

# DAVY PROPERTY HOLDINGS LIMITED

Director's Report And Unaudited Financial Statements

For the year ended 31 December 2012



Company Registration No. 00031754 (England and Wales)

**DAVY PROPERTY HOLDINGS LIMITED**

**COMPANY INFORMATION**

---

<b>Director</b>	Rufus Laycock
<b>Company number</b>	00031754
<b>Registered office</b>	Surrey House 36-44 High Street Redhill Surrey RH1 1RH

---

# DAVY PROPERTY HOLDINGS LIMITED

## DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

---

The director presents his report and financial statements for the year ended 31 December 2012

### **Principal activities**

The Company is a property management company engaged in a work out process.

The Company is a member of the TH Global group of companies which is engaged in a work-out process. The work-out is a financial and organisational restructuring whose objective is to resolve outstanding disputes and liabilities, in the best interest of creditors and shareholders.

The work-out process is subject to fundamental uncertainties. These fundamental uncertainties and their impact on the financial statements are disclosed in the basis of preparation in Note 1 to these financial statements.

The Company's property management activities ceased in December 2008. Since that date the Company has not operated or controlled any business activities. It is not the intention of the Sole Director or the shareholder to seek new business opportunities or activity for the Company.

The Company's residual liability is responsibility for industrial disease claims lodged against the Company by former employees arising from the circumstances of the past activities of the Company.

As a past employer and operator of engineering businesses (before its role was changed to property management), the Company is the recipient of claims by former employees alleging that they have suffered bodily injury as a result of industrial diseases caused during the course of the claimant's employment with the Company. These claims do not arise until many years after the relevant employment ceased (medical conditions may not develop until much later). The Company together with its insurance carriers and outside claims handlers and counsel review each claim that is pursued by claimants. In those cases where a compensatable disease, exposure during the course of employment and causation can be established by the claimants, the Company's approach is to seek to resolve claims for amounts that reflect the type of disease, the seriousness of the injury, the age of the claimant, the particular jurisdiction of the claim and the number and solvency of other defendants.

### **Director**

The following director has held office since 1 January 2012

Rufus Laycock

# DAVY PROPERTY HOLDINGS LIMITED

## DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

---

### Statement of director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Rufus Laycock

Rufus Laycock

Director

10 May 2013

# DAVY PROPERTY HOLDINGS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

---

	Notes	2012 £	2011 £
Administrative expenses		(1,700)	7,590
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(1,700)</b>	<b>7,590</b>
Tax on (loss)/profit on ordinary activities	3	-	-
<b>(Loss)/profit for the year</b>	<b>8</b>	<b>(1,700)</b>	<b>7,590</b>

---

---

# DAVY PROPERTY HOLDINGS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £	£	2011 £	£
<b>Current assets</b>					
Debtors	4	10,802,228		10,803,928	
Creditors, amounts falling due within one year	5	<u>(2,544,118)</u>		<u>(2,544,118)</u>	
<b>Total assets less current liabilities</b>			8,258,110		8,259,810
<b>Provisions for liabilities</b>	6		(1,960)		(1,960)
			<u>8,256,150</u>		<u>8,257,850</u>
<b>Capital and reserves</b>					
Called up share capital	7	26,000,000		26,000,000	
Share premium account	8	1,259,260		1,259,260	
Profit and loss account	8	<u>(19,003,110)</u>		<u>(19,001,410)</u>	
<b>Shareholders' funds</b>			<u>8,256,150</u>		<u>8,257,850</u>

For the financial year ended 31 December 2012 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies

### Director's responsibilities

- The member has not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476,
- The director acknowledges his responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the Director on 10 May 2013

Rufus Laycock

Rufus Laycock  
Director

Company Registration No. 00031754

# DAVY PROPERTY HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

---

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

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

##### **Basis of preparation**

These financial statements have not been prepared on a going concern basis. The background and reason for this basis of preparation are explained below.

The TH Global Group (the "Group") in which the Company is a wholly owned subsidiary is facing significant challenges to continue the work-out on a solvent basis. In addition to the pre-existing and pervasive uncertainty of the work-out (see further background and explanation below), the Group faces a number of specific and significant legacy and litigation issues in which the outcome is uncertain and where the nature and magnitude of an adverse outcome puts at risk the solvency of the Group (and the Company) and the planned outcome of the work-out. The objectives of the work-out have been and remain to achieve: a solvent outcome for third party creditors, and, an orderly winding up of constituent entities including the Company. In this context, the Director of the Company considers that it is not appropriate to adopt the going concern basis of preparation for these financial statements but has sought to present assets and liabilities on a break up basis other than when it is impracticable to do so (see below).

##### **Background - the Work-Out**

The Group is engaged in a work-out process. The work-out is a financial and organisational restructuring whose objective is to resolve outstanding disputes and liabilities, in the best interests of creditors and shareholders.

The Group discharges a range of legacy responsibilities including significant liabilities and costs related to historic issues, such as historic contractual liabilities, historic pensions liabilities, environmental liabilities, industrial injury compensation claims, overseas taxation claims and sundry other liabilities. The Group's primary objective is to wind-up these legacy responsibilities as soon as practicable consistent with achieving best value for money. Since 1 April 2005, while in a number of instances, realisations have exceeded the initial budget expectations and certain legacy issues and liabilities have been resolved more favourably than initially budgeted, conversely, there have been a number of liabilities that have resulted in an increased exposure and further unknown and unforeseen legacy issues have arisen.

##### **Material uncertainties and risks inherent in the work-out**

From the outset, the work-out has been subject to significant issues indicating material uncertainties and risks which give rise to significant doubt on the Group's ability to continue to facilitate and manage the work-out if actual results were to differ materially from those anticipated. These uncertainties relate to

- whether the outcome of a number of existing claims including industrial disease compensation claims (incurred and incurred but not reported) and overseas taxation claims will be as estimated,
- whether the settlement consideration in relation to the Group's outstanding liabilities will be within the expected range and timing, these substantial outstanding liabilities include external borrowings, environmental liabilities in the US, US pensions, industrial disease compensation claims and other legacy issues which have not yet been resolved, and
- whether the actual consideration received upon disposal of the remaining Group's assets will be as estimated.

# DAVY PROPERTY HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

### 1 Accounting policies

(continued)

#### **Restructuring of liabilities under material borrowings and US pension plan**

During 2011, the Group Directors identified the need to restructure two of the Group's principal third party liabilities, being, (1) liabilities under a US defined benefit pension plan (the "US Pension Plan") and (2) pending and prospective default under material borrowings and onerous present and future interest payments attaching to those borrowings (the "Material Borrowings"), if the work-out was to continue on a solvent basis

In June 2012, the Group carried out a restructuring of its liabilities under the Material Borrowings and the US Pension Plan which relieved companies within the Group of liability for the Material Borrowings and from contributions to the US Pension Plan and also relieved companies within the Group from present and potential recourse in respect of those liabilities and contributions. The Material Borrowings have been settled through the issue of preferred equity securities to the Material Borrowings holders. As described below, the relief from contributions to the US Pension Plan is an interim solution while work continues to achieve a permanent transfer of legal liability

#### **Significant financial challenges to the continuation of the work-out on a solvent basis**

The principal significant challenges to continue the work-out on a solvent basis are (1) to achieve a permanent settlement for liabilities under the US Pension Plan and, (2) an overseas (Finland) tax dispute where the additional tax assessed in respect of a prior period transaction exceeds the relevant subsidiary's ability to satisfy it and where a final and binding demand could cause the bankruptcy of the subsidiary and, in view of the level of intercompany indebtedness within Group subsidiaries, could have a domino effect resulting in the insolvency of other Group subsidiaries including this company and, possibly, of the Group

The Group Directors' assessment of the outcome of these two legacy issues is as follows

#### **Liabilities under a US defined benefit pension plan**

The Group Directors have a reasonable expectation that discussions to permanently exit the US Pension Plan will yield a solution on acceptable terms. Under the restructuring carried out in June 2012, the existing third party guarantor of the required minimum contribution to the US Pension Plan confirmed its capacity and willingness to meet its financial commitments under the guarantee and further, the guarantor has released its right to reimbursement and indemnity from Group companies. The Group and the guarantor intend (subject to agreement with all relevant parties and approval from regulatory bodies on acceptable terms) that the guarantor will legally assume the Group's liabilities under the US Pension Plan without recourse to the Group. As with any company placing reliance on a third party to meet its guaranteed obligations, the Group Directors acknowledge that there can be no absolute certainty of the fulfilment of the guaranteed obligations, however, at the date of these financial statements the Group Directors have no reason to believe that the third party will not do so

#### **Tax dispute in Finland**

In March 2012, the Helsinki Administrative Court found against one of the Group's Finnish subsidiaries in a claim by the Finnish State Tax Auditor that additional tax was payable in respect of an asset disposal in 2004. The additional tax demanded including interest and penalties is EUR 24.1 million. The Group is seeking permission to appeal that decision to the Finnish Supreme Administrative Court. The outcome of the application to appeal will probably not be known before late Spring/early Summer 2013. During May 2012, the Group made its application to appeal and in accordance with Finnish procedures simultaneously submitted its appeal

The Group has received advice from three leading law firms in connection to the appeal regarding the chances for the appeal application to be permitted. All three law firms think that it is more likely than not that permission will be given to appeal and that the appeal will be successful.



# DAVY PROPERTY HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

---

### 1 Accounting policies

(continued)

However, given the nature of this claim and the previous unfavourable judgement in the lower court the Group Directors and the Director of the Company recognise that the outcome of the application to appeal and, if permission is given to appeal, the ultimate favourable resolution of this tax claim, must be treated as subject to uncertainty. As explained elsewhere in these financial statements, an adverse outcome in the application to appeal and, if permission is given to appeal, in the appeal itself will have a material adverse impact on the Group.

#### **Continuation of work-out on a solvent basis**

Since 1 April 2005, the Group Directors and the Director of the Company have worked diligently to forge the best possible outcome for the Group and its various stakeholders through the facilitation and management of an orderly work-out and settlement of legacy liabilities.

The Group Directors and the Director of the Company recognise and report that the current situation and outlook presents significant challenges in terms of the magnitude of material uncertainties that cast significant doubt upon the Group's ability to continue the work-out on a solvent basis.

If the settlement or resolution of the two legacy liabilities identified above is not forthcoming on acceptable terms and/or if the guarantor of the required minimum contribution to the US Pension Plan is unable to meet its guaranteed obligation then that non-success/non-fulfilment of guarantee obligations would immediately trigger a need to re-examine the Group's ability to continue the work-out on a solvent basis and the Group and the Company may have to consider, among other things, formal insolvency proceedings. The failure of the appeal in the Finnish tax dispute would have the same effect.

The Group Directors believe that the Group will have sufficient liquidity to satisfy its needs for the period of the appeal in the overseas tax dispute subject to the guarantor of the funding obligations to the US Pension Plan fulfilling its guaranteed obligations.

In addition to the liabilities under a US defined benefit pension plan and the tax dispute in Finland, the Group has exposures to other legacy issues relating to historical contractual liabilities, historical pensions liabilities, environmental liabilities, industrial injury compensation claims, overseas taxation claims and sundry other liabilities. Although less significant individually, the Group's obligations regarding some of these other legacy issues are expected to continue for more than 5 years and thus are expected to substantially deplete the group resources over time. As noted elsewhere, the objective of the work-out is to resolve outstanding disputes and liabilities in the best interests of creditors and shareholders as soon as practicable. The Group explores options that may be available to resolve these long tail liabilities.

After thoughtful and careful consideration, based on their expectations stated above, combined with their forecasts and assumptions relating to the outcome of claims, values and timings of expected legacy liability settlements and disposal of remaining assets, the Group Directors and the Director of the Company consider that the work-out remains ultimately viable subject to a permanent settlement solution for the US Pension Plan being forthcoming and the successful appeal in the Finnish tax dispute and therefore they consider it is appropriate to continue the work-out for the time being in order to provide the opportunity for the resolution of those two legacy issues on acceptable terms. The Group Directors and the Director of the Company consider that through the continuation of an orderly work-out within the current structure the Group is best able to fulfil its objective of achieving a return for stakeholders in excess of that which could be achieved under an insolvent winding up. The Group Directors and the Director of the Company note that, given the interconnectedness of the subsidiaries within the Group, the outcome of an insolvent winding up of the Group for any stakeholder is extremely unpredictable and uncertain.

# DAVY PROPERTY HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

---

### 1 Accounting policies

(continued)

#### **Carrying values of intercompany receivables**

The Director of the Company has concluded that the fundamental uncertainties mentioned above regarding financial effects of the ultimate outcome of the work-out process facing the Group of which the Company is a part, together with the resulting uncertainty that brings to the expected settlement of the intercompany receivables, renders, at this time, assessing the recoverable amount of these items impracticable. This is due to the, possibly insoluble, complications of the exercise as a result of the group structure and the uncertainties along with the unjustifiable cost of any attempt to carry out the exercise.

In preparing these financial statements, the Director of the Company has therefore recognised the intercompany receivables at original nominal value except for certain specific impairments recognised in prior years. If the assessment of recoverable amounts could have taken the implications of the work-out into account significant additional impairments against intercompany receivables may well be required.

#### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### **1.3 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

### 2 Director's emoluments

The Director is remunerated by TH Group Services Limited, a fellow subsidiary undertaking, for his services to the Group. Because of this, the director's emoluments are disclosed in TH Group Services Limited. It is not practical to allocate his remuneration between Group companies.

# DAVY PROPERTY HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

3 Taxation	2012 £	2011 £
<b>UK Corporation Tax</b>		
Total current tax and tax on profit from ordinary activities	-	-
<b>Total current tax</b>	<b>-</b>	<b>-</b>

### Factors affecting the current tax charge

The tax assessed for the year is higher than (2011 lower than) the standard rate of corporation tax in the United Kingdom. The reconciliation is as follows:

Loss on ordinary activities before taxation	(1,700)	7,590
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.5% (2011 - 26.5%)	(417)	2,011
Effects of:		
Expenditure not deductible for tax	417	-
Utilisation of losses brought forward	-	(2,011)
	417	(2,011)
Current tax charge for the year	-	-

### Factors affecting future tax charges

It is anticipated that any future taxable income in this company will be sheltered from tax by utilisation of group relief from other Group companies, and, where possible, the use of the Group's tax losses arising in prior years.

There is no potential liability to deferred taxation (2011: £nil).

4 Debtors	2012 £	2011 £
Amounts owed by fellow subsidiary undertakings	10,802,228	10,803,928

Details of fundamental uncertainties relating to the carrying values of intercompany receivables have been disclosed in Note 1 of these financial statements.

# DAVY PROPERTY HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

<b>5 Creditors: amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
	£	£
Amounts owed to fellow subsidiary undertakings	<u>2,544,118</u>	<u>2,544,118</u>
<b>6 Provisions for liabilities</b>		<b>Other</b>
		£
Balance at 1 January 2012 & at 31 December 2012		<u>1,960</u>
<p>The provision represents the anticipated costs of winding-up the legacy responsibilities of the Company</p> <p>As a past employer and operator of engineering businesses, the Company is the recipient of industrial injury and disease claims submitted by former employees. On the various legal and financial restructurings which occurred in the former Kvaerner group the Company retained responsibility in the great majority of cases for industrial injury and disease claims resulting from its former activities. Claims do not arise until many years after the relevant employment ceased (medical conditions may not develop until much later). The nature of these industrial diseases - their causation, progress and latency periods, is such that it is neither possible to know with any certainty the timing of the submission of claims nor to measure with any reliability the number of future claims and the cost of settlement. The Company provides for the estimated cost of incurred claims less insurance recoveries. Where it is not possible to make a reasonable estimate, no provision is made. No provision is made in respect of claims not yet received and verified. The future receipt and settlement of these claims could result in additional liabilities.</p>		
<b>7 Share capital</b>	<b>2012</b>	<b>2011</b>
	£	£
<b>Allotted, called up and fully paid</b>		
104,000,000 ordinary shares of 25p each	<u>26,000,000</u>	<u>26,000,000</u>
<b>8 Statement of movements on reserves</b>		
	<b>Share premium account</b>	<b>Profit and loss account</b>
	£	£
Balance at 1 January 2012	1,259,260	(19,001,410)
Loss for the year	-	(1,700)
Balance at 31 December 2012	<u>1,259,260</u>	<u>(19,003,110)</u>

# DAVY PROPERTY HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

---

### **9 Control**

In the opinion of the director there is no ultimate controlling party

### **10 Related party relationships and transactions**

#### Identity of related parties

The Company has related party relationships with member companies of the same group and with its directors

#### Transactions between related parties

The related party transactions with member companies of the same group relate solely to intercompany debt and intercompany account receivables. The Company has taken advantage of the exemptions in the FRSSE from disclosing transactions entered into with two or more members of the Group

The transactions arising from the related party relationships with the Directors relate solely to the compensation for their management services to the Group. See Note 2 (Director's emoluments) for further information