

# **Trafalgar House Property Limited**

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

Registered number: 582147



# Trafalgar House Property 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.

### 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.

### Principal activities and business review

The company's principal activity is as a holding company for subsidiaries engaged in property development and investment. During the year the Board of Directors continued its efforts to expand and improve the company's operations. The Board considers that there is scope for further development of the Company's operations.

### Change in accounting reference date

During the period the company changed its accounting reference date from 30th September to 31st 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 £13,333,949 (1995 - loss £11,889,398) 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 8 and 9 to the accounts.

### Directors

The directors of the company during the period were:

A R Winter	Managing Director
T C Garnham	(resigned 24 October 1996)
D C Henderson	(resigned 23 February 1996)
G P Kelly	
H G R Williams	

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

# Trafalgar House Property Limited

## Directors' Report (continued)

### Directors' share interests

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

### Auditors

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

A resolution to re-appoint Arthur Andersen as auditors of the company will be proposed at the Annual 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.

# Trafalgar House Property Limited

## Auditors' Report

**To the Shareholders of Trafalgar House Property Limited :**

We have audited the financial statements on pages 3 to 14 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 pages 6 and 7.

### **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

# Trafalgar House Property 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 £
<b>Turnover</b>			
Continuing operations	2	3,413,500	2,549,914
<b>Net operating expenses</b>	3	8,458,553	(26,099,001)
<b>Operating profit/ (loss) - continuing operations</b>		11,872,053	(23,549,087)
Profit on disposal of shares in subsidiary undertakings	4	12,453,205	609,000
(Loss)/profit on disposal of shares in associated undertakings		(1,533)	9,999
Profit on disposal of fixed assets		1,946	2,605
Income from shares in subsidiary undertakings - dividends		1,620,866	5,264,113
Interest receivable and similar income		970,946	5,774,384
Interest payable and similar charges	5	(13,583,534)	( 412)
<b>Profit/(loss) on ordinary activities before taxation</b>	6	13,333,949	(11,889,398)
<b>Taxation - on profit /(loss) on ordinary activities</b>	7	-	-
<b>Retained profit/(loss) for the financial period</b>	13	13,333,949	(11,889,398)

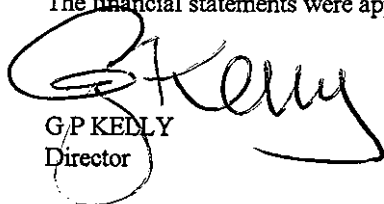
The notes on pages 6 to 14 form part of this profit and loss account.

**Balance Sheet at 31 December 1996**

	Note	31 December 1996		30 September 1995	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8	26,659		57,403	
Investments	9	<u>213,536,158</u>		<u>179,969,852</u>	
			213,562,817		180,027,255
<b>Current assets</b>					
Debtors	10	432,529,312		468,580,335	
Cash at bank and in hand		<u>587,922</u>		<u>-</u>	
		<u>433,117,234</u>		<u>468,580,335</u>	
<b>Creditors: Amounts falling due within one year:</b>					
Bank borrowings		-		(2,740,916)	
Amounts owed to subsidiary undertakings		(226,793,199)		(196,728,134)	
Amounts owed to fellow subsidiary undertakings		(192,085,884)		(155,532,971)	
Amount owed to associated undertaking		( 165)		(165)	
Accruals and deferred income		<u>( 388,168)</u>		<u>( 43,468)</u>	
		<u>(419,267,416)</u>		<u>(355,045,654)</u>	
<b>Net current assets</b>			<u>13,849,818</u>		<u>113,534,681</u>
<b>Total assets less current liabilities</b>			<u>227,412,635</u>		<u>293,561,936</u>
<b>Provisions for liabilities and charges</b>	11		<u>( 78,099,524)</u>		<u>(157,580,067)</u>
<b>Net assets</b>			<u><u>149,313,111</u></u>		<u><u>135,981,869</u></u>
<b>Capital and reserves</b>					
Called up equity share capital	12		435,130,000		435,130,000
Equity reserves					
Revaluation reserves	13		-		2,707
Profit and loss account - (deficit)	13		<u>(285,816,889)</u>		<u>(299,150,838)</u>
<b>Shareholders' funds</b>			<u><u>149,313,111</u></u>		<u><u>135,981,869</u></u>

The notes on pages 6 to 14 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

**Statement of Total Recognised Gains and Losses  
for the Fifteen Months ended 31 December 1996**

	<b>Fifteen months ended 31 December 1996</b>	<b>Year ended 30 September 1995</b>
	<b>£</b>	<b>£</b>
Profit/(loss) for the financial period	13,333,949	(11,889,398)
Unrealised surplus on revaluation of shares in associated undertaking	-	403
	<u>13,333,949</u>	<u>(11,888,995)</u>

**Reconciliation of Movements in Shareholders' Funds  
for the Fifteen Months ended 31 December 1996**

	<b>Fifteen months ended 31 December 1996</b>	<b>Year ended 30 September 1995</b>
	<b>£</b>	<b>£</b>
Profit/(loss) for the financial period	13,333,949	(11,889,398)
Surplus on revaluation of shares in associated undertaking	( 2,707)	403
Net addition/(reduction) to shareholders' funds	13,331,242	(11,888,995)
Opening shareholders' funds	135,981,869	147,870,864
Closing shareholders' funds	<u>149,313,111</u>	<u>135,981,869</u>

**Note of Historical Cost Profits and Losses**

	<b>Fifteen months ended 31 December 1996</b>	<b>Year ended 30 September 1995</b>
	<b>£</b>	<b>£</b>
Reported profit/(loss) on ordinary activities before taxation	13,333,949	(11,889,398)
Realisation of revaluation gains of previous years	2,707	-
Historical cost profit/(loss) on ordinary activities before taxation	<u>13,336,656</u>	<u>(11,889,398)</u>



**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 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, which includes inter company trading, represents management fees, net of VAT, and arises wholly within the United Kingdom.

(e) **Leased assets**

Leased assets are held under operating leases and the annual rents are charged wholly to the profit and loss account.

(f) **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.

(g) **Depreciation**

Tangible fixed assets are depreciated over their estimated useful lives on a straight line basis as follows:

- |    |                     |         |
|----|---------------------|---------|
| a) | Plant and machinery | 8 years |
| b) | Computer equipment  | 3 years |
| c) | Motor vehicles      | 5 years |

(h) **Fixed asset investments**

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

Shares in associated undertakings are stated at the company's share of their net asset value. Other investments are stated at cost less amounts written off.

**Notes to accounts (continued)**

**31 December 1996**

(i) **Revaluation reserve**

Surpluses and 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.

(j) **Pensions**

The expected cost to the company of pensions in respect of defined benefit and defined contribution pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes.

**2. Turnover**  
Continuing operations

	<b>Fifteen months ended 31 December 1996 £</b>	<b>Year ended 30 September 1995 £</b>
United Kingdom	3,413,500	2,534,368
United States	-	15,546
	<u>3,413,500</u>	<u>2,549,914</u>

**3. Net operating expenses**

Included in net operating expenses are items relating to:

	<b>Fifteen months ended 31 December 1996 £</b>	<b>Year ended 30 September 1995 £</b>
Loan to associated undertaking waived	-	( 85,000)
Amounts written off investments in subsidiary undertakings not required/(required)	15,594,943	(9,300,350)
Amounts written off investment in associated undertakings not required	1,022,000	423,000
Provision for losses of subsidiary undertakings	(4,419,731)	(13,702,889)
Provision for losses of associated undertakings	(1,350,459)	(1,217,849)

**Notes to accounts (continued)**  
**31 December 1996**

**4. Profit on disposal of shares in subsidiary undertakings**

The profit on disposal of shares in subsidiary undertakings consists of:

		<b>Fifteen months ended 31 December 1996</b>	<b>Year ended 30 September 1995</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
Disposal of investment in Paddington Basin Developments Limited:			
Sale proceeds		3,000,000	
Provision for losses no longer required	11	85,250,733	
		<u>88,250,333</u>	
Less: Book Value		( 1)	
Loan waived		(75,745,278)	
Selling costs		<u>( 50,000)</u>	
Profit on disposal		12,455,454	-
(Loss)/profit on liquidation of subsidiary undertakings		<u>( 2,249)</u>	<u>609,000</u>
		<u>12,453,205</u>	<u>609,000</u>

**5. Interest payable and similar charges**

		<b>Fifteen months ended 31 December 1996</b>	<b>Year ended 30 September 1995</b>
		<b>£</b>	<b>£</b>
Short term loan (repayable within 5 years, not by instalments)		6,383	412
Intercompany		<u>13,577,151</u>	<u>-</u>
		<u>13,583,534</u>	<u>412</u>

**Notes to accounts (continued)**  
**31 December 1996**

**6. Profit/(loss) on ordinary activities before taxation**

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

	<b>Fifteen months ended 31 December 1996 £</b>	<b>Year ended 30 September 1995 £</b>
Auditors' remuneration		
Audit work	42,000	40,300
Non audit work	-	-
Depreciation	22,408	19,396
Hire costs including operating lease payments		
Hire of motor vehicles	<u>93,010</u>	<u>77,648</u>
Staff costs including directors' emoluments:		
Wages and salaries	1,130,023	1,011,670
Social security costs	102,438	93,432
Other pension costs	<u>113,777</u>	<u>98,522</u>
	<u>1,346,238</u>	<u>1,203,624</u>

The average weekly number employed in property development during the period was 20 (1995 - 26).

The company's employees are members of 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 group schemes. Details of the actuarial valuation of the group schemes are contained in the consolidated financial statements of Kvaerner PLC.

**Directors' emoluments**

	<b>Fifteen months ended 31 December 1996 £</b>	<b>Year ended 30 September 1995 £</b>
Aggregate emoluments:		
Executives(including pension contributions)	<u>604,678</u>	<u>461,532</u>

# Trafalgar House Property Limited

## Notes to accounts (continued)

31 December 1996

### 6. Profit/(loss) on ordinary activities before taxation (continued)

The emoluments of the chairman and highest paid director (excluding pension contributions) were:

	Fifteen months ended 31 December 1996	Year ended 30 September 1995
	£	£
Chairman and highest paid director	<u>234,219</u>	<u>188,125</u>

The ranges of directors' emoluments, excluding pension contributions, are as follows:-

	Fifteen months ended 31 December 1996	Year ended 30 September 1995
	Number	Number
Not exceeding £5,000	1	2
£10,001 - £15,000	-	1
£16,001 - £21,000	-	1
£22,001 - £27,000	1	2
£28,001 - £33,000	1	-
£34,001 - £39,000	1	-
£40,001 - £45,000	-	1
£46,001 - £51,000	1	-

### 7. Taxation - on profit/(loss) 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.

The potential amount of deferred taxation, which is unprovided, calculated on the liability method at 33% (1995 - 33%) is:

	31 December 1996	30 September 1995
	£	£
Accelerated depreciation	(31,533)	(25,629)
Other timing differences	<u>295,526</u>	<u>282,234</u>
	<u>263,993</u>	<u>256,605</u>

**Notes to accounts (continued)**  
**31 December 1996**

**8. Fixed assets - Tangible assets**

	<b>Plant and Equipment £</b>	<b>Motor Vehicles £</b>	<b>Total £</b>
Cost:			
At 1 October 1995	518,857	8,577	527,434
Disposals	(2,000)	(8,577)	(10,577)
At 31 December 1996	<u>516,857</u>	<u>-</u>	<u>516,857</u>
Depreciation:			
At 1 October 1995	468,362	1,669	470,031
Charge for year	21,836	572	22,408
Disposals	-	(2,241)	(2,241)
At 31 December 1996	<u>490,198</u>	<u>-</u>	<u>490,198</u>
Net book value:			
At 31 December 1996	<u>26,659</u>	<u>-</u>	<u>26,659</u>
At 30 September 1995	<u>50,495</u>	<u>6,908</u>	<u>57,403</u>

**9. Fixed assets - Investments**

	<b>31 December 1996 £</b>	<b>30 September 1995 £</b>
Shares in subsidiary undertakings	213,536,151	163,364,088
Shares in associated undertakings	6	16,605,763
Other - unlisted	<u>1</u>	<u>1</u>
	<u>213,536,158</u>	<u>179,969,852</u>

In the opinion of the directors the aggregate value of investments is not less than that shown in the balance sheet.

**Notes to accounts (continued)**  
**at 31 December 1996**

9. **Fixed assets - investments (continued)**

Subsidiary Undertakings:

£

At 1 October 1995 (cost £342,708,168)	163,364,088
Additions	21,505,204
Transfers from investment in associated undertakings	17,625,050
Disposals	(4,553,134)
Amounts written off to profit and loss in prior years no longer required	15,594,943
At 31 December 1996 (cost £375,175,606)	<u>213,536,151</u>

Additions include an amount of £1,211,502 relating to the transfer of dormant companies from a fellow subsidiary undertaking.

Included in the transfer from investment in associated undertakings is £17,625,000 representing the company's 50% holding in Marston House PLC. The remaining 50% was acquired on 11 June 1996 for £18,591,939.

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 and development in the country of incorporation.

Broadextra Limited  
Cowley Park Developments Limited  
Davy Monk Developments Limited  
Davy Property Holdings Limited  
Davy Property Investments Limited  
Goldquill Investments Limited  
Goldquill Properties Limited  
Kvaerner Estates Limited  
Marston House PLC  
Trafalgar House Developments Limited  
The London Millennium Tower Limited  
Trafalgar House Brooklands Limited  
Trafalgar House Business Parks Limited

Associated undertakings:

£

At 1 October 1995 (cost £24,164,308)	16,605,763
Additions	2,745,000
Revaluation of shares no longer required	(2,707)
Amounts written off to profit and loss account in prior years no longer required	1,022,000
Disposals	(2,745,000)
Transfers to investment in subsidiary undertakings	(17,625,050)
At 31 December 1996 (cost £3,914,248)	<u>6</u>

**Notes to accounts (continued)**  
**at 31 December 1996**

9. **Fixed assets - investments (continued)**

Listed below are the principal associated undertakings, which are incorporated in Great Britain, registered in England and Wales and carry on their business of property development in the country of incorporation.

	<b>Percentage held</b>
British Cargo Airlines Limited (in liquidation)	35
St. Mary Axe Developments Limited	50
Chiswick Park Limited	50
	<b>£</b>
<b>Unlisted investments</b>	
At 1 October 1995 (cost £1,045,000) and	
31 December 1996 (cost £1,045,000)	<u>1</u>

10. **Debtors**

	<b>31 December 1996 £</b>	<b>30 September 1995 £</b>
Amounts falling due within one year:		
Amounts owed by immediate parent undertaking	263,882,152	263,857,823
Amounts owed by subsidiary undertakings	63,539,021	81,455,926
Amounts owed by fellow subsidiary undertakings	30,787,510	29,585,120
Amounts owed by associated undertakings	74,063,958	93,617,045
Taxation and social security	254,242	64,371
Other debtors	<u>2,429</u>	<u>50</u>
	<u>432,529,312</u>	<u>468,580,335</u>

11. **Provisions for Liabilities and Charges**

		<b>£</b>
At 1 October 1995		157,580,067
Less: Provisions no longer required on disposal of subsidiary undertaking	4	(85,250,733)
Provision required for deficiencies of assets of subsidiary and associated undertakings		<u>5,770,190</u>
At 31 December 1996		<u>78,099,524</u>
		<b>£</b>
Analysis:		
Provision for deficiency of assets of subsidiary undertakings		16,435,570
Provision for deficiency of assets of associated undertakings		<u>61,663,954</u>
		<u>78,099,524</u>



**Notes to Accounts (continued)  
at 31 December 1996**

**12. Called up equity share capital**

	<b>Authorised</b>		<b>Allotted and Fully Paid</b>	
	<b>31 December 1996</b>	<b>30 September 1995</b>	<b>31 December 1996</b>	<b>30 September 1995</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
2,175,650,000 ordinary shares of 20p each	<u>435,130,000</u>	<u>435,130,000</u>	<u>435,130,000</u>	<u>435,130,000</u>

**13. Reserves**

	<b>Revaluation Reserve £</b>	<b>Profit and Loss Account £</b>
At 1 October 1995 - (deficit)	2,707	(299,150,838)
Retained profit for the financial period	-	13,333,949
Revaluation of shares in associated undertakings to net asset value no longer required	<u>(2,707)</u>	<u>-</u>
At 31 December 1996 - (deficit)	<u>-</u>	<u>(285,816,889)</u>

**14. Contingent liabilities**

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:

	<b>31 December 1996 £</b>	<b>30 September 1995 £</b>
Operating leases which expire between 2 and 5 years		
Hire of motor vehicles	<u>66,100</u>	<u>73,200</u>

**16. Ultimate holding 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