 January	8,677,953	4,906,804
(Loss)/Profit for the year	(37,889,313)	3,825,975
Transfer from capital contribution reserve	34,736,470	-
Foreign exchange adjustments	<u>(115,800)</u>	<u>(54,826)</u>
<b>At 31 December</b>	<b>£ <u>5,409,310</u></b>	<b>£ <u>8,677,953</u></b>
<i>Company</i>	1995 £	1994 £
At 1 January	(42,086)	(42,086)
Loss for the year	(34,019,723)	-
Transfer from capital contribution reserve	<u>34,736,470</u>	-
<b>At 31 December</b>	<b>£ <u>674,661</u></b>	<b>£ <u>(42,086)</u></b>

**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1995**

**21. CONTINGENT LIABILITIES**

As at 31 December 1995 the group had contingent liabilities in respect of bills rediscounted (excluding treasury bills) of £ nil (1994 - £1,424,983,100). There were no outstanding commitments to repurchase bills not reflected in these financial statements.

**22. COMMITMENTS**

<i>Group</i>	<b>1995</b> £	1994 £
(a) Trading commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Less than 1 year	£ <u>          -</u>	£ <u>9,000,000</u>

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date and do not represent the underlying credit or other risks.

(b) Operating lease commitments for the next financial year are as follows:

	<b>1995</b>		1994	
	<b>Land &amp; Buildings</b>	<b>Other</b>	<b>Land &amp; Buildings</b>	<b>Other</b>
Leases which expire:				
Within two to five years	£ <u>219,839</u>	£ <u>24,985</u>	£ <u>367,560</u>	£ <u>20,657</u>

(c) Amounts contracted for, but not provided total £ nil (1994 - £nil).

**23. FINANCE LEASE OBLIGATIONS**

<i>Group</i>	<b>1995</b> £	1994 £
Finance lease obligations are	£ <u>103,949</u>	£ <u>50,276</u>

**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1995**

**24. OTHER OFF-BALANCE SHEET ITEMS**

<i>Group</i>	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
(a) Interest rate contracts		
Contract or underlying principal	£ <u>          -</u>	£ <u>248,144,948</u>
Credit risk weighted amount	£ <u>          -</u>	£ <u>          909</u>
Replacement cost	£ <u>          -</u>	£ <u>          606</u>

(b) The contracts outstanding at the balance sheet date were entered into for both hedging and dealing purposes.

(c) The credit risk weighted amount represents the replacement cost obtained by marking all contracts with a positive value to market, increased for potential future credit exposure using Bank of England prescribed weightings.

**25. RELATED PARTY TRANSACTIONS**

(a) In the ordinary course of business the group participates in a variety of financial and administrative transactions with its parent and other affiliated companies.

(b) A United States resident limited partnership, which is owned by The Prudential Insurance Company of America, has a further 19.83% interest in 155 Bishopsgate Trust. See also Note 10(c).

**26. ULTIMATE PARENT COMPANY**

The company's ultimate parent company is The Prudential Insurance Company of America, a company incorporated in the United States of America. It is also the parent undertaking of the only group which includes the company and for which financial statements are prepared.

**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended at 31 December 1995

**27. RECONCILIATION OF GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAX TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	1995 £	1994 £
Group profit on ordinary activities before tax	10,582,902	4,916,983
Depreciation and amortisation	444,817	320,330
Foreign exchange translation on fixed assets	(7,704)	(5,071)
Loss/(Profit) on sale of tangible fixed assets	187	(29,546)
(Increase)/Decrease in debtors	(6,788,138)	6,819,784
Decrease/(Increase) in debt securities	144,713,758	(146,718,758)
(Decrease)/Increase in creditors	(109,642,450)	61,245,635
Amortisation of premiums and discounts on, and amounts written off, investment securities	-	(54,746)
Effects of exchange rate movements on cash and cash equivalents	-	(2,535,628)
Increase in provisions for liabilities and charges	<u>334,552</u>	<u>-</u>
<b>Net cash inflows/(outflows) from continuing operating activities</b>	<b>39,637,924</b>	<b>(76,041,017)</b>
Foreign exchange adjustments	<u>(115,800)</u>	<u>(54,826)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>£ 39,522,124</u></b>	<b><u>£ (76,095,843)</u></b>

**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1995

**28. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	1995 £	1994 £
Balance at 1 January	(228,166,811)	(106,451,871)
Net cash inflow/(outflow) before adjustment for the effect of foreign exchange rate changes	<u>247,427,396</u>	(121,714,940)
<b>Balance at 31 December</b>	<b>£ <u>19,260,585</u></b>	<b>£ (228,166,811)</b>

**29. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET**

	1995 £	1994 £	Change in the year £
Cash at bank and in hand	19,260,585	1,354,950	17,905,635
Treasury bills and other eligible bills	-	117,191,544	(117,191,544)
Loans and advances to banks	-	856,000	(856,000)
Debt securities	-	238,744,867	(238,744,867)
Deposits by banks	-	(371,915,172)	371,915,172
	<b>£ <u>19,260,585</u></b>	<b>£ (13,767,811)</b>	<b>£ <u>33,028,396</u></b>

**30. LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS**

	1995 £
Profit on disposal of subsidiary	7,418,530
Accumulated reserves of discontinued operations	<u>(9,577,273)</u>
	<b>£ <u>(2,158,743)</u></b>



**PIC HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1995

**31. SALE OF SUBSIDIARY UNDERTAKING**

	1995 (£'000)
Tangible fixed assets	693
Debt securities	515,619
Loans and advances to banks and customers	528,214
Treasury bills and other eligible bills	397,725
Other assets	69,986
Prepayments and accrued income	5,869
Deposits by banks and customers	(1,363,267)
Other liabilities	(102,735)
Accruals and deferred income	(7,789)
Provisions for liabilities and charges	<u>(11)</u>
	44,304
Loss on disposal	<u>(2,159)</u>
	<u>42,145</u>
<b>Satisfied by:</b>	
Cash	£ <u>42,145</u>

**32. ANALYSIS OF THE NET INFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE SALE OF SUBSIDIARY UNDERTAKINGS**

	1995 (£'000)
Cash consideration	42,145
Cash and balances at central banks	(10)
Treasury bills and other eligible bills	(397,725)
Loans and advances to banks	(130,724)
Debt securities	(515,619)
Deposits by banks	1,206,432
	£ <u>204,499</u>

**PIC HOLDINGS LIMITED**

**SUBSIDIARY COMPANY INFORMATION**  
as at 31 December 1995

<u>Company</u>	<u>Holding %</u>	<u>Class of Shares</u>	<u>Activity</u>
<b>Trading Subsidiaries</b>			
Clivwell Securities Limited	100	£1 Ordinary £1 Preference	Investment Company.
PRICOA Capital Group Limited	100	£1 Ordinary	Investment Advisor.
PRICOA Funding Limited	100	£1 Ordinary	Holding and Funding Company.
PRICOA Investment Company	100	£1 Ordinary £1 Preference	Investment Company.
PRICOA Property Investment Management Limited	100	£1 Ordinary	Real estate services and advice.
TransEuropean Properties (General Partner) Limited	100	£1 Ordinary	Real estate fund management and investment.
PRICOA P.I.M. (Regulated)	100	£1 Ordinary	Real estate fund management and investment.
Northern Retail Properties (General Partner) Limited	100	£1 Ordinary	Real estate fund management and investment.
<b>Dormant Companies</b>			
TransEuropean Properties (General Partners) II Limited	100	£1 Ordinary	Real estate fund management investment.
Industrial Properties (General Partner) Limited (formally Varsity Fund (General Partner) Limited)	100	£1 Ordinary	Real estate fund management investment.
PRICOA Capital Management Ltd	100	£1 Ordinary	Incorporated 30 May 1996.
<b>In Liquidation</b>			
PRICOA Realty Group Limited	100	£1 Ordinary	Real estate services and advice.

All the above companies are registered in England and Wales.