

Property Holding & Investment Trust Limited

(formerly Property Holding & Investment Trust Public Limited Company)

Financial Statements 31 December 1996
together with directors' and auditors' reports

Registered number: 439083



Property Holding & Investment Trust Limited

Directors' Report

The directors present their report, together with the financial statements and auditors' report, for the fifteen month period ended 31 December 1996.

Principal activities and business review

The company's principal activity is, and will continue to be, property investment and development. The Board considers that there is scope for further development of the company's operations.

Change in ultimate holding company

On 13 March 1996 Kvaerner ASA, a company registered in Norway, made offers for the ordinary shares and the convertible preference shares of the ultimate holding company, Trafalgar House Public Limited Company. On 17 April 1996 the offers were declared unconditional in all respects. As a result, the company's ultimate holding company since 17 April 1996 has been Kvaerner ASA.

Re-registration

On 30 April 1996 the company was re-registered as a private company limited by shares.

Change in accounting reference date

During the period the company changed its accounting reference date from 30 September to 31 December each year so as to be coterminous with that of its new ultimate holding company. The accounting period which commenced on 1st October 1995 was extended and ended on 31st December 1996.

Results

The results for the period are set out in the profit and loss account on page 3. Retained profits of £ 244,496 (1995 - £ 5,744,135) have been transferred to reserves.

Dividends

The directors do not recommend the payment of a dividend.

Fixed assets

Details of the movements in fixed assets during the period are given in notes 6 and 7 to the accounts.

Directors

The directors of the company during the period were:

T C Garnham	(resigned 25 October 1996)
C Henderson	(resigned 23 February 1996)
H G R Williams	(appointed 23 February 1996)
G P Kelly	

During the period insurance was maintained for directors and officers against liabilities in relation to the company.

Directors' share interests

No director had any notifiable interest in the share capital of the ultimate holding company.

Property Holding & Investment Trust Limited

Directors' Report (continued)

Auditors

On 22 October 1996 KPMG resigned as auditors and, in their place, Arthur Andersen have been appointed as auditors by the directors.

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

By order of the Board,



G.P. KELLY
Secretary
Renown House
33 -34 Bury Street
London EC3A 5AR

10 June 1997

Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Property Holding & Investment Trust Limited

Auditors' Report

To the Shareholders of Property Holding & Investment Trust Limited:

We have audited the financial statements on pages 3 to 9 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

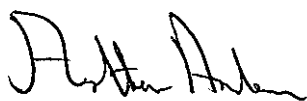
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
LONDON WC2R 2PS

10 June 1997

Property Holding & Investment Trust Limited

Profit And Loss Account for the Fifteen Months Ended 31 December 1996

	Note	15 months ended 31 December 1996 £	Year ended 30 September 1995 £
Turnover - continuing operations			
Rental income		815,013	908,568
Cost of sales	2	<u>199,728</u>	<u>200,438</u>
Gross profit - continuing operations		1,014,741	1,109,006
Net operating expenses	3	<u>(2,343,148)</u>	<u>4,474,616</u>
Operating (loss)/profit on continuing operations		(1,328,407)	5,583,622
Surplus on sale of tangible fixed assets		1,620,000	132,274
Interest receivable and similar income		163,534	28,409
Interest payable and similar charges	4	(210,631)	(170)
Profit on ordinary activities before taxation		<u>244,496</u>	<u>5,744,135</u>
Taxation - on profit on ordinary activities	5	<u>-</u>	<u>-</u>
Retained profit for the financial period	11	<u>244,496</u>	<u>5,744,135</u>

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

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

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

Property Holding & Investment Trust Limited

Balance Sheet at 31 December 1996

	Note	31 December 1996		30 September 1995	
		£	£	£	£
Fixed assets					
Tangible assets	6	-		8,100,000	
Investments	7	<u>25,048,851</u>		<u>27,391,999</u>	
			25,048,851		35,491,999
Current assets					
Debtors	8	<u>75,041,024</u>		<u>63,797,204</u>	
Creditors: Amounts falling due within one year:					
Trade creditors		(42,384)		(92,682)	
Amount owed to intermediate parent undertaking		(450,000)		(450,000)	
Amounts owed to subsidiary undertakings		(48,621,902)		(2,979,172)	
Amounts owed to fellow subsidiary undertaking		(4,307,026)		(48,643,613)	
Taxation and social security		-		(49,805)	
Accruals and deferred income		(103,164)		(504,915)	
Other creditors		<u>(6,669)</u>		<u>(4,782)</u>	
		<u>(53,531,145)</u>		<u>(52,724,969)</u>	
Net current assets			21,509,879		11,072,235
Total assets less current liabilities			<u>46,558,730</u>		<u>46,564,234</u>
Provisions for liabilities and charges	9		<u>(550,000)</u>		<u>(800,000)</u>
Net assets			<u>46,008,730</u>		<u>45,764,234</u>
Capital and reserves					
Equity share capital			20,456,923		20,456,923
Non-equity share capital			499,377		499,377
Called up share capital	10		<u>20,956,300</u>		<u>20,956,300</u>
Equity reserves					
Share premium account			1,028,949		1,028,949
Profit and loss account	11		<u>24,023,481</u>		<u>23,778,985</u>
Shareholders' funds			<u>46,008,730</u>		<u>45,764,234</u>

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

The financial statements were approved by the Board of Directors on 10 June 1997 and signed on its behalf by:


G P KELLY
Director

Notes to accounts 31 December 1996

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) **Accounting convention**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified for the revaluation of certain tangible fixed assets.

(b) **Basis of preparation**

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts.

(c) **Cash flow statement**

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

(d) **Turnover**

Turnover represents rental income, net of VAT, and arises wholly within the United Kingdom.

(e) **Taxation**

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

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

(f) **Investment properties**

Investment properties are included in the balance sheet at their open market value at the balance sheet date on the basis of an annual professional valuation.

(g) **Depreciation**

Depreciation is not provided on freehold and long leasehold properties where the directors are of the opinion that the buildings concerned are currently sufficiently well maintained to ensure that the residual values of such properties are not less than the cost or valuation and accordingly annual depreciation or amortisation would not be material to the financial statements.

Freehold and leasehold investment properties are not depreciated. Compliance with SSAP19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of this departure is given in note 6.

(h) **Fixed asset investments**

Shares in subsidiary undertakings are stated at cost less amounts written off.

(h) **Revaluation reserve**

Surpluses or deficits arising on the revaluation of tangible fixed assets are transferred to a non distributable reserve known as the revaluation reserve, unless a deficit (or its reversal) is expected to be permanent in which case it is charged (or credited) to the profit and loss account. In accordance with FRS3, the profit or loss on sale of a tangible fixed asset is the difference between the disposal proceeds and the carrying value of the asset, including any revaluation. Any amount in the revaluation reserve relating to such an asset is transferred directly to the profit and loss reserve and is not included in the profit for the financial period.

Property Holding & Investment Trust Limited

Notes to accounts (continued) 31 December 1996

2. Cost of Sales

	Fifteen months ended 31 December 1996 £	Year ended 30 September 1995 £
Property outgoings	(292,427)	(266,227)
Provision for rental guarantees not required	250,000	391,665
Prior year accruals not required	242,155	75,000
	<u>199,728</u>	<u>200,438</u>

3. Net operating expenses

	Fifteen months ended 31 December 1996 £	Year ended 30 September 1995 £
Net operating expenses consist of:		
Surplus on disposal of shares in subsidiary undertakings to fellow subsidiary undertakings	-	2,606,449
Amounts written off investments in subsidiary undertakings (required)/ not required	(2,343,148)	768,167
Amounts written off tangible fixed assets not required	-	1,100,000
	<u>(2,343,148)</u>	<u>4,474,616</u>

Staff costs and auditors' remuneration were borne by a fellow subsidiary undertaking. None of the directors received any emoluments from the company during the period (1995-£NIL).

4. Interest payable and similar charges

	Fifteen months ended 31 December 1996 £	Year ended 30 September 1995 £
Short term loans (repayable within 5 years, not by instalments)	580	170
Intercompany loans	<u>210,051</u>	<u>-</u>
	<u>210,631</u>	<u>170</u>

Property Holding & Investment Trust Limited

Notes to accounts (continued) 31 December 1996

5. Taxation - on profit on ordinary activities

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

There is no potential liability to deferred taxation.

6 Fixed assets - tangible assets

£

Freehold investments properties

At 1 October 1995 (cost £8,807,770)

8,100,000

Disposals

(8,100,000)

At 31 December 1996

-

In accordance with Statement of Standard Accounting Practice Number 19 no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards the company's investment properties, may be a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

7. Fixed assets - investments

£

Shares in subsidiary undertakings

At 1 October 1995 (cost £86,961,251)

27,391,999

Amounts written off to profit and loss account

(2,343,148)

At 31 December 1996 (cost £86,961,251)

25,048,851

The value of the investment in subsidiary undertakings based on the equity method of valuation is £43,082,567 (1995 - £45,425,715)

Listed below are the principal subsidiary undertakings. These subsidiary undertakings are wholly-owned, incorporated in Great Britain, registered in England and Wales and carry on their activities of property investment or development in the county of incorporation.

G M Properties Limited
Premier Securities Limited
Property Selection and Investment Trust Limited.

Property Holding & Investment Trust Limited

Notes to accounts (continued) 31 December 1996

8. Debtors

	31 December 1996 £	30 September 1995 £
Amounts falling within one year:		
Trade debtors	40,723	17,321
Amount owed by parent undertaking	62,726,974	61,675,762
Amount owed by intermediate parent undertaking	2,029,204	1,865,685
Amounts owed by fellow subsidiary undertakings	10,168,423	187,029
Taxation and social security	19,320	-
Prepayments and accrued income	56,380	51,407
	<u>75,041,024</u>	<u>63,797,204</u>

9. Provisions for Liabilities and Charges

These provisions relate to rental guarantees

	£
At 1 October 1995	800,000
Less: Released during the period	<u>(250,000)</u>
At 31 December 1996	<u>550,000</u>

10. Share Capital

	31 December 1996 £	30 September 1995 £
Authorised:		
Equity share capital		
100,000,000 ordinary shares of 25p each	25,000,000	25,000,000
Non-equity share capital		
750,000 3.15% cumulative preference shares of £1 each	<u>750,000</u>	<u>750,000</u>
Allotted, called up and fully paid:		
Equity share capital		
81,827,690 ordinary shares of 25p each	20,456,923	20,456,923
Non-equity share capital		
499,377 3.15% cumulative preference shares of £1 each	<u>499,377</u>	<u>499,377</u>
	<u>20,956,300</u>	<u>20,956,300</u>

Property Holding & Investment Trust Limited

Notes to accounts (continued) 31 December 1996

10. Share capital (continued)

The holders of the non-equity share capital are entitled, on the winding up of the company, to receive before any distributions to the ordinary shareholders:-

- a) all arrears of dividend whether declared or not, and;
- b) a premium of 10p per share or the difference between the nominal value and market value, whichever is the greater.

The holders of the non-equity share capital are not entitled to attend or vote at any General Meeting of the company unless:

- a) the preferential dividend shall remain unpaid for six calendar months for which purpose the dividend shall be deemed to be payable half yearly on 31 March and 30 September or;
- b) a resolution shall be submitted:
 - (i) for the reduction of the capital of the company;
 - (ii) for winding up the company
 - (iii) directly affecting the rights and privileges attached to the shares or;
 - (iv) for effecting any alteration in the borrowing powers of the directors.

On a show of hands each member present shall have one vote, and in case of a poll every member present or by proxy shall have four votes in respect of each 3.15% cumulative preference share of £1 and one vote in respect of each ordinary share held.

11. Profit and loss account

As at 1 October 1995	£ 23,778,985
Retained profit for the financial period	<u>244,496</u>
As at 31 December 1996	<u><u>24,023,481</u></u>

12. Ultimate parent undertaking

During the period Kvaerner PLC, formerly Trafalgar House Public Limited Company, which is registered in England and Wales, of which the company was a wholly owned subsidiary, was acquired by Kvaerner ASA, a company registered in Norway.

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

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

Copies of the respective financial statements can be obtained from Kvaerner PLC at St James's House, 23 King Street, London SW1Y 6QY.