

COMPANY NO: 2109028

CORNLODGE PROPERTIES LIMITED

REPORT AND FINANCIAL STATEMENTS

◆ Year ended 31 December 1999 ◆



CORNLODGE PROPERTIES LIMITED

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CORNLODGE PROPERTIES LIMITED

COMPANY INFORMATION

Directors	Marc Gilbard Graham Stanley
Company Secretary	Timothy Sanderson
Registered office	Premier House 44-48 Dover Street London W1X 3RF
Registered number	2109028
Auditors	RSM Robson Rhodes Chartered Accountants 186 City Road London EC1V 2NU
Bankers	Lloyds Bank Plc

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements for the year ended 31 December 1999.

Principal activities

The principal activities of the Company are property investment and trading.

Results

The results for the year ended 31 December 1999 are set out in the Profit & Loss Account on page 5. These show a loss after taxation of £1,022,669 (1998: Profit £59,890). The directors do not recommend the payment of a dividend (1998: £85,000).

The parent company, Moorfield Group Plc has indicated its continued support for the Company.

Directors

The present directors of the Company are set out on Page 1. Alexander MacLachlan resigned on 20 August 1999.

Directors Interest

None of the directors had any interest in the shares of the Company. Their interest in the shares of the holding company are shown in the accounts of that company.

Ultimate Parent Company

The company is a wholly owned subsidiary of Moorfield Group PLC which is incorporated in England.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE DIRECTORS (Continued)

Year 2000 Compliance

In 1998 and 1999 the accounting systems were upgraded and detailed reviews were performed of the level of compliance within the property portfolio. In addition, the readiness of critical suppliers and service-providers was also verified. Following these extensive preparations, no problems were encountered over the Millennium transitional period.

Auditors

The auditors changed their name to RSM Robson Rhodes on 18 October 1999 and accordingly have signed the audit report using their new name. They are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approval

The report of the directors was approved by the Board on 20 March 2000 and signed on its behalf by:



Timothy Sanderson
Secretary

**AUDITORS' REPORT TO THE SHAREHOLDERS
OF CORN LODGE PROPERTIES LIMITED**

We have audited the financial statements on pages 5 to 12 which have been prepared on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

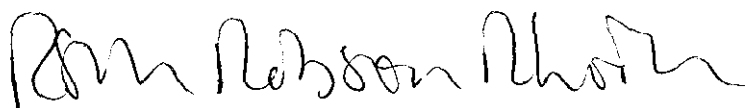
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes
Chartered Accountants and Registered Auditor

20 March 2000

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1999

	Note	1999 £	1998 £
Turnover		695,908	199,290
		<u> </u>	<u> </u>
Gross Rental income		695,908	199,290
Less:			
Property outgoings		(25,468)	(10,099)
		<u> </u>	<u> </u>
Net rental income		670,440	189,191
Administrative expenses	2	(554,236)	(68,035)
Write-down of trading property	5	(500,000)	-
Profit on sale of investment properties		-	28,250
		<u> </u>	<u> </u>
Operating (loss)/profit		(383,796)	149,406
Interest receivable		919	11,391
Interest payable and similar charges	3	(322,663)	(100,907)
		<u> </u>	<u> </u>
(Loss)/profit on ordinary activities before taxation		(705,540)	59,890
Taxation	9	(317,129)	-
		<u> </u>	<u> </u>
(Loss)/profit on ordinary activities after taxation		(1,022,669)	59,890
Dividends		-	(85,000)
		<u> </u>	<u> </u>
Retained loss for the year		(1,022,669)	(25,110)
		<u> </u>	<u> </u>

The notes on pages 8 to 12 form part of these accounts
All activities are continuing activities

SHAREHOLDERS' FUNDS STATEMENTS**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
for the year ended 31 December 1999

	1999	1998
	£	£
Retained loss for the financial year	(1,022,669)	(25,110)
Unrealised deficit on revaluation of investment property	(65,000)	(255,000)
	<hr/>	<hr/>
	(1,087,669)	(280,110)
	<hr/>	<hr/>

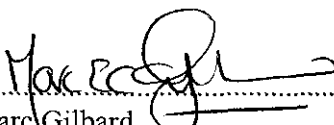
RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the year ended 31 December 1999

	1999	1998
	£	£
Total recognised losses for the financial year	(1,087,669)	(280,110)
Opening shareholders' funds	(244,599)	35,511
	<hr/>	<hr/>
Closing shareholders' funds	(1,332,268)	(244,599)
	<hr/>	<hr/>

BALANCE SHEET
at 31 December 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	4	6,680,000	6,745,000
		<hr/>	<hr/>
Current assets			
Stocks	5	1,500,000	2,000,000
Debtors	6	93,776	298,610
Cash at bank and in hand		-	18,788
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	7	1,593,776 (4,900,012)	2,317,398 (4,918,094)
		<hr/>	<hr/>
Net current (liabilities)		(3,306,236)	(2,600,696)
		<hr/>	<hr/>
Total assets less current liabilities		3,373,764	4,144,304
		<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	8	(4,388,903)	(4,388,903)
		<hr/>	<hr/>
Provisions for liabilities and charges	9	(317,129)	-
		<hr/>	<hr/>
Net (liabilities)		(1,332,268)	(244,599)
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	10	100	100
Investment property revaluation reserve	11	50,000	(255,000)
Profit and loss account	11	(1,382,368)	10,301
		<hr/>	<hr/>
Shareholders' funds (all equity)		(1,332,268)	(244,599)
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board on 20 March 2000 and signed on its behalf by:



 Marc Gilbard

The notes of pages 8 to 12 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1999

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties. The financial statements are prepared in accordance with applicable accounting standards, including SSAP 19, which unlike the detailed rules of the Companies Act does not require depreciation of freehold and long leasehold investment properties. The lack of depreciation is necessary to give a true and fair view for the reasons explained below.

Turnover

Turnover, excluding VAT, comprises of rental income and gross sale proceeds of trading properties.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

Investment Properties

In accordance with SSAP 19 investment properties are included in the balance sheet at an open market value. The surplus or deficit of such value over cost is transferred to the revaluation reserve. Properties are revalued annually and at least once in every five years by external professional valuers. Freehold and long leasehold investment properties are not depreciated. Depreciation is only one of many factors reflected in the annual valuation and the amount which otherwise would have been shown cannot be separately identified or quantified. Where there is a permanent diminution in the value of a building, a charge is made to the profit and loss account.

Trading Properties

Trading properties included within stock are shown at the lower of cost and net realisable value.

Surplus or Deficit Arising on Sale of Investment Properties

The surplus or deficit over the cost or valuation arising on the sale of investment properties is recognised in the profit and loss account before arriving at the profit before taxation.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1999**1. ACCOUNTING POLICIES**
(continued)**Finance Fees**

Arrangement and other finance fees incurred as a result of entering into loan and other facilities are amortised over the length of the related loan or facility in accordance with FRS 4 "Accounting for Capital Instruments".

2. ADMINISTRATIVE EXPENSES

	1999	1998
	£	£
Management fee from parent company	555,603	68,000
Other	(1,367)	35
	<hr/>	<hr/>
	554,236	68,035
	<hr/> <hr/>	<hr/> <hr/>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	1999	1998
	£	£
Interest on loans and overdrafts repayable wholly within five years	9,958	-
Interest on loans repayable in over five years	286,301	88,439
Finance Fees	26,404	12,468
	<hr/>	<hr/>
	322,663	100,907
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1999

4. TANGIBLE FIXED ASSETS

	Investment Properties £
Valuation at 1 January 1999	6,745,000
Revaluation deficit	(65,000)
	<hr/>
Valuation at 31 December 1999	6,680,000
	<hr/>
Cost at 31 December 1999	6,817,993
	<hr/>

Investment properties were valued by external valuers, DTZ Debenham Tie Leung, as at 31 December 1999, on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

5. STOCKS

	1999 £	1998 £
Commercial trading properties	1,500,000	2,000,000
	<hr/>	<hr/>

The commercial trading property was valued at £1,500,000 by external valuers, DTZ Debenham Tie Leung, as at 31 December 1999, on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. A write-down of £500,000 was made as at 31 December 1999.

6. DEBTORS

	1999 £	1998 £
Trade debtors	56,016	37,210
Amounts due by group undertaking	-	192,185
Other debtors and prepayments	37,760	69,215
	<hr/>	<hr/>
	93,776	298,610
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1999

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£	£
Bank overdraft	72,192	-
Trade creditors	-	31,588
Amounts owed to group undertakings	4,622,751	4,664,514
Accruals and other deferred income	205,069	221,992
	<hr/>	<hr/>
	4,900,012	4,918,094
	<hr/>	<hr/>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999	1998
	£	£
Bank loans (secured charge over properties held) due for repayment in 2001	4,388,903	4,388,903
	<hr/>	<hr/>

The loan carries a floating interest rate of 1.25% over Libor. In 1998 the company entered into an interest rate swap agreement for a seven year period at a fixed interest rate of 5.915%. The swap agreement is with a commercial bank and the notional amount outstanding at 31 December 1999 was £3,500,000. Under the interest rate swap the company agrees to exchange, at specified intervals, the difference between the fixed rate and floating rate amounts, these being calculated by reference to the agreed notional amount. The interest rate swap enables the company to manage its interest rate exposure, as by swapping fixed rates on borrowings into floating rates, the company effectively obtains lower floating rate borrowings than those available from borrowing directly at current floating rates.

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £
At 1 January 1999	-
Provided in the year	317,129
	<hr/>
At 31 December 1999	317,129
	<hr/>

The loss for the year has been group relieved. Full provision has been made in respect of deferred tax.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1999

10. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised, issued and fully paid 100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

11. RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 1999	(255,000)	10,301
Deficit on revaluation of investment properties	(65,000)	-
Retained loss	-	(1,022,669)
Permanent valuation deficit	370,000	(370,000)
	<u>50,000</u>	<u>(1,382,368)</u>
At 31 December 1999	50,000	(1,382,368)
	<u>50,000</u>	<u>(1,382,368)</u>

12. PARENT UNDERTAKING

The ultimate parent company is Moorfield Group PLC, which is registered in England and Wales.

Its group accounts are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF4, 3UZ.