

DENCORA SECURITIES LIMITED
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1996

REG. No. 1109003



DENCORA SECURITIES LIMITED

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PANNELL KERR FORSTER
Chartered Accountants

DENCORA SECURITIES LIMITED
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1996

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DENCORA SECURITIES LIMITED
DIRECTORS, OFFICERS AND REGISTERED OFFICE

DIRECTORS

C R Holmes (Chairman)
R C Youngs
C H Bradley-Watson
R J Williams

SECRETARY

C R Holmes

REGISTERED OFFICE

Dencora House
Blyburgate
Beccles
Suffolk

AUDITORS

Pannell Kerr Forster
Chartered Accountants
141 King Street
Great Yarmouth
Norfolk
NR30 2PQ

DENCORA SECURITIES LIMITED
DIRECTORS' REPORT

The directors present their annual report together with the financial statements for the year ended 31 December 1996, which they confirm have been prepared on a going concern basis.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 6.

The directors recommend the payment of a final dividend for the year of £1,000,000 and recommend the balance of retained profits totalling £613,988 be added to reserves.

PRINCIPAL ACTIVITY

The principal activity of the company is unchanged since last year and is that of the retention of properties for letting.

REVIEW OF THE BUSINESS

Both the level of business and the year end financial position were satisfactory and the directors hope that a similar level of activity will be achieved in the coming year.

DIRECTORS AND THEIR INTERESTS

Mr C R Holmes, Mr R C Youngs, Mr C H Bradley-Watson and Mr R J Williams held office throughout the year. The interests of Mr C R Holmes, Mr R C Youngs and Mr C H Bradley-Watson are shown in the accounts of the holding company.

The interests of the other director in the shares of the holding company were:

	<u>Ordinary 25p shares</u>		<u>Cumulative £1 preference shares</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
R J Williams	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

No right was granted or exercised to Mr R J Williams to subscribe for shares in the company or the holding company.

**DENCORA SECURITIES LIMITED
DIRECTORS' REPORT**

VALUATION OF PROPERTY

The completed properties were valued at 31 December 1996 by Drivers Jonas, Chartered Surveyors, on an open market basis in accordance with the Statement of Asset Valuation Practice published by the Royal Institution of Chartered Surveyors.

PAYMENT POLICY

The company aims to settle suppliers' accounts promptly in accordance with their terms of business.

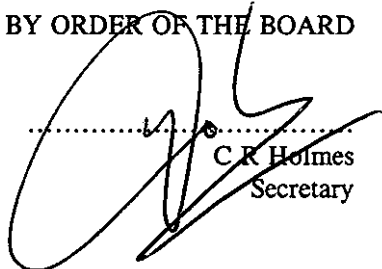
AUDITORS

A resolution to reappoint Pannell Kerr Forster will be proposed at the annual general meeting.

DENCORA HOUSE
BECCLES

15th April 1997

BY ORDER OF THE BOARD


.....
C R Holmes
Secretary

DENCORA SECURITIES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 DECEMBER 1996

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements (on pages 6 to 16), the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the financial statements.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
DENCORA SECURITIES LIMITED**

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4 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. 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 as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pannell Kerr Forster

PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

Great Yarmouth

15th April 1997

**DENCORA SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1996**

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
TURNOVER	2	7,245,993	7,141,736
COST OF SALES		995,878	1,024,151
GROSS PROFIT		6,250,115	6,117,585
ADMINISTRATIVE EXPENSES		215,291	310,732
OPERATING PROFIT		6,034,824	5,806,853
INTEREST RECEIVABLE		4,262	1,410
INTEREST PAYABLE AND SIMILAR CHARGES	5	4,193,588	4,777,602
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,845,498	1,030,661
TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES	7	231,510	236,760
PROFIT FOR THE FINANCIAL YEAR		1,613,988	793,901
DIVIDENDS	8	1,000,000	---
RETAINED PROFIT FOR THE YEAR	14	613,988	793,901

All amounts relate to continuing operations.

DENCORA SECURITIES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 1996

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>1996</u> £	<u>1995</u> £
Profit for the financial year	1,613,988	793,901
Unrealised surplus/(deficit) on revaluation of properties	344,325	(2,156,577)
	<hr/>	<hr/>
Total recognised gains/(losses) relating to the year	1,958,313	(1,362,676)
	<hr/>	<hr/>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation	1,845,498	1,030,661
Realisation of property revaluation gains/(losses) of previous years	—	---
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	1,845,498	1,030,661
Taxation charge	231,510	236,760
Dividend	1,000,000	---
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation and dividends	613,988	793,901
	<hr/>	<hr/>

DENCORA SECURITIES LIMITED
BALANCE SHEET
31 DECEMBER 1996

	<u>Notes</u>	<u>£</u>	<u>1996</u>	<u>£</u>	<u>1995</u>	<u>£</u>
FIXED ASSETS	9					
Tangible assets			62,990,803		62,555,003	
CURRENT ASSETS						
Debtors	10	5,886,762		4,408,193		
Cash at bank and in hand		944,408		1,030,506		
		<u>6,831,170</u>		<u>5,438,699</u>		
CREDITORS						
Amounts falling due within one year	11	4,128,102		3,158,144		
NET CURRENT ASSETS			<u>2,703,068</u>		<u>2,280,555</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>65,693,871</u>		<u>64,835,558</u>	
CREDITORS						
Amounts falling due after more than one year	11	40,725,000		40,825,000		
PROVISIONS FOR LIABILITIES AND CHARGES						
Deferred taxation	12	—		—		
		<u>—</u>	<u>40,725,000</u>	<u>—</u>	<u>40,825,000</u>	
NET ASSETS			<u>24,968,871</u>		<u>£24,010,558</u>	
CAPITAL AND RESERVES						
Called up share capital	13	78,000		78,000		
Revaluation reserve	14	16,711,312		16,366,987		
Profit and loss account	14	8,179,559		7,565,571		
SHAREHOLDERS' FUNDS (including non-equity interests)	15		<u>24,968,871</u>		<u>£24,010,558</u>	

Approved by the board on 15th April 1997

.....
C R Holmes

Director

R C Youngs
.....
R C Youngs

Director

DENCORA SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

1 ACCOUNTING POLICIES

a) Basis of accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of properties held as fixed assets, and comply with applicable accounting standards. Investment properties are classified as fixed assets. Properties held for resale are included as stocks and work in progress. Properties are so classified according to the intention of the directors.

b) Properties held as fixed assets

Completed investment properties are carried at open market value. External valuations are obtained every year and inspections of all properties are carried out every fourth year.

Investment properties under development are carried at the lower of cost and directors' valuation. However, where the basic structure of the building is complete and at least 90% of the building let, or where the building in its existing state can be sold without the need to carry out further work, then the property is carried at open market value less an estimate of the cost to complete.

The cost of properties includes direct costs, a proportion of applicable overheads and interest (less net income received) for a period until no later than six months after the certificate of practical completion of construction has been issued, less provision in the event of a permanent diminution in value.

Surpluses and deficits on revaluations are taken to a non-distributable revaluation reserve. If a property held as a fixed asset is sold, the difference between sales proceeds and balance sheet value is treated as a profit or loss in the current year's profit and loss account, and the previous revaluation surplus or deficit is reclassified under distributable reserves.

c) Acquisitions and disposals of properties

Acquisitions and disposals of commercial properties are considered to have taken place where (even if legal completion has not taken place) there is a legally binding, unconditional and irrevocable contract, and provided that the properties being sold are substantially complete. House sales are considered to have taken place when the sale is legally complete.

d) Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net value realisable in the normal course of business less, where appropriate, the cost to complete. The cost of commercial properties held for resale includes direct costs, a proportion of applicable overheads, and interest (less net income received) for a period until no later than six months after the certificate of practical completion of construction has been issued. The cost of housing property includes direct costs and a proportion of applicable overheads but no interest costs.

e) Depreciation

Depreciation on investment properties has been taken into consideration in the annual revaluations and therefore has not been charged in the profit and loss account. This complies with the Standard Statement of Accounting Practice (SSAP19) and, although it is contrary to the Companies Act 1985, the directors consider the accounts show a true and fair view. The amount of depreciation has not been quantified as it is only one of many factors included in the valuation. Depreciation is provided on other fixed assets on a straight line basis over their expected useful lives which are: buildings for own use - 50 years; plant, machinery and vehicles - 5 years.

DENCORA SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

1 ACCOUNTING POLICIES continued

f) Deferred taxation

Deferred taxation is calculated on the liability method based on the excess of capital allowances over depreciation and in respect of other timing differences. Provision is made to the extent that it is probable that a liability will crystallise.

g) Pensions

The group operates a number of defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the company in independently administered funds. The group's contributions to the schemes are charged against profits in the year in which the contributions are made.

h) Operating leases

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreement as incurred.

2 TURNOVER

The analysis of turnover by class of business was as follows:

	<u>1996</u> £	<u>1995</u> £
Sale of property developments and land	—	—
Rental income and ground rents	7,245,993	7,141,736
	<u>7,245,993</u>	<u>7,141,736</u>

Rental income is the gross income receivable. Trading turnover represents the value of property and services supplied. Turnover excludes value added tax.

3 EMPLOYEE INFORMATION

The average number of persons employed during the year including directors was made up as follows:

	<u>1996</u>	<u>1995</u>
	<u>Number</u>	
Selling and administration	4	4

There were no staff costs during the year.

DENCORA SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

4 DIRECTORS EMOLUMENTS

None of the directors received any emoluments from the company during the year. All directors are remunerated by the holding company and a management charge raised to cover overhead costs, directors remuneration forming a part of this charge. The remuneration of the directors who are also directors of the holding company is disclosed in the group accounts. The other directors remuneration included in the management charge is:-

	<u>1996</u>	<u>1995</u>
	£	£
Management remuneration (including pension contributions)	7,044	6,704

5 INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges comprised:

	<u>1996</u>	<u>1995</u>
	£	£
On bank loans and overdrafts which are not repayable by instalment within five years	---	---
Loans from group undertakings	4,193,588	4,777,602
	<u>4,193,588</u>	<u>4,777,602</u>
Less: Interest charged to investment properties in the course of construction	---	---
Transfer to work in progress	---	---
Recharged to group undertakings	---	---
	<u>4,193,588</u>	<u>4,777,602</u>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after charging the following:

	<u>1996</u>	<u>1995</u>
	£	£
Depreciation (Note 9)	---	---
Auditors' remuneration	6,000	5,700
Hire of plant and equipment	---	---
Other operating leases - land and buildings	578,499	574,343

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the year represented:

Corporation tax on the profit for the year at 33% (1995: 33%)

	<u>1996</u>	<u>1995</u>
	£	£
Corporation tax	91,232	93,664
Group relief	140,357	144,098
Deferred taxation	---	---
	<u>231,589</u>	<u>237,762</u>
Adjustments in respect of previous years	79	(1,002)
	<u>231,510</u>	<u>236,760</u>

DENCORA SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

8 DIVIDENDS

The dividend comprises an interim dividend paid of £Nil. (1995: Nil). A final dividend of £1,000,000 was proposed on the "A" ordinary shares.

9 FIXED ASSETS - TANGIBLE

The movements on these accounts during the year was as follows:

	Freehold land and buildings
	£
Cost or valuation	
Completed properties at valuation	62,555,003
Properties under development at cost	---
At 1 January 1996	<u>62,555,003</u>
Additions	91,475
Disposals	---
Transfer from work in progress	---
Surplus on valuation	344,325
At 31 December 1996	<u>62,990,803</u>
Accumulated depreciation	
At 1 January 1996	---
Charge for the year	---
Eliminated on disposals	---
Depreciation written back on revaluation	---
At 31 December 1996	<u>---</u>
Net book amount	
Completed properties at valuation	62,910,003
Properties under development at cost	80,800
At 31 December 1996	<u>62,990,803</u>
At 31 December 1995	<u>62,555,003</u>

	At valuation or cost to date		On historical cost basis	
	1996	1995	1996	1995
	£	£	£	£
Land and buildings analysed:				
Freehold investment properties	31,465,802	31,915,002	28,424,527	28,343,727
Leasehold investment properties	31,525,001	30,640,001	17,844,289	17,844,289
	<u>62,990,803</u>	<u>62,555,003</u>	<u>46,268,816</u>	<u>46,188,016</u>

The completed properties were valued at 31 December 1996 by Drivers Jonas, Chartered Surveyors, on an open Market Value basis in accordance with the Appraised and valuation manual published by the Royal Institute of Chartered Surveyors.

DENCORA SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

10	DEBTORS	<u>1996</u>	<u>1995</u>
	Debtors comprised amounts falling due within one year:	£	£
	Trade debtors	483,590	584,593
	Amounts owed by group undertakings	5,199,291	3,692,416
	Corporation tax	2,482	5,807
	Other debtors	727	2,331
	Prepayments and accrued income	200,672	123,046
		<u>5,886,762</u>	<u>4,408,193</u>

11	CREDITORS	<u>1996</u>	<u>1995</u>
	Amounts falling due within one year	£	£
	Creditors comprised:		
	Bank loans and overdraft (secured - see below)	---	---
	Trade creditors	201,150	137,853
	Amounts owed to group undertakings	1,105,100	1,163,440
	Corporation tax	105,611	108,043
	Other taxation and social security	70,055	38,868
	Proposed dividend	1,000,000	---
	Accruals and deferred income	1,646,186	1,709,940
		<u>4,128,102</u>	<u>3,158,144</u>

	CREDITORS	<u>1996</u>	<u>1995</u>
	Amounts falling after more than one year	£	£
	Creditors comprised:		
	Amounts owed to group undertakings repayable between two and five years	40,725,000	40,825,000

DENCORA SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

CREDITORS Continued	<u>1996</u>	<u>1995</u>
Secured liabilities	£	£
Bank loans and accrued interest secured by fixed charges over freehold and leasehold property	---	---
	<u>---</u>	<u>---</u>

The investment properties have been charged as security for the group borrowings with the exception of those specifically charged on the company's borrowings shown above.

12 DEFERRED TAXATION

Deferred taxation provision and the amount unprovided comprised:

	Full potential liability £	Provided in accounts £	<u>1996</u> Full potential liability £	Provided in accounts £
Corporation tax payable on chargeable gains if properties were disposed at their revalued amounts	1,306,849	---	1,436,743	---
Industrial buildings allowance	2,475,282	---	2,440,016	---
Accelerated capital allowances	102,541	---	45,914	---
Other timing differences	(1,650)	---	(281,071)	---
	<u>3,883,022</u>	<u>---</u>	<u>3,641,602</u>	<u>---</u>

No provision has been made for the corporation tax which would be payable if properties were to be disposed of at their revalued amounts as no sales have been made since 31st December 1996 which create a corporation tax liability.

The deferred tax is calculated at 33% and assumes no group relief will be available.

DENCORA SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

13 SHARE CAPITAL

	<u>Authorised</u>	<u>Called up and Fully Paid</u>
Authorised, called up and fully paid:	£	£
Ordinary shares of £1 each	22,000	---
'A' ordinary shares of £1 each	5,000	5,000
'B' ordinary shares of £1 each	73,000	73,000
	<u>100,000</u>	<u>78,000</u>

There were no changes in share capital during the year.

As all classes of share are owned by the ultimate holding company the rights attaching to each class of share as set out in the company's Memorandum and Articles of Association have not been detailed and shareholders' funds have not been analysed between amounts attributable to equity and non-equity shares.

14 RESERVES

The movement on reserves during the year was as follows:

	<u>Revaluation reserve</u>	<u>Profit and loss account</u>
	£	£
At 1 January 1996	16,366,987	7,565,571
Retained profit for the year	---	613,988
Surplus on valuation	344,325	---
At 31 December 1996	<u>16,711,312</u>	<u>8,179,559</u>

**15 RECONCILIATION OF MOVEMENTS IN
SHAREHOLDERS' FUNDS**

	<u>1996</u>	<u>1995</u>
	£	£
Profit for the financial year	1,613,988	793,901
Dividends	(1,000,000)	---
	<u>613,988</u>	<u>793,901</u>
Other recognised gains relating to the year	344,325	(2,156,577)
Net reduction in shareholders funds	958,313	(1,362,676)
Balance at 1 January 1996	24,010,558	25,373,234
Balance at 31 December 1996	<u>24,968,871</u>	<u>24,010,558</u>

DENCORA SECURITIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

16 CAPITAL EXPENDITURE APPROVED

	<u>1996</u> £	<u>1995</u> £
Expenditure contracted for	---	---
	<u> </u>	<u> </u>

17 CONTINGENT LIABILITIES

The company has given unlimited guarantees in respect of borrowings of certain fellow group undertakings.

18 LEASING COMMITMENTS

At 31 December 1996 the company had annual commitments under non-cancellable operating leases of land and buildings as follows:-

	<u>1996</u> £	<u>1995</u> £
Leases expiring in over five years	579,137	590,107
	<u> </u>	<u> </u>

19 HOLDING COMPANY

The company is a wholly owned subsidiary of Dencora plc, a company incorporated in England. A copy of the accounts of Dencora plc is available from the Secretary, Dencora plc, Dencora House, Blyburgate, Beccles, Suffolk, NR34 9TY.