

PIC HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 1994



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

W.N.H. Jones

Registered Office

Cutlers Court,
115 Houndsditch,
London EC3A 7BU

Auditors

Touche Ross & Co.,
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 1994.

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.

2. REVIEW OF DEVELOPMENTS

On 1st January 1994 Northern Retail Properties (General Partner) Limited, a special purpose company which serves as the general partner for Northern Retail Property Fund, was incorporated.

On 22nd June 1994 two subsidiaries, PRICOA Funding Limited (formerly EFF Funding Ltd), a holding company and PRICOA Investment Company (formerly EFF Finance Company) an investment company, were incorporated. The companies commenced business on 19th October 1994, with the holding company funding the investment activity of its subsidiary, PRICOA Investment Company.

On 16th December 1994 TransEuropean Properties (General Partner) II Limited, a special purpose company which serves as the general partner for TransEuropean Property II Limited Partnership was incorporated.

On 9th August 1995 the company disposed of Clive Discount Company Ltd and its' subsidiaries. Refer to note 28, Post Balance Sheet Events, on page 31.

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

	1994 £	1993 £
Revenue	£ <u>16,566,835</u>	£ <u>14,374,316</u>
Profit on ordinary activities before taxation	4,847,475	3,878,021
Tax on profit on ordinary activities	<u>1,021,500</u>	<u>1,354,582</u>
Profit on ordinary activities after taxation for the financial year transferred to reserves	£ <u>3,825,975</u>	£ <u>2,523,439</u>

PIC HOLDINGS LIMITED
REPORT OF THE DIRECTORS

2. REVIEW OF DEVELOPMENTS (continued)

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1994 (1993 - £nil).

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 since the year end.

	<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 any group 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 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 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 £2,600 (1993 - £3,150).

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

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

A handwritten signature in black ink, appearing to read 'M.A. BRUNAUT', written over a horizontal line.

M.A. BRUNAUT
Director

17 August 1995

PIC HOLDINGS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements on pages 6 to 36 which have been prepared under the accounting policies set out on pages 12 to 14.

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 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 1994 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Touche Ross & Co.
Chartered Accountants
and Registered Auditors
17 August 1995

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

PIC HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1994

	Note	1994 £	1993 £
Interest receivable			
- <i>interest receivable and similar income</i> <i>income arising from debt securities</i> <i>and other fixed income securities</i>		71,069,857	66,284,270
- <i>other interest receivable</i> <i>existing operations</i>		18,075,325	26,267,640
<i>acquisitions</i>		-	10,239
		<u>89,145,182</u>	<u>92,562,149</u>
Interest payable		<u>82,553,554</u>	<u>88,932,312</u>
Net interest income from continuing operations		6,591,628	3,629,837
Dividend income		625	2,280
Fees and commissions receivable			
<i>existing operations</i>		7,710,395	5,895,050
<i>acquisitions</i>		-	804,677
Fees and commissions payable		(503,073)	(428,921)
Dealing profits		(15,510)	2,702,923
Other operating income			
<i>existing operations</i>		2,782,770	1,331,278
<i>acquisitions</i>		-	437,192
Operating Income from continuing operations	2	16,566,835	14,374,316
Administrative expenses	3	10,519,613	9,205,081
Depreciation and amortisation	4	339,313	458,973
Other operating charges		<u>860,434</u>	<u>832,241</u>
Profit on ordinary activities before taxation			
<i>existing operations</i>	4	4,847,475	3,549,931
<i>acquisitions</i>		-	328,090
		4,847,475	3,878,021
Tax on profit on ordinary activities	5	<u>1,021,500</u>	<u>1,354,582</u>
Profit for the financial year transferred to reserves	22	£ <u>3,825,975</u>	£ <u>2,523,439</u>

PIC HOLDINGS LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1994**

	1994	1993
	£	£
Profit for the financial year attributable to the members	3,825,975	2,523,439
Foreign exchange translation difference on foreign currency net investment in overseas operations	<u>(54,826)</u>	<u>19,751</u>
Total recognised gains and losses	£ <u>3,771,149</u>	£ <u>2,543,190</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 1994**

	1994	1993
	£	£
Profit for the financial year attributable to the members	3,825,975	2,523,439
Other recognised gains and losses	(54,826)	19,751
New share capital subscribed	12,983,012	4,266,666
Capital contributed	-	115,355
Goodwill written off	<u>-</u>	<u>(2,036,565)</u>
Net addition to shareholders' funds	16,754,161	4,888,646
Opening shareholders' funds	<u>60,730,884</u>	<u>55,842,238</u>
 Closing shareholders' funds	 £ <u>77,485,045</u>	 £ <u>60,730,884</u>

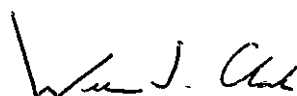
PIC HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET as at 31 December 1994

	Note	1994 £	1993 £
ASSETS			
Cash and balances at central banks		10,000	10,000
Treasury bills and other eligible bills	7	514,916,544	368,012,788
Loans and advances to banks	8	132,924,950	97,019,421
Loans and advances to customers	9	442,463,756	497,065,260
Debt securities	10	957,873,157	635,600,258
Other participating interests	11	71,734,981	29,250,740
Tangible fixed assets	13	1,274,487	1,042,364
Other assets	14	21,236,227	29,404,150
Prepayments and accrued income		<u>6,569,763</u>	<u>5,479,063</u>
Total assets		£ <u>2,149,003,865</u>	£ <u>1,662,884,044</u>
LIABILITIES			
Deposits by banks	15	1,578,347,172	1,148,156,524
Customer accounts	16	406,940,317	373,000,275
Debt securities in issue	17	45,530,289	13,366,666
Other liabilities	18	34,955,639	62,487,129
Accruals and deferred income		5,678,754	5,050,789
Provisions for liabilities and charges	19	66,649	91,777
Called up share capital	20	<u>31,150,678</u>	<u>18,167,666</u>
Capital contribution reserve	21	<u>37,656,414</u>	<u>37,656,414</u>
Profit and loss account	22	<u>8,677,953</u>	<u>4,906,804</u>
Shareholders' funds		<u>77,485,045</u>	<u>60,730,884</u>
Total Liabilities		£ <u>2,149,003,865</u>	£ <u>1,662,884,044</u>
MEMORANDUM ITEMS			
Contingent liabilities	24	£ <u>1,424,983,100</u>	£ <u>2,332,421,024</u>
Commitments	25	£ <u>9,000,000</u>	£ <u>24,800,834</u>
Shareholders' funds			
Attributable to equity shareholders		69,735,045	60,730,884
Attributable to non-equity shareholders		<u>7,750,000</u>	<u>-</u>

These financial statements were approved by the directors on 17 August 1995.
Signed on behalf of the board of directors.

W.J. CLARK
Director



PIC HOLDINGS LIMITED

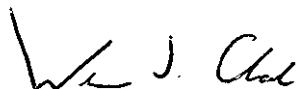
BALANCE SHEET as at 31 December 1994

	Note	1994 £	1993 £
FIXED ASSETS			
Shares in group undertakings	12	£ <u>65,999,335</u>	£ <u>53,016,323</u>
LIABILITIES			
Creditors: amounts falling due within one year	18	163	163
Capital and Reserves			
Called up share capital	20	31,150,678	18,167,666
Capital contribution reserve	21	34,890,580	34,890,580
Profit and loss account	22	(42,086)	(42,086)
Shareholders' funds		<u>65,999,172</u>	<u>53,016,160</u>
Total liabilities		£ <u>65,999,335</u>	£ <u>53,016,323</u>
Shareholders' Funds			
Attributable to equity shareholders		58,249,172	53,016,160
Attributable to non-equity shareholders		<u>7,750,000</u>	<u>-</u>

The increase in shareholders' funds is due to the issue of shares during the year. See Note 20.

These financial statements were approved by the directors on 17 August 1995.

Signed on behalf of the board of directors.



W.J. CLARK
Director

PIC HOLDINGS LIMITED
CONSOLIDATED SEGMENTAL ANALYSIS
for the year ended 31 December 1994

<i>By class of business</i>	1994 £	1993 £
<u>Operating Income</u>		
Discount house	5,205,711	6,196,685
Agency broker	957,867	868,875
Asset management	2,194,101	1,252,108
Administration services for affiliates	5,571,477	5,127,995
Investments	<u>2,637,679</u>	<u>928,653</u>
Total operating income	£ <u>16,566,835</u>	£ <u>14,374,316</u>

There is no inter-segmental operating income

	1994 £	1993 £
<u>Profits/(Losses) before tax</u>		
Discount house	2,092,799	2,904,717
Agency broker	53,938	(171,029)
Asset management	788,305	328,090
Administration services for affiliates	(588,194)	(52,008)
Investments	<u>2,500,627</u>	<u>868,251</u>
Profit on ordinary activities before taxation	£ <u>4,847,475</u>	£ <u>3,878,021</u>

PIC HOLDINGS LIMITED
CONSOLIDATED SEGMENTAL ANALYSIS
for the year ended 31 December 1994

<i>By class of business (continued)</i>	1994 £	1993 £
<u>Net assets/(liabilities)</u>		
Discount house	42,550,597	40,617,447
Agency broker	65,872	549,211
Asset management	801,572	278,402
Administration services for affiliates	1,490,446	2,139,623
Investments	<u>32,576,558</u>	<u>17,146,201</u>
Total net assets	£ <u>77,485,045</u>	£ <u>60,730,884</u>

By geographical destination

	1994 £	1993 £
<u>Operating income</u>		
UK	10,995,358	9,246,321
US affiliated companies	<u>5,571,477</u>	<u>5,127,995</u>
	£ <u>16,566,835</u>	£ <u>14,374,316</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 1994

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) *Other operating income*

Other operating income 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 paid.

(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% 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 1994**

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 1994

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. OPERATING INCOME FROM CONTINUING OPERATIONS

	1994 £	1993 £
Operating income includes the following:		
Interest receivable from holding and fellow subsidiary companies	282,365	120,308
Income from listed investments	112,796	555,396
Fees receivable from holding and fellow subsidiary companies	5,878,556	3,999,383
Interest payable to holding and fellow subsidiary companies	(804,626)	(1,116,962)
Commission payable to fellow subsidiary companies	(291,177)	(232,094)
Profits less losses on securities dealing	<u>1,203,939</u>	<u>2,208,821</u>

Analyses of operating income by class of business and by geographical area are shown in the segmental analysis on pages 10 and 11.

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

3. ADMINISTRATIVE EXPENSES

	1994	1993
	£	£
(a) Administrative expenses comprise:		
Employment costs, including directors' emoluments		
Wages and salaries	5,019,658	4,775,114
Social security costs	369,311	318,811
Other pension costs	<u>312,486</u>	<u>272,082</u>
	5,701,455	5,366,007
Other administrative expenses	<u>4,818,158</u>	<u>3,839,074</u>
	£ <u>10,519,613</u>	£ <u>9,205,081</u>

	1994	1993
(b) Directors' emoluments:		
Management remuneration	£ <u>679,258</u>	£ <u>1,098,871</u>
Remuneration of the chairman and highest paid director	£ <u>264,824</u>	£ <u>486,789</u>

Scale of other directors' remuneration	No.	No.
£195,001 - £200,000	1	-
£215,001 - £220,000	1	-
£225,001 - £230,000	-	1
£380,001 - £385,000	<u>-</u>	<u>1</u>

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994

3. ADMINISTRATIVE EXPENSES (continued)

1994 No.	1993 No.
-------------	-------------

- (c) The average number of persons employed by the group, which includes directors, is analysed below:

Dealing	17	17
Investment advisers	25	22
Administration	<u>29</u>	<u>28</u>
	<u>71</u>	<u>67</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 pensions in payment 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 formal valuation was at 6 April 1992 and disclosed a surplus of £1,038,000 which will be amortised over a period of 7.75 years by maintaining the current contribution rate of 11.25%. 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 £85,000 was assumed to be non-increasing for 1 year and to increase in line with the Retail Price Index thereafter. Guaranteed pension increases of 5%, or the increase in the Retail Price 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.

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994

3. ADMINISTRATIVE EXPENSES (continued)

The most recent formal valuation showed that the market value of the plan's assets was £9,775,000 and that the actuarial value of these assets represented 111% 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 plans was 11.25% for the year ended 31 December 1994 (1993 - 11.25%).

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 13% (1993 - 18%).

- (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>1994</u> £	<u>Outstanding</u> <u>1993</u> £
L.G. Horsager	Deposit	7,583	7,583	7,583
	Quarterly	12,777	-	1,098
J.R. Strangfeld	Deposit	6,000	6,000	6,000
	Monthly	<u>4,220</u>	<u>-</u>	<u>-</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

- (a) The profit on ordinary activities before taxation in 1993 includes the following charges relating to acquisitions: administration expenses £914,027 and depreciation and amortisation £9,991.

- (b) The profit on ordinary activities before taxation is arrived at after charging the following:

	<u>1994</u> £	<u>1993</u> £
Depreciation	320,330	433,870
Amortisation allocated by fellow subsidiary company for leasehold improvements	18,983	25,103
Operating lease rental - land & buildings	621,323	622,272
- equipment	28,993	29,333
Auditors' remuneration	55,248	47,370
Auditors' remuneration for non-audit work	<u>9,938</u>	<u>5,150</u>

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994 £	1993 £
Corporation tax on profits for the year at 33%	1,497,812	1,340,163
Deferred taxation	(25,128)	91,777
Adjustment in respect of prior year	<u>(451,184)</u>	<u>(77,358)</u>
	£ <u>1,021,500</u>	£ <u>1,354,582</u>

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

6. PROFIT 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 was £nil (1993 - £2,331).

7. TREASURY BILLS AND OTHER ELIGIBLE BILLS

<i>Group</i>	1994 £	1993 £
(a) Dealing and market making securities:		
Other eligible bills	£ <u>514,916,544</u>	£ <u>368,012,788</u>

- (b) There are no bills sold under sale and repurchase agreements included in other eligible bills (1993 - £131,586,778). The proceeds of these sales are included under secured deposits by banks.
- (c) The unrealised gain included in the carrying value of the bills amounts to £1,343,722 (1993 - £616,896).

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

8. LOANS AND ADVANCES TO BANKS

<i>Group</i>	1994 £	1993 £
(a) Loans and advances to banks comprise:		
Cash ratio deposit with the Bank of England	830,000	580,000
Repayable from balance sheet date:		
On demand	3,344,950	11,234,260
3 months or less	<u>128,750,000</u>	<u>85,205,161</u>
	£ <u>132,924,950</u>	£ <u>97,019,421</u>

(b) Loans and advances to banks include £337,382 (1993 - £945,013) with a fellow subsidiary company.

9. LOANS AND ADVANCES TO CUSTOMERS

<i>Group</i>	1994 £	1993 £
(a) Repayable from balance sheet date:		
3 months or less	378,463,756	429,383,365
Over 5 years	<u>64,000,000</u>	<u>67,681,895</u>
	£ <u>442,463,756</u>	£ <u>497,065,260</u>

(b) Loans and advances to customers do not include any secured loans (1993 - £4,873,096) to fellow subsidiary companies.

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

10. DEBT SECURITIES

<i>Group</i>	1994 £	1993 £
(a) Debt securities comprise:		
Dealing and market making securities		
Issued by public bodies		
UK Government Securities	146,718,758	-
Issued by other issuers		
Unlisted bank and building society certificates of deposit	640,007,026	562,314,262
Other unlisted debt securities	<u>62,321,841</u>	<u>14,361,661</u>
	<u>849,047,625</u>	<u>576,675,923</u>
Investment securities		
Debt securities listed on a recognised UK investment exchange	87,881,223	43,955,794
Debt securities listed overseas	<u>20,944,309</u>	<u>14,968,541</u>
	<u>108,825,532</u>	<u>58,924,335</u>
Total debt securities	£ <u>957,873,157</u>	£ <u>635,600,258</u>

- (b) None of the investment securities are issued by governments or other public bodies.
- (c) The unrealised gain included in the carrying value of dealing and market making securities amounts to £2,542,832 (1993 - £2,775,876).
- (d) All dealing and market making securities, and investment securities totalling £4,999,335 (1993 - £27,982,839) have a maturity date less than one year from the balance sheet date.
- (e) The market value of UK listed debt securities held as investment securities at 31 December 1994 was £87,928,200 (1993 - £43,964,800) and that of overseas listed debt securities held as investment securities £20,971,400 (1993 - £14,984,400).

PIC HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994**

10. DEBT SECURITIES (continued)

(f) Investment securities:	<u>Cost</u>	<u>Discounts and premiums</u>	<u>Carrying value</u>
	£	£	£
1 January 1994	58,809,900	114,435	58,924,335
Acquisitions	98,834,450	13,209	98,847,659
Disposals/maturities	(48,855,900)	(132,100)	(48,988,000)
Amortisation of discounts and premiums	—	41,538	41,538
31 December 1994	£ <u>108,788,450</u>	£ <u>37,082</u>	£ <u>108,825,532</u>

- (g) The value of the unamortised premiums and discounts on investment securities is £174,468 (1993 - £75,665).

11. OTHER PARTICIPATING INTERESTS

<i>Group</i>	<u>Share capital</u>	<u>Loans</u>	<u>Other interests</u>	<u>Total</u>
	£	£	£	£
(a) Analysis of movements:				
<u>Cost</u>				
1 January 1994	1,605,119	12,199,166	15,446,455	29,250,740
Acquisitions	-	55,111,155	-	55,111,155
Disposals	(418,000)	(12,199,166)	(9,748)	(12,626,914)
31 December 1994	£ <u>1,187,119</u>	£ <u>55,111,155</u>	£ <u>15,436,707</u>	£ <u>71,734,981</u>

PIC HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994**

11. OTHER PARTICIPATING INTERESTS (continued)

(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 shares %</u>	<u>Total shares issued%</u>
Mithras Investment Trust plc	Provision of mezzanine finance	Ordinary 2p each	14.775	14.775
		Warrants to Subscribe for Ordinary Shares of 2p each	14.775	14.775

The above company is registered in England and Wales.

(c) *Other interests*

Other interests represent an 8.5% interest in 155 Bishopsgate Trust, a property holding trust based in Guernsey. See also Note 27(b).

12. SHARES IN GROUP UNDERTAKINGS

<u>Company</u>	<u>Shares</u> £
Analysis of movements:	
<u>Cost</u>	
1 January 1994	53,016,323
Additions in the year	<u>12,983,012</u>
31 December 1994	£ <u>65,999,335</u>

The investments are in subsidiary companies, details of which are set out on page 36.

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

13. TANGIBLE FIXED ASSETS

Group

	Leasehold improvements £	Office equipment furniture & fittings £	Motor vehicles £	Total £
<u>Cost</u>				
1 January 1994	319,457	1,932,894	297,110	2,549,461
Foreign exchange translation differences	1,549	3,798	1,034	6,381
Additions	71,883	499,055	53,557	624,495
Inter group transfers	-	2,048	19,120	21,168
Disposals	-	(844,507)	(122,855)	(967,362)
31 December 1994	<u>392,889</u>	<u>1,593,288</u>	<u>247,966</u>	<u>2,234,143</u>
<u>Depreciation</u>				
1 January 1994	146,850	1,209,810	150,437	1,507,097
Foreign exchange translation differences	394	726	190	1,310
Inter group transfers	-	1,607	-	1,607
Charge for the year	65,993	186,914	67,423	320,330
Disposals	-	(775,700)	(94,988)	(870,688)
31 December 1994	<u>213,237</u>	<u>623,357</u>	<u>123,062</u>	<u>959,656</u>
<u>Net book value</u>				
31 December 1994	£ <u>179,652</u>	£ <u>969,931</u>	£ <u>124,904</u>	£ <u>1,274,487</u>
31 December 1993	£ <u>172,607</u>	£ <u>723,084</u>	£ <u>146,673</u>	£ <u>1,042,364</u>

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

14. OTHER ASSETS

<i>Group</i>	1994 £	1993 £
(a) Analysis of debtors:		
Trade debtors	11,655,463	25,949,590
Amounts owed by parent and fellow subsidiary companies	7,681,397	2,805,260
Other debtors	1,781,295	273,790
Corporation tax recoverable	<u>118,072</u>	<u>375,510</u>
	£ 21,236,227	£ 29,404,150
(b) Trade debtors include £94,878 (1993 - £nil) due from fellow subsidiary companies in the ordinary course of business.		

15. DEPOSITS BY BANKS

<i>Group</i>	1994 £	1993 £
(a) Deposits by banks comprise:		
Secured	1,467,522,604	982,784,087
Unsecured	<u>110,824,568</u>	<u>165,372,437</u>
	£ 1,578,347,172	£ 1,148,156,524

Dealing and market making securities with a value of £1,470,461,258 (1993 - £992,824,628) have been used to secure deposits by banks.

	1994 £	1993 £
(b) Repayable from balance sheet date:		
On demand	264,009,909	189,460,450
3 months or less	<u>1,314,337,263</u>	<u>958,696,074</u>
	£ 1,578,347,172	£ 1,148,156,524

PIC HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994**

16. CUSTOMER ACCOUNTS

Group

	1994 £	1993 £
(a) Customer accounts comprise:		
Secured	207,816,000	158,398,162
Unsecured	<u>199,124,317</u>	<u>214,602,113</u>
	<u>£ 406,940,317</u>	<u>£ 373,000,275</u>

Dealing and market making securities with a value of £209,500,000 (1993 - £160,950,930) have been used to secure deposits by customers.

	1994 £	1993 £
(b) Repayable from balance sheet date:		
On demand	63,127,692	80,470,864
3 months or less	279,812,625	224,847,516
Over 5 years	<u>64,000,000</u>	<u>67,681,895</u>
	<u>£ 406,940,317</u>	<u>£ 373,000,275</u>

- (c) Included in customer accounts is £3,344,645 (1993 - £nil) deposited by fellow subsidiary companies in the normal course of business.

17. DEBT SECURITIES IN ISSUE

Group

	1994 £	1993 £
Debt securities in issue comprises:		
Loan stock issued to ultimate parent company:		
Unsecured Loan Stock 1999/2006	-	7,750,000
10% Undated Loan Stock	100,000	100,000
Floating Rate Unsecured Loan Notes 2001	<u> </u>	<u>5,516,666</u>
	<u>100,000</u>	<u>13,366,666</u>

PIC HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994**

17. DEBT SECURITIES IN ISSUE (CONTINUE)

	1994	1993
	£	£
Creditors: Amounts falling due after more than one year:		
Long-term loans from a fellow subsidiary company	45,390,792	-
Finance leases	<u>39,497</u>	<u>-</u>
	<u>45,430,289</u>	<u>-</u>
Total debt securities in issue	£ <u>45,530,289</u>	£ <u>13,366,666</u>

The Floating Rate Unsecured Loan Notes 2001 were repaid at par on 25 January 1994. The Unsecured Loan Stock 1999/2006 was repaid at par on 4 July 1994.

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.

18. OTHER LIABILITIES

<i>Group</i>	1994	1993
	£	£
Bank overdrafts	-	13,479
Trade creditors	31,442,005	59,276,733
Amounts owed to parent and fellow subsidiary companies	1,354,350	1,250,252
Corporation tax	1,731,608	1,619,263
Other creditors	<u>427,676</u>	<u>327,402</u>
	£ <u>34,955,639</u>	£ <u>62,487,129</u>

Other creditors include £43,717 (1993 - £26,944) relating to other taxation and social security.

<i>Company</i>	1994	1993
	£	£
Amounts owed to parent and fellow subsidiary companies	£ <u>163</u>	£ <u>163</u>

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

19. PROVISIONS FOR LIABILITIES AND CHARGES

	1994	1993
	£	£
Deferred taxation in respect of short-term timing differences	£ <u>66,649</u>	£ <u>91,777</u>

The movement in deferred taxation balance arises as a result of the deferred tax charge/(credits) included in Note 5.

20. CALLED UP SHARE CAPITAL

<i>Group and company</i>	1994	1993
	£	£
Authorised:		
Ordinary shares of £1 each (1993 - 100,000,000 shares)	100,000,000	100,000,000
Non-Cumulative Redeemable Preference shares of £1 each (1993 - Nil)	<u>7,750,000</u>	-
	£ <u>107,750,000</u>	£ <u>100,000,000</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.

	1994	1993
	£	£
Allotted and fully paid:		
Ordinary shares of £1 each (1993 - 18,167,666)	23,400,678	18,167,666
Non-Cumulative Redeemable Preference shares of £1 each (1993 - Nil)	7,750,000	-
	£ <u>31,150,678</u>	£ <u>18,167,666</u>

By Ordinary Resolution on 4th July 1994 an additional 7,750,000 non-cumulative Redeemable Preference shares of £1 each were created and issued at par, fully paid, for cash to provide long term working capital.

An additional 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 1994

21. CAPITAL CONTRIBUTION RESERVE

<i>Group</i>	1994 £	1993 £
At 1 January	37,656,414	37,541,059
Contributions in year	<u>-</u>	<u>115,355</u>
At 31 December	£ <u>37,656,414</u>	£ <u>37,656,414</u>

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

<i>Company</i>	1994 £	1993 £
At 1 January	34,890,580	34,775,225
Contributions in year	<u>-</u>	<u>115,355</u>
At 31 December	£ <u>34,890,580</u>	£ <u>34,890,580</u>

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

22. PROFIT AND LOSS ACCOUNT

<i>Group</i>	1994 £	1993 £
At 1 January	4,906,804	4,400,179
Profit for the year	3,825,975	2,523,439
Goodwill written off	-	(2,036,565)
Foreign exchange adjustments	<u>(54,826)</u>	<u>19,751</u>
At 31 December	£ <u>8,677,953</u>	£ <u>4,906,804</u>

<i>Company</i>	1994 £	1993 £
At 1 January	(42,086)	(39,755)
Loss for the year	<u>-</u>	<u>(2,331)</u>
At 31 December	£ <u>(42,086)</u>	£ <u>(42,086)</u>

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

25. COMMITMENTS

<i>Group</i>	1994	1993
	£	£
(a) Trading commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend:		
Less than 1 year	9,000,000	8,000,000
1 year and over	-	9,000,000
Commitment to invest in Mithras Investment Trust plc	-	7,800,834
	<u>£ 9,000,000</u>	<u>£ 24,800,834</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:

	1994		1993	
	Land & Buildings	Other	Land & Buildings	Other
Leases which expire:				
Within two to five years	£ <u>367,560</u>	£ <u>20,657</u>	£ <u>383,118</u>	£ <u>30,855</u>

(c) Amounts contracted for, but not provided total £nil (1993 - £351,069).

26. OTHER OFF-BALANCE SHEET ITEMS

<i>Group</i>	1994	1993
	£	£
(a) Interest rate contracts		
Contract or underlying principal	£ <u>248,144,948</u>	£ <u>125,000,000</u>
Credit risk weighted amount	£ <u>909</u>	£ <u>67,568</u>
Replacement cost	£ <u>606</u>	£ <u>45,045</u>

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

23. TOTAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

<i>Group</i>	1994 £	1993 £
Assets		
Denominated in sterling	1,952,027,817	1,459,615,123
Denominated in currencies other than sterling	<u>196,976,048</u>	<u>203,268,921</u>
Total assets	£ <u>2,149,003,865</u>	£ <u>1,662,884,044</u>
Liabilities		
Denominated in sterling	1,958,602,281	1,434,853,586
Denominated in currencies other than sterling	<u>190,401,584</u>	<u>228,030,458</u>
Total assets	£ <u>2,149,003,865</u>	£ <u>1,662,884,044</u>

24. CONTINGENT LIABILITIES

As at 31 December 1994 the group had contingent liabilities in respect of bills rediscounted (excluding treasury bills) of £1,424,983,100 (1993 - £2,332,421,024). There were no outstanding commitments to repurchase bills not reflected in these financial statements.

PIC HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

26. OTHER OFF-BALANCE SHEET ITEMS (continued)

- (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.

27. 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 11(c).

28. POST BALANCE SHEET EVENTS

The Group has continued its strategy of disinvesting in areas which do not fit in the core business, and have accordingly disposed of Clive Discount Company Limited an authorised institution operating in the London discount market, and its subsidiaries Clive Agency Bond Broking Limited and Clivco (Nominees) Limited on 9 August 1995.

On 2nd February 1995 Varsity Fund (General Partner) Ltd was incorporated to be the General Partner for a Limited Partnership which subsequently failed to transpire.

29. 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

CONSOLIDATED CASH FLOW STATEMENT
for the year ended at 31 December 1994

	Note	1994 £	1993 £
Net cash outflow from operating activities	1	<u>(118,356,072)</u>	<u>(173,496,235)</u>
Taxation			
Corporation tax paid		<u>(676,845)</u>	<u>(2,596,508)</u>
Tax paid		<u>(676,845)</u>	<u>(2,596,508)</u>
Investing activities			
Purchase of investment securities		(98,834,450)	(30,946,400)
Sale of investment securities		48,988,000	22,000,000
Purchase of tangible fixed assets		(644,056)	(534,518)
Sale of tangible fixed assets		126,220	14,892
Purchase of subsidiary undertaking (net of cash and cash equivalent acquired)	5	<u>-</u>	<u>(2,103,989)</u>
Net cash outflow from investing activities		<u>(50,364,286)</u>	<u>(11,570,015)</u>
Net cash outflow before financing		<u>(169,397,203)</u>	<u>(187,662,758)</u>
Financing			
Increase in debt securities in issue		32,163,623	2,933,333
Receipt of capital contribution		-	115,355
Issue of Ordinary shares		5,233,012	4,266,666
Issue of Preference shares		<u>7,750,000</u>	<u>-</u>
Net cash inflow from financing		<u>45,146,635</u>	<u>7,315,354</u>
Decrease in cash and cash equivalents	2	£ <u>(124,250,568)</u>	£ <u>(180,347,404)</u>

PIC HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended at 31 December 1994

1. RECONCILIATION OF GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1994 £	1993 £
Group profit on ordinary activities before tax	4,847,475	3,878,021
Increase/(Decrease) in prepayments and accrued income	(1,090,701)	38,079
(Decrease)/Increase in accruals and deferred income	627,965	(941,825)
Depreciation and amortisation	320,330	433,870
Foreign exchange translation on fixed assets	(5,071)	5,156
Profit on sale of tangible fixed assets	(29,546)	(12,440)
(Increase) in other participating interests	(42,484,241)	(5,185,879)
Decrease/(Increase) in other assets	7,910,485	(26,700,573)
(Increase) in debt securities	(146,718,758)	-
(Decrease)/Increase in other liabilities	(27,630,356)	22,673,976
Amortisation of premiums and discounts on, and amounts written off, investment securities	(54,746)	(63,897)
Effects of exchange rate movements on cash and cash equivalents	<u>(2,535,628)</u>	<u>(179,007)</u>
Net cash outflow from trading activities	(206,842,792)	(6,054,519)
Net decrease/(increase) in loans and advances to customers	54,601,504	(337,758,329)
Net increase in customer accounts	33,940,042	170,296,862
Foreign exchange adjustment	<u>(54,826)</u>	<u>19,751</u>
Net cash outflow from operating activities	£ <u>(118,356,072)</u>	£ <u>(173,496,235)</u>

PIC HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended at 31 December 1994**

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1994 £	1993 £
Balance at 1 January 1994	(106,451,871)	73,716,526
Net cash outflow before adjustments for the effect of foreign exchange rate changes	(124,250,568)	(180,347,404)
Effect of foreign exchange rate changes	<u>2,535,628</u>	<u>179,007</u>
Balance at 31 December 1994	£ <u>(228,166,811)</u>	£ <u>(106,451,871)</u>

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

	1994 £	1993 £	Change in the year £
Cash and balances at central banks	10,000	10,000	-
Treasury bills and other eligible bills	514,916,544	368,012,788	146,903,756
Loans and advances to banks	132,924,950	97,019,421	35,905,529
Debt securities	702,328,867	576,675,923	125,652,944
Deposits by banks	(1,578,347,172)	(1,148,156,524)	(430,190,648)
Bank loans and overdrafts	<u>-</u>	<u>(13,479)</u>	<u>13,479</u>
	£ <u>(228,166,811)</u>	£ <u>(106,451,871)</u>	£ <u>(121,714,940)</u>

PIC HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended at 31 December 1994**

4. ACQUISITION OF SUBSIDIARIES

	1994 £	1993 £
Net assets acquired:		
Loans and other advances to banks	-	10,164
Other assets	-	49,711
Prepayments and accrued income	-	423,012
Deposits by banks	-	(6,249)
Other liabilities	-	(365,485)
Accruals and deferred income	<u>-</u>	<u>(39,814)</u>
Goodwill	<u>-</u>	<u>71,339</u>
	<u>£ -</u>	<u>£ 2,036,565</u>
Cost of acquisition satisfied by:		
Cash	<u>£ -</u>	<u>£ 2,107,904</u>

5. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE ACQUISITION OF SUBSIDIARIES

	1994 £	1993 £
Cash consideration	-	2,107,904
Cash and cash equivalents bought:		
Loans and advances to banks	-	(10,164)
Deposits by banks	<u>-</u>	<u>6,249</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>£ -</u>	<u>£ 2,103,989</u>

PIC HOLDINGS LIMITED

SUBSIDIARY COMPANY INFORMATION
as at 31 December 1994

<u>Company</u>	<u>Holding %</u>	<u>Class of Shares</u>	<u>Activity</u>
Trading Subsidiaries			
Clive Agency Bond Broking Limited	100	£1 Ordinary	Agency broking of UK Government securities and other Euro-Sterling bonds.
Clive Discount Company Limited	100	£1 Ordinary	Discount House and Authorised Institution under the Banking Act 1987.
Clivwell Securities Limited	100	£1 Ordinary	Investment Company.
PRICOA Capital Group Limited	100	£1 Ordinary	Investment advisor.
PRICOA Funding Limited	100	£1 Ordinary £1 Preference	Holding and Funding Company.
PRICOA Investment Company	100	£1 Ordinary £1 Preference	Investment Company
PRicoa Realty Group Limited	100	£1 Ordinary	Real estate services and advice.
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.
Nominee Company			
Clive (Nominees) Limited	100	£1 Ordinary	Nominee company.
Dormant Company			
TransEuropean Properties (General Partner) II Limited	100	£1 Ordinary	Real estate fund management and investment.

All the above companies are registered in England and Wales.