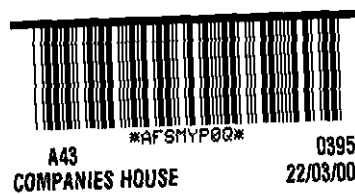


THI Plc

**Directors' Report and  
Consolidated Financial Statements**

31 December 1999

Registered number 2880822



# THI Plc

## Directors' Report and Consolidated Financial Statements

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# THI Plc

## Directors' Report

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

### Principal activities

The principal activities of the Group are the development and management of and investment in leisure and retail centres in the UK and Europe.

### Business review

The group results for the year are shown on page 6 of the financial statements.

Following on from two successive years of losses the profit after tax and dividends of £1.3m represented an encouraging performance that was £4.1m better than the outcome in 1998. The total operating profit of the group was £8.2m which is an £11.1m improvement compared with the previous year.

Although there is still much to be achieved by THI, 1999 was a year in which the investments in Europe and in the THI Leisure Fund began to show a positive return that should continue in future years.

During 1999 THI completed several projects in the UK including leisure centres at Edinburgh and Cheshire Oaks. Also, work was begun on the retail scheme at Cheshire Oaks which should be completed in March 2000.

The partnership between THI and the institutional investors of the THI Leisure Fund was cemented with the acquisition of a leisure centre at Leicester. THI has been instrumental in achieving this growth in the Fund.

In Spain, construction of the leisure centre at Madrid is now well under way and the results for the year to 31 December 1999 reflect the progress and profitability of this scheme. Two more schemes are anticipated to begin construction in Spain during 2000.

Construction of a leisure scheme began in December 1999 at Dortmund in Germany and this will be completed by the end of 2000. THI have also now entered into a joint venture arrangement for a mixed retail and leisure centre at Duisberg.

The results for 1999 reflect the work undertaken in earlier years in establishing THI as a market leader in leisure developments in both the UK and in Europe. During 2000 the current development programme will consolidate this position and leave the group well placed to expand into new markets in the years to come.

The company generated £21.6m in cash which contributed to a substantial reduction in the group's net borrowing from £27.6m at 31 December 1998 to £6m at the end of the year. The directors intend to continue to reduce indebtedness over the forthcoming year.

# THI Plc

## Directors' Report *(continued)*

### Proposed dividend and transfer to reserves

Provision has been made for a dividend of £40,000 (1998: £41,000) in respect of the convertible redeemable preference shares.

The profit for the year retained in the group is £1,355,000 (1998: loss of £2,865,000).

### Directors and directors' interests

The directors who held office during the year were as follows:

C A Lewis	(Chairman)
J D Henley	(Chief Executive)
A Coles	
A Jeffrey	(appointed 1 November 1999, resigned 22 November 1999 and reappointed 24 January 2000)
A Nock	
I Marshall	(resigned 15 October 1999)
R Miller	
P Rose	(resigned 1 April 1999)
R Tsenin	
P Walicknowski	(appointed 22 November 1999 and resigned 24 January 2000)

The directors who held office at the end of the financial year had the following interests in the shares of group companies as recorded in the register of directors' share and debenture interests:

	Company	Class of share	Interest at beginning and end of the year
C A Lewis	THI Plc	A £1 ordinary	500
J D Henley	THI Plc	A £1 ordinary	250

The company has instigated directors and officers liability insurance.

### Creditor payment policy

The company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company does not follow any code or standard on payment practice.

The number of days' purchases outstanding for payment by the company at the year-end was 28 days.

# THI Plc

## Directors' Report *(continued)*

### Year 2000

During the year the company continued to position itself for the challenges of dealing with the Year 2000 date change.

The company gave the Year 2000 issue a high priority and made good progress with the programme to prepare its computer systems for the date change. All of the work was completed by the end of 1999 and appropriate contingency plans were developed to ensure business continuity. This included working with suppliers and customers with the objective of seeking an uninterrupted supply of goods and services through the millennium change. The cost of Year 2000 compliance, including the cost of modifying or replacing systems or equipment directly affected by the problem was not material.

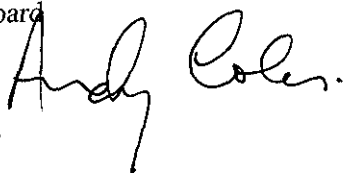
The company has not been materially affected by the Year 2000 issue to date and does not expect to be.

### Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming AGM.

By order of the board

A Coles FCA  
Company Secretary



22 Grosvenor Square  
London  
W1X 9LF

# THI Plc

## 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



St James' Square  
Manchester  
M2 6DS

## Auditors' Report to the Members of THI Plc

We have audited the financial statements on pages 6 to 28.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### *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 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.

### *Going concern*

In forming our opinion, we have considered the disclosures made in note 1 of the financial statements concerning the level of unpredictability of the group's future cash flow. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

### *Opinion*

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

*KPMG*

Chartered Accountants  
Registered Auditors

6 March 2000

# THI Plc

## Consolidated profit and loss account for the year ended 31 December 1999

	<i>Note</i>	<b>1999 £000</b>	<b>1998 £000</b>
<b>Turnover</b>	<b>2</b>	<b>90,718</b>	<b>54,410</b>
Cost of sales		(80,172)	(53,068)
<b>Gross profit</b>		<b>10,546</b>	<b>1,342</b>
Administrative expenses		(5,272)	(4,388)
Other operating income	<b>6</b>	<b>3,202</b>	<b>118</b>
<b>Group operating profit/(loss)</b>		<b>8,476</b>	<b>(2,928)</b>
Share of operating loss in joint venture	<b>13</b>	(230)	-
<b>Total operating profit/ (loss): group and share of joint ventures</b>		<b>8,246</b>	<b>(2,928)</b>
Other interest receivable and similar income	<b>7</b>	<b>168</b>	<b>638</b>
Interest payable and similar charges	<b>8</b>	(4,865)	(426)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>2-8</b>	<b>3,549</b>	<b>(2,716)</b>
Tax on profit/(loss) on ordinary activities	<b>9</b>	(1,834)	212
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>1,715</b>	<b>(2,504)</b>
Finance costs of non-equity shares	<b>10</b>	(320)	(320)
Dividend on non-equity shares	<b>11</b>	(40)	(41)
<b>Retained profit/(loss) for the financial year</b>		<b>1,355</b>	<b>(2,865)</b>

The company has no recognised gains or losses in either the current or preceding years, other than those reported above, and therefore no separate statement of total recognised gains and losses has been presented.

All of the above results arise from continuing operations.

Details of movements in reserves are given in note 22.




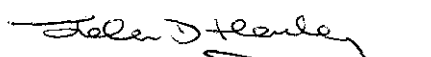
# THI Plc

## Consolidated balance sheet at 31 December 1999

	Note	1999 £000	1998 £000
<b>Fixed assets</b>			
Intangible assets		3	3
Tangible assets	12	303	387
Investments in joint ventures			
Share of gross assets		9,051	8,684
Share of gross liabilities		(7,431)	(6,834)
	13		
Investments	14	1,620	1,850
		791	828
		<u>2,717</u>	<u>3,068</u>
<b>Current assets</b>			
Stocks - work in progress	15	23,279	31,406
Debtors	16	7,668	5,097
Cash at bank and in hand		16,956	5,640
		<u>47,903</u>	<u>42,143</u>
<b>Creditors: amounts falling due within one year</b>	17	(26,987)	(21,795)
		<u></u>	<u></u>
<b>Net current assets</b>		<u>20,916</u>	<u>20,348</u>
		<u></u>	<u></u>
<b>Total assets less current liabilities</b>		<u>23,633</u>	<u>23,416</u>
		<u></u>	<u></u>
<b>Creditors: amounts falling due after more than one year</b>	18	(22,910)	(24,456)
		<u></u>	<u></u>
<b>Net assets/(liabilities)</b>		<u>723</u>	<u>(1,040)</u>
		<u></u>	<u></u>
<b>Capital and reserves</b>			
Called up share capital	21	576	576
Share premium account	22	50	50
Profit and loss account	22	(903)	(2,258)
Exchange reserve	22	40	(48)
Finance costs of non-equity shares	22	960	640
		<u>723</u>	<u>(1,040)</u>
<b>Shareholders' funds</b>		<u></u>	<u></u>
		<u></u>	<u></u>
Equity		(812)	(2,255)
Non equity		1,535	1,215
		<u>723</u>	<u>(1,040)</u>
<b>Shareholders' funds</b>		<u></u>	<u></u>

These financial statements were approved by the board of directors on 6 March 2000 and were signed on its behalf by:

  
CA Lewis  
Director

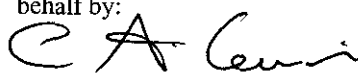
  
J D Henley  
Director

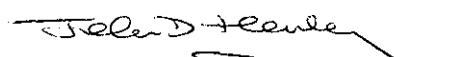
# THI Plc

## Company balance sheet at 31 December 1999

	Note	1999		1998	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	12		275		360
Investments	14		16		197
			<u>291</u>		<u>557</u>
<b>Current assets</b>					
Stocks - work in progress	15	4,215		1,475	
Debtors	16	17,440		28,765	
Cash		16,048		5,016	
		<u>37,703</u>		<u>35,256</u>	
<b>Creditors: amounts falling due within one year</b>	17	(11,101)		(10,070)	
		<u></u>		<u></u>	
<b>Net current assets</b>			26,602		25,186
			<u></u>		<u></u>
<b>Total assets less current liabilities</b>			26,893		25,743
			<u></u>		<u></u>
<b>Creditors: amounts falling due after more than one year</b>	18		(22,910)		(24,452)
			<u></u>		<u></u>
<b>Net assets</b>			3,983		1,291
			<u></u>		<u></u>
<b>Capital and reserves</b>					
Called up share capital	21		576		576
Share premium account	22		50		50
Profit and loss account	22		2,397		25
Finance costs of non-equity shares	22		960		640
			<u>3,983</u>		<u>1,291</u>
<b>Shareholders' funds</b>			<u></u>		<u></u>
			<u></u>		<u></u>
Equity			2,448		76
Non equity			1,535		1,215
			<u>3,983</u>		<u>1,291</u>
<b>Shareholders' funds</b>			<u></u>		<u></u>

These financial statements were approved by the board of directors on 6 March 2000 and were signed on its behalf by:

  
CA Lewis  
Director

  
J D Henley  
Director

# THI Plc

## Consolidated cash flow statement for the year ended 31 December 1999

	Note	1999 £000	1998 £000
Cash inflow/(outflow) from operating activities		26,250	(6,878)
Returns on investment and servicing of finance	23	(4,697)	212
Taxation		(109)	(260)
Capital expenditure and financial investment	23	194	(11,318)
Cash inflow/(outflow) before management of liquid resources and financing		21,638	(18,244)
Financing	23	(10,322)	21,705
Increase in cash in the year		11,316	3,461

## Reconciliation of operating profit/(loss) to operating cash flows for the year ended 31 December 1999

Operating profit/(loss)	8,246	(2,928)
Depreciation charge	145	148
Loss/(profit) on sale of tangible fixed assets	12	(36)
Exchange differences	88	(48)
(Increase)/decrease in work in progress	8,127	(9,399)
(Increase)/decrease in debtors	(2,571)	3,529
Increase in creditors	12,203	1,856
Net cash inflow/(outflow) from operating activities	26,250	(6,878)

## Reconciliation of net cash inflow to movement in net debt for the year ended 31 December 1999

Increase in cash in the year	11,316	3,461
Cash outflow from repayment of finance leases	23	132
Cash inflow from inception of finance leases	-	(140)
Cash inflow from borrowings introduced	23	(21,837)
Cash outflow from repayment of borrowings	23	10,190
Movement in net debt for the year	21,638	(18,384)
Net debt at the beginning of the year	(27,673)	(9,289)
Net debt at the end of the year	24	(6,035)

# THI Plc

## Reconciliation of movements in shareholders' funds for the year ended 31 December 1999

Group	1999			1998		
	Equity £000	Non-equity £000	Total £000	Equity £000	Non-equity £000	Total £000
Profit/(loss) for the year	1,715	-	1,715	(2,504)	-	(2,504)
Dividend	(40)	-	(40)	(41)	-	(41)
Finance costs of non-equity shares	(320)	320	-	(320)	320	-
Exchange difference on retranslation of net assets of overseas subsidiaries	88	-	88	(48)	-	(48)
<b>Net addition to/(reduction in) shareholders' funds</b>	<b>1,443</b>	<b>320</b>	<b>1,763</b>	<b>(2,913)</b>	<b>320</b>	<b>(2,593)</b>
Opening shareholders' funds	(2,255)	1,215	(1,040)	658	895	1,553
<b>Closing shareholders' funds</b>	<b>(812)</b>	<b>1,535</b>	<b>723</b>	<b>(2,255)</b>	<b>1,215</b>	<b>(1,040)</b>

Company	1999			1998		
	Equity £000	Non-equity £000	Total £000	Equity £000	Non-equity £000	Total £000
Profit/(loss) for the year	2,732	-	2,732	(1,244)	-	(1,244)
Dividend	(40)	-	(40)	(41)	-	(41)
Finance cost of non-equity shares	(320)	320	-	(320)	320	-
<b>Net addition to/(reduction in) shareholders' funds</b>	<b>2,372</b>	<b>320</b>	<b>2,692</b>	<b>(1,605)</b>	<b>320</b>	<b>(1,285)</b>
Opening shareholders' funds	76	1,215	1,291	1,681	895	2,576
<b>Closing shareholders' funds</b>	<b>2,448</b>	<b>1,535</b>	<b>3,983</b>	<b>76</b>	<b>1,215</b>	<b>1,291</b>

# THI Plc

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

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

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

With the exception of specific project related debt the Company meets its day to day working capital requirements through a banking facility referred to in note 18. As explained more fully in note 18 the amount available under the terms of the facility is restricted to the amount guaranteed by a shareholder of the company and is set to reduce during the period to December 2002. The nature of the group's business is such that there can be considerable unpredictable variations in the timing and amounts of cash flows. *From projected cash flow information the directors consider that the company will continue to operate within the current arrangements and deem it appropriate to prepare the financial statements on a going concern basis.*

#### ***Basis of consolidation***

The group accounts consolidate the accounts of THI Plc and all its subsidiary undertakings. The consolidated accounts are based on accounts of subsidiary undertakings so as to include the results for a year coterminous with that of the parent company. At 31 December 1998 a number of subsidiaries did not have coterminous year ends and therefore management accounts as at that date were used to consolidate the results of the Group. All subsidiaries now have a coterminous year end.

In the company's accounts, investments in subsidiary and associated undertakings are stated at the nominal value of the shares issued to acquire them or at the fair value of the consideration as appropriate.

Entities in which the group holds an interest on a long term basis and are jointly controlled by the group and one or more other parties under a contractual relationship are treated as joint ventures. In the group accounts joint ventures are accounted for using the gross equity method.

In accordance with Section 230(4) of the Companies Act 1985, THI Plc is exempt from the requirement to present its own profit and loss account. The amount of the profit for the financial year dealt with in the financial statements of THI plc is disclosed in note 22 to these financial statements.

#### ***Related party transactions***

The directors have taken advantage of the exemption contained in paragraph 3(c) of Financial Reporting Standard Number 8 and have not disclosed transactions with subsidiary undertakings. Additional details concerning related party transactions are given in note 25 to these financial statements.

# THI Plc

## Notes (continued)

### 1 Accounting policies (continued)

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	15-20% per annum
Motor vehicles	-	25% per annum

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date.

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

#### *Leases*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### *Pension costs*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

#### *Government grants*

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate. Revenue based grants are credited to the profit and loss account as and when they are received.

# THI Plc

## Notes (continued)

### 1 Accounting policies (continued)

#### *Long term contracts*

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses which are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Interest costs attributable to specific projects are carried forward in work in progress to the extent that their recovery on completion of the contract involved can be reasonably foreseen.

#### *Taxation*

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services including construction contracts to third party customers during the year.

#### *Rental income*

Rental income is received on developments completed and awaiting sale and is credited to the profit and loss account on an accruals basis.

### 2 Analysis of turnover and operating profit

Analysis of turnover and profit on ordinary activities before taxation.

Turnover relates to the principal activity and arose as follows:

	1999 £000	1998 £000
United Kingdom	77,542	53,672
Continental Europe	13,176	738
	<u>90,718</u>	<u>54,410</u>

# THI Plc

## Notes (continued)

### 2 Analysis of turnover and operating profit (continued)

The profit/(loss) on ordinary activities before interest and taxation also relates to the principal activity and arose as follows:

	1999 £000	1998 £000
United Kingdom	5,097	(3,029)
Continental Europe	3,149	101
Profit/(loss) on ordinary activities before interest and taxation	<u>8,246</u>	<u>(2,928)</u>

### 3 Profit/(loss) on ordinary activities before taxation

	1999 £000	1998 £000
<i>The profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	60	40
Other services	68	23
Depreciation and other amounts written off tangible fixed assets:		
Owned	35	40
Leased	110	108
Exchange losses	1,060	-
Hire of plant and machinery - rentals payable under operating leases	31	29
Operating loss relating to retail food outlet	-	9
Loss on sale of fixed assets	12	-
<i>after crediting</i>	<u>          </u>	<u>          </u>
Rents receivable from property	2,117	118
Exchange gains	-	491
Profit on sale of fixed assets	-	36
	<u>          </u>	<u>          </u>

The total amount charged to revenue for the hire of plant and machinery amounted to £159,000 (1998: £167,000). This comprises rentals payable under operating leases as well as depreciation on plant and machinery held under finance leases together with the related finance charge.



# THI Plc

## Notes (continued)

### 4 Remuneration of directors

	1999	1998
	£000	£000
Directors' emoluments	1,164	1,185

The emoluments, excluding pension contributions, of the Chairman who was also the highest paid director were £435,767 (1998: £424,538)

### 5 Staff numbers and costs

The average number of staff employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Management	10	10
Development, construction and administration	20	22
	<u>30</u>	<u>32</u>

The aggregate payroll costs were as follows:

	1999	1998
	£000	£000
Wages and salaries	2,207	2,141
Social security costs	258	223
Other pension costs (see note 20)	142	99
	<u>2,607</u>	<u>2,463</u>

### 6 Other operating income

	1999	1998
	£000	£000
Rental income	2,117	118
Grant income	123	-
Investment income	962	-
	<u>3,202</u>	<u>118</u>

During the year THI Leisure (Sheffield) Limited, a wholly owned subsidiary, received a revenue based government grant of £123,000 from the European Commission.

### 7 Other interest receivable and similar income

	1999	1998
	£000	£000
Bank interest receivable	168	147
Exchange gains	-	491
	<u>168</u>	<u>638</u>

# THI Plc

## Notes (continued)

### 8 Interest payable and similar charges

	1999 £000	1998 £000
Bank loans, overdrafts and other loans wholly repayable within five years	3,787	400
Finance charges payable in respect of finance leases and hire purchase contracts	18	26
Exchange rate losses	1,060	-
	<u>4,865</u>	<u>426</u>

Interest costs and income attributable to specific developments are carried forward in work in progress to the extent that their recovery on completion of the contract involved can be reasonably foreseen (see note 15).

### 9 Tax on profit on ordinary activities

	1999 £000	1998 £000
Under/(over) provision from prior years	26	(212)
Overseas taxation	1,808	-
	<u>1,834</u>	<u>(212)</u>

No corporation tax charge is expected to arise in the UK due to the availability of brought forward tax losses.

No provision is made for deferred tax as there would be an asset as at 31 December 1999.

### 10 Finance cost of non-equity shares

The finance cost of premiums on redemption relating to the convertible redeemable preference shares at 31 December 1999 amounted to £320,000 (1998: £320,000) and has been calculated in accordance with the requirements of FRS4.

### 11 Dividend on non-equity shares

	1999 £000	1998 £000
Dividend proposed	40	41

Provision has been made for a dividend of £40,000 (1998: £41,000) on the 10% convertible redeemable preference shares.

# THI Plc

## Notes (continued)

### 12 Tangible fixed assets

Group	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>			
At beginning of year	148	502	650
Additions	70	67	137
Disposals	-	(141)	(141)
At end of year	218	428	646
<b>Depreciation</b>			
At beginning of year	92	171	263
Charge for year	28	117	145
On disposals	-	(65)	(65)
At end of year	120	223	343
<b>Net book value</b>			
At 31 December 1999	98	205	303
At 31 December 1998	56	331	387

Included in the net book value of motor vehicles is £176,000 (1998: £316,219) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £110,000 (1998: £111,750).

# THI Plc

## Notes (continued)

### 12 Tangible fixed assets (continued)

Company	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>			
At beginning of year	112	477	589
Additions	54	67	121
Disposals	-	(129)	(129)
At end of year	166	415	581
<b>Depreciation</b>			
At beginning of year	74	155	229
Charge for year	22	115	137
On disposals	-	(60)	(60)
At end of year	96	210	306
<b>Net book value</b>			
At 31 December 1999	70	205	275
At 31 December 1998	38	322	360

Included in the net book value of motor vehicles is £176,000 (1998: £308,416) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £110,000 (1998: £109,985).

### 13 Investments in joint ventures

Goodcite Limited is a wholly owned subsidiary company of THI Plc. It has a 43% share in the LL THI Clacton Partnership. Goodcite's share of the net assets of the partnership at 31 December 1999 was £1,620,000. The principal activity of the partnership is the development of a leisure site at Clacton. It has a year end of 31 March.

The Group result for the year includes THI's share of the operating loss of the Partnership for the year.

# THI Plc

## Notes (continued)

### 14 Fixed asset investments

	Shares in group undertakings £000	Leisure fund £000	Other investments £000	Total £000
<b>Group</b>				
At 1 January 1999	-	650	178	828
Additions	-	-	255	255
Amounts written off	-	-	(292)	(292)
At 31 December 1999	-	650	141	791
<b>Company</b>				
At 1 January 1999	19	-	178	197
Additions	-	-	114	114
Amounts written off	(3)	-	(292)	(295)
At 31 December 1999	16	-	-	16

### Subsidiary undertakings

The subsidiaries listed below represent the trading companies included within the consolidation. The THI Plc group includes 24 subsidiaries which are dormant and are not listed below.

	Country of registration
THI Leisure (Luton) Limited	England and Wales
THI Leisure (Finchley) Limited	England and Wales
THI Leisure (Leeds) Limited	England and Wales
THI Leisure (Bristol) Limited	England and Wales
THI Leisure (Norwich) Limited	England and Wales
THI Leisure (Acton) Limited	England and Wales
THI Leisure (Falkirk) Limited	England and Wales
THI Leisure (Glasgow) Limited	England and Wales
THI Leisure (Barking and Dagenham) Limited	England and Wales
THI Leisure (Teesside) Limited	England and Wales
THI Leisure (Baldon) Limited	England and Wales
THI Leisure (Conway) Limited	England and Wales
THI Leisure (Bexleyheath) Limited	England and Wales
THI Leisure (Bolton) Limited	England and Wales
THI Leisure (Wolverhampton) Limited	England and Wales
THI Leisure (EP) Limited	England and Wales
THI Leisure (Perth) Limited	England and Wales
THI Leisure (Kilmarnock) Limited	England and Wales
THI Leisure (Wrotham) Limited	England and Wales
THI Leisure (Fountain Park) Limited	England and Wales
THI Leisure (Thanet) Limited	England and Wales

# THI Plc

## Notes (continued)

	Country of registration
THI Leisure (Peterborough) Limited	England and Wales
THI Leisure (Sheffield) Limited	England and Wales
THI Leisure (Camberley) Limited	England and Wales
THI Leisure (Dartford) Limited	England and Wales
THI Leisure (Hengrove) Limited	England and Wales
THI Leisure (Liverpool) Limited	England and Wales
THI Asset Management Limited	England and Wales
THI Leisure Partner Limited	England and Wales
THI Leisure Founder Limited	England and Wales
THI European Holdings Limited	England and Wales
THI Partner Limited	England and Wales
Goodcite Limited	England and Wales
THI Holdings Italy Limited	England and Wales
European Franchises Limited	England and Wales
EFL Management Limited	England and Wales
THI Leisure Two Partnership	England and Wales
THI Leisure (Bolton II) Limited	England and Wales
THI Retail (EP) Limited	England and Wales
THI Leisure Italia SRL	Italy
THI Deutschland GmbH	Germany
THI Deutschland Projekt Dreilinden GmbH	Germany
THI Deutschland Projekt Herne GmbH	Germany
THI Leisure SA	Spain
THI Alcobendas SA	Spain
THI Alava SA	Spain
THI Sant Cugat SA	Spain
THI Management SA	Spain
THI Greece EPE	Greece
THI Europe BV	Holland

The principal activity of EFL Management Limited is the management of franchise operations. The principal activity of all of the other companies listed above is that of leisure site development.

THI Plc, either directly or through wholly owned subsidiaries, has a 100% interest in each of the above companies. THI plc also has a 50% shareholding in The Fareham Retail Partnership (Market Quay) Limited.

## 15 Stock

	Group		Company	
	1999	1998	1999	1998
	£000	£000	£000	£000
Work in progress	23,279	31,406	4,215	1,475

Group work in progress includes £8,227,181 (1998:£ 3,530,527) of interest payable and interest received of £8,322 (1998:£64,804) for the year.

# THI Plc

## Notes (continued)

### 16 Debtors

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Trade debtors	2,256	1,437	499	32
Amounts recoverable on contracts	4,250	1,875	-	-
Amounts owed by subsidiary undertakings	-	-	16,796	28,688
Other debtors	391	611	69	-
Prepayments and accrued income	771	1,174	76	45
	<u>7,668</u>	<u>5,097</u>	<u>17,440</u>	<u>28,765</u>

### 17 Creditors: amounts falling due within one year

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Other loans	-	10,690	-	-
Obligations under finance lease and hire purchase contracts	81	126	81	126
Trade creditors	7,681	4,563	372	1,863
Amounts owed to subsidiary undertakings	-	-	1,817	5,374
Other creditors including taxation and social security:				
Corporation tax	1,794	69	-	30
Other taxes	831	160	83	728
Accruals and deferred income	16,479	6,106	8,627	1,868
Proposed dividend	121	81	121	81
	<u>26,987</u>	<u>21,795</u>	<u>11,101</u>	<u>10,070</u>

### 18 Creditors: amounts falling due after more than one year

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Other loans	22,884	22,384	22,884	22,384
Obligations under finance lease and hire purchase contracts	26	113	26	108
Accruals and deferred income	-	1,959	-	1,960
	<u>22,910</u>	<u>24,456</u>	<u>22,910</u>	<u>24,452</u>

# THI Plc

## Notes (continued)

### 18 Creditors: amounts falling due after more than one year (continued)

#### Other loans

On 19 December 1996 Lend Lease Corporation Limited, the parent company of Lend Lease International Proprietary Limited, a shareholder with representation on the Board of Directors of THI Plc, guaranteed a £25 million revolving line of credit with Barclays Bank plc provided to the group for a period of five years.

During the year ended 31 December 1999 total drawdowns made under that facility amounted to £500,000 (1998: £12,761,000). Interest charged on the borrowings amounted to £4,990,825 (1998: £4,897,000) and has been apportioned between development costs in the balance sheet and interest payable in the profit and loss account.

On 23 February 2000 THI Plc entered into an agreement to vary the terms of the facility whereby, *inter alia*, the rate of interest applying to the guarantee of the loan will be reduced (subject to certain conditions being met from time to time) and the length of the loan may (subject to conditions) be extended to 31 December 2002. In return, the lender and guarantor will be granted certain entitlements, including certain events of default, security over the assets of the Company and a reduction in the maximum level of borrowings during the loan period.

#### Finance leases

The maturity of obligations under finance leases and hire purchase contracts is as follows:

Group and company	1999 £000	1998 £000
Within one year	92	126
In the second to fifth years	23	137
	<u>115</u>	<u>263</u>
Less future finance charges	(8)	(24)
	<u>107</u>	<u>239</u>
	<u><u>107</u></u>	<u><u>239</u></u>

### 19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	1999 £000	1998 £000
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	-	-
More than 5 years	60	60
	<u>60</u>	<u>60</u>
	<u><u>60</u></u>	<u><u>60</u></u>

Under the terms of the partnership agreement to constitute the THI Leisure Fund, THI Plc has a commitment to provide further loan capital up to a maximum of £1,020,000.



# THI Plc

## Notes (continued)

### 20 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £142,466 (1998: £99,171).

At the end of the financial year there was an accrual of £32,416 for pension contributions (1998: £nil).

### 21 Called up share capital

	1999 £	1998 £
<b>Authorised</b>		
Equity shares:		
750 A ordinary shares of £1 each	750	750
125 B ordinary shares of £1 each	125	125
Non equity shares:		
575,124 C deferred shares of £1 each	575,124	575,124
1 C special deferred share of £1	1	1
400,000 10% convertible redeemable preference shares of £1 each	400,000	400,000
	<u>976,000</u>	<u>976,000</u>
	<u><u>976,000</u></u>	<u><u>976,000</u></u>
<b>Issued</b>		
Equity shares:		
750 A ordinary shares of £1 each	750	750
125 B ordinary shares of £1 each	125	125
Non equity shares:		
175,124 C deferred shares of £1 each	175,124	175,124
1 C special deferred share of £1	1	1
400,000 10% convertible redeemable preference shares of £1 each	400,000	400,000
	<u>576,000</u>	<u>576,000</u>
	<u><u>576,000</u></u>	<u><u>576,000</u></u>

# THI Plc

## Notes (*continued*)

### 21 Called up share capital (*continued*)

#### Share rights

##### i) Conversion and redemption

There are no conversion or redemption rights attached to the A and B ordinary shares, the C deferred shares, and the C special deferred share.

##### *Convertible redeemable preference shares*

The convertible redeemable preference shares will be converted no later than the date when the audited accounts showing a net asset value of £14 million are adopted. At this date all preference shares held by each holder will be consolidated into one share. The consolidated shares will be subdivided into B ordinary shares on the basis of one share for each complete £3,200 nominal amount of the consolidated share, with any balance of shares becoming C deferred shares.

Conversion may be earlier provided the shares are fully paid and at least 21 days written notice to the company is given which terminates before either the conversion date or the date of redemption.

The redemption date is 31 December 2001 at £5 per share for all shares which have not been converted.

##### ii) Voting

The only shares carrying voting rights are the A ordinary shares and the B ordinary shares. Each £1 share carries one vote.

Each A ordinary share and B ordinary share ranks equally in all respects apart from the appointment and removal of directors.

# THI Plc

## Notes (*continued*)

### 21 Called up share capital (*continued*)

#### Share rights (*continued*)

##### iii) Capital rights

In the event of a return of capital other than on conversion or redemption the order of payment will be as follows:

- C special bonus dividend payable to the holders of the C special deferred share;
- any arrears of dividends to preference shareholders including the bonus dividend;
- £1 to the holders of the C special deferred share;
- where preference shares have not been converted, the amount of capital paid up on the preference shares up to the fully paid amount;
- £1,000,000 to the holders of the B ordinary shares in proportion to their holdings. If all the preference shares have been converted this rises to £3,000,000;
- £9,000,000 to the holders of the A ordinary shares in proportion to their holdings; and
- the remainder to be distributed among the holders of ordinary shares in proportion to their respective holdings.

##### iv) Dividend rights

Dividends are due as follows:

#### *Convertible redeemable preference shares*

The dividend on the convertible redeemable preference shares is 10% per annum on the amount paid up, up to a maximum of £5 per share when fully paid. The dividend first becomes payable at the earlier of 30 June 1998 or the date of conversion, and thereafter quarterly.

An additional bonus dividend may be payable of £200,000 per year if the preference shares are not redeemed by 31 December 2001.

#### *C special deferred shares*

The C special deferred share is entitled to a bonus dividend of £400,000 on the earlier of the preference share conversion date or the date when the audited accounts are approved which show a consolidated net asset value of £14 million.

# THI Plc

## Notes (continued)

### 21 Called up share capital (continued)

#### Share rights (continued)

#### iv) Dividend rights (continued)

##### Ordinary shares

A and B ordinary shares rank *pari passu* to any dividend. The A shares are entitled to call for up to £150,000 to be distributed as dividend during each financial year. Provided all preference shares are fully converted and the above dividends have been met the A ordinary shareholders are entitled to call for up to 30% of the available distributable profits for that and the immediately preceding year to be distributed as a dividend. The B ordinary shareholders are entitled to call up to 10% of the available distributable profits.

### 22 Share premium and reserves

#### Group

	Share premium account £000	Profit and loss account £000	Exchange reserve £000	Finance cost of non equity shares £000
At beginning of year	50	(2,258)	(48)	640
Profit for the year	-	1,715	-	-
Exchange differences	-	-	88	-
Finance costs of non-equity shares	-	(320)	-	320
Dividend on non-equity shares	-	(40)	-	-
At end of year	<u>50</u>	<u>(903)</u>	<u>40</u>	<u>960</u>

#### Company

	Share premium account £000	Profit and loss account £000	Finance cost of non equity shares £000
At beginning of year	50	25	640
Profit for the year	-	2,732	-
Finance costs of non-equity shares	-	(320)	320
Dividend on non-equity shares	-	(40)	-
At end of year	<u>50</u>	<u>2,397</u>	<u>960</u>

# THI Plc

## Notes (continued)

### 23 Analysis of items netted in the cashflow statement

	1999 £000	1998 £000
<b>Returns on investment and servicing of finance</b>		
Interest received	168	147
Interest paid	(3,787)	(400)
Interest element of hire purchase payments	(18)	(26)
Exchange (losses)/gains	(1,060)	491
<b>Net cash (outflow)/inflow from returns on investment and servicing of finance</b>	<b>(4,697)</b>	<b>212</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(137)	(9,386)
Sale of tangible fixed assets	64	99
Reduction in/(purchase of) investments	267	(2,028)
Purchase of intangible assets	-	(3)
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>194</b>	<b>(11,318)</b>
<b>Financing</b>		
New loans introduced	-	21,837
Repayment of short term loans	(10,190)	-
Capital element of hire purchase payments	(132)	(132)
<b>Net cash (outflow)/inflow from financing</b>	<b>(10,322)</b>	<b>21,705</b>

### 24 Analysis of net debt

	At beginning of year £000	Cashflow £000	At end of year £000
Cash	5,640	11,316	16,956
Loans due in less than one year	(10,690)	10,690	-
Loans due in more than one year	(22,384)	(500)	(22,884)
Finance leases and hire purchase	(219)	132	(107)
	<b>(27,673)</b>	<b>21,638</b>	<b>(6,035)</b>

# THI Plc

## Notes (continued)

### 25 Related party transactions

#### Company

- i) During the year, the following related party transactions, on an arms length basis, were made with a company under the common control of CA Lewis and JD Henley:

Name of company	Type	Transaction		Debtor/(creditor) at year end	
		1999 £000	1998 £000	1999 £000	1998 £000
Bromborough Industrial Limited	Write-off of loan	(25)	Nil	Nil	Nil

During the year THI Plc paid a liability on behalf of Bromborough Industrial Limited which is not to be recovered from that company and has therefore been written off.

- ii) During the year, the following related party transactions, on an arm's length basis, were made with a company in which CA Lewis and JD Henley have a controlling interest.

Name of company	Type	Transaction		Debtor/(creditor) at year end	
		1999 £000	1998 £000	1999 £000	1998 £000
Cheshire Country Hotels Limited	Services	25	30	(14)	(34)
Cheshire Country Hotels Limited	Loans	34	-	34	-

- (iii) During the year the following related party transactions on an arm's length basis, were made with the THI Leisure Fund in which the THI Group has an interest.

Name of company	Type	Transaction		Debtor/(creditor) at year end	
		1999 £000	1998 £000	1999 £000	1998 £000
THI Leisure Fund	Sale of property	19,355	34,412	Nil	1,200