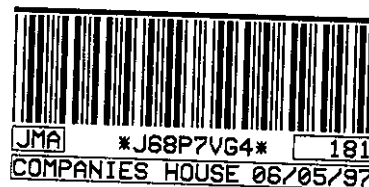


THI Plc

Directors' report and financial statements

31 December 1996

Registered number 2880822



THI Plc

Directors' report and consolidated financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The principal activities of the company are the provision of advice and expertise to its subsidiaries, and seeking new development opportunities.

The principal activity of the group is managing the development of sites for the leisure industry.

The group results for the period are shown on page 4 of the financial statements.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The profit for the period retained in the group is £836,383 (1995: £461,000)

Significant changes in fixed assets

Movements in fixed assets are set out in notes 10 and 11 to the accounts.

Directors and directors' interests

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

C A Lewis	
J D Henley	
A Nock	(appointed 15 July 1996)
M Doran	(resigned 15 July 1996)
C J Peacock	(resigned 19 December 1996)
B T E Shrubsall	(resigned 19 December 1996)
J A Theakston	(resigned 19 December 1996)
A Coles	(appointed 19 December 1996)
I Smith	(appointed 19 December 1996)
P Rose	(appointed 19 December 1996)
P Walicknowski	(appointed 19 December 1996)

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	
			the beginning of the year	the end of the year
C A Lewis	THI Plc	A £1 ordinary	400	500
J D Henley	THI Plc	A £1 ordinary	200	250

THI Plc

Directors' report

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:

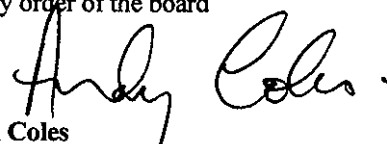
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 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 company and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


A Coles
Company Secretary

5 Heritage Court
Lower Bridge Street
Chester
CH1 1RD



St James' Square
Manchester
M2 6DS

Auditors' report to the members of THI Plc

We have audited the financial statements on pages 4 to 24.

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 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

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 1996 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

KPMG
Chartered Accountants
Registered Auditors

5 May 1997

THI Plc

Consolidated profit and loss account for the year ended 31 December 1996

	Note	Year ended 31 December 1996 £000	Year ended 31 December 1995 £000
Turnover from continuing operations	2	27,697	9,161
Cost of sales		(22,039)	(6,838)
Gross profit		5,658	2,323
Administrative expenses		(3,741)	(1,438)
Other operating income	4	578	-
Operating profit from continuing operations		2,495	885
Other interest receivable and similar income	7	80	14
Interest payable and similar charges	8	(630)	(162)
Profit on ordinary activities before taxation	2-8	1,945	737
Tax on profit on ordinary activities	9	(1,109)	(276)
Retained profit for the year		836	461

The company has no recognised gains or losses other than the profit for the period in either the current or preceding year.

Details of movements of reserves are given in note 17.

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Consolidated balance sheet at 31 December 1996

	Notes	£000	1996 £000	£000	1995 £000
Fixed assets					
Tangible assets	10		597		149
Current assets					
Stocks	12	7,933		14,268	
Debtors	13	18,469		2,404	
Cash at bank and in hand		1,762		1,965	
		28,164		18,637	
Creditors: amounts falling due within one year	14	(26,686)		(17,581)	
Net current assets			1,478		1,056
Total assets less current liabilities			2,075		1,206
Creditors: amounts falling due after more than one year	15		(74)		(41)
Net assets			2,001		1,165
Capital and reserves					
Called up share capital	16		576		176
Share premium account	17		50		450
Profit and loss account	17		1,375		539
Shareholders' funds			2,001		1,165
Equity			1,426		990
Non equity			575		175
Shareholders' funds			2,001		1,165

These financial statements were approved by the board of directors on 30 April 1997 and were signed on its behalf by:


J D Henley
Director

THI Plc

Balance sheet at 31 December 1996

	Note	£000	1996 £000	£000	1995 £000
Fixed assets					
Tangible assets	10		219		149
Investments	11		71		3,500
			<u>290</u>		<u>3,649</u>
Current assets					
Stocks	12	-		299	
Debtors	13	6,753		4,274	
Cash in hand		1		48	
		<u>6,754</u>		<u>4,621</u>	
Creditors: amounts falling due within one year	14	(4,367)		(2,085)	
				<u></u>	
Net current assets			<u>2,387</u>		<u>2,536</u>
Total assets less current liabilities			<u>2,677</u>		<u>6,185</u>
Creditors: amounts falling due after more than one year	15		(74)		(41)
			<u></u>		<u></u>
Net assets			<u>2,603</u>		<u>6,144</u>
Capital and reserves					
Called up share capital	16		576		176
Share premium account	17		50		450
Revaluation account	17		-		3,500
Profit and loss account	17		1,977		2,018
			<u>2,603</u>		<u>6,144</u>
Shareholders' funds					
Equity			<u>2,028</u>		<u>5,969</u>
Non equity			575		175
			<u>2,603</u>		<u>6,144</u>

These financial statements were approved by the board of directors on 30 April 1997 and were signed on its behalf by:

J D Henley
Director

THI Plc

Consolidated cash flow statement for the year ended 31 December 1996

	Note	£000	1996 £000	£000	1995 £000
Net cash (outflow)/inflow from operating activities	20		(4,690)		28
Return on investments and servicing of finance					
Interest received		77		14	
Interest paid		(618)		(188)	
Interest element of hire purchase rental payments		(12)		(11)	
Exchange gains		3		-	
Net cash (outflow)/inflow from returns on investment and servicing of finance			(550)		(185)
Taxation					
UK corporation tax paid			(276)		(78)
Investing activities					
Purchase of tangible fixed assets		(477)		(52)	
Proceeds on sale of tangible fixed assets		11		-	
Net cash outflow from investing activities			(466)		(52)
Net cash outflow before financing			(5,982)		(287)
Financing					
New short-term loans	22	5,854		1,445	
Capital element of finance lease rental payments	22	(76)		(28)	
Net cash inflow from financing			5,778		1,417
(Decrease)/increase in cash and cash equivalents	21		(204)		1,130

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Reconciliation of movements in shareholders' funds for the year ended 31 December 1996

	1996			1995		
	Equity £000	Non-equity £000	Total £000	Equity £000	Non-equity £000	Total £000
Group						
Profit for the year	836	-	836	461	-	461
Issue of share capital	(400)	400	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	436	400	836	461	-	461
Opening shareholders' funds	990	175	1,165	529	175	704
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	2,028	575	2,001	990	175	1,165
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	1996			1995		
	Equity £000	Non-equity £000	Total £000	Equity £000	Non-equity £000	Total £000
Company						
(Loss)/profit for the year	(41)	-	(41)	1,821	-	1,821
Revaluation of cost of investment	(3,500)	-	(3,500)	3,500	-	3,500
Issue of share capital	(400)	400	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	(3,941)	400	(3,541)	5,321	-	5,321
Opening shareholders' funds	5,969	175	6,144	648	175	823
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	2,028	575	2,603	5,969	175	6,144
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified by the revaluation of investments in subsidiaries.

Basis of consolidation

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. Where the subsidiary company does not make accounts up to a coterminous date the management accounts have been used to consolidate the results up to 31 December 1996.

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 17 to these accounts.

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 and the gains or losses on translation are included in the profit and loss account.

For consolidation purposes, the assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences arising on these translations are taken to reserves.

THI Plc

Notes (*continued*)

1 Accounting policies (*continued*)

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.

Pensions

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

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 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.

THI Plc

Notes (continued)

2 Analysis of turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation relate to the principal activity and arose wholly in the United Kingdom.

During the current and previous years the company made no significant acquisitions or disposals.

3 Profit on ordinary activities before taxation

	1996 £000	1995 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	32	15
Other services	7	7
Depreciation and other amounts written off tangible fixed assets	73	32
Hire of plant and machinery - rentals payable under operating leases	4	3
<i>after crediting</i>		
Rents receivable from property	576	278
Exchange gains	3	-
	<u>576</u>	<u>278</u>

The total amount charged to revenue for the hire of plant and machinery amounted to £61,569 (1995: £37,995). 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.

4 Other operating income

	1996 £000	1995 £000
Rental income	576	-
Other income	2	-
	<u>578</u>	<u>-</u>

THI Plc

Notes (continued)

5 Remuneration of directors

	1996	1995
	£000	£000
Directors' emoluments:		
As directors	565	397

The emoluments, excluding pension contributions, of the Chairman and highest paid director were £271,863 (1995:£191,382)

The emoluments, excluding pension contributions, of the directors (including the Chairman and highest paid director) were within the following ranges:

		Number of directors	
		1996	1995
£0	- £5,000	7	3
£40,001	- £45,000	1	-
£50,001	- £55,000	-	1
£100,001	- £105,000	1	-
£150,001	- £155,000	-	1
£190,001	- £195,000	-	1
£195,001	- £200,000	1	-
£270,001	- £275,000	1	-

6 Staff numbers and costs

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

	Number of employees	
	1996	1995
Management	3	3
Sales and administration	22	11
	25	14

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£000	£000
Wages and salaries	1,046	679
Social security costs	115	56
Other pension costs (see note 19)	42	20
	1,203	755

THI Plc

Notes (continued)

7 Other interest receivable and similar income

	1996 £000	1995 £000
Bank interest receivable	77	14
Exchange rate movements	3	-
	<u>80</u>	<u>14</u>

8 Interest payable and similar charges

	1996 £000	1995 £000
On bank loans, overdrafts and other loans wholly repayable within five years	618	151
Finance charges payable in respect of finance leases and hire purchase contracts	12	11
	<u>630</u>	<u>162</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.

9 Taxation

	1996 £000	1995 £000
UK corporation tax at 33% on the profit for the year on ordinary activities	1,108	204
Underprovision from prior year	1	72
	<u>1,109</u>	<u>276</u>

THI Plc

Notes (continued)

10 Tangible fixed assets

	Fixtures and fittings	Motor vehicles	Assets in course of construction	Total
	£000	£000	£000	£000
Group				
Cost				
At start of year	55	136	-	191
Additions	31	162	340	533
Disposals	-	(29)	-	(29)
At end of year	86	269	340	695
Depreciation				
At start of year	10	32	-	42
Charge for year	25	48	-	73
On disposals	-	(17)	-	(17)
At end of year	35	63	-	98
Net book value				
At 31 December 1996	51	206	340	597
At 31 December 1995	45	104	-	149
		Fixtures and fittings	Motor vehicles	Total
		£000	£000	£000
Company				
Cost				
At start of year		55	136	191
Additions		15	148	163
Disposals		-	(29)	(29)
Transfers to other group companies		-	(18)	(18)
At end of year		70	237	307
Depreciation				
At start of year		10	32	42
Charge for year		17	46	63
On disposals		-	(17)	(17)
At end of year		27	61	88
Net book value				
At 31 December 1996		43	176	219
At 31 December 1995		45	104	149

THI Plc

Notes (continued)

10 Tangible fixed assets (continued)

Included in the net book value of motor vehicles is £204,307 (1995: £85,908) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £45,147 (1995: £23,806).

11 Fixed asset investments

Company	Investments in group undertakings £000
<i>Cost</i>	
At start of year	3,500
Additions	71
Write down of investment	(3,500)
At end of year	<u>71</u>

Investments in group undertakings comprise £71,137 (1995: £3,500,026) in respect of shares held in subsidiary undertakings.

In 1995 the cost of investment in THI Leisure (Barking & Dagenham) Limited was revalued in light of a potential sale of this subsidiary. As this sale did not take place the Directors have decided to write down this investment to its original cost.

THI Plc

Notes (continued)

11 Fixed assets investments (continued)

Country of registration

Subsidiary undertakings

THI Leisure (Luton) Limited	England and Wales
THI Leisure (Finchley) Limited (period ended 31 October 1996)	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 (period ended 31 October 1996)	England and Wales
THI Leisure (Teeside) Limited	England and Wales
THI Leisure (Baldon) Limited	England and Wales
THI Leisure (Conway) Limited	England and Wales
THI Leisure (Brandenburg) Limited	England and Wales
THI Leisure (Bexleyheath) Limited	England and Wales
THI Leisure (Sheffield) Limited	England and Wales
THI Leisure (Bolton) Limited	England and Wales
THI Leisure (Bradford) 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)	England and Wales
THI Leisure Limited	England and Wales
THI Leisure Parks Limited	England and Wales
European Franchises Limited	England and Wales
Joinagent Limited	England and Wales
Careercivil Limited	England and Wales
Writeorder Limited	England and Wales
THI GmbH	Germany
THI Dreilinden GmbH	Germany
THI SA	Spain

The principal activity of each of the above companies is that of leisure site development. THI Plc owns 100% of the share capital of each company. All the above companies have been included in the consolidation.

THI Plc

Notes (continued)

12 Stocks

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Work in progress	7,933	14,268	-	299

Group work in progress includes £64,837 (1995:£443,415) of interest payable (Company £Nil (1995:£Nil)) and interest received of £1,249 (1995 £18,823) (Company £Nil (1995:£Nil)) for the year.

13 Debtors

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Trade debtors	723	2,111	38	-
Amounts recoverable on contracts	17,207	-	-	-
Amounts owed by subsidiary undertakings	-	-	6,176	4,176
Other debtors	-	208	-	73
Prepayments and accrued income	539	85	539	25
	18,469	2,404	6,753	4,274

All debtors fall due within one year.

THI Plc

Notes (continued)

14 Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Other loans	20,067	14,213	23	-
Obligations under hire purchase contracts	69	30	69	30
Trade creditors	2,073	2,149	246	173
Amounts owed to subsidiary undertakings	-	-	2,995	1,739
Other creditors including taxation and social security:				
Corporation tax	1,109	277	3	5
Other taxes	875	102	382	88
Accruals and deferred income	2,493	810	649	50
	<u>26,686</u>	<u>17,581</u>	<u>4,367</u>	<u>2,085</u>

Other loans are secured by fixed and floating charges over the assets of group companies. Interest is charged at 1.5% to 2.5% over one month LIBOR. The loans are repayable when the contracts to which they relate are complete.

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Obligations under hire purchase contracts	74	41	74	41

Creditors payable by instalments

	Instalments payable within five years		Instalments payable after five years		Total	
	1996	1995	1996	1995	1996	1995
	£000	£000	£000	£000	£000	£000
Group and company	142	71	-	-	142	71

THI Plc

Notes (continued)

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

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

Group and company	1996 £000	1995 £000
Within one year	77	35
In the second to fifth years	82	47
	<u>159</u>	<u>82</u>
Less future finance charges	(17)	(11)
	<u>142</u>	<u>71</u>

16 Called up share capital

	1996 £	1995 £
Authorised		
Equity shares:		
A ordinary shares of £1 each	750	750
B ordinary shares of £1 each	125	450
Non equity shares:		
C deferred shares of £1 each	575,124	175,000
C special deferred share of £1	1	-
10% convertible redeemable preference shares of £1 each	400,000	-
	<u>976,000</u>	<u>176,200</u>
Issued		
Equity shares:		
A ordinary shares of £1 each	750	750
B ordinary shares of £1 each	125	250
Non equity shares:		
C deferred shares of £1 each	175,124	175,000
C special deferred share of £1	1	-
10% convertible redeemable preference shares of £1 each	400,000	-
	<u>576,000</u>	<u>176,000</u>

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Notes (continued)

16 Called up share capital (continued)

As part of a restructuring of the company's capital reserves the authorised share capital of the company was increased on 19 December 1996 to £976,000 by the cancellation of 200 B ordinary shares of £1 each, an increase in the number of authorised C deferred shares from 175,000 to 574,999, creating 400,000 convertible redeemable preference shares of £1 each and creating 1 C special deferred share of £1.

On this date one of the issued C deferred shares was converted and re-designated as the C special deferred share and 125 of the issued B ordinary shares were converted and re-designated as C deferred shares. The holders of the 125 called up B ordinary shares remaining in issue were issued with 3,200 of the convertible redeemable preference shares fully paid, for each one B ordinary share by way of a bonus issue funded from the share premium account.

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.

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Notes (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 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, less the aggregate amount of any dividends paid by the company since 20 December 1996.

This dividend will be £200,000 if payable before 31 December 1997 and £400,000 if payable after this date.

THI Plc

Notes (continued)

16 Share capital (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.

17 Share premium and reserves

Group

	Profit and loss account £000	Share premium account £000	Revaluation Reserve £000
At start of year	539	450	-
Retained profit for year	836	-	-
Bonus issue of shares (note 16)	-	(400)	-
At end of the year	<u>1,375</u>	<u>50</u>	<u>-</u>

Company

	Profit and loss account £000	Share premium account £000	Revaluation Reserve £000
At start of year	2,018	450	3,500
Retained (loss)/profit for the year	(41)	-	-
Bonus issue of shares (note 16)	-	(400)	-
Write down of cost of investment (note 11)	-	-	(3,500)
At end of the year	<u>1,977</u>	<u>50</u>	<u>-</u>

THI Plc

Notes (continued)

18 Commitments

There were no annual commitments under non-cancellable operating leases in either the current or preceding year.

19 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the fund and amounted to £42,299 (1995: £20,285).

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

20 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	1996 £000	1995 £000
Operating profit	2,495	885
Depreciation charge	73	32
Reduction/(increase) in stocks	6,426	(8,815)
(Increase)/decrease in debtors	(16,065)	6,534
Increase in creditors	2,380	1,392
Loss on sale of fixed assets	1	-
Net cash (outflow)/inflow from operating activities	(4,690)	28

21 Analysis of changes in cash and cash equivalents

	Cash £000
Balance at 9 December 1994	836
Net cash inflow	1,130
Balance at 31 December 1995	1,966
Net cash outflow	(204)
Balance at 31 December 1996	1,762

THI Plc

Notes (continued)

22 Analysis of changes in financing during the year

	Share capital (including premium) £000	Loans £000	Hire purchase obligations £000
Balance at 31 December 1995	626	14,213	71
Cash inflow from financing	-	5,854	-
Repayment of loans	-	-	-
Inception of hire purchase contracts	-	-	147
Repayment of hire purchase contracts	-	-	(76)
Balance at 31 December 1996	626	20,067	142

23 Related Party Transactions

During the year the following transactions were made with companies under the common control of CA Lewis and JD Henley.

Company	Type of transaction	Transaction this year £000	Balance at year end £000
Monorival Limited	Loan	48,552	-
THI (Bromborough) Limited	Loan	60,000	60,000
Old Hall Developments Limited	Loan	42,873	-

The debtor balances with Monorival Limited and Old Hall Developments Limited were written off at the year end.

Purchases of £39,024 have been made from Tudor Heritage Inns Limited, a company of which CA Lewis is a director, for services in the year ended 31 December 1996. The balance at the year end was £3,052, and all transactions were on an arms length basis.

During the year there have been transactions with Higgs & Hill plc a former shareholder in the company in relation to the development of properties. Total transactions in the year were £10,908,652 with £832,514 included in creditors at 31 December 1996. All transactions were on an arms length basis.

Group

On 19 December 1996 Lend Lease Corporation Limited, the parent company of Lend Lease Asia Proprietary Limited, a shareholder with representation on the Board of Directors of THI Plc, guaranteed a £25 million revolving line of credit provided to the group for a period of five years. There were no drawdowns on the facility during the year.