

Kvaerner Estates Limited

Financial Statements 31 December 1997
together with directors' and auditors' reports

Registered number: 551134



Kvaerner Estates Limited

Directors' Report

The directors present their report, together with the financial statements and auditors' report, for the year ended 31 December 1997.

Principal activities and business review

The company's principal activity is, and will continue to be, that of managing properties occupied by fellow subsidiaries. During the year the company continued to provide property management services for group owned and occupied land and buildings, including acquisitions, disposals, leasing, rent reviews and rating.

Results

The results for the period are set out in the profit and loss account on page 3. Retained losses of £2,839,590 (15 months ended 31 December 1996 - £ 4,371,462) have been transferred to reserves.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the year were:

A R Winter	
H G R Williams	
N Latham	(resigned 18 July 1997)
G P Kelly	(appointed 18 July 1997)

Directors' share interests

None of the directors, at 31 December 1997, had any interests requiring to be disclosed under the Companies Act 1985. There were no changes in the directors' interests between 31 December 1997 and the date of this report. No director, during the year, had a material interest in any contract significant to the Company's business.

Auditors

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

Policy on payment of suppliers

Statutory regulations issued under the Companies Act 1985 require the company to make a statement of its policy and practice on the payment of trade creditors. The company has an arrangement with a fellow subsidiary undertaking that all orders to suppliers and payments to them are made by that fellow subsidiary. Under these arrangements the company has no trade creditors falling within the regulations of the Companies Act 1985.

By order of the Board,



G P Kelly
Secretary
Windsor Plaza
68 Hammersmith Road
London W14 8YW

Statement of Directors' Responsibilities

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

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

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

Auditors' Report

To the Shareholders of Kvaerner Estates Limited:

We have audited the financial statements on pages 3 to 10 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.

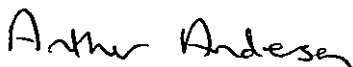
Basis of opinion

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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
LONDON WC2R 2PS
26 June 1998

**Profit And Loss Account for the Year Ended
31 December 1997**

	Note	Year ended 31 December 1997 £	15 months ended 31 December 1996 £
Turnover			
Continuing operations	2	5,067,754	6,203,411
Property outgoings	3	(5,389,302)	(8,309,791)
Gross loss		<u>(321,548)</u>	<u>(2,106,380)</u>
Net operating expenses		(713,957)	(580,472)
Operating loss on continuing operations		<u>(1,035,505)</u>	<u>(2,686,852)</u>
Profit/(loss) on sale of properties - continuing operations		221,494	113,741
Interest receivable and similar income		85,594	8,951
Interest payable and similar charges	4	(2,111,173)	(1,807,302)
Loss on ordinary activities before taxation	5	<u>(2,839,590)</u>	<u>(4,371,462)</u>
Taxation - on loss on ordinary activities	6	<u>-</u>	<u>-</u>
Retained loss for the financial period	13	<u><u>(2,839,590)</u></u>	<u><u>(4,371,462)</u></u>

The notes on pages 5 to 10 form part of this profit and loss account.

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

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

Kvaerner Estates Limited

Balance Sheet at 31 December 1997

	Note	31 December 1997		31 December 1996	
		£	£	£	£
Fixed assets					
Tangible assets	8		2,820,274		4,448,738
Current assets					
Debtors	9	30,944,383		32,250,292	
Cash at bank and in hand		<u>2,070,243</u>		<u>-</u>	
		33,014,626		32,250,292	
Creditors: Amounts falling due within one year	10	<u>(33,773,666)</u>		<u>(31,290,206)</u>	
Net current (liabilities)/assets			(759,040)		960,086
Total assets less current liabilities			<u>2,061,234</u>		<u>5,408,824</u>
Provisions for liabilities and charges	11		<u>(7,616,001)</u>		<u>(8,124,001)</u>
Net liabilities			<u>(5,554,767)</u>		<u>(2,715,177)</u>
Capital and reserves					
Called up equity share capital	12		15,000,000		15,000,000
Equity reserves					
Revaluation reserve	13		2,501,147		2,501,147
Profit and loss account - (deficit)	13		(30,022,428)		(26,961,344)
Other reserves	13		<u>6,966,514</u>		<u>6,745,020</u>
Shareholders' funds			<u>(5,554,767)</u>		<u>(2,715,177)</u>

The notes on pages 5 to 10 form part of this balance sheet.

The financial statements were approved by the Board of Directors on [] and signed on its behalf by:


G.P. Kelly
Director

Notes to accounts
31 December 1997

1. Accounting policies

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

(a) Accounting convention

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

(b) Cash flow statement

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

(c) Turnover

Turnover, which includes intra-group trading, represents rental income from properties and management fees, net of VAT, and arises wholly within the United Kingdom.

(d) Taxation

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

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

(e) Fixed asset properties - occupied by the group

Properties owned and occupied as business premises are included in fixed assets at their valuation plus subsequent additions at cost.

(f) Depreciation

Depreciation is not provided on freehold and long leasehold properties where the directors are of the opinion that the buildings concerned are currently sufficiently well maintained to ensure that the residual values of such properties are not less than the cost or valuation (based on prices prevailing at the time of acquisition or subsequent valuation) and accordingly annual depreciation or amortisation would not be material to the financial statements. For short leasehold premises, depreciation is provided over the life of the lease.

(g) 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.

(h) Leases

Rentals under operating leases are charged to the profit and loss account.

Notes to accounts (continued)
31 December 1997

2. Turnover - continuing operations

	Year ended 31 December 1997 £	Fifteen months ended 31 December 1996 £
Turnover represents:		
Intra- group rental income	3,425,014	4,077,785
Other rental	1,641,240	2,106,193
	<u>5,066,254</u>	<u>6,183,978</u>
Management fees	1,500	19,433
	<u>5,067,754</u>	<u>6,203,411</u>

3 Property outgoings

	Year ended 31 December 1997 £	Fifteen months ended 31 December 1996 £
Property expenses	5,913,795	7,778,363
Prior year accruals no longer required	(16,493)	-
Provisions required /(released) in respect of onerous leases	792,000	531,428
Provision for costs on freehold properties required/(released)	(1,300,000)	-
	<u>5,389,302</u>	<u>8,309,791</u>

4. Interest payable and similar charges

	Year ended 31 December 1997 £	Fifteen months ended 31 December 1996 £
Short term loans (repayable within 5 years, not by instalments)	842	8,423
Loan from immediate parent undertaking	176,939	-
Loan from fellow subsidiary undertaking	1,933,392	1,798,879
	<u>2,111,173</u>	<u>1,807,302</u>

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Notes to accounts (continued) 31 December 1997

5. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Year ended 31 December 1997 £	Fifteen months ended 31 December 1996 £
Auditors' remuneration	16,961	11,000
Depreciation	20,964	26,203
Hire costs including operating lease payments:		
Land and buildings	5,434,996	7,097,168

6. Taxation.

There is no charge for corporation tax as the company has incurred a loss for the year. Relief for the loss will be surrendered to other companies in the group for no consideration.

There is no potential liability to deferred taxation.

7. Staff numbers and costs

The average weekly number of employees was:

	Note	Year ended 31 December 1997 <u>Number</u>	Fifteen months ended 31 December 1996 <u>Number</u>
Management and administration		<u>5</u>	<u>5</u>
Staff costs including directors' emoluments:		£	£
Wages and salaries		186,381	222,958
Social security costs		16,161	20,330
Other pensions costs	15	<u>13,841</u>	<u>21,084</u>
		<u>216,383</u>	<u>264,372</u>

None of the directors received any emoluments from the company during the year (15 months ended 31 December 1996 - £Nil).

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Notes to accounts (continued) 31 December 1997

8. Tangible fixed assets

	Freehold £	Long Leasehold £	Short Leasehold £	Total £
Cost or valuation:				
At 1 January 1997	4,065,458	268,007	332,437	4,665,902
Disposals	(1,339,493)	(268,007)	-	(1,607,500)
At 31 December 1997	<u>2,725,965</u>	<u>-</u>	<u>332,437</u>	<u>3,058,402</u>
Accumulated depreciation:				
At 1 January 1997	-	-	217,164	217,164
Charge for year	-	-	20,964	20,964
At 31 December 1997	<u>-</u>	<u>-</u>	<u>238,128</u>	<u>238,128</u>
Net book value				
At 31 December 1997	<u>2,725,965</u>	<u>-</u>	<u>94,309</u>	<u>2,820,274</u>
At 31 December 1996	<u>4,065,458</u>	<u>268,007</u>	<u>115,273</u>	<u>4,448,738</u>

The comparable amounts on a historical cost basis in respect of freehold land and leasehold properties are as follows:

224,818	-	332,437	557,255
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The properties owned and occupied as business premises are carried at their 30 September 1993 valuations plus additions at cost. The major properties were valued as at 30 September 1993 by Jones Lang Wootton, Chartered Surveyors, on an open market existing use basis.

All of the above valuations were carried out in accordance with Statements of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors

9. Debtors

	31 December 1997 £	31 December 1996 £
Amounts falling within one year:		
Trade debtors	329,261	332,232
Amount owed by immediate parent undertaking	18,007,281	22,002,975
Amounts owed by fellow subsidiary undertakings	11,835,785	9,017,676
Other debtors	19,186	-
Taxation and social security	7,101	-
Prepayments and accrued income	745,769	897,409
	<u>30,944,383</u>	<u>32,250,292</u>

Notes to accounts (continued)
31 December 1997

10. Other creditors

Creditors - amounts following due within one year:

	31 December 1997 £	31 December 1996 £
Trade creditors	102,795	118,402
Amounts owed to intermediate parent undertaking	8,673,741	8,673,741
Amounts owed to fellow subsidiary undertakings	23,798,131	20,699,878
Taxation and social security	-	388,092
Accruals and deferred income	1,198,999	1,410,093
	<u>33,773,666</u>	<u>31,290,206</u>

11. Provisions for liabilities and charges

The provisions relate to onerous leases and future costs on developments for sale.

	£
At 1 January 1997	8,124,001
Provisions raised during the year	1,032,000
Released during the year	<u>(1,540,000)</u>
At 31 December 1997	<u>7,616,001</u>

12. Called up equity share capital

31 December 1997 £	31 December 1996 £
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Authorised, allotted and fully paid:

Ordinary shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>
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Kvaerner Estates Limited

Notes to accounts (continued) 31 December 1997

13. Reserves

	Other reserves	Revaluation reserve	Profit and loss account
	£	£	£
At 1 January 1997	6,745,020	2,501,147	(26,961,344)
Loss for the financial year	-	-	(2,839,590)
Transfer from profit and loss account	221,494	-	(221,494)
At 31 December 1997	6,966,514	2,501,147	(30,022,428)

Other reserves arise from the sale of business premises and, in accordance with the company's Memorandum of Association, are non-distributable.

14. Commitments

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

	31 December 1997	31 December 1996
	£	£
Land and buildings		
Operating leases which expire :		
in one year	-	84,300
between 2 and 5 years	200,720	542,070
in more than 5 years	4,592,390	4,743,064
	<u>4,793,110</u>	<u>5,369,434</u>

15. Pensions

The company's employees are members of the defined benefit and defined contribution pension schemes operated by the Kvaerner PLC group under which contributions are paid by the company and by employees. The assets of the schemes are held in trustee administered funds separate from the finances of the group.

The company's contributions are based on the expected cost of pensions across the Kvaerner PLC group as a whole and are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees within the group schemes. Details of the actuarial valuation of the group schemes are contained in the report and accounts of Kvaerner PLC.

16. Ultimate parent undertaking

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

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

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