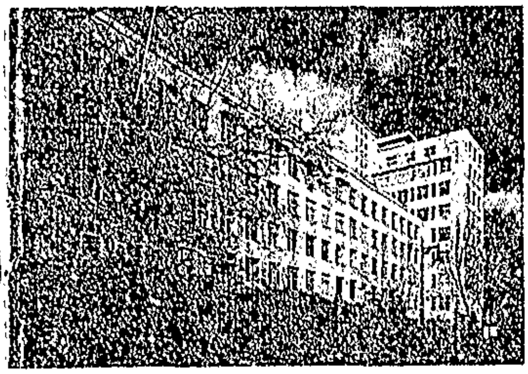
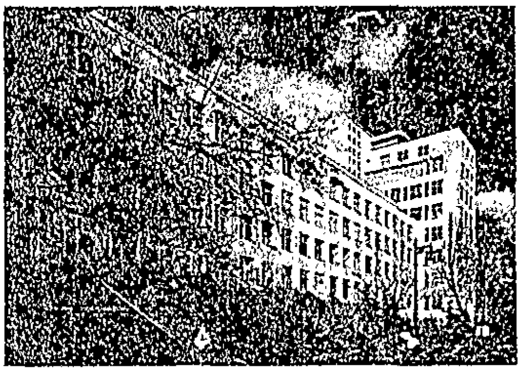
1519699

DERWENT VALLEY HOLDINGS PLC





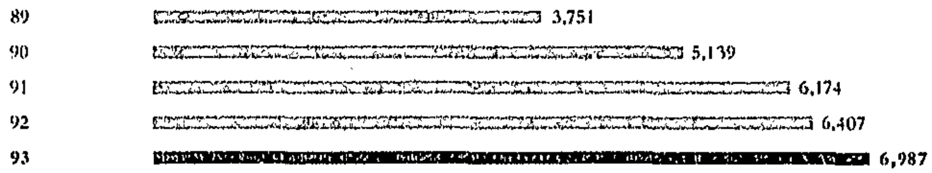
REPORT AND ACCOUNTS 1993

CONTENTS

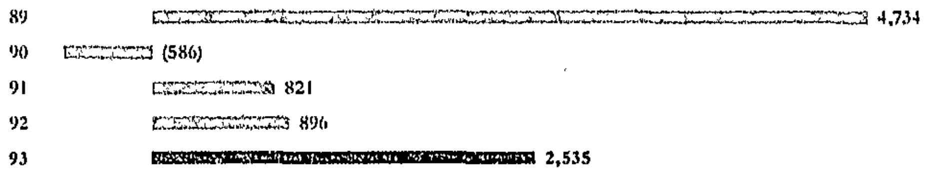
Year at a glance	1993 £'000	1992 £'000
Net revenue from properties	**6,987**	6,407
Profit before taxation	**2,535**	896
Total recognised gains and losses	**6,050**	(15,609)
Shareholders' funds	**63,390**	41,483
Borrowings (net)	**34,717**	28,689
Gearing	**54.8%**	69.2%
Net assets per share	**544p**	534p
Earnings per share	**20.8p**	10.2p
Adjusted earnings per share	**19.6p**	10.2p
Dividend per share	**9.1p**	8.6p

Five year record

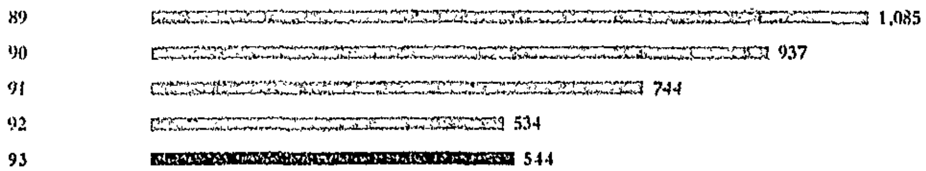
Net revenue from properties *£'000*



Profit before taxation from continuing operations *£'000*



Net assets per share *pence*



Directors and Advisers

Directors	J C Ivey *Non-executive chairman**
	J D Burns *Managing director*
	S P Silver
	C J Odom
	J E Dixon
	R E Cook *Non-executive director**
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 Ltd 1 Finsbury Avenue London EC2M 2PA
Bankers	Midland Bank plc 133 Regent Street London W1A 4BQ
Registrars	Lloyds Bank Registrars The Causeway Worthing West Sussex BN99 6DA

**Member of remuneration and audit committees*

Review of results

I am pleased to report that the results for 1993 show a substantial increase in pre-tax profits to £2,535,000, against last year's figure of £896,000, an improvement of 164 per cent after adjusting for the profit on the sale of an investment property. Included within this result is a write down of trading stock of £302,000, compared with a loss from trading last year of £406,000. Gross rental income rose by £613,000 to £8,239,000, an improvement of 8 per cent, and adjusted earnings per share increased from 10.2p to 19.6p.

The proforma statement of net assets, prepared at the time of the share issue in July, showed a net asset value of 501p per share. Following the annual year end independent valuation, this increased to 544p per share, giving a positive indication that asset values are moving forward.

Dividends

Your board is recommending a final dividend of 6.05p per share to be paid on 27th May 1994 to those shareholders on the register at the close of business on 29th April 1994. This, together with the interim dividend of 3.05p, brings the total for the year to 9.1p, an increase of 5.8 per cent.

Review of activities

The past year has seen a period of considerable activity and expansion. The share issue in July financed the £10.3 million acquisition of three provincial office buildings and five retail properties, thus providing a useful balance to the portfolio. Funds also were invested in Central London, initially with the purchase of an office building in Victoria, SW1 for £1.9 million and, later in the year, a particularly exciting purchase of a 72,000 square feet, long leasehold office block at Hyde Park Corner, SW1 for £9.5 million. During the year, vacancy rates within the investment portfolio remained low. Void space was only 32,000 square feet at the year end, including 26,600 square feet of newly refurbished offices. A more detailed review of the year's activities is given in the Property Review.

Joint ventures

A residual loss of £80,000 was realised on the sale of properties in Holborn, London, WC1 in July. Despite this, lower interest rates, and a decrease in the amount written off the trading stock, helped the joint ventures to record a substantially reduced loss compared with 1992. However, they are likely to remain in deficit this year due to the restructuring of various leases, and space becoming vacant as a result of lease expiries.

Financial review

In July, the company raised £16.9 million through a 1 for 2 placing and open offer of ordinary shares, principally to finance the acquisition of a £10.3 million property portfolio. Since this issue, the group has acquired a further £13.5 million of investment properties. Net borrowings at the year end amounted to £34,717,000, an increase of £6,028,000, resulting in a gearing ratio of 55 per cent. During the year, the average term of the group's borrowings was extended, with the renewal for a further five year period of one of the principal bank facilities. The group uses the interest rate hedging market to protect its position against movements in interest rates and, at the year end, 75 per cent of the group's floating rate debt exposure was so hedged.

Future

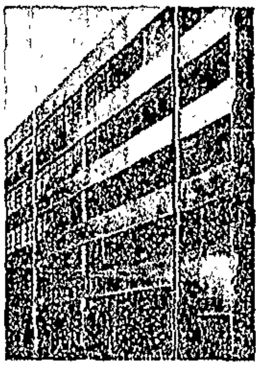
The property investment market, assisted by low interest rates, is currently robust, with demand from both domestic and international purchasers. The letting market, particularly in Central London, where the company predominantly operates, is now showing signs of improvement. Rents, which had fallen over the last three years, have stabilised and are selectively starting to rise, through increased demand. The consequence of this will be a positive effect on capital values.

Your company's strategy of having in situ within its existing portfolio a number of planning consents, has placed us in a good position to benefit from this upswing. The strong rental stream, which we increased even during the recessionary years, together with the new acquisitions, gives the group a sound base with greater flexibility. Although the preponderance of our portfolio is always likely to be concentrated in Central London, beneficial investment opportunities in other locations will be pursued.

We shall continue to maximise the potential of the portfolio through creative management, to plan for the future and to acquire further properties. Your management team has guided the company through difficult market conditions to be well placed for the future. The prospects for 1994 are encouraging. I look forward to keeping shareholders informed of our progress.

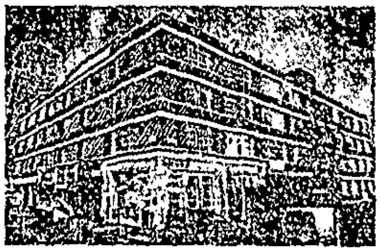
J C Ivey

Principal properties in Central London



MIDDLESEX HOUSE, W1

4-5 *Grosvenor* Place, Belgravia, SW1	**72,000 sq.ft.**
Middlesex House, Fitzrovia, W1	**64,000 sq.ft.**
Exmouth House, Clerkenwell, EC1	**55,500 sq.ft.**
Berkshire House, High Holborn, WC1	**52,000 sq.ft.**
Elliot House, Victoria, SW1	**37,000 sq.ft.**

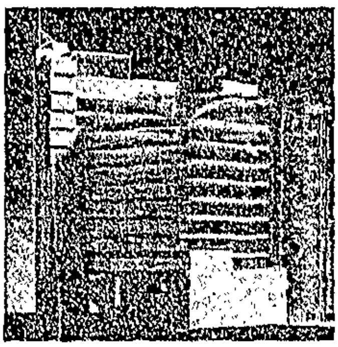


EXMOUTH HOUSE, EC1

Investments with planning permission

7-9 Paddington Street, Marylebone, W1	**Consent to redevelop office, shops and residential accommodation to provide 18,000 sq.ft. (existing 14,000 sq.ft.)**
Broadmead House/Westcombe House, Leicester Square, WC2	**Consent to redevelop a 20,000 sq.ft. office building (existing 16,000 sq.ft.)**
104-112 Marylebone Lane, W1	**Consent to refurbish existing office building *to provide* 15,000 *sq.ft.* (existing 12,500 *sq.ft.*)**
60-66 Rochester Row, Victoria, SW1	**Consent to redevelop a 28,000 sq.ft. office building (existing 18,500 sq.ft.)**
Elliot House, Victoria, SW1	**Outline planning permission has been given for offices, retail and residential accommodation of approximately 100,000 sq.ft.**

BROADMEAD HOUSE, WC2 - PROPOSED DEVELOPMENT



ELLIOT HOUSE, SW1 – PROPOSED DEVELOPMENT

Market comment

Despite a sizeable overhang of vacant office space in Central London, a pattern emerged throughout the year illustrating a steady flow of lettings and, consequently, a reduction each quarter in the amount of available office space.

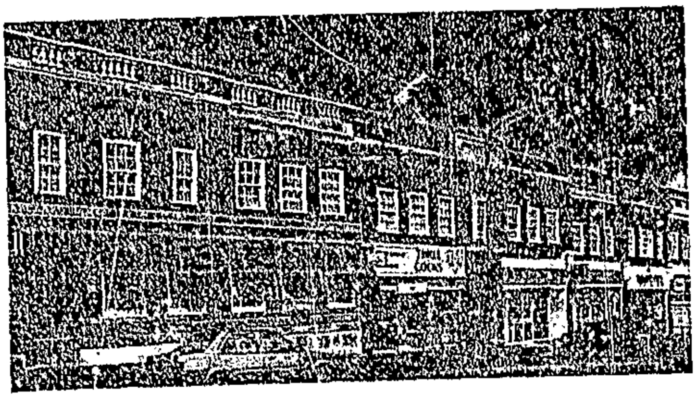
During 1993, reported lettings took place totalling approximately 3.26 million square feet, compared with 2.25 million square feet for the previous year. Information from published statistics showed a 40 per cent increase in overall demand for office space at 31st December, compared with the beginning of the year.

This data, and particularly the level of new enquiries, indicates a strengthening office market for Central London in 1994/5.

Acquisitions

For the group, the second half of the year was dominated by the new acquisitions. In July, a portfolio was purchased for £10.3 million, yielding marginally below 9 per cent. The largest property comprised a 54,500 square feet government occupied office building in Wrexham, Wales, the lease of which still has over 25 years unexpired.

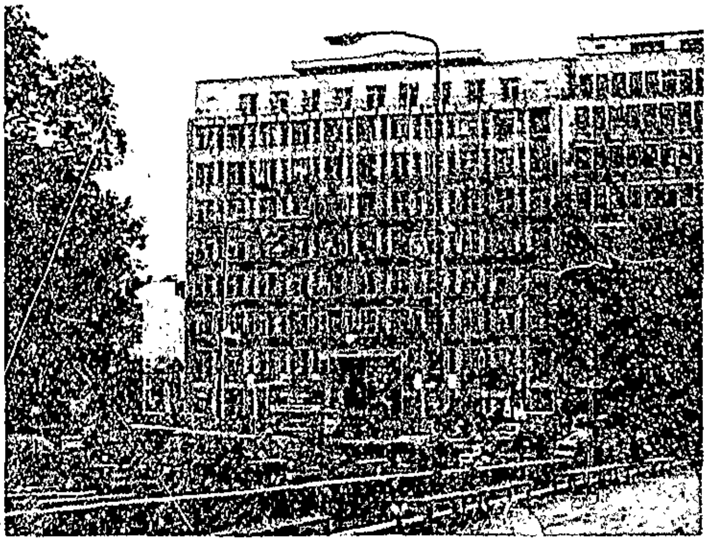
Two further government occupied buildings of 24,500 square feet in Wellingborough, Northants and 11,000 square feet in Shoreham, Sussex, also with long occupational leases, were included in the transaction. The balance of the acquisition involved a retail parade in Wallington, Surrey where tenants included Barclays Bank, R H M Retail, W H Smith and the Burton Group. The acquisition, with the benefit of the occupational leases with between 13 and 25 years unexpired, provides a variation to both the characteristics and the geography of the existing portfolio.



86-112 WOODCOTE ROAD, WALLINGTON, SURREY

Properties outside Central London represented 15 per cent of the year end value of the investment portfolio.

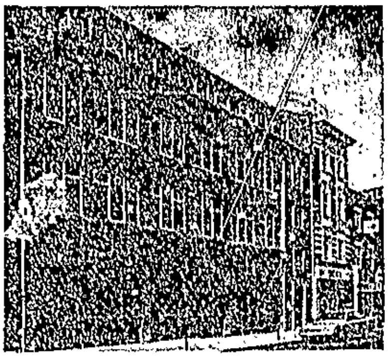
In July, the group continued activity within Central London with the purchase of an 18,500 square feet office building in Rochester Row, Victoria, SW1 for £1.9 million. The property is let to a government department at a rent of £425,000 per annum until March 1996 with the opportunity for either lease renewal, refurbishment or redevelopment for which planning permission already exists for a new 28,000 square feet office building.


4-5 GROSVENOR PLACE, SW1

In December, the important landmark building at 4-5 Grosvenor Place, SW1 overlooking Hyde Park Corner was acquired for £9.5 million. This 72,000 square feet, 69 year leasehold office building is let to 23 tenants including a government department, a leading insurance company, a major bank and several multi-national companies.

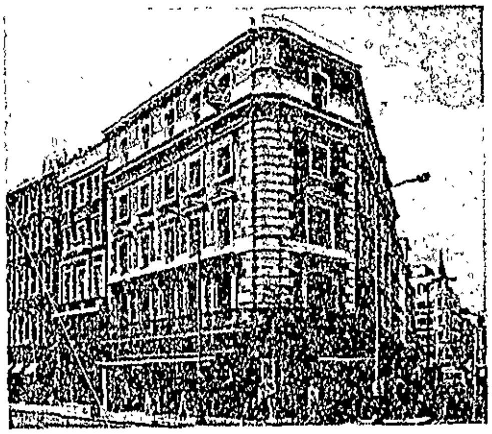
The property currently produces £1.6 million per annum net. The majority of the occupational leases fall in at the end of 1994, and there are positive indications at this stage that many of the tenants may wish to renew their leases.

In some cases, current rents are in excess of market levels which will result in an initial loss of income. However, in the medium term, the building offers excellent potential, with plans already at an advanced stage for the refurbishment of the entrance hall in the autumn. We are confident that this acquisition will prove to be a most valuable addition to the portfolio and will present a further opportunity to implement our management skills allied to multi-tenanted buildings.


60-66 ROCHESTER ROW, SW1

Letting

In seeking to add value to the portfolio, the company has continued to upgrade its properties both to attract new tenants and to retain existing tenants on lease expiries. This policy has contributed to the maintenance of a low level of voids in the investment portfolio. During 1993, new lettings took place including space at 6-10 Lexington Street, Soho, W1,



77-78 ST MARTIN'S LANE, WC2

83a Marylebone High Street, W1, Exmouth House, Clerkenwell, EC1, 7-9 Paddington Street, W1 and Hawley Crescent, Kentish Town, NW1. Approximatel, 24,000 square feet was let where space had become available primarily through lease expiries.

Refurbishment

The refurbishment scheme at Lexington House, 12-26 Lexington Street, Soho, W1 was completed to provide 21,000 square feet of high grade innovative office space. Approximately 45 per cent of the lettable area is now under offer with interest being shown in the remaining space.

Following the surrender of occupational leases at 77-78 St Martin's Lane, Leicester Square, WC2, refurbishment of the entire first and second floors has taken place, to provide some 6,000 square feet of offices. The project included upgrading the building's entrance and reception area. One suite has been let and an encouraging level of interest has been shown in the remainder since the space was put on the market at the end of the year.

At Exmouth House, Clerkenwell, EC1, a scheme for a new courtyard, together with the conversion of a further 8,000 square feet of outdated accommodation to modern B1 space, is in progress. Evidence of increasing tenant demand is again apparent with 5,400 square feet under offer prior to completion of the works.

12-26 LEXINGTON STREET, W1

Statement of directors' responsibilities
The following statement, which should be read in conjunction with the report of the auditors on page 27, is made in order to clarify the respective responsibilities of the directors and the auditors in the preparation of the accounts.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group as at the end of the financial year and of the profit or loss for that period. In preparing these financial statements, appropriate accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made. The accounts have been prepared on a going concern basis and all applicable accounting standards have been followed. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the group and for the prevention and detection of fraud and other irregularities.

Corporate governance
Although not previously codified, the majority of the company's procedures were carried out in accordance with the relevant recommendations of the Cadbury Committee. However, in December 1993 the directors formally adopted all those parts of the Code of Best Practice contained in the Financial Aspects of Corporate Governance that were operative at that time. The company now complies with the code with the exception that the audit committee consists of only two non-executive directors.

The auditors have reviewed the above statement in so far as it relates to the paragraphs of the Code which the London Stock Exchange has specified for their review, having regard to the Bulletin "Disclosures relating to corporate governance" issued by the Auditing Practices Board, and have satisfied themselves that the above statement appropriately reflects the company's compliance with the specified paragraphs of the Code. They are not required to review, and have not reviewed, the effectiveness of the company's governance procedures.

Results and dividends
Profit before taxation from ordinary activities was £2,535,000 (1992 – £896,000) and profit after taxation amounted to £1,991,000 (1992 – £790,000).

The directors recommend a final dividend of 6.05p (net) per ordinary share. This, when taken with the interim dividend of 3.05p (net) per share paid on 19th November 1993, gives a total dividend of 9.1p (net) per ordinary share for the year ended 31st December 1993 (1992 – 8.6p) amounting to £1,060,000. After ordinary dividends, £931,000 was transferred to revenue reserves (1992 – £122,000).

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 review on pages 3 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 1993 resulting in an unrealised surplus of £4,838,000 being taken to revaluation reserve. The freehold and long leasehold investment properties are included in the group balance sheet at a total value of £92,070,000.

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 1993	31st December 1992	**31st December 1993**	31st December 1992
J C Ivey	**37,500**	37,500	–	–
J D Burns	**310,500**	310,500	**90,600**	87,300
S P Silver	**134,500**	134,500	**77,870**	75,370
C J Odom	**6,000**	6,000	**63,140**	60,640
J E Dixon	**6,000**	6,000	**14,210**	14,210
R E Cook	**1,000**	–	–	–

There have been no changes in the above shareholdings between the year end and 22nd March 1994. No share options were exercised by the directors during the year.

In accordance with the articles of association, Mr J C Ivey retires by rotation and, being eligible, offers himself for re-election.

Mr J C Ivey is a chartered accountant, chief executive of The Davis Service Group Plc and a non-executive director of Moorgate Investment Trust PLC.

Mr R E Cook is the former chairman of the Derwent Valley Railway Company and a General Commissioner of Taxes.

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.

Other than as disclosed in note 6, the directors have no interest in any material contracts of the company.

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 22nd March 1994.

	Number of 5p shares
Scottish Amicable Investment Managers Limited	792,682
Standard Life Assurance Company	629,167
Newton Investment Management Limited	621,878
Topcastle Holdings Limited	450,806
National Westminster Bank Plc	410,705
Scottish American Investment Company PLC	400,000
T & N Pensions Trustee Limited	360,000

Annual general meeting

The notice of meeting includes three resolutions to be considered as special business.

Resolution 5 empowers the directors under Section 80 of the Companies Act 1985 to allot shares up to an aggregate nominal amount of £194,101. This authority will give the directors power to allot a further 3,882,020 shares, being equivalent to 33.33 per cent of the total share capital in issue at the date of this report. The authority conferred by this resolution will expire at the conclusion of the next annual general meeting of the company and will be in addition to any like existing authority which the company has already conferred.

Resolution 6 is a special resolution proposed annually renewing the directors' authority under Section 95 of the Companies Act 1985, in respect of rights issues and to allot, otherwise than on a pre-emptive basis, 582,300 of the company's shares representing 5 per cent of the issued share capital at the date of this report.

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 £1,850.

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
22nd March 1994

Group Profit and Loss Account

for the year ended 31st December 1993

	Note	1993 £'000	1992 £'000
Turnover from continuing operations:			
Gross rental income		**8,239**	7,626
Property outgoings net of recoveries		**1,252**	1,219
		6,987	6,407
Loss from property trading	2	**(302)**	(406)
		6,685	6,001
Administrative costs		**1,668**	1,602
Operating profit from continuing operations		**5,017**	4,399
Profit on disposal of investment property	3	**169**	–
Interest receivable		**6**	14
Share of results of associated undertakings		**(102)**	(373)
		5,090	4,040
Interest payable	4	**2,555**	3,144
Profit on ordinary activities before taxation	5	**2,535**	896
Taxation on profit on ordinary activities	8	**544**	106
Profit on ordinary activities after taxation	9	**1,991**	790
Dividends	10	**1,060**	668
Retained profit	20	**931**	122

Earnings per share	11	**20.8p**	10.2p
Adjustment for disposal of investment property		**(1.2p)**	–
Adjusted earnings per share		**19.6p**	10.2p

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

at 31st December 1993

	Note	Group 1993 £'000	1992 £'000	Company 1993 £'000	1992 £'000
Fixed assets					
Tangible assets	12	**92,627**	63,290	**1,607**	37,665
Investments	13	**388**	1,224	**9,446**	9,334
Current assets					
Properties held for resale	14	**9,118**	8,970	**–**	–
Debtors	15	**3,623**	2,953	**80,619**	18,370
Cash at bank and in hand		**245**	45	**28**	27
		12,986	11,968	**80,647**	18,397
Creditors					
Amounts falling due within one year	16	**9,171**	11,551	**5,741**	7,461
Net current assets		**3,815**	417	**74,906**	10,936
Total assets less current liabilities		**96,830**	64,931	**85,959**	57,935
Creditors					
Amounts falling due after more than one year	17	**32,812**	22,812	**32,312**	22,312
Provisions for liabilities and charges					
Deferred taxation	18	**628**	636	**–**	396
		63,390	41,483	**53,647**	35,227
Capital and reserves					
Called up share capital	19	**582**	388	**582**	388
Share premium account	20	**47,026**	30,303	**47,026**	30,303
Capital redemption reserve	20	**31**	31	**31**	31
Revaluation reserve	20	**12,260**	3,550	**452**	292
Capital reserve arising on consolidation	20	**954**	954	**–**	–
Profit and loss account	20	**2,537**	6,257	**5,556**	4,213
		63,390	41,483	**53,647**	35,227

J D Burns, Director
C J Odom, Director
22nd March 1994

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

for the year ended 31st December 1993

Statement of total recognised gains and losses	1993 £'000	1992 £'000
Profit for financial year	**1,991**	790
Unrealised surplus/(deficit) on revaluation of investment properties	**4,838**	(15,723)
Unrealised (deficit) on revaluation of associated undertakings	**(772)**	(676)
Taxation on realisation of property revaluation gains of previous years	**(7)**	–
	6,050	(15,609)

Note of historical cost profit and loss	1993 £'000	1992 £'000
Reported profit on ordinary activities before taxation	**2,535**	896
Realisation of associated undertaking deficit of previous years	**(4,670)**	–
Realisation of property revaluation gains of previous years	**26**	–
Historical cost profit on ordinary activities before taxation	**(2,109)**	896
Historical cost profit for the year retained after taxation and dividends	**(3,720)**	122

Reconciliation of movements in shareholders' funds	1993 £'000	1992 £'000
Profit for financial year	**1,991**	790
Other gains and losses relating to the year	**4,059**	(16,399)
Net proceeds of share issue	**16,917**	–
	22,967	(15,609)
Dividends	**(1,060)**	(668)
	21,907	(16,277)
Shareholders' funds at 1st January 1993	**41,483**	57,760
Shareholders' funds at 31st December 1993	**63,390**	41,483

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

for the year ended 31st December 1993

	Note	1993 £'000	1993 £'000	1992 £'000	1992 £'000
Operating activities					
Cash received from:					
Tenants		7,937		7,797	
Cash payments in respect of:					
Direct property expenses		(1,237)		(1,251)	
Wages and salaries		(860)		(866)	
Administrative costs		(632)		(798)	
Properties held for resale		(446)		(12)	
Net cash inflow from operating activities	21		4,762		4,870
Return on investments and servicing of finance					
Interest paid		(2,324)		(3,189)	
Interest received		6		14	
Dividends paid		(798)		(668)	
Net cash outflow from return on investments and servicing of finance			(3,116)		(3,843)
Taxation					
Corporation tax paid (including ACT)		(152)		(408)	
Tax paid			(152)		(408)
Investing activities					
Additions to property		(24,470)		(2,256)	
Disposal of property		205		–	
Purchase of other fixed assets		(36)		(61)	
Disposal of other fixed assets		28		–	
Investment in associated undertakings		(166)		(1,187)	
Net cash outflow from investing activities			(24,439)		(3,504)
Net cash outflow before financing			(22,945)		(2,885)
Financing					
Net proceeds of share issue		16,917		–	
Repayment of loan notes		–		(1,595)	
Movement in bank loans		8,187		2,500	
Net cash inflow from financing	22		25,104		905
Movement in cash and cash equivalents	23		(2,159)		1,980
			22,945		2,885

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. The principal accounting policies are described below.

The new accounting standard FRS 3, Reporting Financial Performance, requires the adoption of accounting policies which differ from those previously adopted by the group. Where necessary the group's policies have been changed and comparative figures restated.

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.

1 Accounting policies *continued*

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 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 and leasehold improvements 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.

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 Loss from property trading	**1993 £'000**	1992 £'000
Provisions against properties held for resale	**(302)**	(406)

3 Profit on disposal of investment property	**1993 £'000**	1992 £'000
Sale of investment property	**205**	–
Valuation of investment property sold	**(36)**	–
	169	–
Taxation on disposal of investment property	**(56)**	–
	113	–

4 Interest payable	**1993 £'000**	1992 £'000
Bank loans and overdrafts wholly repayable within five years	**2,312**	2,739
Bank loan repayable after five years	**243**	375
Loan notes	**–**	30
	2,555	3,144

5 Profit on ordinary activities before taxation	1993 £'000	1992 £'000
This is arrived at after charging:		
Depreciation and amortisation	66	77
Auditors' remuneration		
Audit	28	30
Other services	33	12

6 Directors' emoluments	1993 £'000	1992 £'000
Fees	17	15
Remuneration for management services	372	362
Pension contributions	48	48
Total emoluments	437	425

Details of options granted to the directors under the group share option scheme are given on page 10 of the Directors' Report.

	1993 £'000		1992 £'000	
Total emoluments include amounts paid to:	Chairman	Highest paid director	Chairman	Highest paid director
Fees	15	–	15	–
Remuneration for management services	–	135	–	131
Pension contributions	–	19	–	19
	15	154	15	150

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
£90,001 – 95,000	–	1
£95,001 – 100,000	1	–
£110,001 – 115,000	1	1

Messrs J D Burns and S P Silver are partners in Pilcher Hershman and Partners, estate agents, who have received fees in respect of the management, letting, acquisition and disposal of certain properties owned by the company and its subsidiary undertakings amounting to £260,000 (1992 – £259,000), excluding value added tax.

7 Employees	1993 £'000	1992 £'000
Staff costs, including those of directors:		
Wages and salaries	**672**	651
Social security costs	**75**	72
Pension costs	**79**	79
	826	802
The average weekly number of employees during the year, excluding directors, was as follows:	**Number**	Number
Administration	**12**	12

8 Taxation on profit on ordinary activities and recognised gains and losses	1993 £'000	1992 £'000
Taxation on profit on ordinary activities:		
UK corporation tax at 33% (1992 – 33%) based on profit for the year	**488**	349
Taxation on profit on disposal of investment property	**56**	–
Adjustment in respect of prior years	**(20)**	(141)
Transfer (from)/to deferred taxation	**(8)**	31
Associated undertakings' taxation	**28**	(133)
	544	106
Tax on recognised gains and losses:		
UK corporation tax at 33% (1992 – 33%)	**7**	–

9 Profit for year attributable to members of Derwent Valley Holdings plc

Of this amount a profit of £2,463,000 (1992 – £1,708,000) 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.

10 Dividends	1993 £'000	1992 £'000
Ordinary shares of 5p each:		
Paid – interim dividend of 3.05p (1992 – 2.9p) per share	**355**	225
Proposed – final dividend of 6.05p (1992 – 5.7p) per share	**705**	443
	1,060	668

11 Earnings per share

Earnings per share have been computed on the basis of a profit after taxation of £1,991,000 (1992 – £790,000) and 9,561,515 (1992 – 7,764,079) ordinary shares, being the average number of shares in issue during the year.

An alternative figure for earnings per share, showing the recurring element of the group's business, has been calculated using a profit after taxation of £1,878,000 (1992 – £790,000) which excludes the profit on disposal of investment properties shown in note 3.

12 Tangible assets	Freehold land and buildings £'000	Long leasehold property £'000	Leasehold improvements £'000	Fixtures fittings and equipment £'000	Motor vehicles £'000	Total £'000
Group						
Cost or valuation:						
At 1st January 1993	38,090	24,585	468	282	169	63,594
Additions	14,591	10,002	–	4	32	24,629
Disposals	(36)	–	–	–	(38)	(74)
Revaluation	2,439	2,399	–	–	–	4,838
At 31st December 1993	55,084	36,986	468	286	163	92,987
Depreciation:						
At 1st January 1993	–	–	59	175	70	304
Disposals	–	–	–	–	(10)	(10)
Provision for year	–	–	18	25	23	66
At 31st December 1993	–	–	77	200	83	360
Net book value:						
At 31st December 1993	**55,084**	**36,986**	**391**	**86**	**80**	**92,627**
At 31st December 1992	38,090	24,585	409	107	99	63,290
Assets stated at cost or valuation:						
1993 valuation	54,982	36,986	–	–	–	91,968
1984 valuation	102	–	–	–	–	102
Cost	–	–	391	86	80	557
	55,084	36,986	391	86	80	92,627

12 Tangible assets *continued*	Freehold land and buildings £'000	Long leasehold property £'000	Leasehold improvements £'000	Fixtures fittings and equipment £'000	Motor vehicles £'000	Total £'000
Company						
Cost or valuation:						
At 1st January 1993	12,465	24,585	468	282	169	37,969
Additions	–	–	–	4	32	36
Disposals	(12,465)	(23,635)	–	–	(38)	(36,138)
Revaluation	–	100	–	–	–	100
At 31st December 1993	–	1,050	468	286	163	1,967
Depreciation:						
At 1st January 1993	–	–	59	175	70	304
Disposals	–	–	–	–	(10)	(10)
Provision for year	–	–	18	25	23	66
At 31st December 1993	–	–	77	200	83	360
Net book value:						
At 31st December 1993	**–**	**1,050**	**391**	**86**	**80**	**1,607**
At 31st December 1992	12,465	24,585	409	107	99	37,665
Assets stated at cost or valuation:						
1993 valuation	–	1,050	–	–	–	1,050
Cost	–	–	391	86	80	557
	–	1,050	391	86	80	1,607

The freehold land and buildings and long leasehold property, with the exception of properties held for development which are valued by the directors at £1,250,000 (1992 – £1,535,000) 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 1993. 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. At 31st December 1993 the historical cost of the freehold land and buildings and long leasehold property owned by the group was £79,721,000 (1992 – £55,138,000) and that owned by the company was £598,000 (1992 – £36,726,000). The cost of such group properties includes interest of £372,000 (1992 – £372,000).

13 Investments	Group Associated undertakings £'000	Company Subsidiary undertakings £'000	Associated undertakings £'000	Total £'000
Shares:				
At 1st January 1993	18	7,922	18	7,940
Additions	–	24	–	24
At 31st December 1993	18	7,946	18	7,964
Share of post acquisition reserves:				
At 1st January 1993	(5,240)	–	–	–
Share of results for year	(130)	–	–	–
Share of revaluation deficit	(772)	–	–	–
At 31st December 1993	(6,142)	–	–	–
Loans:				
At 1st January 1993	5,370	–	1,394	1,394
Increase	222	–	222	222
Movement in provisions	–	–	(134)	(134)
At 31st December 1993	5,592	–	1,482	1,482
Total at 31st December 1993	**(532)**	**7,946**	**1,500**	**9,446**
Total at 31st December 1992	148	7,922	1,412	9,334

	1993 £'000	1992 £'000
The group's net investment in associated undertakings is included in the balance sheet as follows:		
Investments	**388**	1,224
Creditors falling due within one year – other creditors	**(920)**	(1,076)
	(532)	148

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
Colebrook Estates Limited	Ordinary	Property investment
Derwent Valley Property Investments 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.

13 Investments *continued*	*Class of shares*	*Principal activity*
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.

14 Properties held for resale

The cost of properties held for resale, before provisions, includes interest of £316,000 (1992 – £316,000).

15 Debtors	Group 1993 £'000	1992 £'000	Company 1993 £'000	1992 £'000
Trade debtors	**2,611**	1,734	**47**	955
Amounts owed by subsidiary undertakings	**–**	–	**80,058**	16,374
Other debtors	**241**	350	**45**	315
Prepayments and accrued income	**501**	314	**199**	292
Advance corporation tax recoverable	**176**	148	**176**	148
Corporation tax	**94**	407	**94**	286
	3,623	2,953	**80,619**	18,370

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.

16 Creditors falling due within one year	Group 1993 £'000	1992 £'000	Company 1993 £'000	1992 £'000
Bank loans and overdrafts	**2,150**	5,922	**351**	2,262
Amounts owed to subsidiary undertakings	**–**	–	**2,258**	995
Taxation and social security	**290**	185	**87**	195
Corporation tax	**116**	22	**–**	–
Advance corporation tax	**279**	223	**279**	223
Other creditors	**1,791**	1,874	**1,205**	557
Dividends payable	**705**	443	**705**	443
Accruals and deferred income	**3,840**	2,882	**856**	2,786
	9,171	11,551	**5,741**	7,461

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

17 Creditors falling due after more than one year	Group 1993 £'000	1992 £'000	Company 1993 £'000	1992 £'000
Bank loans wholly repayable:				
between 1-2 years	**11,462**	–	**11,462**	–
between 2-5 years	**18,000**	19,462	**17,500**	18,962
after 5 years	**3,350**	3,350	**3,350**	3,350
	32,812	22,812	**32,312**	22,312

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.

18 Deferred taxation	Group 1993 £'000	1992 £'000	Company 1993 £'000	1992 £'000
Short term timing differences	**63**	80	–	–
Capital allowances	**565**	556	–	396
	628	636	–	396

No further taxation liability for the group would arise on the disposal of land and buildings at the valuation shown in the balance sheet (1992 – nil). For the company a taxation liability of approximately £62,000 (1992 – nil) would arise. No provision has been made in the accounts of the company as the directors do not intend to reduce the investment in land and buildings in the foreseeable future.

	Authorised		*Issued and fully paid*	
19 Share capital	**1993 £'000**	1992 £'000	**1993 £'000**	1992 £'000
Ordinary shares of 5p each	**800**	559	**582**	388

At an extraordinary general meeting on 12th July 1993, the authorised share capital was increased to 16,000,000 ordinary shares of 5p each and the issue of 3,882,039 ordinary shares at £4.50 was approved to finance the expansion of the group's property portfolio.

Under the Derwent Valley Holdings plc Group Share Option Scheme, directors and employees held options at 31st December 1993 for 340,405 ordinary shares as follows:

Number of shares	Option price per share	Option period ending
61,800	403p	29th April 1997
84,750	543p	29th April 1998
52,400	755p	24th April 1999
49,000	725p	30th April 2000
15,055	705p	6th May 2001
65,000	335p	6th May 2002
12,400	408p	4th May 2003

20 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 1993	30,303	31	3,550	954	6,257
Premium on issue of shares	16,723	–	–	–	–
Surplus on property revaluation	–	–	4,838	–	–
Deficit on associated undertakings' revaluation	–	–	(772)	–	–
Loss realised on disposal by associated undertaking	–	–	4,670	–	(4,670)
Profit realised on disposal of investment property	–	–	(26)	–	26
Tax attributable to profit on disposal of investment property	–	–	–	–	(7)
Retained profit for the year	–	–	–	–	931
At 31st December 1993	**47,026**	**31**	**12,260**	**954**	**2,537**
Company					
At 1st January 1993	30,303	31	292	–	4,213
Premium on issue of shares	16,723	–	–	–	–
Surplus on property revaluation	–	–	100	–	–
Loss realised on disposal of investment properties	–	–	60	–	(60)
Retained profit for the year	–	–	–	–	1,403
At 31st December 1993	**47,026**	**31**	**452**	–	**5,556**

21 Reconciliation of operating profit to net cash inflow from operating activities	**1993 £'000**	1992 £'000
Operating profit	**5,017**	4,399
Depreciation charge	**66**	77
(Increase) in debtors	**(955)**	(239)
Increase/(decrease) in creditors	**980**	(594)
(Increase)/decrease in properties held for resale	**(148)**	381
Effect of other deferrals and accruals on operating activity cash flow	**(198)**	846
Net cash inflow from operating activities	**4,762**	4,870

22 Net cash inflow from financing	Share capital including premium £'000	Bank loans repayable within 1 year £'000	Bank loans repayable after 1 year £'000
Financing at 1st January 1993	30,691	1,813	22,812
Cash inflow/(outflow) from financing	16,917	(1,813)	10,000
Financing at 31st December 1993	47,608	–	32,812

23 Movement in cash and cash equivalents	1993 £'000	1992 £'000	Movement in year £'000
Cash at bank and in hand	**245**	45	200
Overdrafts	**(2,150)**	(4,109)	1,959
	(1,905)	(4,064)	2,159

24 Capital commitments

Contracts for capital expenditure entered into by the group at 31st December 1993 and not provided for in the accounts amounted to £249,000 (1992 – £908,000).
Expenditure authorised but not contracted for at 31st December 1993 amounted to £374,000 (1992 – £47,000).

25 Lease commitments	1993 £'000	1992 £'000
At 31st December 1993 the annual commitments under property leases expiring in more than 5 years were:	**571**	576

26 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.

27 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 1993 amounted to £4,218,000 (1992 – £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 £665,000 per annum (1992 – £1,324,000).

to members of Derwent Valley Holdings plc

We have audited the financial statements on pages 12 to 26 which have been prepared under the accounting policies set out on pages 16 and 17.

Respective responsibilities of directors and auditors

As described on page 9 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 an 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 misstatements, 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 affairs of the company and of the group as at 31st December 1993 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Stoy Hayward

Stoy Hayward
Chartered Accountants and Registered Auditors
London

22nd March 1994