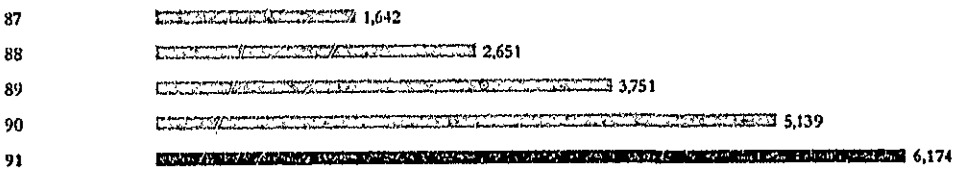
YEAR AT A GLANCE

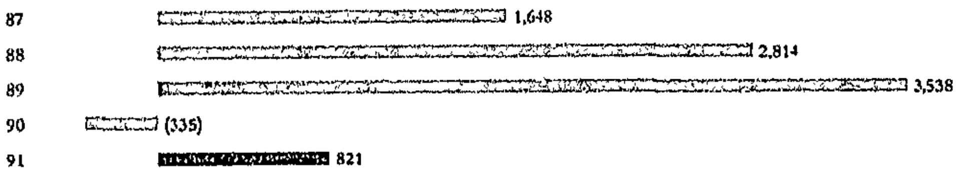
	1991 £'000	1990 £'000
Net revenue from properties	6,174	5,139
Profit/(loss) before taxation	821	(335)
Borrowings (net)	25,804	23,879
Shareholders' funds	57,760	72,753
Gearing	44.7%	32.8%
Earnings per share	6.1p	(5.5p)
Dividend per share	8.6p	8.25p
Net assets per share	744p	937p

FIVE YEAR RECORD

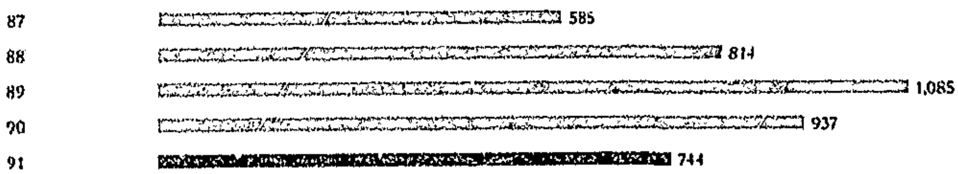
Net revenue from properties *£000*



Profit before taxation *£000*



Net assets per share *pence*



Directors
J C Ivey *Non-executive chairman*
J D Burns *Managing director*
S P Silver
C J Odom
J E Dixon
R E Cook

Secretary
J E Dixon, FCA

Registered office
87 Wimpole Street
London W1M 7DB
Tel: 071-486 4848

Auditors
Stoy Hayward
8 Baker Street
London W1M 1DA

Solicitors
Slaughter and May
35 Basinghall Street
London EC2V 5DB

Stockbrokers
S G Warburg Securities
1 Finsbury Avenue
London EC2M 2PA

Bankers
Midland Bank plc
133 Regent Street
London W1A 4BQ

Registrars
Evans, Weir
St Andrew's Court
21 East Street
Chichester
West Sussex PO19 1HS

Review of the year

I am pleased to report that, during 1991, your company made a prompt return to profitability with pre-tax profits of £821,000 compared with a loss of £335,000 during the previous year. I am encouraged that these profits have been generated totally from investment income and believe this to be a creditable performance when set against the weakening economic and property market conditions that prevailed during the year.

Management's investment policy has been concentrated on buying reversionary properties which not only had scope for improving leasing terms but also provided the opportunity of future refurbishment. Careful attention was paid to the tenant profile of the portfolio which so far has resulted in minimal bad debts and a low level of voids. Allied to this, the commitment to close relationships with the tenants has facilitated the swift and virtually full collection of rents. Adherence to these policies stood the group in good stead last year with a further strong rise in net rental income from £5.14m to £6.17m, an increase of 20 per cent. Whilst the board takes comfort from this rental growth, the group cannot be insulated from the general market conditions of falling rents and rising yields. Therefore, there has been a further reduction in the value of the property portfolio which contributed to the net asset value per share falling from 937p to 744p.

Joint ventures

Favourable rent reviews and lower interest rates led to a reduced loss this year from the joint venture companies.

The adjacent properties at Red Lion Square and Theobalds Road, Holborn WC1, owned by Dorrington Derwent Investments Limited were bought at full investment value for their long term potential. Whilst this potential remains, the conditions prevailing in the property market have led to a decline in the value of these properties. Therefore, the board has considered it prudent to provide for the company's investment in this joint venture.

The other joint venture companies, Dorrington Derwent Properties Limited and Primister Limited, are both performing satisfactorily.

Financing

Management has maintained a consistently cautious attitude to funding. At the year end, gearing was a modest 44.7 per cent, and net rental income less administrative costs covered the 1991 net interest charge 1.40 times, representing an improvement on the corresponding 1990 figure of 1.08. New borrowings drawn down last year were only £1.9m, and were used primarily to finance small capital investment projects. The company's cash flow and committed bank facilities more than cover the 1992 budgeted capital expenditure, thereby positioning the company to take advantage of an upturn in its markets.

Dividends

Your board is recommending a final dividend of 5.7p per share which will be paid on 22nd May 1992 to those shareholders on the register at close of business on 1st May 1992. This, together with the interim dividend of 2.9p, brings the total for the year to 8.6p, an increase of 4.2 per cent.

The future

Although the board has little expectation of an early recovery in the property sector, I consider that your company has laid secure foundations for the future. Careful investment selection and rigorous day-to-day management of the portfolio have been the cornerstones of the group's development.

A number of the investment properties within the portfolio were purchased for their medium term refurbishment or redevelopment potential. Although market conditions are not presently conducive to undertaking major new projects, management is evolving its plans for such buildings. In this respect, an outline planning application for a substantial office scheme in Bressenden Place, SW1, near Victoria Station, has been submitted which could ultimately replace the existing 38,000 sq ft Elliot House with a new block of over 100,000 sq ft. Other examples of this policy are illustrated in the Property Highlights to which I refer you.

Although the Elliot House scheme is very much a long term project, it is an example of the board's established policy of maximising income, whilst planning the realisation of the portfolio's latent potential. It is this that will ultimately enhance shareholder value, and which, despite the current depressed environment, gives reassurance for the future.

J C Ivey

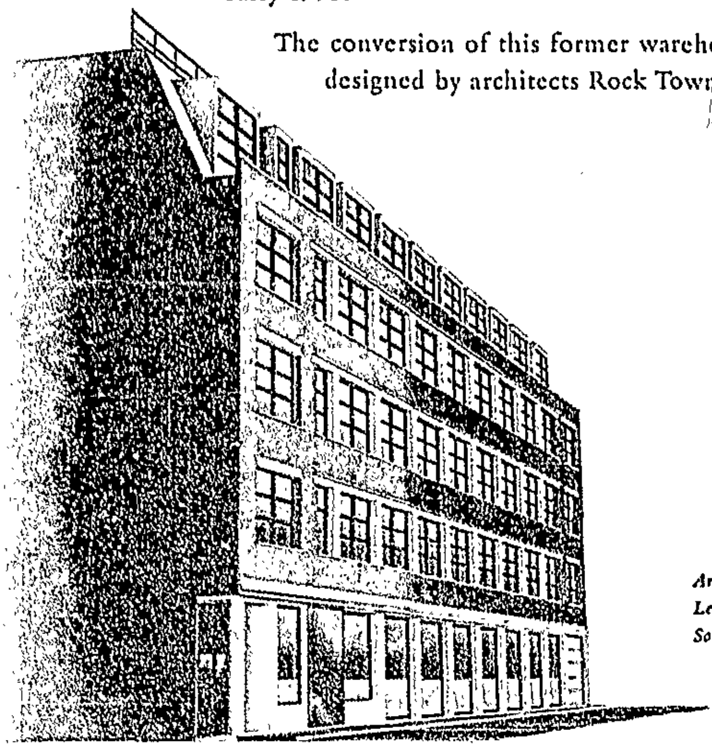
- A number of successful lettings, rent reviews and lease renewals have been concluded during the year in fiercely competitive markets. The last available floor at Berkshire House, WC1, was let, resulting in the entire building of 52,500 sq ft being fully occupied.

  The refurbishment programme at Middlesex House, W1, has entered the final phase which will be completed in Spring 1992. Modernisation of most of the space in the building has now been completed and only one unit of 3,200 sq ft is available, with the remaining 47,000 sq ft fully occupied.

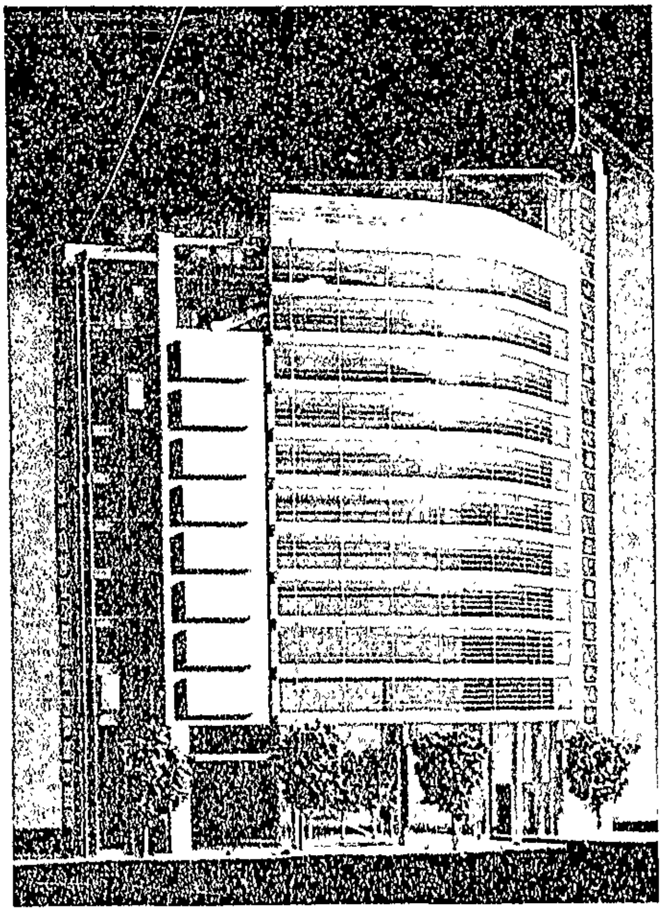
Entrance to 1st floor suite at Berkshire House, Holborn, WC1

- The property at 12/26 Lexington Street, Soho, W1, was originally purchased in 1987 for its medium term potential. Planning permission for a change of use and complete refurbishment of the building was obtained in October 1989. Building work commenced after the occupational leases expired in October 1991, and the project is scheduled for completion in early 1993.

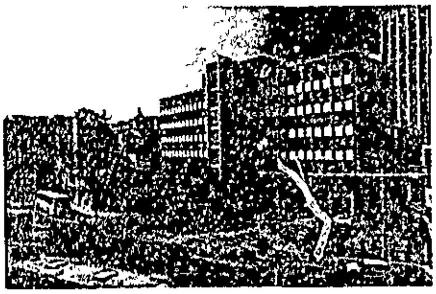
  The conversion of this former warehouse building into 20,000 sq ft of offices was designed by architects Rock Townsend.



Artist's impression of completed refurbishment, Lexington Street, Soho, W1

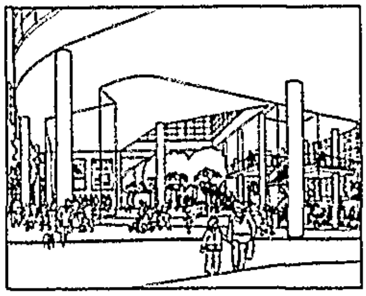


Scale model showing proposed development of Bressenden Place, Victoria, SW1



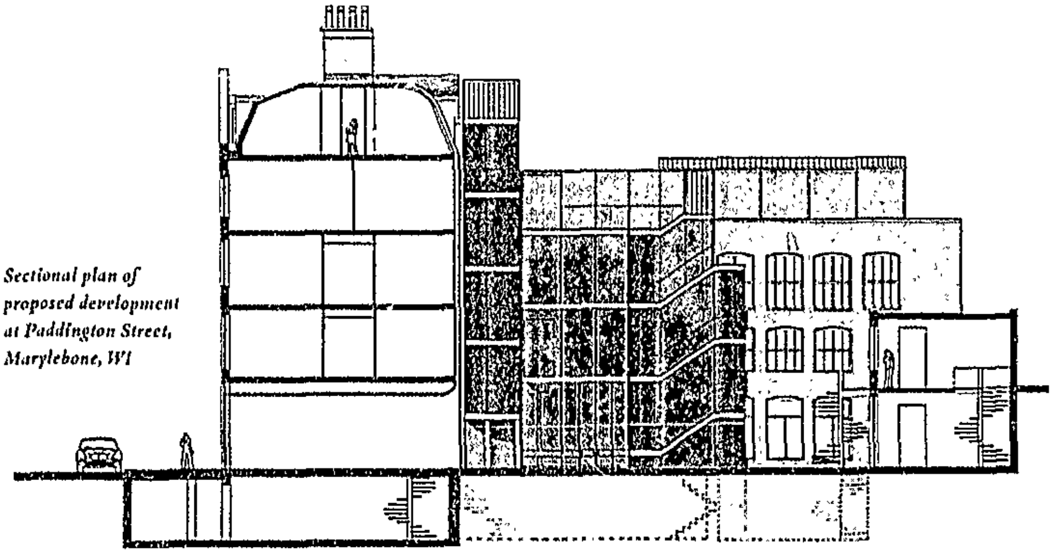
Elliot House, the existing building at Bressenden Place

- An outline planning application has been submitted to Westminster City Council for a new office development of over 100,000 sq ft on the site of the existing building at Elliot House, Bressenden Place, Victoria, SW1. The premises, which are fully let to a government department until 2002, are located outside the Victoria Conservation Area and, therefore, have presented an ideal opportunity to plan an exciting major development for the future on what is clearly an under-utilised site. The new scheme has been designed by Robson Kelly Architects.



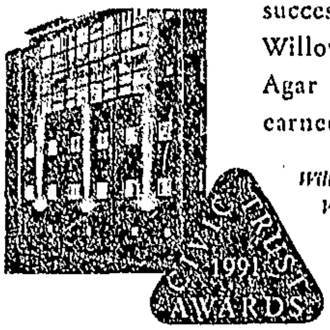
Perspective of ground floor lobby, Bressenden Place

- Various properties within the portfolio have been identified as possible projects for the future. Whilst they remain fully tenanted, the company continues to progress proposals designed to improve the buildings and enhance their value.

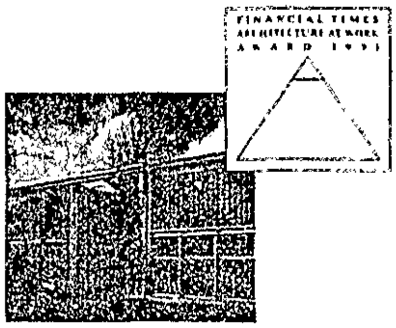


Sectional plan of proposed development at Paddington Street, Marylebone, W1

- Potential schemes include 7/8/9 Paddington Street, Marylebone, W1, a project currently scheduled for 1995/6. The architects, Eva Jiricna Associates, have obtained a planning permission to extend and refurbish the existing buildings, including infilling the site, shaded blue in the sectional plan above, to produce an additional 4,000 sq ft. The completed scheme will provide 18,000 sq ft of shops, offices and residential accommodation.
- The group exercises considerable influence over the design of its various projects, and the style which it has imprinted on its building programme has proved a successful format in attracting new tenants. The group received two awards in 1991. Willow House, Victoria, SW1, designed by DEGW received a Civic Trust Award and Agar Grove Studio, Camden, NW1, designed by David Chipperfield Associates, earned a commendation from The Financial Times architectural awards.



Willow House, Willow Place, Victoria, SW1



Agar Grove, Camden Town, NW1

Results and dividends

Ordinary activities showed a profit before taxation of £821,000 (1990 loss – £335,000) and profit after taxation and extraordinary items amounted to £475,000 (1990 loss – £260,000).

The directors recommend a final dividend of 5.7p (net) per ordinary share. This, when taken with the interim dividend of 2.9p (net) per share paid on 6th December 1991, gives a total dividend of 8.6p (net) per ordinary share for the year ended 31st December 1991 amounting to £668,000. After ordinary dividends, reserves were reduced by an amount of £193,000 (1990 – £900,000).

Principal activities, trading review and future developments

The principal activities of the group are those of property investment, refurbishment and redevelopment, and trading.

A review of the business and comments on the future outlook can be found within the chairman's statement and property highlights on pages 4 to 8.

Fixed assets

The group's freehold and long leasehold investment properties, with the exception of properties held for redevelopment and those owned by Derwent Valley Railway Company, were professionally revalued at 31st December 1991 resulting in an unrealised deficit of £10,600,000 being taken to revaluation reserve. The freehold and long leasehold investment properties are included in the group balance sheet at a total value of £76,922,000.

Directors

The directors of the company during the year and their interests, all of which are beneficial, in the share capital of the holding company, including shares over which options have been granted under the terms of the group share option scheme adopted by the company on 9th May 1986, were:

	Ordinary shares of 5p each		Options	
	31st December 1991	31st December 1990	31st December 1991	31st December 1990
J C Ivey	37,500	37,500	–	–
J D Burns	310,500	310,500	72,815	71,680
S P Silver	134,500	134,500	62,535	61,610
C J Odom	6,000	6,000	48,640	47,840
J E Dixon	6,000	6,000	14,210	14,210
R E Cook	–	–	–	–

There have been no changes in the above shareholdings between the year end and 24th March 1992. No share options were exercised by the directors during the year.

In accordance with the articles of association, Mr R E Cook, whose service contract is of less than one year's duration, retires by rotation and, being eligible, offers himself for re-election.

Mr J C Ivey is a chartered accountant and chief executive of The Davis Service Group Plc.

Messrs J D Burns, S P Silver, C J Odom and J E Dixon have service contracts with the company which are subject to three years' notice of termination.

Substantial shareholders

In addition to those disclosed above, the company has been notified of the following interests in the issued ordinary share capital as at 24th March 1992.

	Number of 5p shares
Scottish Amicable Investment Managers Limited	866,000
Topcastle Holdings Limited	450,806
Scottish American Investment Company PLC	400,000
T & N Pensions Trustee Limited	330,000
C.N.I.M. Smaller Companies Exempt Fund	274,080
TR Property Investment Trust PLC	250,000
Chatsworth Management Services Limited	240,000

Annual general meeting

The notice of meeting beginning on page 27 includes three resolutions to be considered as special business.

Resolutions 5 and 6 renew authorities given to the directors at the last annual general meeting. Under the Companies Act 1985, the directors are unable to allot shares unless expressly authorised by the company in general meeting or by the company's articles of association. The act also provides that equity securities may not be allotted for cash to any person unless an equivalent offer is made to each shareholder in proportion to the nominal value of the shares then held. However, in order to maintain the maximum possible flexibility to take advantage of situations as they arise, the directors seek shareholders' approval to renew the powers granted to them last year.

Resolution 7 is proposed to renew the authority enabling the company to purchase its own shares. The directors have no immediate plans to make such purchases, but would like to act quickly if circumstances arose in which they considered such purchases to be desirable. Accordingly, they propose that the directors be given authority to purchase up to 10 per cent of the company's ordinary shares on the terms set out in resolution 7. No purchases will be made unless the effect is considered to be in the interests of the shareholders generally.

Charitable donations

During the year the group made charitable donations amounting to £4,700.

Close company status

The company is not a close company as defined by the Income and Corporation Taxes Act 1988.

Auditors

Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board
J E Dixon
Secretary

24th March 1992

REPORT OF THE AUDITORS

to the members of Derwent Valley Holdings plc

We have audited the financial statements on pages 12 to 26 in accordance with auditing standards.

In our opinion, the financial statements give a true and fair view of the profit and cash flows of the group for the year ended 31st December 1991 and of the state of affairs of the group and the company at that date, and have been properly prepared in accordance with the Companies Act 1985.

Stoy Hayward
Stoy Hayward
Chartered Accountants and Registered Auditor
8 Baker Street
London W1M 1DA

24th March 1992

	Note	1991 £'000	1990 £'000
Net revenue from properties	2	6,174	5,139
Loss from property trading	3	(20)	–
		6,154	5,139
Administrative costs		1,610	1,416
Operating profit		4,544	3,723
Interest receivable		39	56
Share of results of associated undertakings		(466)	(810)
		4,117	2,969
Interest payable	4	3,296	3,304
Profit/(loss) on ordinary activities before taxation and extraordinary item	5	821	(335)
Taxation on profit on ordinary activities	8	346	90
Profit/(loss) on ordinary activities after taxation and before extraordinary item		475	(425)
Extraordinary item after taxation	9	-	165
		475	(260)
Dividends	11	668	640
Retained loss	21	(193)	(900)
Earnings per share	12	6.1p	(5.5p)

The notes on pages 16 to 26 form part of these accounts.

	Note	£'000	1991 £'000	£'000	1990 £'000
Fixed assets					
Tangible assets	13		77,571		85,632
Investments	14		13		4,174
Current assets					
Properties held for resale	15	9,351		10,181	
Debtors	16	2,657		2,267	
Cash at bank and in hand		29		2,576	
		12,037		15,024	
Creditors					
Amounts falling due within one year	17	10,944		7,939	
Net current assets			1,093		7,085
Total assets less current liabilities			78,677		96,891
Creditors					
Amounts falling due after more than one year	18		20,312		23,625
Provisions for liabilities and charges					
Deferred taxation	19		605		513
			57,760		72,753
Capital and reserves					
Called up share capital	20		388		388
Share premium account	21		30,303		30,303
Capital redemption reserve	21		31		31
Revaluation reserve	21		19,949		34,749
Capital reserve arising on consolidation	21		954		954
Profit and loss account	21		6,135		6,328
			57,760		72,753

J D Burns, Director
C J Odom, Director
24th March 1992

J D Burns

The notes on pages 16 to 26 form part of these accounts.

	Note	£'000	1991 £'000	£'000	1990 £'000
Fixed assets					
Tangible assets	13		48,374		53,242
Investments	14		8,240		11,589
Current assets					
Debtors	16	16,774		14,948	
Cash at bank and in hand		24		2,548	
		16,798		17,496	
Creditors					
Amounts falling due within one year	17	8,354		6,877	
Net current assets			8,444		10,619
Total assets less current liabilities			65,058		75,450
Creditors					
Amounts falling due after more than one year	18		19,812		20,213
Provisions for liabilities and charges					
Deferred taxation	19		385		373
			44,861		54,864
Capital and reserves					
Called up share capital	20		388		388
Share premium account	21		30,303		30,303
Capital redemption reserve	21		31		31
Revaluation reserve	21		10,964		17,137
Profit and loss account	21		3,175		7,005
			44,861		54,864

J D Burns, Director
C J Odom, Director
24th March 1992

The notes on pages 16 to 26 form part of these accounts.

	Note	£'000	1991 £'000	£'000	1990 £'000
Operating activities					
Cash received from:					
Tenants		7,412		6,119	
Disposal of property held for resale		975		-	
Cash payments in respect of:					
Direct property expenses		(1,262)		(814)	
Wages and salaries		(860)		(685)	
Administrative costs		(781)		(644)	
Properties held for resale		(159)		(2,366)	
Net cash inflow from operating activities	22		5,325		1,610
Return on investments and servicing of finance					
Interest paid		(3,608)		(3,304)	
Interest received		55		39	
Dividends paid		(652)		(602)	
Net cash outflow from return on investments and servicing of finance			(4,205)		(3,867)
Taxation					
Corporation tax paid (*including ACT*)		(426)		(2,569)	
Tax paid			(426)		(2,569)
Investing activities					
Sale of property		-		4,067	
Addition to property		(2,074)		(4,094)	
Purchase of other fixed assets		(40)		(330)	
Investment in associated undertakings		(505)		(1,305)	
Net cash outflow from investing activities			(2,619)		(1,662)
Net cash outflow before financing			(1,925)		(6,488)
Financing					
Issue of share capital		-		10	
Repayment of loan notes		(83)		(250)	
Movement in bank loans		(1,500)		8,087	
Net cash outflow from financing	23		(1,583)		7,847
Movement in cash and cash equivalents	24		3,508		(1,359)
			1,925		6,488

The notes on pages 16 to 26 form part of these accounts.

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, incorporating the revaluation of certain assets, and in accordance with the applicable accounting standards, using the following accounting policies:

Basis of consolidation
The group accounts incorporate the accounts of Derwent Valley Holdings plc and all of its subsidiary undertakings made up to 31st December, together with the group's share of the results of its associated undertakings, incorporating such adjustments as are appropriate, made up to a date no earlier than six months before 31st December. Investments in associated undertakings are revalued annually in the group accounts to reflect the movement in the underlying net assets, and the aggregate surplus or deficit arising from such revaluation is transferred to the revaluation reserve.

Investment properties
Investment properties, as defined by Statement of Standard Accounting Practice 19, are revalued annually in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors and are included in the balance sheets on the basis of open market value. The aggregate surplus or deficit arising from such revaluation is transferred to the revaluation reserve.

Development properties held for investment purposes are stated at cost, except that where, in the opinion of the directors, there has been a permanent diminution in value, provision is made for the unrealised capital loss.

Properties held for resale
Properties, including development properties, held for resale are stated at the lower of cost and net realisable value.

Development properties
Development properties include completed developments, properties in the course of development and sites held for development or sale. When investment properties are redesignated development properties, cost is deemed to be the book value at the date of transfer, plus subsequent additions.

Interest and other outgoings which can be fairly attributed to properties held for, or in the course of, development are considered to be part of the development costs. However, where in the opinion of the directors, the inclusion of such interest and outgoings would result in cost exceeding net realisable value, then these items are written off to the profit and loss account. Interest (based on cost) is calculated by reference to specific borrowings where relevant and otherwise by reference to the average rate applicable to short and medium term finance.

A development property ceases to be treated as such for the purpose of capitalisation of interest and other outgoings on the earlier of:

(a) the date when it becomes substantially let and income-producing;

(b) the date when income exceeds outgoings including development interest;

(c) not later than two years after practical completion as certified by architects or such longer period as may be appropriate in the circumstances.

Depreciation
No depreciation is provided in respect of freehold investment properties or leasehold investment properties with over 20 years of the lease remaining. The directors consider that this accounting policy results in the financial statements giving a true and fair view. Depreciation and amortisation

1 ACCOUNTING POLICIES
continued

are 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.

Leasehold investment properties with under 20 years of the lease remaining are amortised over the outstanding term of the lease. Other tangible fixed assets are depreciated at a rate of 25 per cent per annum on written down value. This rate is calculated to write-off the cost less estimated residual value of the assets over their expected useful life.

Revaluation reserve
The aggregate surpluses or deficits arising on the revaluation of investment properties and investments in associated undertakings (representing the group's share of the reserves or deficits of the associated undertakings) are transferred to the revaluation reserve. If this is insufficient to cover a deficit, the amount by which the deficit exceeds the revaluation reserve is written off to the profit and loss account as an extraordinary item.

Leases
All leases are operating leases with rental income and costs charged to the profit and loss account as they become payable under the terms of the leases.

Deferred taxation
Provision is made for taxation on timing differences between the treatment of certain items for taxation and accounting purposes except that no provision is made where it can be reasonably foreseen that such deferred taxation will not become payable in the future.

2 NET REVENUE FROM PROPERTIES	1991 £'000	1990 £'000
Gross rental income	7,373	6,089
Outgoings net of recoveries	1,199	950
	6,174	5,139

3 LOSS FROM PROPERTY TRADING	1991 £'000	1990 £'000
Sales	975	-
Cost of sales	646	-
	329	-
Provisions against properties held for resale	349	-
	(20)	-

4 INTEREST PAYABLE	1991 £'000	1990 £'000
Bank loans and overdrafts wholly repayable within five years	2,662	3,115
Bank loan repayable after five years	427	110
Loan notes	207	279
	3,296	3,504
Interest capitalised	-	200
	3,296	3,304

5 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	1991 £'000	1990 £'000
This is arrived at after charging or crediting:		
Exceptional item – dilapidations received	-	191
Depreciation and amortisation	82	93
Auditors' remuneration		
Audit	30	26
Other services	19	19
Directors' emoluments (note 7)		
Fees	12	12
Management remuneration	396	351

6 EMPLOYEES	1991 £'000	1990 £'000
Staff costs, including those of directors:		
Wages and salaries	618	554
Social security costs	66	57
Pension costs	74	65
	758	676
The average weekly number of employees during the year, excluding directors, was as follows:	Number	Number
Administration	12	12

7 DIRECTORS' EMOLUMENTS	1991 £'000	1990 £'000
Emoluments (excluding pension contributions):		
Chairman	12	12
Highest paid director	126	111
The number of other directors whose emoluments (excluding pension contributions) fell into the following ranges was:	Number	Number
£5,001 - 10,000	1	1
£15,001 - 20,000	1	1
£75,001 - 80,000	-	1
£90,001 - 95,000	1	1
£105,001 - 110,000	1	-

Mr J D Burns and Mr S P Silver are partners in Pilcher Hershman and Partners, estate agents, who have received fees in respect of the management, acquisition, letting and disposal of certain properties owned by the company and its subsidiary undertakings amounting to £260,000 (1990 - £302,000), excluding value added tax.

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES	1991 £'000	1990 £'000
UK corporation tax at 33.25%		
(1990 – 35%) based on profit for the year	237	24
Adjustment in respect of prior years	17	100
Transfer to deferred taxation	92	74
Associated undertakings' taxation	–	(108)
	346	90

9 EXTRAORDINARY ITEM AFTER TAXATION	1991 £'000	1990 £'000
Surplus on disposal of properties	–	167
Taxation thereon	–	2
	–	165

10 PROFIT/(LOSS) FOR YEAR ATTRIBUTABLE TO MEMBERS OF DERWENT VALLEY HOLDINGS plc

Before provision against investment in associated undertakings a profit of £1,692,000 (1990 – £1,280,000) has been dealt with in the accounts of the holding company. In accordance with the exemption granted by section 230(3) of the Companies Act 1985, the company is not required to present its own profit and loss account.

11 DIVIDENDS	1991 £'000	1990 £'000
Ordinary shares of 5p each		
Paid – interim dividend of 2.9p (1990 – 2.75p) per share	225	213
Proposed – final dividend of 5.7p (1990 – 5.5p) per share	443	427
	668	640

12 EARNINGS PER SHARE

Earnings per share have been computed on the basis of a profit after taxation but before extraordinary items of £475,000 (1990 loss – £425,000) and 7,764,079 (1990 – 7,762,684) ordinary shares being the average number of shares in issue during the year.

13 TANGIBLE ASSETS	Freehold land and buildings £'000	Long leasehold property £'000	Short leasehold property £'000	Fixtures fittings and equipment £'000	Motor vehicles £'000	Total £'000
Group						
Cost or valuation:						
At 1st January 1991	53,841	31,095	465	260	161	85,822
Additions	1,485	1,101	-	18	22	2,626
Disposals	-	-	-	-	(17)	(17)
Revaluation	(7,104)	(3,496)	-	-	-	(10,600)
At 31st December 1991	48,222	28,700	465	278	166	77,831
Depreciation:						
At 1st January 1991	-	-	23	106	61	190
Disposals	-	-	-	-	(12)	(12)
Provision for year	-	-	18	38	26	82
At 31st December 1991	-	-	41	144	75	260
Net book value:						
At 31st December 1991	**48,222**	**28,700**	**424**	**134**	**91**	**77,571**
At 31st December 1990	53,841	31,095	442	154	100	85,632
Assets stated at cost or valuation:						
1991 valuation	46,187	28,700	-	-	-	74,887
1984 valuation	135	-	-	-	-	135
Cost/net realisable value	1,900	-	465	278	166	2,809
	48,222	28,700	465	278	166	77,831

13 TANGIBLE ASSETS *continued*	Freehold land and buildings £'000	Long leasehold property £'000	Short leasehold property £'000	Fixtures fittings and equipment £'000	Motor vehicles £'000	Total £'000
Company						
Cost or valuation:						
At 1st January 1991	21,451	31,095	465	260	161	53,432
Additions	244	1,108	-	18	22	1,392
Disposals	-	-	-	-	(17)	(17)
Revaluation	(2,670)	(3,503)	-	-	-	(6,173)
At 31st December 1991	19,025	28,700	465	278	166	48,634
Depreciation:						
At 1st January 1991	-	-	23	106	61	190
Disposals	-	-	-	-	(12)	(12)
Provision for year	-	-	18	38	26	82
At 31st December 1991	-	-	41	144	75	260
Net book value:						
At 31st December 1991	**19,025**	**28,700**	**424**	**134**	**91**	**48,374**
At 31st December 1990	21,451	31,095	442	154	100	53,242
Assets stated at cost or valuation:						
1991 valuation	17,125	28,700	-	-	-	45,825
Cost/net realisable value	1,900	-	465	278	166	2,809
	19,025	28,700	465	278	166	48,634

The freehold land and buildings and long leasehold property, with the exception of properties held for development included at the lower of cost or net realisable value, and the freehold land and buildings owned by Derwent Valley Railway Company, were revalued by Keith Cardale Groves (Commercial) Limited, consultant surveyors, at open market value on 31st December 1991. The directors are of the opinion that the value of the freehold land and buildings owned by Derwent Valley Railway Company is not materially different from the 31st December 1984 valuation. The historical cost of the freehold land and buildings and long leasehold property owned by the group at 31st December 1991 was £49,187,000 (1990 – £46,599,000). The cost of such properties, before provisions, includes interest of £372,000 (1990 – £372,000).

14 INVESTMENTS	Group Associated undertakings £'000	Company Subsidiary undertakings £'000	Company Associated undertakings £'000	Company Total £'000
Shares:				
At 1st January 1991 and 31st December 1991	18	7,922	18	7,940
Share of post acquisition reserves:				
At 1st January 1991	342	–	–	–
Share of results for year	(466)	–	–	–
Share of revaluation deficit	(4,200)	–	–	–
At 31st December 1991	(4,324)	–	–	–
Loans:				
At 1st January 1991	3,814	–	3,649	3,649
Increase	505	–	505	505
Provisions	–	–	(3,854)	(3,854)
At 31st December 1991	4,319	–	300	300
Total at 31st December 1991	13	7,922	318	8,240
Total at 31st December 1990	4,174	7,922	3,667	11,589

The principal operating companies within the group are as follows:

	Class of shares	Principal activity
Subsidiary undertakings		
Derwent Valley Railway Company	Ordinary and preference	Property investment
Itkin Properties (London) Limited	Ordinary	Property investment
Colebrook Estates Limited	Ordinary	Property investment
Wilmar Estates Limited	Ordinary	Property investment
Earthdeal Limited	Ordinary	Property investment
Derwent Valley Properties Limited	Ordinary	Property trading
Derwent Valley Property Developments Limited	Ordinary	Property development and trading

Each of the above companies' share capital is wholly owned by the group.

Associated undertakings		
Primister Limited	Ordinary	Property investment
Dorrington Derwent Holdings Limited	Ordinary	Holding company

The company owns 50 per cent of the ordinary shares of each of the associated undertakings. All of the above companies are registered and operate in England.

15 PROPERTIES HELD FOR RESALE

Properties held for resale includes completed developments and properties in the course of development. The cost of such properties, before provisions, includes interest of £316,000 (1990 – £316,000).

16 DEBTORS	Group 1991 £'000	1990 £'000	Company 1991 £'000	1990 £'000
Trade debtors	1,917	1,832	960	985
Amounts owed by subsidiary undertakings	-	-	15,421	13,682
Other debtors	69	40	40	17
Prepayments and accrued income	173	122	167	122
Advance corporation tax recoverable	190	146	186	142
Corporation tax	308	127	-	-
	2,657	2,267	16,774	14,948

Other than advance corporation tax, which is recoverable against future mainstream corporation tax liabilities, the amounts shown above fall due for payment within one year.

17 CREDITORS FALLING DUE WITHIN ONE YEAR	Group 1991 £'000	1990 £'000	Company 1991 £'000	1990 £'000
Bank loans and overdrafts	3,926	1,152	1,097	406
Amounts owed to subsidiary undertakings	-	-	1,080	1,191
Taxation and social security	158	72	102	78
Corporation tax	298	256	249	220
Advance corporation tax	223	214	223	214
Loan notes	1,595	1,678	1,595	1,678
Other creditors	757	758	491	439
Dividends payable	443	427	443	427
Accruals and deferred income	3,544	3,382	3,074	2,224
	10,944	7,939	8,354	6,877

The bank loans and overdrafts are secured by first charges on certain of the group's properties. The loan notes are guaranteed by the group's bankers.

18 CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR	Group 1991 £'000	1990 £'000	Company 1991 £'000	1990 £'000
Bank loans wholly repayable: between 1-2 years	-	1,813	-	-
between 2-5 years	16,962	18,462	16,462	16,863
after 5 years	3,350	3,350	3,350	3,350
	20,312	23,625	19,812	20,213

The bank loans are secured by first charges on certain of the group's properties. The long term bank loan is repayable in 2000 and bears interest at 1% above the bank's base rate.

19 DEFERRED TAXATION	Group 1991 £'000	1990 £'000	Company 1991 £'000	1990 £'000
Short term timing differences	90	91	-	-
Capital allowances	515	422	385	373
	605	513	385	373

A taxation liability of approximately £3,543,000 (1990 - £14,496,000) for the group and approximately £1,006,000 (1990 - £5,998,000) for the company would arise in addition to the above on the disposal of land and buildings at the valuation shown in the balance sheets. No provision has been made in the accounts as the directors do not intend to reduce the group's investment in land and buildings in the foreseeable future.

20 SHARE CAPITAL	Authorised 1991 £'000	1990 £'000	Issued and fully paid 1991 £'000	1990 £'000
10% cumulative preference shares of £1 each	-	31	-	-
Ordinary shares of 5p each	559	528	388	388
	559	559	388	388

Under the Derwent Valley Holdings plc Group Share Option Scheme, directors and employees held options at 31st December 1991 for 267,005 ordinary shares as follows:

Number of shares	Option price per share	Option period ending
61,800	403p	29th April 1997
85,750	543p	29th April 1998
53,400	755p	24th April 1999
50,000	725p	30th April 2000
16,055	705p	6th May 2001

21 RESERVES	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Capital reserve arising on consolidation £'000	Profit and loss account £'000
Group					
At 1st January 1991	30,303	31	34,749	954	6,328
Deficit on property revaluation	-	-	(10,600)	-	-
Deficit on associated undertakings' revaluation	-	-	(4,200)	-	-
Retained loss for the year	-	-	-	-	(193)
At 31st December 1991	30,303	31	19,949	954	6,135
Company					
At 1st January 1991	30,303	31	17,137	-	7,005
Deficit on property revaluation	-	-	(6,173)	-	-
Retained loss for the year	-	-	-	-	(3,830)
At 31st December 1991	30,303	31	10,964	-	3,175

The group revaluation reserve includes a deficit of £3,238,000 (1990 surplus - £962,000) being the group's share of the revaluation in associated undertakings.

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	1991 £'000	1990 £'000
Operating profit	4,544	3,723
Depreciation charge	82	93
Increase in debtors	(165)	(580)
Increase in creditors	247	1,267
Decrease/(increase) in properties held for resale	830	(2,421)
Effect of other deferrals and accruals of operating activity cash flow	(213)	(472)
Net cash inflow from operating activities	5,325	1,610

23 NET CASH OUTFLOW FROM FINANCING	Loan notes £'000	Bank loans £'000
Financing at 1st January 1991	1,678	23,625
Cash outflow from financing	(83)	(1,500)
Financing at 31st December 1991	1,595	22,125
Bank loan repayable between 3 months and 1 year	–	(1,813)
	1,595	20,312

24 MOVEMENT IN CASH AND CASH EQUIVALENTS	1991 £'000	1990 £'000	Movement in year £'000
Cash at bank and in hand	29	2,576	(2,547)
Overdrafts	(2,113)	(1,152)	(961)
	(2,084)	1,424	(3,508)
Bank loan repayable between 3 months and 1 year	(1,813)	–	(1,813)
	(3,897)	1,424	(5,321)

25 CAPITAL COMMITMENTS

Contracts for capital expenditure entered into by the group at 31st December 1991 and not provided for in the accounts amounted to £2,086,000 (1990 – £1,395,000).

Expenditure authorised but not contracted for at 31st December 1991 amounted to £135,000 (1990 – £160,000).

26 LEASE COMMITMENTS	1991 £'000	1990 £'000
At 31st December 1991 the annual commitments under property leases expiring in more than 5 years were:	580	543

27 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The amount of contributions payable to the pension scheme are charged to the profit and loss account in respect of the accounting period to which they relate.

28 CONTINGENT LIABILITIES

The company and its subsidiary undertakings are party to cross guarantees securing the overdraft and certain bank loans. The company has given guarantees in respect of certain loans of its associated undertakings, the contingent liability for which at 31st December 1991 amounted to £4,218,000 (1990 – £4,218,000). In addition, the company guarantees its share of interest payable on certain loans of its associated undertakings which at current interest rates amounts to £1,801,000 per annum (1990 – £2,122,000).

Notice is hereby given that the eighth annual general meeting of Derwent Valley Holdings plc will be held at Durrants Hotel, George Street, London W1H 6BJ on Friday 15th May, 1992 at noon for the following purposes, namely:

1. To receive and adopt the report and accounts for the year ended 31st December, 1991.
2. To approve the recommendation of the board to pay a final dividend of 5.7p (net) per share on the ordinary shares.
3. To re-elect Mr. R. E. Cook as a director.
4. To re-appoint Messrs. Stoy Hayward as auditors and to authorise the directors to fix their remuneration.

Special business:
To consider and, if thought fit, pass the following resolutions, resolution 5 as an ordinary resolution and resolutions 6 and 7 as special resolutions.

5. That, for the purpose of Section 80 of the Companies Act 1985 the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (within the meaning of Section 80) up to an aggregate nominal amount of £129,401 and that such authority shall include the grant of any right to subscribe for, or to convert any security into, shares provided that this authority shall expire at the conclusion of the next annual general meeting of the company after the passing of this resolution except that the directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired, this authority to replace any existing like authority which is hereby revoked with immediate effect.
6. That, subject to the passing of resolution 5, the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of the said Act) for cash pursuant to the authority conferred upon them by the preceding resolution as if Section 89(1) of the said Act did not apply to any such allotment PROVIDED THAT the power conferred by this resolution shall be limited to:
   (i) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements on such allotments as the directors may consider necessary or expedient to deal with fractional entitlements or legal and practical difficulties under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory; and

   (ii) the allotment (otherwise than pursuant to sub paragraph (i) above or to an employees' share scheme as defined in Section 743 of the Companies Act 1985) of equity securities up to an aggregate nominal amount of £19,410 and shall expire either at the conclusion of the next annual general meeting of the company or fifteen months after the passing of this resolution whichever first occurs unless renewed or extended prior to or at such meeting or such time except that the directors may before the expiry of any power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

7. That the company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of its ordinary shares of 5p each in the capital of the company provided that:

   (a) the maximum number of ordinary shares hereby authorised to be purchased is 776,407;

   (b) the minimum price which may be paid for ordinary shares is 5p per ordinary share;

   (c) the maximum price at which ordinary shares may be purchased is an amount equal to 105 per cent. of the average of the middle market prices shown in the quotations for an ordinary share as derived from The Stock Exchange Daily Official List for the ten business days immediately preceding the date of purchase; and

   (d) the authority to purchase hereby conferred shall, unless renewed prior to such time, expire at the conclusion of the next annual general meeting save that the company may before such expiry enter into a contract of purchase under which such purchase may be completed or executed wholly or partly after the expiration of this authority.

By order of the board

J E Dixon
Secretary
15th April, 1992

Notes
1. Every member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him. The proxy need not himself be a member. A form of appointment of a proxy is enclosed.
2. Copies of contracts of service relating to Messrs. J D Burns, S P Silver, C J Odom and J E Dixon will be available for inspection by members at the company's registered office during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice to the date of the annual general meeting. These documents will also be available for inspection during the annual general meeting and for at least fifteen minutes prior to the meeting.

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