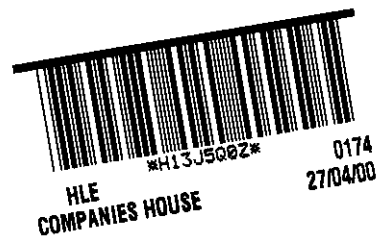


**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

ANNUAL REPORT

YEAR ENDED 30 SEPTEMBER 1999

Registered number 2537881



**PANNELL KERR FORSTER
Chartered Accountants**

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

ANNUAL REPORT

YEAR ENDED 30 SEPTEMBER 1999

CONTENTS

Page

1	DIRECTORS' REPORT
2	STATEMENT OF DIRECTORS' RESPONSIBILITIES
3	AUDITORS' REPORT
4	CONSOLIDATED PROFIT AND LOSS ACCOUNT
5	NOTE OF HISTORICAL COST PROFITS AND LOSSES
6	CONSOLIDATED BALANCE SHEET
7	COMPANY BALANCE SHEET
8	CONSOLIDATED CASH FLOW STATEMENT
9	NOTES TO THE FINANCIAL STATEMENTS

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

DIRECTORS' REPORT

The directors present their annual report together with the financial statements for the year ended 30 September 1999.

RESULTS AND DIVIDENDS

The group loss for the financial year after tax amounted to £450,403 (1998: profit £2,390).

The directors do not recommend the payment of a dividend for the year and recommend that the loss totalling £450,403 be set against reserves.

REVIEW OF THE BUSINESS

The principal activity of the group continues to be that of commercial property development.

The directors are disappointed with the results for the year but look forward to the future with cautious optimism.

DIRECTORS

The directors during the year and their interests in the share capital of the company at the beginning and end of the year were as follows:-

	1999	1998
A Marcus	50,002	50,002
S I Marcus	-	-
J R Marcus (appointed 30 September 1999)	-	-
	<u> </u>	<u> </u>

YEAR 2000

The company has assessed the potential impact of the year 2000 date change on its business, including its own systems and products, and on its suppliers and customers. The directors do not believe that there are any associated material risks or uncertainties, and will continue to keep the situation under review although no significant further action is anticipated. No significant costs have arisen so far and no significant additional costs are expected.

PAYMENT POLICY ON CREDITORS

No fixed group policy exists. Creditors are paid in accordance with individual terms agreed separately with each creditor.

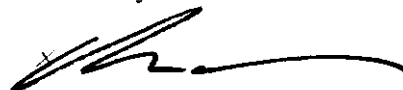
At 30 September 1999, the payment period for trade creditors was 58 days (1998: 109 days).

AUDITORS

The auditors, Pannell Kerr Forster, Chartered Accountants, have signified their willingness to continue in office.

A resolution to reappoint them will be proposed at the annual general meeting.

By order of the board



Director

A Marcus

Date: 4 April 2000

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

STATEMENT OF 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 the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE SHAREHOLDERS OF

THORNFIELD HOLDINGS PLC AND SUBSIDIARY COMPANIES

We have audited the financial statements on pages 4 to 24 which have been prepared under the accounting policies set out on pages 9 to 11.

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. 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 and the group'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

As explained in note 1, the company's consolidated financial statements do not account for associates and joint ventures in accordance with Financial Reporting Standard No 9, Associates and Joint Ventures.

As a consequence, the financial statements do not give all the information required about the economic activities of the group, of which the company is the parent. As explained in note 1, it is not practical to quantify the effects of the departure from this requirement.

In view of the fact that the financial statements do not comply with the requirements of FRS 9, notwithstanding that the group has no obligations to provide additional financial support to any joint ventures nor to contribute to any losses which joint ventures may incur, in our opinion the consolidated financial statements, in this respect alone, do not give a true and fair view of the state of the group's affairs at 30 September 1999 and of its loss for the year then ended and do not comply with the Companies Act 1985. Except for the failure to disclose information required by FRS 9, in our opinion, the company's balance sheet gives a true and fair view of the state of its affairs at 30 September 1999 and in all other respects the financial statements have been properly prepared in accordance with the Companies Act 1985.



PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

Leeds
20 April 2000

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 1999**

	Notes	1999 £	1998 £
TURNOVER	2	18,495,008	2,070,150
Cost of sales (adjusted for changes in work in progress)		17,004,420	139,871
Staff costs	3	1,270,091	849,988
Depreciation and other amounts written off tangible and intangible fixed assets	9/10	141,710	113,513
Other operating costs		<u>612,730</u>	<u>710,477</u>
OPERATING (LOSS)/PROFIT		(533,943)	256,301
Loss on disposal of fixed assets	11	336,313	-
Other interest receivable and similar income	5	74,671	21,012
Interest payable and similar charges	6	<u>128,596</u>	<u>221,683</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(924,181)	55,630
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	8	<u>330,475</u>	<u>(53,240)</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(593,706)</u>	<u>2,390</u>

All amounts relate to continuing operations

The group made no recognised gains or losses other than the profit for the year.

PROFIT AND LOSS RESERVE

RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	(593,706)	2,390
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD	165,869	163,479
TRANSFER TO REVALUATION RESERVE	<u>965,984</u>	<u>-</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD	<u>538,147</u>	<u>165,869</u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
YEAR ENDED 30 SEPTEMBER 1999**

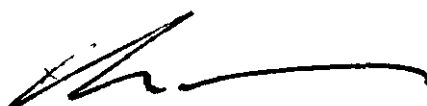
	1999 £	1998 £
Reported (loss)/profit on ordinary activities before taxation	(924,181)	55,630
Realisation of property revaluation gains of previous periods	<u>1,442,589</u>	<u>281,709</u>
Historical cost profit on ordinary activities before taxation	<u>518,408</u>	<u>337,339</u>
Historical cost profit for the year retained after taxation	<u>848,883</u>	<u>284,099</u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 1999**

	Notes	1999	1998
		£	£
FIXED ASSETS			
Intangible assets	9	243,988	256,829
Tangible assets	10	1,069,626	1,017,505
Investments	11	481,486	1,777,898
		<u>1,795,100</u>	<u>3,052,232</u>
CURRENT ASSETS			
Stocks	12	150,003	701,939
Debtors - due within one year	13	641,000	595,941
- due after more than one year	13	1,060,000	-
Investments	14	14,846	26,454
Cash at bank and in hand		374,260	1,861
		<u>2,240,109</u>	<u>1,326,195</u>
CREDITORS: Amounts falling due within one year	15	<u>1,784,898</u>	<u>2,723,941</u>
NET CURRENT/ASSETS (LIABILITIES)		<u>455,211</u>	<u>(1,397,746)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,250,311	1,654,486
CREDITORS: Amounts falling due after more than one year	15	1,662,162	103,750
PROVISIONS FOR LIABILITIES AND CHARGES	18	- (1,662,162)	368,881 (472,631)
NET ASSETS		<u>588,149</u>	<u>1,181,855</u>
CAPITAL AND RESERVES			
Called up share capital	19	50,002	50,002
Revaluation reserve	20	-	965,984
Profit and loss account	20	538,147	165,869
SHAREHOLDERS' FUNDS	21	<u>588,149</u>	<u>1,181,855</u>

Approved by the board on 4 April 2000



A Marcus

Director

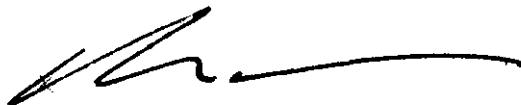
THORNFIELD HOLDINGS PLC

COMPANY BALANCE SHEET

30 SEPTEMBER 1999

	Notes	1999	1998
		£	£
FIXED ASSETS			
Tangible assets	10	-	702,462
Investments	11	<u>475,250</u>	<u>325,250</u>
		475,250	1,027,712
CURRENT ASSETS			
Debtors	13	2	2
Cash at bank and in hand		<u>9,159</u>	<u>-</u>
		9,161	2
CREDITORS: Amounts falling due within one year	15	<u>90,973</u>	<u>634,276</u>
NET CURRENT LIABILITIES		<u>(81,812)</u>	<u>(634,274)</u>
NET ASSETS		<u>393,438</u>	<u>393,438</u>
CAPITAL AND RESERVES			
Called up share capital	19	50,002	50,002
Profit and loss account	20	<u>343,436</u>	<u>343,436</u>
SHAREHOLDERS' FUNDS	21	<u>393,438</u>	<u>393,438</u>

Approved by the board on 4 April 2000



A Marcus

Director

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 30 SEPTEMBER 1999**

	Notes	1999 £	1998 £
Net cash (outflow)/inflow from operating activities	23	(361,992)	922,543
Returns on investments and servicing of finance	23	(53,925)	(200,671)
Taxation		4,283	42,681
Capital expenditure and financial investment	23	(168,148)	353,562
Acquisitions and disposals	23	<u>1,110,099</u>	<u>(15,695)</u>
Net cash inflow before use of liquid resources and financing		530,317	1,102,420
Management of liquid resources	23	30,820	(26,454)
Financing	23	<u>39,622</u>	<u>(842,387)</u>
Increase in cash		<u><u>600,759</u></u>	<u><u>233,579</u></u>
 Reconciliation of net cash flow to movement in net debt	 24		
Increase in cash in the year		600,759	233,579
Cash (inflow)/outflow from financing		(39,622)	842,387
Cash (inflow)/outflow from increase in liquid resources		<u>(30,820)</u>	<u>26,454</u>
		530,317	1,102,420
New finance leases		(150,570)	(74,167)
Profit on disposal of liquid resources		<u>(19,212)</u>	<u>-</u>
Change in net debt		398,959	1,028,253
Net debt at 1 October 1998		<u>(1,961,435)</u>	<u>(2,989,688)</u>
Net debt at 30 September 1999		<u><u>(1,562,476)</u></u>	<u><u>(1,961,435)</u></u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

1 ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material to the group's affairs.

a) Accounting convention

The financial statements set out on pages 4 to 24 are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

b) Basis of consolidation

The financial statements of the company and its subsidiary undertakings are included in the consolidated financial statements in accordance with the requirements of the Companies Act 1985 and the relevant accounting standards, except for Financial Reporting Standard 9 ("FRS 9") which deals with accounting for associates and joint ventures and became operative for the first time during the course of the year ended 30 September 1998.

FRS 9 requires that joint ventures should be accounted for under the gross equity method which, inter alia, provides that:

- (i) the group's share of the results of joint ventures should be accounted for in the consolidated profit and loss account;
- (ii) the group's share of the gross assets and liabilities of the joint venture should be included in the consolidated balance sheet; and
- (iii) additional information relating to joint ventures should be disclosed in the notes to the financial statements.

The accounting policies adopted by the group for joint ventures are:

- (i) the group's share of the profits of joint ventures are included in the consolidated profit and loss account when profits are received by the group;
- (ii) provision is made for the group's share of losses if these are likely to be borne by the group, as soon as such losses are identified;
- (iii) in the consolidated balance sheet, the group's investments in joint ventures are shown at cost or valuation less provisions for losses or any permanent diminution in value of the investment.

In this respect the financial statements do not comply with certain of the requirements of FRS 9.

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

1 ACCOUNTING POLICIES (CONTINUED)

None of the joint venture arrangements entered into by the group place any obligation on the group to provide additional financial support to any joint ventures, nor to contribute to any losses which joint ventures may incur.

The directors therefore believe that the accounting policies adopted by the group in respect of its joint ventures more accurately reflect the substance of its joint venture arrangements as far as members of the group are concerned and represent consistent and prudent accounting policies.

The company has a significant number of joint ventures with differing and complex profit sharing arrangements and with accounting periods ending on a number of different dates. The directors consider that the time and costs which would necessarily be incurred, simply to provide the information in order to compute the effect that the failure to comply with the requirements of FRS 9 has on the financial statements, would not justify the limited benefits which the shareholders would derive from such disclosure.

c) Goodwill

Goodwill arising on consolidation has been capitalised and is being amortised over a period of 20 years.

d) Investment properties

Investment properties are included in the balance sheet at their open market value in accordance with Statement of Standard Accounting Practices No. 19 (SSAP 19) and are not depreciated. This treatment is contrary to the Companies Act 1985 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company.

e) Depreciation

Tangible fixed assets are written off over their estimated useful lives on a straight line basis as follows:-

Computer equipment	-	3-4 years
Fixtures and fittings	-	4-5 years
Motor vehicles	-	3-4 years

f) Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services, the sale of land, and rental of property, during the year.

Sales are recognised when there is a legally binding sale agreement which has become unconditional and irrevocable by the balance sheet date.

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

1 ACCOUNTING POLICIES (CONTINUED)

g) Finance and operating leases

Assets acquired under finance leases or hire purchase contracts are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreement as incurred.

h) Investments

Listed current asset investments are stated at market value at the balance sheet date with any profit or loss being taken to the profit and loss account.

i) Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost represents expenses incurred on projects where income will be recognised in subsequent periods.

j) Deferred taxation

Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

2 TURNOVER

All turnover arose from trading in the UK and from the group's principal activity.

3 STAFF PARTICULARS

	1999 £	1998 £
Staff costs comprised:		
Wages and salaries	1,144,262	770,078
Social security costs	125,829	79,910
	<u>1,270,091</u>	<u>849,988</u>
The average number of persons employed by the group (including directors) during the year was as follows:		
	Number	Number
Administration	<u>21</u>	<u>18</u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	1999 £	1998 £
--	-----------	-----------

The aggregate amount of directors' emoluments and benefits comprised:

Salaries as executives and other emoluments	<u>496,779</u>	<u>552,199</u>
---	----------------	----------------

No directors (1998: nil) were members of company pension schemes

The highest paid director received emoluments and benefits as follows:

Emoluments and benefits	<u>451,666</u>	<u>305,597</u>
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5 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable	<u>74,671</u>	<u>21,012</u>
---------------------	---------------	---------------

6 INTEREST PAYABLE AND SIMILAR CHARGES

On bank loans and overdrafts	26,866	103,360
On all other loans	82,782	105,235
Finance charges payable in respect of finance leases and hire purchase contracts	<u>18,948</u>	<u>13,088</u>
	<u>128,596</u>	<u>221,683</u>

7 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting) the following:

Depreciation - owned assets	40,955	30,229
- assets held under finance leases and hire purchase contracts	87,914	83,284
- amortisation of goodwill	12,841	-
Profit on disposal of fixed assets - tangible	(12,272)	(1,236)
Auditors' remuneration - audit fee	25,478	21,500
- non audit services	3,000	20,267
Operating lease rentals - other	<u>45,000</u>	<u>45,000</u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

8 TAXATION

	1999 £	1998 £
Tax charge based on the results for the year at a rate of 31 % (1998 : 31%)	40,470	-
Deferred taxation	(368,881)	53,240
Adjustments in respect of previous years	6,309	-
Advance corporation tax previously written off	(8,373)	-
	<u>(330,475)</u>	<u>53,240</u>

9 INTANGIBLE FIXED ASSETS

	Goodwill arising on consolidation £
Cost	
At 1 October 1998 and 30 September 1999	<u>256,829</u>
Amortisation	
Charge	<u>12,841</u>
At 30 September 1999	<u>12,841</u>
Net book amount	
At 30 September 1999	<u>243,988</u>
At 30 September 1998	<u>256,829</u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

10 TANGIBLE FIXED ASSETS

Group

	Freehold investment properties £	Leasehold property £	Computer equipment £	Fixture and fittings £	Motor vehicles £	Total £
Cost or valuation						
At 1 October 1998	700,000	9,619	49,940	29,138	465,452	1,254,149
Additions	45,845	-	10,594	1,856	153,400	211,695
Disposals	-	-	-	-	(98,180)	(98,180)
At 30 Sept 1999	<u>745,845</u>	<u>9,619</u>	<u>60,534</u>	<u>30,994</u>	<u>520,672</u>	<u>1,367,664</u>
Depreciation						
At 1 October 1998	-	-	18,058	15,860	202,726	236,644
Charge	-	-	15,660	8,232	104,977	128,869
On disposals	-	-	-	-	(67,475)	(67,475)
At 30 Sept 1999	<u>-</u>	<u>-</u>	<u>33,718</u>	<u>24,092</u>	<u>240,228</u>	<u>298,038</u>
Net book amount						
At 30 Sept 1999	<u>745,845</u>	<u>9,619</u>	<u>26,816</u>	<u>6,902</u>	<u>280,444</u>	<u>1,069,626</u>
At 30 Sept 1998	<u>700,000</u>	<u>9,619</u>	<u>31,882</u>	<u>13,278</u>	<u>262,726</u>	<u>1,017,505</u>

The net book amount of motor vehicles included £277,559 (1998: £260,578) in respect of assets held under finance leases and hire purchase contracts.

Company

	Freehold investment properties £	Fixtures and fittings £	Total £
Cost			
At 1 October 1998	700,000	2,462	702,462
Transfer to subsidiary	(700,000)	(2,462)	(702,462)
At 30 Sept 1999	<u>-</u>	<u>-</u>	<u>-</u>
Net book amount			
At 30 September 1999	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 1998	<u>700,000</u>	<u>2,462</u>	<u>702,462</u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

11 FIXED ASSET INVESTMENTS

Group	Joint venture undertakings £	Other investments £	Total £
Cost or valuation			
At 1 October 1998	56,610	1,721,288	1,777,898
Additions	-	150,000	150,000
Disposals	-	(1,446,412)	(1,446,412)
At 30 September 1999	<u>56,610</u>	<u>424,876</u>	<u>481,486</u>
Company	Subsidiary undertaking £	Other investments £	Total £
Cost			
At 1 October 1998	50,000	275,250	325,250
Additions	-	150,000	150,000
At 30 September 1999	<u>50,000</u>	<u>425,250</u>	<u>475,250</u>

The investment in subsidiary undertaking represents the cost of the entire issued share capital of Thornfield Developments Limited.

The following companies, all of which are held indirectly unless otherwise stated, comprise the group's beneficial interests in related undertakings.

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

11 FIXED ASSET INVESTMENTS (CONTINUED)

Subsidiary undertakings	Country of registration	Principal activity	Percentage of ordinary shares held
*Thornfield Developments Limited	England & Wales	Property Development	100%
Dataprizo Limited	England & Wales	Property Management	100%
Thornfield Developments (Southern) Limited	England & Wales	Property Development	100%
Thornfield Business Parks Limited	England & Wales	Dormant	100%
Teesfield Holdings Limited	England & Wales	Dormant	100%
Thornfield Securities (Leeds) Limited	England & Wales	Dormant	100%
Thornfield Property Management Limited	England & Wales	Dormant	100%
Thornfield Roadside Limited	England & Wales	Dormant	100%
Thornfield Service Areas Limited	England & Wales	Dormant	100%
Thornfield Developments (Gateshead) Limited	England & Wales	Dormant	100%
Thornfield Developments (Bingley) Limited	England & Wales	Dormant	100%
Thornfield Roadside (UK) Limited	England & Wales	Dormant	100%
South Huddersfield Development Company Limited	England & Wales	Dormant	100%
Thornfield Property Assets Limited	England & Wales	Dormant	100%
Thornfield Investments Limited	England & Wales	Dormant	66%

* Directly held.

Joint venture undertakings	Country of registration	Principal activity	Percentage of ordinary shares held
Bayford Thornfield Limited	England & Wales	Property Development	50%
West Darlington Development Company Limited	England & Wales	Property Development	50%
Capitol Projects Limited	England & Wales	Property Development	50%
Thornfield Properties plc	England & Wales	Property Development	33%
Thornfield Properties (Redditch) No 1 Limited	England & Wales	Property Development	33%
Thornfield Properties (Redditch) Developments Limited	England & Wales	Property Development	33%
Thornfield Properties (Redditch) Development Management Limited	England & Wales	Property Development	33%

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

11 FIXED ASSET INVESTMENTS (CONTINUED)

Joint venture undertakings	Country of registration	Principal activity	Percentage of ordinary shares held
Thornfield Properties (Redditch) Asset Management Limited	England & Wales	Property Development	33%
Thornfield Properties (Redditch) Investments Limited	England & Wales	Property Development	33%
Other fixed asset investments			
Scholes Development Company Limited	England & Wales	Property Development	12.5%

During the year the group sold its entire investment in Teesfield Group Limited and Citygate Court Property Company Limited resulting in a loss on disposal of £336,313.

12 STOCKS

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
Work in progress	<u>150,003</u>	<u>701,939</u>	<u>-</u>	<u>-</u>

The group's work in progress does not include the ongoing contracts which are conducted through related undertakings. At the year end the group's investment in related undertakings for the purpose of funding the group's share of work in progress amounted to £178,507 (1998: £408,303) as set out in note 13.

13 DEBTORS

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
Due within one year				
Trade debtors	335,669	55,828	-	-
Amounts owed by joint venture undertakings	6,404	154	-	-
Funding to related undertakings for work in progress	178,507	408,303	-	-
Corporation tax recoverable	-	10,592	-	-
Other debtors	99,138	96,694	2	2
Prepayments and accrued income	<u>21,282</u>	<u>24,370</u>	<u>-</u>	<u>-</u>
	641,000	595,941	2	2
Due after more than one year				
Loan due from joint venture undertaking	<u>1,060,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,701,000</u>	<u>595,941</u>	<u>2</u>	<u>2</u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

14	CURRENT ASSET INVESTMENTS	Group		Company	
		1999	1998	1999	1998
		£	£	£	£
	Listed investments	<u>14,846</u>	<u>26,454</u>	<u>-</u>	<u>-</u>
15	CREDITORS	Group		Company	
		1999	1998	1999	1998
		£	£	£	£
	Amounts falling due within one year:				
	Bank loans and overdrafts	201,298	429,658	-	-
	Loan from joint venture partner	-	1,372,643	-	-
	Trade creditors	456,900	450,005	-	-
	Amounts owed to related undertakings	35,000	45,001	55,581	598,884
	Obligations under finance leases and hire purchase contracts	88,122	83,699	-	-
	Corporation tax	32,097	-	-	-
	Other taxation and social security	133,624	90,423	-	-
	Other creditors	43,261	43,122	35,392	35,392
	Accruals and deferred income	<u>794,596</u>	<u>209,390</u>	<u>-</u>	<u>-</u>
		<u>1,784,898</u>	<u>2,723,941</u>	<u>90,973</u>	<u>634,276</u>

The bank loans and overdrafts are secured by a debenture and are guaranteed by the company.

Amounts falling due after more than one year:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Loan from joint venture partner (note 16)	1,060,058	-	-	-
Other loan (note 16)	500,000	-	-	-
Obligations under finance leases and hire purchase contracts (note 17)	<u>102,104</u>	<u>103,750</u>	<u>-</u>	<u>-</u>
	<u>1,662,162</u>	<u>103,750</u>	<u>-</u>	<u>-</u>

The loan from the joint venture partner and the other loan are both secured by fixed and floating charge over the assets of the group.

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

16 LOANS

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Loans fall due for payment as follows				
Between two and five years	<u>1,560,058</u>	<u>-</u>	<u>-</u>	<u>-</u>

17 FINANCE LEASES

Net obligations under finance leases and hire purchase agreements fall due as follows:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Within one year	88,122	83,699	-	-
Between one and five years	<u>102,104</u>	<u>103,750</u>	<u>-</u>	<u>-</u>
	<u>190,226</u>	<u>187,449</u>	<u>-</u>	<u>-</u>

Finance leases and hire purchase creditors are secured on the assets to which they relate.

18 PROVISIONS FOR LIABILITIES AND CHARGES

Group

These represent the amounts provided for deferred taxation as set out below:

	Differences between accumulated depreciation and capital allowances £	On revaluation of other fixed asset investments £	Unrelieved advance corporation tax £	Total £
At 1 October 1998	(32,570)	433,811	(32,360)	368,881
Charged/(credited) to profit and loss account	<u>32,570</u>	<u>(433,811)</u>	<u>32,360</u>	<u>(368,881)</u>
At 30 September 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

19 CALLED UP SHARE CAPITAL

There has been no change in share capital during the year which comprises:

	Authorised £	Allotted, called up and fully paid £
Ordinary shares of £1 each	<u>50,102</u>	<u>50,002</u>

20 RESERVES

	Revaluation reserve £	Profit and loss account £
Group		
At 1 October 1998	965,984	165,869
Realised profit	(965,984)	965,984
Loss for the year	<u>-</u>	<u>(593,706)</u>
At 30 September 1999	<u>-</u>	<u>538,147</u>
Company		
At 1 October 1998	-	343,436
Profit for the year	<u>-</u>	<u>-</u>
At 30 September 1999	<u>-</u>	<u>343,436</u>

21 SHAREHOLDERS' FUNDS

The reconciliation of movements in shareholders' funds was as follows:

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
(Loss)/profit for the financial year	(593,706)	2,390	-	339,572
Balance at 1 October 1998	<u>1,181,855</u>	<u>1,179,465</u>	<u>393,438</u>	<u>53,866</u>
Balance at 30 September 1999	<u>588,149</u>	<u>1,181,855</u>	<u>393,438</u>	<u>393,438</u>

22 OPERATING LEASE COMMITMENTS

The group had operating lease commitments with respect to land and buildings to pay during the next year as follows:

	1999 £	1998 £
Expiring between one and five years	<u>45,000</u>	<u>45,000</u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

23 NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

The reconciliation of operating profit to net cash inflow (outflow) from operating activities was as follows:

	1999 £	1998 £
Operating (loss)/profit	(533,943)	256,301
Depreciation and amortisation	141,710	113,513
Profit on sale of tangible fixed assets	(12,272)	(1,236)
Profit on sale of current asset investments	(19,212)	-
Decrease/(increase) in stocks	551,936	(260,101)
(Increase)/decrease in debtors	(1,115,651)	841,089
Increase/(decrease) in creditors	<u>625,440</u>	<u>(27,023)</u>
Net cash (outflow)/inflow from operating activities	<u>(361,992)</u>	<u>(922,543)</u>

GROSS CASHFLOWS

Returns on investments and servicing of finance

Interest received	74,671	21,012
Interest paid	(109,648)	(208,595)
Interest element of hire purchase payments	<u>(18,948)</u>	<u>(13,088)</u>
	<u>(53,925)</u>	<u>(200,671)</u>

Capital expenditure and financial investment

Payments to acquire tangible fixed assets	(61,125)	(753,618)
Payments to acquire investments	(150,000)	(275,250)
Receipt from sale of tangible fixed assets	<u>42,977</u>	<u>1,382,430</u>
	<u>(168,148)</u>	<u>353,562</u>

Acquisitions and disposals

Receipt from sale of fixed asset investments	1,110,099	-
Purchase of subsidiary undertakings	-	(2)
Net overdraft acquired with subsidiary undertakings	<u>-</u>	<u>(15,693)</u>
	<u>1,110,099</u>	<u>(15,695)</u>

Management of liquid resources

Proceeds from disposal of listed equities	30,820	-
Payments to acquire listed equities	<u>-</u>	<u>(26,454)</u>
	<u>30,820</u>	<u>(26,454)</u>

Financing

Capital element of hire purchase payments	(147,793)	(62,053)
New loans advanced	1,560,058	-
Repayments of amounts borrowed	<u>(1,372,643)</u>	<u>(780,334)</u>
	<u>39,622</u>	<u>(842,387)</u>

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1 October 1998 £	Cashflows £	Other Changes £	At 30 September 1999 £
Cash at bank and in hand	1,861	372,399	-	374,260
Bank overdraft	(429,658)	228,360	-	(201,298)
		600,759		
Debt due within one year	(1,372,643)	1,372,643	-	-
Debt due after one year	-	(1,560,058)	-	(1,560,058)
Hire purchase contracts	(187,449)	147,793	(150,570)	(190,226)
Current asset investments	26,454	(30,820)	19,212	14,846
	<u>(1,961,435)</u>	<u>530,317</u>	<u>(131,358)</u>	<u>(1,562,476)</u>

25 CONTINGENT LIABILITIES

In the ordinary course of business the company has given guarantees in respect of the bank borrowings of other group undertakings. At 30 September 1999, such borrowings totalled £201,298 (1998: £429,658).

26 RESULTS OF PARENT UNDERTAKING

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent undertaking, Thornfield Holdings plc, is not presented as part of these financial statements. The parent undertaking's results for the year amounted to a profit of £Nil (1998: £339,572), and is included in the consolidated profit and loss account.

27 RELATED PARTY TRANSACTIONS

Details of directors' loan accounts due from the company are set out below.

	Balance at 30 September 1998 £	Maximum outstanding during year £	Balance at 30 September 1999 £
A Marcus	(2,967)	297,709	(2,366)

This loan is unsecured and interest free.

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

27 RELATED PARTIES (CONTINUED)

During the year the company purchased fine arts at the directors' estimate of market value of £150,000 (1998: £275,250) from Mr A Marcus, a director of the company. The group also purchased the equity in a property owned by Mr A Marcus at a valuation of £150,000, and this amount is included within work in progress at the balance sheet date.

Professional services totalling £66,000 (1998: £95,553) provided by Wilson & Co, a firm controlled by Mr D P Wilson, the company secretary, have been charged in the profit and loss account for the year.

Details of other related party transactions are set out below:

	Balance due to/(from) the Group at 30 September 1998 £	Net funding/ (repayments) during year £	Balance due to/(from) the Group at 30 September 1999 £	Relationship
Capitol Projects Limited	259,475	(80,968)	178,507	Related undertaking
Citygate Court Property Company Limited	92,589	(92,589)	-	Related undertaking
Teesfield Group Limited	(10,000)	10,000	-	Related undertaking
Teesthorn Developments Limited	53,084	(53,084)	-	Related undertaking

	Balance of loans due from the Group at 30 September 1998 £	Loans repaid/ advanced during year £	Loan interest receivable/ (payable) £	Balance of loans due to/(from) the Group at 30 September 1999 £
Citygate Court Property Company Limited	(1,372,643)	1,372,643	-	-
Thornfield Properties (Redditch) Investments Limited *	-	990,000	56,400	1,049,400
Thornfield Properties (Redditch) No 1 Limited *	-	10,000	600	10,600
Mable Commercial Funding Limited **	-	(1,000,000)	(60,058)	(1,060,058)

* Joint venture undertaking

** Joint venture partner

The company has taken advantage of the exemption available to 90% subsidiaries, not to disclose transactions with other group companies.

**THORNFIELD HOLDINGS PLC
AND SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**

28 CONTROLLING PARTY

The ultimate controlling party is Mr A Marcus.