

Kvaerner Estates Limited

(formerly Trafalgar House Estates Limited)

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

Registered number: 551134



Kvaerner Estates Limited
(formerly Trafalgar House Estates 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, 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.

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.

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.

Change of name

On 25 October 1996 the company changed its name from Trafalgar House Estates Limited to Kvaerner Estates Limited.

Results

The results for the period are set out in the profit and loss account on page 3. Retained losses of £ 4,371,462 (1995 - £ 6,354,792) 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 note 8 to the financial statements.

Directors

The directors of the company during the period were:

A R Winter	
T C Garnham	(resigned 25 October 1996)
H G R Williams	
N Latham	

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.

Kvaerner Estates Limited
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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,



N LATHAM
Secretary
Windsor Plaza
68 Hammersmith Road
London W14 8YW

10 June 1997

Kvaerner Estates Limited
(formerly Trafalgar House Estates Limited)

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.

Kvaerner Estates Limited
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Auditors' Report

To the Shareholders of Kvaerner Estates Limited:

We have audited the financial statements on pages 3 to 11 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 loss 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

Kvaerner Estates Limited
(formerly Trafalgar House Estates 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	2	6,203,411	6,272,200
Property outgoings	3	(8,309,791)	(3,326,156)
Gross (loss)/profit		(2,106,380)	2,946,044
Net operating expenses		(580,472)	(617,403)
Operating (loss)/profit on continuing operations		(2,686,852)	2,328,641
Amounts written off tangible fixed assets		-	(7,976,601)
Profit/(loss) on sale of properties - continuing operations		113,741	(81,000)
Interest receivable and similar income		8,951	225
Interest payable and similar charges	4	(1,807,302)	(626,057)
Loss on ordinary activities before taxation	5	(4,371,462)	(6,354,792)
Taxation - on loss on ordinary activities	6	-	-
Retained loss for the financial period	13	(4,371,462)	(6,354,792)

The notes on pages 5 to 11 form part of this profit and loss account.

The company has no recognised gains or losses other than the loss 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 loss for the financial period. Accordingly, a statement reconciling the movements in shareholders' funds has not been prepared.

Kvaerner Estates Limited
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Balance Sheet at 31 December 1996

	Note	31 December 1996		30 September 1995	
		£	£	£	£
Fixed assets					
Tangible assets	8		4,448,738		6,757,941
Current assets					
Debtors	9	<u>32,250,292</u>		<u>26,858,276</u>	
Creditors: Amounts falling due within one year					
Bank borrowings		-		(48,137)	
Other creditors	10	<u>(31,290,206)</u>		<u>(22,665,682)</u>	
		(31,290,206)		(22,713,819)	
Net current assets			960,086		4,144,454
Total assets less current liabilities			<u>5,408,824</u>		<u>10,902,398</u>
Provisions for liabilities and charges	11		<u>(8,124,001)</u>		<u>(9,246,113)</u>
Net (liabilities)/ assets			<u>(2,715,177)</u>		<u>1,656,285</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	13		(26,961,344)		(22,476,141)
Other reserves	13		<u>6,745,020</u>		<u>6,631,279</u>
Shareholders' funds			<u>(2,715,177)</u>		<u>1,656,285</u>

The notes on pages 5 to 11 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:



N LATHAM
Director

Kvaerner Estates Limited
(formerly Trafalgar House Estates Limited)
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) 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.

(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 year.

(h) Leases

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

Kvaerner Estates Limited
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Notes to accounts (continued)
31 December 1996

2. Turnover - continuing operations

	Fifteen months ended 31 December 1996 £	Year ended 30 September 1995 £
Turnover represents:		
Intra- group rental income	4,077,785	4,031,387
Other rental	2,106,193	2,035,491
	<hr/>	<hr/>
Management fees	6,183,978	6,066,878
	19,433	205,322
	<hr/>	<hr/>
	6,203,411	6,272,200
	<hr/>	<hr/>

3 Property outgoings

	Fifteen months ended 31 December 1996 £	Year ended 30 September 1995 £
Property expenses	7,778,363	7,820,920
Prior year accruals no longer required	-	(369,511)
Provisions required /(released) in respect of onerous leases	531,428	(5,425,253)
Provision for costs on freehold properties	-	1,300,000
	<hr/>	<hr/>
	8,309,791	3,326,156
	<hr/>	<hr/>

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)	8,423	-
Loan from intermediate parent undertaking	-	626,057
Loan from fellow subsidiary undertaking	1,798,879	-
	<hr/>	<hr/>
	1,807,302	626,057
	<hr/>	<hr/>

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Notes to accounts (continued)
31 December 1996

5. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Fifteen months ended 31 December 1996 £	Year ended 30 September 1995 £
Auditor's remuneration	11,000	10,000
Depreciation	26,203	19,218
Hire costs including operating lease payments:		
Land and buildings	7,097,168	7,520,030
	<hr/>	<hr/>

6. Taxation.

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

There is no potential liability to deferred taxation.

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Notes to accounts (continued)
31 December 1996

7. Staff numbers and costs

The average weekly number of employees was:

		Fifteen months ended 31 December 1996	Year ended 30 September 1995
	Note	<u>Number</u>	<u>Number</u>
Management and administration		<u>5</u>	<u>9</u>
Staff costs including director's emoluments:		£	£
Wages and salaries		222,958	280,488
Social security costs		20,330	18,473
Other pensions costs	17	<u>21,084</u>	<u>11,776</u>
		<u>264,372</u>	<u>310,737</u>
Directors' emoluments set below include:			
In respect of managing affairs of the company		<u>-</u>	<u>127,061</u>
Remuneration of the Chairman		<u>-</u>	<u>-</u>
Remuneration of the highest paid director		<u>-</u>	<u>60,946</u>
Other directors' emoluments (excluding pensions costs) fell into the following bands:			
		Number	Number
Not exceeding £5,000		4	4
£25,001 - £30,000		-	1
£35,001 - £40,000		-	1

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Notes to accounts (continued)
31 December 1996

8. Tangible fixed assets

	Freehold £	Long Leasehold £	Short Leasehold £	Total £
Cost or valuation:				
At 1 October 1995	6,123,458	493,007	332,437	6,948,902
Disposals	(2,058,000)	(225,000)	-	(2,283,000)
At 31 December 1996	<u>4,065,458</u>	<u>268,007</u>	<u>332,437</u>	<u>4,665,902</u>
Accumulated depreciation:				
At 1 October 1995	-	-	190,961	190,961
Charge for year	-	-	26,203	26,203
At 31 December 1996	<u>-</u>	<u>-</u>	<u>217,164</u>	<u>217,164</u>
Net book value				
At 31 December 1996	<u>4,065,458</u>	<u>268,007</u>	<u>115,273</u>	<u>4,448,738</u>
At 30 September 1995	<u>6,123,458</u>	<u>493,007</u>	<u>141,476</u>	<u>6,757,941</u>

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

10,032,561	269,816	332,437	10,634,814
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The properties owned and occupied as business premises are carried at their 30 September 1993 valuations. 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 1996 £	30 September 1995 £
Amounts falling within one year:		
Trade debtors	332,232	320,498
Amount owed by immediate parent undertaking	22,002,975	21,911,921
Amounts owed by fellow subsidiary undertakings	9,017,676	3,546,918
Amounts owed by affiliated undertaking	-	886
Prepayments and accrued income	897,409	1,078,053
	<u>32,250,292</u>	<u>26,858,276</u>

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Notes to accounts (continued)
31 December 1996

10. Other creditors

Creditors - amounts following due within one year:

	31 December 1996 £	30 September 1995 £
Trade creditors	118,402	11,784
Amounts owed to ultimate parent undertaking	8,673,741	8,673,741
Amounts owed to fellow subsidiary undertakings	20,699,878	11,836,690
Taxation and social security	388,092	135,485
Accruals and deferred income	1,410,093	2,007,982
	<u>31,290,206</u>	<u>22,665,682</u>

11. Provisions for liabilities and charges

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

	£
As at 1 October 1995	9,246,113
Provisions raised during the period	3,239,000
Utilised during the period	(1,653,540)
Released during the period	<u>(2,707,572)</u>
As at 31 December 1996	<u>8,124,001</u>

12. Called up equity share capital

	31 December 1996 £	30 September 1995 £
Authorised, allotted and fully paid:		
Ordinary shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>

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Notes to accounts (continued)
31 December 1996

13. Reserves

	Other reserves	Revaluation reserve	Profit and loss account
As at 1 October 1995	6,631,279	2,501,147	(22,476,141)
Loss for the financial period	-	-	(4,371,462)
Transfer from profit and loss account	113,741	-	(113,741)
	<u>6,745,020</u>	<u>2,501,147</u>	<u>(26,961,344)</u>

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

14. Contingent liability

The company has contingent liabilities under guarantees given to bankers in support of banking facilities of other group companies.

15. Commitments

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

	31 December 1996 £	30 September 1995 £
Land and buildings		
Operating leases which expire :		
in one year	84,300	115,500
between 2 and 5 years	542,070	101,118
in more than 5 years	<u>4,743,064</u>	<u>6,386,257</u>
	<u>5,369,434</u>	<u>6,602,875</u>

16. 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.

17. 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.