

**BRITANNIA  
ARROW  
HOLDINGS  
LIMITED**

**Report and Accounts  
1977**



# Britannia Arrow Holdings Limited

## Report and Accounts 1977

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# Britannia Arrow Holdings Limited

## Notice of meeting

NOTICE IS HEREBY GIVEN that the Forty-third Annual General Meeting of Britannia Arrow Holdings Limited will be held at The Abercorn Rooms, Great Eastern Hotel, Bishopsgate, London EC2N 7QM, on Wednesday, 14th June, 1978, at 12 noon for the following purposes:—

- 1 To receive and consider the statement of accounts for the year ended 31st December, 1977, and the Reports of the directors and auditors thereon.
- 2 To elect directors.
- 3 To re-appoint the auditors and authorise the directors to fix the remuneration of the auditors.

By Order of the Board

D. J. G. WHITE

Secretary



17th May, 1978.

### Notes:

- 1 Holders of ordinary and preference shares are entitled to attend or to be represented at the meeting. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. Such proxy need not be a member of the Company. A form of proxy is enclosed.
- 2 To be effective, the form of proxy, duly completed, must be lodged with the Company at the offices of its Registrars, Midland Bank Limited, Registrar's Department, Courtwood House, Silver Street Head, Sheffield S1 1AY, or at the Registered Office of the Company, not less than forty-eight hours before the meeting.
- 3 No service contract exists with any director which is not determinable by the Company or its subsidiaries within one year without payment of compensation.

# Britannia Arrow Holdings Limited

<b>Directors</b>	Rt. Hon. G. Rippon, Q.C., M.P. (Chairman) K. P. Ney, F.C.A. (Deputy Chairman) B. Banks (Managing Director) M. H. Newman, A.C.A. L. Sherwood
<b>Secretary</b>	D. J. G. White, A.C.I.S.
<b>Registered Office</b>	3 London Wall Buildings, London Wall, London EC2M 5QL
<b>Registered Number</b>	308372 England
<b>Auditors</b>	Arthur Young McClelland Moores & Co., Chartered Accountants
<b>Bankers</b>	National Westminster Bank Limited The Royal Bank of Scotland Limited Hambros Bank Limited
<b>Solicitors</b>	Clifford-Turner D. J. Freeman & Co.
<b>Registrars</b>	Midland Bank Limited, Registrar's Department, Courtwood House, Silver Street Head, Sheffield S1 3RD.

# Britannia Arrow Holdings Limited

## Chairman's statement

When I became Chairman of your Company last December it was at a time when it was possible to see light at the end of what has been a long dark tunnel. I must, therefore, begin by paying tribute to my predecessor, Sir James Goldsmith, who with the help of distinguished colleagues has been mainly responsible for the survival of your Company in its present form. I feel that our thanks are due also to the employees of the Company who have steadfastly and efficiently carried out their responsibilities in difficult times. As a result, and on the basis that in the course of the last two years the main difficulties have been substantially resolved, it is now possible to envisage a period of consolidation and growth. It would be idle to pretend that all our problems are behind us since some uncertainties remain, but I hope that these will be resolved during the current year.

As anticipated the Group continued to trade at a loss in 1977 and the outcome for the year showed a trading loss of £3.2 million. However, this loss was largely offset by extraordinary items the most important of which were gains made on the disposal of assets which were not achieving an adequate return, together with the write back of part of the provision against investment property values. The net effect was a reduction in the Group's net assets from £13.1 million to £12.1 million.

You will see from the Report of the directors that since the year end we have disposed of our insurance subsidiaries. This was in many ways a difficult decision since there has been a substantial improvement in the fortunes of the Life Funds over the past two years. However, further expansion of the insurance company would have involved the commitment of substantial development funds and the prospect of your Company receiving worthwhile dividends from this division in the foreseeable future was remote. Accordingly, although the proceeds of the sale were £750,000 less than the book value of the insurance interests, the improvement in our income on re-investment will be immediate and, in our view, justifies the decision to sell. A considerable proportion of the sums received from this and other sales will be used to buy in the still substantial outstanding overseas loans whenever this can be done on suitable terms, thus reducing our currency exposure.

On the property front it is encouraging that sales during the year, coupled with a general upswing in property values, have enabled the directors to write back the greater part of the remaining provision for losses on disposal of investment properties. The provision for losses on dealing properties is considered adequate. All developments still in hand at the beginning of 1977 have now been completed and the drain on the Group's Profit and Loss Account has been stemmed. It is hoped that the majority of the remaining properties and sites will be disposed of at approximately their book values during the next twelve months, except that we currently intend to retain the Group's important leasehold interest in our former headquarters in St. Paul's Churchyard, in view of the attractive return on our investment.

The investment management division of the Group enjoyed generally good operating conditions during 1977 and the profit exceeded expectations. On the unit trust management side funds managed reached a peak in September of £217 million and it was encouraging that the sales of units showed a marked improvement compared with the previous two years. The unit trust management company has concentrated on developing its business through professional advisers such as insurance brokers, stockbrokers, solicitors and accountants and indications are that the benefits of this policy are already being seen in the form of a more consistent level of unit sales. However, the recent decision by the Department of Trade not to allow unit trust management companies to increase charges was a disappointment and can only lead to increasing pressures on profitability. We continue to promote our services relating to the management of private client and pension fund portfolios which has resulted in an inflow of both clients and funds under management. Stock market conditions in 1978 have, so far, been

# Britannia Arrow Holdings Limited

## Chairman's statement (continued)

mixed and profits of the investment management division are currently running at a lower level than those achieved in the more buoyant conditions of 1977.

For the future our priority is to achieve a much higher rate of return on our assets. This in turn should return the Group to profitability and it will then be possible to recommence payment of dividends starting with the arrears of preference dividends. However, we could not make such payments regardless of how much cash is available until they are covered by current profits. It is too early to make a firm prediction as to when this will be achieved but your Board is firmly resolved to work towards the resumption of the payments of both preference and ordinary dividends as soon as possible.



GEOFFREY RIPPON,  
Chairman.

10th May, 1978.

# Britannia Arrow Holdings Limited

## Report of the directors

The directors present their annual report and the audited accounts for the year ended 31st December, 1977.

### Change of Name

The Company, which was formerly known as Slater, Walker Securities Limited, changed its name to Britannia Arrow Holdings Limited on 16th September, 1977.

### Activities of the Company and its Subsidiaries

The Company is a holding company, whose principal operating subsidiaries and their activities are set out in Note 15 on page 27.

### Group Results

The consolidated profit and loss account is set out on page 11 and shows the Group results for the year ended 31st December, 1977.

An analysis by activity of the results before exceptional and extraordinary items and taxation is given below:—

1976 £'000		1977 £'000
1,481	Investment management	1,678
96	Investment dealing—net profit	258
1,295	Investment income	792
(3,585)	Property	(4,453)
1,816	Commercial banking	—
105	Insurance	—
<u>1,208</u>		<u>(1,725)</u>
(5,422)	Overhead expenses, interest on unsecured loan stocks and currency borrowings less net interest received	(1,437)
<u>(4,214)</u>	Loss before exceptional and extraordinary items and taxation	<u>(3,162)</u>
Details of exceptional and extraordinary items and of taxation, which must also be taken into account, are shown in the Notes to the accounts. A geographical analysis of the above results is as follows:—		
(3,042)	United Kingdom and Channel Islands	(3,162)
(1,327)	Europe	—
155	North America	—
<u>(4,214)</u>		<u>(3,162)</u>

### Dividends

No preference dividend has been paid or provided since 1st December, 1975 and at 31st December, 1977, the arrears of preference dividends totalled £337,037. It is not proposed, at this time, to pay the preference dividend due on 31st May, 1978 nor any cumulative arrears. No interim ordinary dividend has been declared for the year ended 31st December, 1977 and no final ordinary dividend is proposed for that year.

# Britannia Arrow Holdings Limited

## Report of the directors (continued)

### Directors and Directors' Interests

On 9th November, 1977 Mr. D. J. Thomason and Mr. D. Leca retired by rotation at the Annual General Meeting of the Company and did not offer themselves for re-election.

On 5th December, 1977 Sir James Goldsmith resigned as Chairman and as a director, together with Mr. C. D. MacInnes, Mr. R. E. Whitten, Mr. C. E. A. Hambro, Mr. P. D. Hill-Wood, Mr. I. G. Kennington and Lord Rothschild. On the same day the Rt. Hon. Geoffrey Rippon was appointed Chairman and Mr. K. P. Ney, Mr. M. H. Newman and Mr. L. Sherwood were appointed directors. In addition, Mr. B. Banks, who was a director throughout 1977, was appointed Managing Director.

In accordance with the Articles of Association, the Rt. Hon. Geoffrey Rippon, Mr. K. P. Ney, Mr. M. H. Newman and Mr. L. Sherwood hold office until the conclusion of the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The directors and their immediate families were beneficially interested in the following shares and options of the Company at 31st December, 1977. Their interests at 1st January, 1977 or date of appointment if later, are shown in brackets.

	Ordinary shares fully paid	Options to subscribe for ordinary shares	Ordinary shares partly paid	Ordinary shares fully paid with restricted rights (Note 5(d))
Rt. Hon. G. Rippon	10,000( — )	—( — )	—( — )	—( — )
B. Banks	5,025(5,025)	18,688(18,688)	—(20,000)	—(6,666)
M. H. Newman	—( — )	18,900(18,900)	—( — )	—( — )
K. P. Ney	10,000( — )	—( — )	—( — )	—( — )

Mr. L. Sherwood had no interest in the shares and options of the Company either at 5th December, 1977, the date of his appointment, or at 31st December, 1977. The directors and their immediate families had no other interests, beneficial or non-beneficial, in the share capital, options or warrants of the Company or of any of its subsidiaries at 1st January, 1977 and 31st December, 1977.

On 1st November, 1977, Mr. B. Banks paid up the outstanding balance on 20,000 partly paid shares held by him, thereby releasing the restrictions on 6,666 bonus shares, and sold all of these shares through the market on the same date.

There have been no changes in the interests shown above between 31st December, 1977 and 17th May, 1978, the date of this report.

### Material Interests of Directors in Contracts

At 31st December, 1977 the Group held £4 million nominal 12% non-convertible unsecured loan stock 1979/81 of Wigham Poland Holdings Limited ("WPH") of which Sir James Goldsmith and Mr. L. Sherwood are directors. Anglo-Continental Investment & Finance Company Limited ("Anconif"), a company of which Mr. Sherwood is a director, and in which Sir James Goldsmith has an indirect interest, holds 63.6 per cent. of the issued share capital of Wigham Poland Holdings Limited.

On 5th May, 1978, WPH redeemed the loan stock in full at par. Under the terms of an agreement dated 2nd January, 1975 for the purchase of this loan stock from Anconif, £500,000 became payable to the latter on the redemption of the loan stock. This amount has been paid together with a further £100,000 in consideration of the release by Anconif from the Group's obligation to refund to the latter the differential between the current market rate of interest and the fixed rate of 12 per cent. The overall effect of these transactions is the net receipt of £3.4 million, which is the value attributed to the investment in these accounts.

The Group has paid fees, details of which are set out in Note 2 (c), to Banque Occidentale pour l'industrie et le commerce S.A. ("BOIC"), Hambros Bank Limited ("Hambros"), and N. M. Rothschild & Sons Limited ("Rothschilds"). Sir James Goldsmith is a director of BOIC; Mr. C. E. A. Hambro, Mr. P. D. Hill-Wood and Mr. D. J. Thomason are directors of Hambros; Lord Rothschild and Mr. I. G. Kennington are directors of Rothschilds. None of these directors received emoluments from the Group during the year.



# Britannia Arrow Holdings Limited

## Report of the directors (continued)

Save as disclosed above, no director has any interest in any assets, which since 31st December, 1977 have been or are proposed to be acquired by, disposed of or leased to or by the Company or any subsidiary.

Save as aforesaid, no contracts of significance in relation to the Company's business, in which directors of the Company were materially interested, subsisted at any time during the financial year.

### Substantial Interests

The Company has received no notification that any person is interested in 5% or more of the ordinary share capital of the Company.

### Share and Loan Capital

Changes during the year are shown in Note 5.

During the year a scheme for the redemption and cancellation of the sterling loan stocks was effected.

### Reserves

Changes during the year are shown in Note 6.

### Post Balance Sheet Events

On 13th April, 1978, the sale of the Group's insurance subsidiaries for a total consideration of £5.25 million was completed. Accordingly, the amount at which the investment in these subsidiaries (which are not consolidated for the reasons given in Note 1 (b)) is stated in the consolidated balance sheet at 31st December, 1977, has been adjusted to the consideration subsequently received and the loss thus arising has been charged, as an extraordinary item, in the consolidated profit and loss account for the year ended 31st December, 1977.

### Property

Although all proposed developments have now been completed, your directors have decided that the expense of an independent professional valuation is not justified as they hope to sell certain of the investment properties in the near future. The most significant of those being retained is the leasehold interest in the former head offices of the Group in St. Paul's Churchyard, London, EC4, which is currently the subject of a rent review. They have reviewed the value of the Group's portfolio at 31st December, 1977 and the balance of the general provision set up in 1975 and have decided that the greater part of this balance is no longer required. Accordingly an amount of £3 million has been released and has been credited in the profit and loss account under extraordinary items, leaving the provision at £641,569.

No adjustment was considered necessary to the provision for losses on disposal of properties held for resale set up in 1975, the balance of which, at 31st December, 1977, stood at £1.7 million.

### Investment Management Subsidiaries

At 31st December, 1975 the directors valued the Unit Trust Management Contracts at £5 million on an open market basis. The directors do not consider that the valuation should be changed.

### Employees

The average number of persons employed in the United Kingdom during the year, by companies within the Group at 31st December, 1977, was 246 and their aggregate remuneration for the year was £1,446,000. At 26th April, 1978, following the sale of the insurance subsidiaries, the Group employed 90 people.

### Political and Charitable Donations

No contributions were made by the Group for political or charitable purposes during the year.

# Britannia Arrow Holdings Limited

## Report of the directors (continued)

### Taxation

(a) The market valuation of Britannia Arrow Holdings Limited shares on 5th April 1965, for the purpose of capital gains tax, after taking into account the one-for-three capitalisation issues of ordinary shares in April, 1966, February, 1968, June, 1969, and July, 1972, was:—

Ordinary shares of 25p each	27.39p
Cumulative Preference shares of £1 each	68.75p

(b) The Company does not fall within the close company provisions of the Income and Corporation Taxes Act 1970.

### Auditors

A resolution to re-appoint Arthur Young McClelland Moores & Co. as auditors will be put to the Members at the Annual General Meeting.

### Disposal of Insurance Subsidiaries

The following supplementary information is included in compliance with the requirements of The Stock Exchange, London, in connection with the disposal referred to above, of the Group's insurance interests:—

*Borrowings of the Group as presently constituted:* At 26th April, 1978 (being the latest practicable date before the printing of this Report) borrowings, consisting of bank overdrafts, amounted to £2,860,000 (31st December, 1977 £2,689,000). There were no liabilities under acceptances, acceptance credits, mortgages, charges or hire purchase commitments. The position on loans is set out in Note 7 to the Report and Accounts for the year ended 31st December, 1977, whilst the position concerning guarantees and contingent liabilities remains as described in Note 12 thereto. Inter-company liabilities have been disregarded in arriving at the above total.

*Working Capital:* In the opinion of the directors the Group has sufficient working capital available for its present requirements.

*Expenses of sale* are estimated at £40,000

*Litigation and Claims:* The directors are not aware of any litigation or claims of material importance pending or threatened against the Company or any of its subsidiaries.

### Material Contracts:

1. By an agreement dated 22nd March, 1978 made between Britannia Arrow Holdings Limited, Arrow Insurance (Holdings) Limited ("AIH"), Gulf & Western Holdings Limited, Providence Capitol International Insurance Limited and Gulf & Western B.V., AIH agreed to sell the whole of the issued share capital of Arrow Life Assurance Company Limited and Britannia Life Association (C.I.) Limited for the sum of £5.25 million in cash. This agreement was completed on 13th April, 1978.
2. By agreements dated 6th July, 1977 made between Britannia Arrow Holdings Limited ("BAH"), The Governor and Company of the Bank of England and Slater, Walker Limited, BAH agreed to sell the whole of the issued share capital of Slater, Walker Limited together with various other property and investment assets for a total consideration of £18,364,000 in cash. This agreement was completed on 1st September, 1977.

# Britannia Arrow Holdings Limited

## Report of the directors (continued)

*Documents:* Copies of the following documents will be available for inspection at the offices of Clifford-Turner, Blackfriars House, 19 New Bridge Street, London EC4V 6BY, during normal business hours on weekdays (Saturdays and public holidays excepted) up to and including 14th June, 1978:—

- (i) Report and Accounts of the Company for the year ended 31st December, 1976;
- (ii) Explanatory Circular and Report and Accounts of the Company for the year ended 31st December, 1975;
- (iii) Memorandum and Articles of Association of the Company;
- (iv) Material contracts as listed above.

By Order of the Board,

D. J. G. WHITE,

Secretary.



17th May, 1978.

# Britannia Arrow Holdings Limited

## Report of the auditors

to the members of  
Britannia Arrow Holdings Limited

We have examined the accounts set out on pages 11 to 28 which have been prepared under the historical cost convention as modified by the revaluation of certain assets.

As explained in the Report of the directors no independent professional valuations have been obtained of the Group's property portfolio or the Unit Trust Management Contracts and we are not able to express an opinion on the amounts at which these are stated in the accounts.

In our opinion, subject to this reservation, the accounts give, under the accounting convention stated above and so far as concerns members of Britannia Arrow Holdings Limited, a true and fair view of the state of affairs at 31st December, 1977, and of the loss and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.



Arthur Young McClelland Moores & Co.,  
Chartered Accountants.

London.

17th May, 1978.

# Britannia Arrow Holdings Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1977

1976 £		Note	£	£
(4,213,593)	Loss of the Company and its subsidiaries	2 (b)		(3,161,952)
<u>(984,476)</u>	Exceptional items	2 (c)		<u>(558,283)</u>
(5,198,069)				(3,720,235)
<u>354,366</u>	Taxation	3		<u>(36,770)</u>
(4,843,703)				(3,757,005)
<u>49,797</u>	Minority interests			<u>(203)</u>
(4,793,906)	Loss before extraordinary items			(3,757,208)
	Extraordinary items:			
(23,999,485)	Resulting from proposals adopted on 26th August, 1977 11			
<u>1,244,668</u>	Other	2 (d)	<u>2,666,445</u>	<u>2,666,445</u>
<u>£(27,548,723)</u>	Net loss for the year			<u>£(1,090,763)</u>
(6.62p)	Basic loss per ordinary share of 25p	4		(5.23p)

The notes on pages 17-28 form part of these accounts.

# Britannia Arrow

## CONSOLIDATED BALANCE

1976			Note		
£	£			£	£
22,093,685		Share Capital	5		22,170,617
23,262,003		Share Premium Account	6 (a)		23,253,748
(32,240,262)		Accumulated Losses	6 (b)		(33,331,025)
<u>13,105,426</u>					<u>12,093,340</u>
49,968,124		Loans	7		25,798,043
18,263		Minority Interests			12,719
600,000		Deferred Taxation	3		—
		<b>Current Liabilities</b>			
	25,561,590	Creditors and short-term loans		10,217,012	
	1,436,255	Current taxation		843,204	
	1,193,958	Bank loans and overdrafts		2,689,003	
28,191,803	<u>1,193,958</u>			<u>2,689,003</u>	13,749,219
<u>£91,883,606</u>					<u>£51,653,321</u>

The notes on pages 17-28

# Holdings Limited

STATEMENT OF FINANCIAL POSITION AT 31st DECEMBER, 1977

1976			Note	£	£
£	£				
29,001,843		<b>Fixed Assets</b>	8		10,505,539
6,000,000		<b>Insurance Subsidiaries</b>	9		5,250,000
		<b>Investments</b>			
	1,389,078	Listed in United Kingdom:		551,487	
		Market Value <b>£991,703</b>			
		(1976: £1,172,252)			
	3,846	Listed outside United Kingdom:		3,212	
		Market Value <b>£8,832</b>			
		(1976: £6,800)			
	4,700,250	Unlisted:		3,760,695	
		Directors' Valuation <b>£3,748,872</b>			
		(1976: £4,728,791)			
6,093,174					4,315,394
		<b>Current Assets</b>			
	15,848,328	Debtors		12,049,259	
	1,833,310	Taxation recoverable		595,457	
	8,899,429	Properties held for resale		2,654,344	
	609,632	Investments:	10	—	
		(Market Value 1976: £609,632)			
	19,412,161	Bank balances and cash		16,283,328	
46,602,860					31,582,388
		<b>Net Amount Receivable resulting from proposals adopted on 26th August, 1977</b>	11		
4,185,729					
		G. RIPPON			
		M. H. NEWMAN			
<u>£91,883,606</u>					<u>£51,653,321</u>

-28 form par. of these accounts.

## COMPANY BALANCE SHEET

1976			Note		
£	£			£	£
22,093,686		Share Capital	5		22,170,617
23,252,003		Share Premium Account	6 (a)		23,253,748
(32,240,262)		Accumulated Losses	6 (b)		(33,331,025)
13,105,426					12,093,340
11,752,953		Loans	7		10,432,968
600,000		Deferred Taxation	3		—
		<b>Current Liabilities</b>			
	1,970,338	Creditors		1,372,614	
	728,169	Current taxation		297,735	
2,699,731	1,224	Bank overdraft		—	1,670,349
<u>£28,158,110</u>					<u>£24,196,657</u>

The notes on pages 17—28



ET AT 31st DECEMBER, 1977

17-28 form part of these accounts.

# Britannia Arrow Holdings Limited

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st DECEMBER, 1977

1976		1977	
£'000	£'000	£'000	£'000
<b>Source of Funds</b>			
	18,604	24,681	
	26,314	—	
	1,344	—	
46,262	—	78	24,659
<b>Funds Absorbed by Operations</b>			
	(4,844)	(3,757)	
	546	—	
	349	177	(3,580)
(3,949)	—	—	21,079
42,313	—	—	—
<b>Other Source and Applications of Funds</b>			
	(18,901)	(21,913)	
	(14,622)	(3,330)	
	(22,128)	—	
	(266)	—	
	600	(600)	(25,843)
(55,317)	—	—	(4,764)
(13,004)	—	—	—
<b>Decrease in Working Capital</b>			
	(7,051)	(9,223)	
	5,515	4,645	
	(3,063)	(6,245)	
	(10,072)	11,292	
	1,667	(5,233)	(4,764)
(13,004)	—	—	—

The notes on pages 17—28 form part of these accounts.

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### (a) Basis of Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries, other than six wholly-owned insurance companies, which have been dealt with on the basis described below.

The loss before taxation includes the results of any subsidiaries acquired during the year from the effective dates of their acquisition (none in 1977). Only dividends received are included in respect of companies which ceased to be subsidiaries during the year. The excess of cost of shares in subsidiaries acquired over their attributable net tangible assets is debited to reserves.

#### (b) Insurance Subsidiaries

The directors are of the opinion that the business of these wholly-owned subsidiaries is so different from that of the rest of the Group that it would not be meaningful to include them in the consolidated accounts. These subsidiaries are accordingly included in the consolidated balance sheet at cost less amounts written off. Since the year end the sale of all these subsidiaries has been completed.

The accounts of these subsidiaries are prepared on the basis authorised for insurance companies and their combined balance sheets and profit and loss accounts are summarised in Note 9.

#### (c) Investments

The investments stated at cost less amounts written off in the consolidated balance sheet are those held by investment companies and are, in the main, the Group's long-term holdings. Profits and losses arising on the disposal of long-term investments have been included under extraordinary items in the consolidated profit and loss account and further details of these, together with profits and losses on the disposal of holdings in subsidiary companies, are set out in Note 2 (d).

Investments held as current assets are stated at the lower of cost and net realisable value. These are held by dealing companies and are generally held for the short term. Realised profits or losses on sales of these investments are taken to the profit and loss account. No such investments were held at the end of 1977.

Should the policy in respect of a particular holding be changed, the resulting transfer between investment and dealing companies is made at market price and any unrealised profit is eliminated on consolidation.

#### (d) Depreciation

No depreciation is provided on freehold and long leasehold properties, which is not in accordance with the International Accounting Standard on depreciation, or on Unit Trust Management Contracts. All other fixed assets are written off over their estimated useful lives on a straight line basis.

#### (e) Foreign Currencies

Assets and liabilities in foreign currencies are converted at the rates of exchange ruling on the balance sheet date.

Gains and losses on revenue transactions in foreign currencies are included in the profit and loss account and those arising on capital transactions and on translation into sterling of the accounts of overseas subsidiaries are shown in the profit and loss account under extraordinary items.

#### (f) Property

##### (i) Investment Property

Investment properties in the course of development, or held with that intention, are included as fixed assets (see Note 8) and are stated at their original cost plus directly attributable expenditure to date including interest (net of tax relief where available). When a building has been completed and substantially let, interest and other expenses are charged to revenue. Whilst this remains the Group's policy the directors do not consider that any of the investment properties held at 31st December, 1977, still met the criteria of 'being in the course of development or held with that intention'. Accordingly interest incurred in 1977 in respect of all investment properties has been written off in the profit and loss account.

Surpluses arising from revaluations are credited directly to reserves whilst deficits on revaluations are shown in the profit and loss account under extraordinary items. No property revaluations have occurred during the year.

Profits and losses on disposal of investment properties, other than the two referred to in Note 11, are credited/debited to a general provision set up in prior years. The directors have reviewed the value of the Group's portfolio at 31st December, 1977, and have decided that the greater part of the provision is no longer required. Accordingly an amount of £3 million has been released and has been credited in the profit and loss account under extraordinary items.

##### (ii) Property held for Resale

Properties held for resale, including work in progress, are included as current assets and are stated in the consolidated balance sheet at the aggregate of the lower of cost and estimated net realisable value after deducting a provision of £1,707,481.

Interest payable in respect of properties in the course of development for future resale is charged to the profit and loss account as incurred.

Profits and losses on disposal of properties held for resale are credited/debited to a general provision set up in prior years. No adjustment has been made to this provision as at 31st December, 1977.

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS (continued)

### 2. CONSOLIDATED PROFIT AND LOSS ACCOUNT

1976 £		1977 £	
<u>£12,640,010</u>	(a) Turnover comprises dividends, interest other than bank interest, rental income, sales of trading properties and dealing profits. Neither the Company nor any of its subsidiaries exported any goods from the United Kingdom during the year	<u>£11,403,262</u>	
£	(b) The results of the Company and its subsidiaries are arrived at:—	£	
	After crediting:—		
398,041	Income from investments including related tax credits	37,852	
896,846	Listed	754,001	
1,783,971	Unlisted	1,392,621	
	Rents receivable less outgoings		
	After charging:—		
348,825	Depreciation	177,545	
124,640	Remuneration of directors (fees £3,000—1976: £3,000)	77,134	
81,389	Remuneration of auditors	71,938	
	Interest payable, gross (other than by Slater, Walker Limited in 1976)		
3,218,629	Bank overdrafts and other loans repayable within five years	2,731,121	
2,934,016	Unsecured loan stocks	1,562,371	
<u>3,937,934</u>	Other loans	<u>1,676,120</u>	
£	(c) Exceptional items comprise the following:—	£	
120,000	Provision for liabilities under a guarantee (given by a subsidiary)	112,000	
712,466	Fees paid (Rothschilds and Hambros £397,583; BOIC £48,700)	446,283	
152,010	Accountants' fees for investigation	—	
<u>£984,476</u>		<u>£558,283</u>	
	(d) Other extraordinary items comprise the following:—		
1976		1977	
Company £	Group £	Company £	Group £
—	(3,787,319)	3,000,000	3,000,000
—	—	—	(750,000)
—	—	—	(535,000)
(250,000)	(250,000)	(169,311)	(169,311)
(3,849,622)	(3,039,992)	(27,975)	(221,526)
4,017,037	7,203,154	1,561,063	36,810
—	1,370,330	(1,933,445)	810,768
89,341	205,279	—	384,528
(2,602,331)	—	(5,432,404)	—
(19,389)	(466,784)	33,735	110,176
<u>£(2,786,864)</u>	<u>£1,244,668</u>	<u>£(2,968,337)</u>	<u>£2,666,445</u>

(e) The results of the Group have been dealt with in the accounts of the holding company to the extent of a loss of £1,090,763 (1976: £5,843,176).

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS (continued)

### 3. TAXATION

The charge (1976: credit) for taxation is made up as follows:—

1976		1977
£		£
(1,137,764)	Corporation tax	14,805
20,857	Advance corporation tax	—
43,193	Attributable to franked investment income	—
119,348	Overseas tax	21,965
600,000	Deferred tax	—
<u>£(354,366)</u>		<u>£36,770</u>

#### Notes:

- (a) The charge for corporation tax arises from prior year adjustments.
- (b) Tax credits attributable to franked investment income will be recovered.
- (c) The results for the year include profits arising overseas which are not subject to taxation unless they are remitted to the United Kingdom.
- (d) Following the non-acceptance of a claim for the recovery of tax from the Inland Revenue the Board has considered it prudent to write off the estimated amount recoverable of approximately £1 million against provisions made in respect thereof in prior years (including £600,000 deferred tax), although it currently intends to contest this decision.
- (e) No liability to taxation is expected to arise if assets included in the accounts at valuations in excess of their cost are disposed of at the amounts included, as substantial losses are available.
- (f) There are substantial unutilised losses for corporation tax purposes available for offsetting in the future against profits from the same source. In addition, advance corporation tax already paid of £2.8 million is available to reduce future corporation tax liabilities.

### 4. LOSS PER SHARE

The figure for basic loss per share is calculated on the net loss of the Group (after minority interests and preference dividends although not paid, but before extraordinary items) of £3,916,139 (1976: £4,952,837) and on the weighted average of 74,885,105 ordinary shares in issue during the year (1976: 74,817,658).

No figure for fully diluted earnings per share is required to be shown when the figure for basic earnings per share is negative.

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS (continued)

### 5. SHARE CAPITAL

#### (a) Authorised

The authorised share capital at 31st December, 1976 and 31st December, 1977 consisted of £3,637,500 6½% (now 4.725% plus tax credit) cumulative preference shares of £1 each and 90,000,000 ordinary shares of 25p each.

#### (b) Issued

1976 £		No. of Shares	1977 £
3,363,629	6½% (now 4.725% plus tax credit) cumulative preference shares of £1 each (see note (c) below)	3,363,629	3,363,629
18,702,790	Ordinary shares of 25p each	75,227,952	18,806,988
1,218	Partly paid ordinary shares of 25p each (see Note (d) below)	—	—
26,048	Ordinary shares of 25p each with restricted rights (see Note (d) below)	—	—
<u>£22,093,685</u>			<u>£22,170,617</u>

#### (c) Preference shares

In accordance with the provisions of the Finance Act 1972, from 6th April, 1973, the dividends on the preference share capital are payable at the rate of 4.725% per annum. No preference dividend has been paid since 1st December, 1975 and at 31st December, 1977, the cumulative arrears amounted to £337,037.

#### (d) Partly paid and fully paid ordinary shares with restricted rights

On 1st November, 1977, 312,600 partly paid ordinary shares of 25p each were paid up under the terms of the Share Incentive Scheme approved by shareholders at the Extraordinary General Meeting held on 7th July, 1970 and subsequently amended by resolutions of the Board of directors on 28th June, 1971, 29th August, 1974 and 14th April, 1975. In addition, the restrictions on 104,190 fully paid ordinary shares of 25p each with restricted rights were released. The Scheme has now been terminated.

#### (e) Share options ("the original scheme")

There were outstanding at 31st December, 1977, options granted to a director and executives under the original scheme approved by shareholders at the Annual General Meeting held on 29th April, 1965, to subscribe for ordinary shares to the nominal value of £26,410 at prices between 123p and 259p per share. These options are capable of being exercised over varying periods up to 21st August, 1980, and all these options were capable of being exercised at 31st December, 1977. The options held by the director were all granted to him before he became a director. No options have been granted since August 1970.

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS (continued)

### 5. SHARE CAPITAL (continued)

#### (f) Share options ("the new scheme")

There were outstanding at 31st December, 1977, options granted to directors and executives under the new scheme approved by shareholders at the Extraordinary General Meeting held on 15th November, 1972, to subscribe for ordinary shares to the nominal value of £114,725 (1976: £187,226) at prices between 68p and 245p. These options are capable of being exercised over varying periods up to 26th March, 1982. None of these options has been exercised and the reduction during the year in the nominal value of the ordinary shares to be subscribed for is accounted for by options lapsing in respect of holders leaving the service of the Group. The options held by directors were all granted to them before they became directors. No options have been granted since March 1975.

#### (g) Warrants to subscribe for ordinary shares

There were outstanding at 31st December, 1977, warrants to subscribe for ordinary shares to the nominal value of £689,736.

Each warrant confers the right to subscribe for  $1\frac{1}{2}$  ordinary shares of 25p each at 225p per share. There are no restrictions on the subscription rights attached to the warrants which are exercisable during any period of any year and there is no final date by which such rights must be exercised.

#### (h) Conversion rights (bonds)

There were outstanding at 31st December, 1977, rights attaching to the Slater, Walker International Finance Limited 5½% Guaranteed U.S. Dollar Convertible Bonds due 1987 to convert into ordinary shares of Britannia Arrow Holdings Limited to the nominal value of £148,024 (see Note 7 (b)).

### 6. RESERVES

#### (a) Share premium account

Balance at 31st December, 1976	£ 23,252,003
Arising during the year on paying up partly paid shares	1,745
Balance at 31st December, 1977	<u>£23,253,748</u>

#### (b) Accumulated losses

	Company £	Group £
Balance at 31st December, 1976	(32,240,262)	(32,240,262)
Transfer from Profit and Loss Account	(1,090,763)	(1,090,763)
Balance at 31st December, 1977	<u>£(33,331,025)</u>	<u>£(33,331,025)</u>

Note: Surpluses arising on the revaluation of certain assets in earlier years amounting in total to £2,568,283 are included in the above figures.

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS (continued)

### 7. LOANS

1976 £		1977 £
	<b>The Company</b>	
11,752,963	8½% U.S. Dollar Bonds due 1988	10,432,968
	<b>Subsidiaries (guaranteed by the Company)</b>	
3,012,222	5½% Guaranteed U.S. Dollar Convertible Bonds due 1987 (Notes (b) and (e))	2,673,970
7,166,953	7½% Guaranteed Sterling/Deutsche Mark Bonds due 1987 (Notes (a), (c) and (e))	6,512,348
7,170,601	6½% Dutch Guilder Bearer Notes due 1978/79 (Notes (a), (c) and (e))	3,115,959
3,165,982	7½% Luxembourg Franc Bonds due 1987	3,062,798
5,751,849	8% Belgian Franc Bonds due 1980/87	—
	<b>Other loans of subsidiaries</b>	
11,503,697	9½% Belgian Franc mortgage repayable between 1979 and 1998	—
443,807	Other mortgages at rates of interest between 7½% and 9½% and a 10% loan repayable between 1978 and 2001	—
<u>£49,963,124</u>		<u>£25,798,043</u>

#### Notes:

(a) Amounts repayable during 1978 in respect of these loans—£3,329,871 (1976: £14,621,856)—are not shown above but are included with creditors and short-term loans in the consolidated balance sheet.

(b) The 5½% Guaranteed U.S. Dollar Convertible Bonds due 1987 carry conversion rights to convert into ordinary shares of Britannia Arrow Holdings Limited. Holders are entitled to convert at any time prior to maturity of the Bonds into fully paid ordinary shares of Britannia Arrow Holdings Limited at a conversion price of 333p per ordinary share based on a fixed exchange rate of £1 = U.S. \$2.60 throughout the life of the Bonds.

(c) During the year the Company purchased for cancellation 401 7½% Guaranteed Sterling/Deutsche Mark Bonds due 1987 of £500 each. The Company also purchased 28 6½% Dutch Guilder Bearer Notes due 1978/79 of D.fl. 10,000 each, which will be held until redemption.

(d) The aggregate amount of loans included above which are not wholly repayable within five years is £22,682,084 (1976: £42,797,523).

(e) Since 31st December, 1977 (up to 26th April, 1978, being the latest practicable date before the printing of these Accounts) the Group has purchased for cancellation 205 7½% Guaranteed Sterling/Deutsche Mark Bonds due 1987 of £500 each and 400 5½% Guaranteed U.S. Dollar Convertible Bonds due 1987. The Company also purchased 302 6½% Dutch Guilder Bearer Notes due 1978/79 of D.fl. 10,000 each, which will be held until redemption.



# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS (continued)

### 8. FIXED ASSETS—GROUP

	Freehold Properties £	Leasehold Properties Over 50 years £	Leasehold Properties Under 50 years £	Other £	General Provision £	Total £
Net book value at 31st December, 1976	32,020,983	283,224	2,650,054	5,121,425	(11,073,843)	29,001,843
Additions at cost and currency revaluations	162,972	—	5,218	121,620	—	289,810
Reduction in provision (Note 1 (f))	—	—	—	—	3,000,000	3,000,000
Less:						
Disposals	(28,706,098)	(247,338)	(7,500)	(79,907)	—	(29,040,843)
Depreciation charged in 1977	—	—	(137,628)	(39,917)	—	(177,545)
Net realised losses	—	—	—	—	7,432,274	7,432,274
	<u>£3,477,857</u>	<u>£35,886</u>	<u>£2,510,144</u>	<u>£5,123,221</u>	<u>£(641,569)</u>	<u>£10,505,539</u>
Representing assets stated at:—						
Cost	2,897,433	386	1,333,806	424,247		4,655,872
Valuation	580,424	35,500	1,600,000	5,000,000		7,215,924
Less: Accumulated depreciation	—	—	(423,662)	(301,026)		(724,688)
	<u>£3,477,857</u>	<u>£35,886</u>	<u>£2,510,144</u>	<u>£5,123,221</u>		<u>11,147,108</u>
Less: General provision against investment properties						(641,569)
						<u>£10,505,539</u>

(a) The fixed assets of Britannia Arrow Holdings Limited having a net book value of £42,048 at 31st December, 1977 (1976: £71,460) are included above.

(b) Other fixed assets comprise management contracts of the Unit Trusts valued in 1975 at £5 million, motor vehicles, office furniture and equipment.

The assets included at valuation above were valued in:—

	£
1975	5,000,000
1974	575,000
1972	40,723
1971	201
1970	1,600,000
	<u>£7,215,924</u>

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS (continued)

## 9. INSURANCE SUBSIDIARIES

The Group's wholly owned insurance subsidiaries at 31st December, 1977, were:-

Arrow Life Assurance Company Limited.  
Arrow Assurance (Pensions) Limited.  
Britannia Life Association (C.I.) Limited.  
Domestic & General Insurance Co. Limited.  
Telesurance Holdings Limited (dormant).  
Coloursurance Holdings Limited (dormant).

Since the year-end all of these subsidiaries have been disposed of. The accounts of certain of these companies, all of which have been prepared on the basis authorised for insurance companies, have yet to be approved by their Boards. The combined profit and loss accounts and balance sheets at 31st December, 1977, are summarised below:—

[illegible]

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS (continued)

### 10. INVESTMENTS

The investments included in current assets comprise:—

1976			1977	
£	Market value £		£	Market value £
609,632	609,632	Shares quoted in the United Kingdom at market value, being lower than cost	—	—

### 11. PROPOSALS ADOPTED ON 26th AUGUST, 1977

The accounts for the year ended 31st December, 1976, contained the following note, which is repeated herein in view of the substantial effect on those accounts of the events described:—

#### "POST BALANCE SHEET EVENTS"

On 3rd August, 1977, proposals for the sale of certain assets and the redemption of the Company's sterling loan stocks were sent to shareholders and loan stockholders. These proposals were approved on 26th August, 1977 by the requisite majorities. Full details are contained in the Report of the directors. The Group's relevant accounting policy is to make provision at balance sheet date for any permanent diminution in value of its properties and investments (including investments in subsidiaries) which has occurred. The sales subsequent to the year end of the banking subsidiary and the properties in Fetter Lane, London and at Wokingham in Berkshire were made at prices substantially below the book values of these assets before allocating any part of the general property provision and provided prima facie evidence that a permanent diminution had occurred by 31st December, 1976. However these sales were only part of a scheme which produced various offsetting benefits for the Group and indeed were conditional upon the other proposals being approved. To have made provision in these accounts for the diminution in value of certain assets without having regard for the benefits flowing from the linked transactions would have distorted the accounts and effect has therefore been given to all aspects of the proposals approved by shareholders and loan stockholders on 26th August, 1977. For the sake of simplicity and because the transactions were inter-dependent, they have been shown separately on the balance sheets rather than under the relevant headings. No adjustment has been made to the comparative figures for 1975 and no other 1977 transactions have been included. The net amount written off as an extraordinary item in the Profit and Loss Account as a result of the above transactions is made up as follows:—

	£
Losses on disposal of:—	
Investment in Slater, Walker Limited	14,659,553
Freehold properties (100 Fetter Lane, London EC4 and land at Wokingham, Berkshire)	13,274,662
Unquoted investment: Convertible Note in Cornwall Equities, Limited	62,476
	<hr/> 27,996,691
Less: Profit on redemption of loan stocks	3,997,206
	<hr/> <u>£23,999,485</u>

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS (continued)

### 11. PROPOSALS ADOPTED ON 26th AUGUST, 1977 (continued)

The amount shown in the balance sheets at 31st December, 1976, was made up as follows:-

Net Amount Receivable resulting from proposals adopted on 26th August, 1977:-

Proceeds of sale of:	£
Slater, Walker Limited including payment for tax relief	8,100,000
Properties less mortgages	8,050,000
Unquoted Investments	5,814,000
	<hr/>
	18,354,000
Less: Cost of redemption of loan stocks	14,178,271
	<hr/>
	£4,185,729

### 12. CONTINGENT LIABILITIES

(a) The Company has guaranteed certain liabilities of subsidiary and other companies which at 31st December, 1977, amounted to £24,033,671 (1976: £50,961,730), including guarantees in respect of loans of subsidiaries amounting to £18,694,948 already included in the consolidated balance sheet.

(b) Certain subsidiary companies have contingent liabilities in respect of guarantees and indemnities amounting to £131,250 (1976: £1,285,522). Warranties and indemnities have been given by companies in the Group in connection with sales of investments and subsidiaries.

(c) The Company has also given certain warranties to the purchaser of Slater, Walker Limited (Note 11) and has agreed to indemnify the latter against claims, if any, under certain guarantees given by Slater, Walker Limited in respect of past and present subsidiaries of the Company.

(d) At 31st December, 1977, the Group's foreign currency liabilities exceeded its foreign currency assets by £6.2 million which mainly reflects unrealised losses on certain overseas investments and related foreign currency transactions. The Bank of England have permitted the Group to cover such losses, once realised, by purchases at official exchange rates and these accounts have been prepared on the basis of this policy being continued.

### 13. FUTURE CAPITAL EXPENDITURE

(a) At 31st December, 1977, the Group had no commitments for capital expenditure (1976: £233,813).

(b) There was no capital expenditure authorised but not contracted for in respect of the Group at either 31st December, 1977, or 1976.

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNT (continued)

### 14. REMUNERATION OF DIRECTORS AND EMPLOYEES

1976		1977
Not applicable	Emoluments of Chairman	
Nil	G. Rippon	Nil
Nil	Sir James Goldsmith	Nil
£26,447	Emoluments of the highest paid director	£26,768
	Other directors:—	
	During the year £127,250 was paid to directors on termination of their employment with a subsidiary of the Company.	
	Number of other directors in receipt of emoluments within the ranges:—	
5	Nil emoluments	7
1	£1 to £2,500	1
1	£2,501 to £5,000	1
1	£17,501 to £20,000	—
—	£20,001 to £22,500	2
3	£22,501 to £25,000	—
	Number of employees of U.K. subsidiary companies at 31st December, 1977, receiving more than £10,000 per annum:—	
6	£10,001 to £12,500	6
8	£12,501 to £15,000	3
1	£15,001 to £17,500	1
1	£17,501 to £20,000	1
2	£20,001 to £22,500	1

### 15. SUBSIDIARY COMPANIES

Investment Banking	Slater, Walker International Finance Limited (Incorporated in Bermuda)
Investment and Unit Trust Management	Britannia Financial Services Limited Britannia Fund Managers Limited Britannia Fund Managers (C.I.) Limited (Incorporated in Jersey) Britannia Trust Management Limited Britannia Trust Management (C.I.) Limited (Incorporated in Jersey)
Insurance	Arrow Life Assurance Company Limited (since disposed of) Britannia Life Association (C.I.) Limited (Incorporated in Guernsey) (since disposed of)
Property	St. Paul's Investment Company Limited (The holding company for the Group's property interests)

- Notes: (a) These were the principal subsidiary companies at 31st December, 1977. The directors have omitted details of other subsidiary companies as they consider that the list would otherwise be of excessive length.
- (b) Except where stated, all the above companies were wholly owned and were incorporated in Great Britain and registered in England.
- (c) The country of operation of each of the above subsidiary companies was the same as the country of incorporation.

# Britannia Arrow Holdings Limited

## NOTES ON THE ACCOUNTS (continued)

### 10. INVESTMENTS HELD BY GROUP COMPANIES

Company	Activities	Total issued share and loan capital at 31st December, 1977	Percentage held by	
			31st December, 1977	26th April, 1978
Cannon Street Investments Limited	Investment group, with interests in retailing, manufacturing and investment dealing	20,289,580 ordinary shares of 10p 36,483,080 Preferred ordinary shares of 10p	15.99	15.99
Grimsshaw Holdings Limited	Industrial holding group	887,064 ordinary shares of 20p	9.13	9.13
Mills & Allen International Limited	Holding company with interests in foreign exchange broking, outdoor and cinema advertising, printing, film studio management, property and leisure activities	7,153,012 ordinary shares of 50p 4,068,792 Preference shares of 50p 1978/79 Warrants to subscribe for 224,243 ordinary shares of 50p	25.90 29.60 48.51	7.97 — 37.38
Sekers International Limited	Textile group specialising in furnishing and clothing fabrics	5,337,808 ordinary shares of 10p	21.32	—

Notes: (a) This list shows the principal companies in which members of the Group held 5% or more of the ordinary share capital.

(b) The above percentages, at 31st December, 1977, include certain holdings of a wholly owned insurance company, which has itself been disposed of since that date.

(c) The above percentages, at 26th April, 1978, are those at the latest practicable date before the printing of these Accounts.

(d) The above companies were incorporated in Great Britain and registered in England.