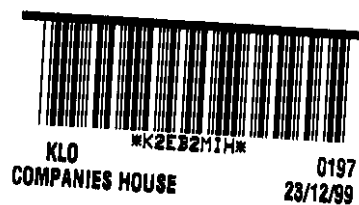


Lion Corporate Assets Plc
Annual report
Period ended 30 September 1999
Registered Number: 3555345



Lion Corporate Assets Plc

Annual report for the period ended 30 September 1999

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Lion Corporate Assets Plc

Directors' report for the period ended 30 September 1999

The company was incorporated on 29 April 1998. The directors present their report and the audited financial statements for the period ended 30 September 1999.

Principal activities, review of business and future developments

The principal activity of the company is to provide investment in and corporate advice to smaller businesses in order to achieve above average capital growth.

In its initial start-up and trading period the company has been successfully established within the market place for the provision of finance and assistance to the smaller company sector. The costs of commencement of operations are shown as an exceptional item. New subscribers will recall that outside capital was not finalised until March 1999 and therefore a proportion of the overhead relates to earlier periods. During the period the group made an investment in a commercial property as part of its fundraising and received a shareholding in a medical devices company.

The performance in this initial period has been in line with expectations for a start-up business but the company now has a strong base from which to progress. The company has established a sound reputation which generates a regular flow of investment opportunities. An infrastructure has been built to facilitate the efficient handling of the investment process for the increased flow of deals that the board confidently expects to handle in the coming year.

Results

The results for the period since incorporation are set out in the profit and loss account on page 6. The group made a loss on ordinary activities before taxation of £808,414.

Directors' and their interests

The directors during the period and their beneficial interest in the shares and warrants to subscribe for shares of the company at the end of the period were as follows:

	Ordinary shares of 10p each	Warrants
R W Heley (appointed 3.8.98)	20,227	20,227
T J N Beyer (appointed 3.8.98)	50,000	50,000
A B B Canning (appointed 29.5.98)	332,727	332,727
J W E Kerslake (appointed 29.5.98)	281,681	281,681
O R J Parr (appointed 3.8.98)	21,590	21,590
J C Fox (appointed 15.6.98, resigned 17.11.98)	-	-

The warrants were issued during the period and are exercisable at 110p per share between March 2001 and March 2004. None of the warrants lapsed or were exercised during the period.

Creditor payment policy

It is the company's intention to settle approved invoices from suppliers, by the end of the month following the month of approval, or in accordance with specific terms where these have been agreed at the time of determination of the terms of each transaction.

The company's trade creditors figure at 30 September 1999 was equivalent to 38 days purchases, based on average daily amounts invoiced by suppliers during the period.

Lion Corporate Assets Plc

Directors' report for the period ended 30 September 1999

Year 2000

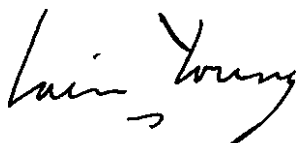
The directors have carried out a review of the potential effect Year 2000 will have on the group's business and operations. This review has incorporated internal systems and operations and potential impact on suppliers and investments and the directors do not believe that it will have any material impact on operations.

The directors do not believe costs necessary to ensure Year 2000 compliance to be material to the operating results.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'Lavin Young', written in a cursive style.

Company Secretary

Lion Corporate Assets Plc

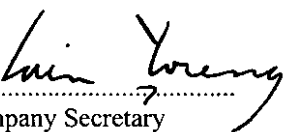
Statement of directors' responsibilities

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 of the group for that period. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (d) 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 to 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on *17th December* 1999
and signed on its behalf by:


.....
Company Secretary

Lion Corporate Assets Plc

Report of the auditors to the members of Lion Corporate Assets Plc

We have audited the financial statements on pages 6 to 19, which have been prepared under the historical cost convention, (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

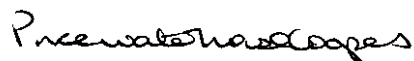
Basis of audit opinion

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

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 1999 and of the loss and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Derby

22 December 1999

Lion Corporate Assets Plc

Consolidated Profit and loss account for the period ended 30 September 1999

	Notes	Before exceptional items 1999 £	Exceptional items 1999 £	Total 1999 £
Turnover		396,746	-	396,746
Direct costs		(51,030)	-	(51,030)
Gross profit		345,716	-	345,716
Administrative expenses	2	(679,474)	(269,114)	(948,588)
Operating loss	2	(333,758)	(269,114)	(602,872)
Net interest payable	4			(205,542)
Loss on ordinary activities before taxation				(808,414)
Tax on loss on ordinary activities	5			(23,000)
Loss for the financial period transferred from reserves	15			(831,414)

All amounts relate to continuing operations.

Lion Corporate Assets Plc

Period ended 30 September 1999

Statement of total recognised gains and losses

	1999
	£
Loss for the financial period	(831,414)
Unrealised surplus on revaluation of investment property	208,738
	<hr/>
Total recognised gains and losses relating to the period	(622,676)
	<hr/>

Note of historical cost profit


There is no material difference between the loss as shown above and that based on historical costs.

Lion Corporate Assets Plc

Consolidated Balance Sheet as at 30 September 1999

	Notes	1999
		£
Fixed assets		
Tangible assets	7	8,326,747
Investments	8	3,556
		<hr/>
		8,330,303
		<hr/>
Current assets		
Debtors: amounts falling due within one year	9	98,603
Cash at bank and in hand		220,990
		<hr/>
		319,593
		<hr/>
Creditors: amounts falling due within one year	10	(294,725)
		<hr/>
Net current assets		24,868
		<hr/>
Total assets less current liabilities		8,355,171
		<hr/>
Creditors: amounts falling due after more than one year	10	(6,421,577)
		<hr/>
Provision for liabilities and charges	12,13	(417,475)
		<hr/>
Net assets		1,516,119
		<hr/>
Capital and reserves		
Called up share capital	14	259,239
Share premium	15	1,879,556
Revaluation reserve	15	208,738
Profit and loss account	15	(831,414)
		<hr/>
Equity Shareholders' funds	16	1,516,119
		<hr/>

Approved by the board on 17 December 1999


Director

Lion Corporate Assets Plc

Company Balance Sheet as at 30 September 1999

	Notes	1999
		£
Fixed assets		
Tangible assets	7	76,747
Investments	8	1,002
		<hr/>
		77,749
		<hr/>
Current assets		
Debtors: amounts falling due within one year	9	1,121,710
Cash at bank and in hand		220,853
		<hr/>
		1,342,563
Creditors: amounts falling due within one year	10	(181,492)
		<hr/>
Net current assets		1,161,071
		<hr/>
Total assets less current liabilities		1,238,820
Creditors: amounts falling due after more than one year	10	(21,577)
		<hr/>
Net assets		1,217,243
		<hr/>
Capital and reserves		
Called up share capital	14	259,239
Share premium	15	1,879,556
Profit and loss account	15	(921,552)
		<hr/>
Equity Shareholders' funds		1,217,243
		<hr/>

Approved by the board on 17 Decemr 1999



Director

Lion Corporate Assets Plc

Consolidated cash flow statement for the period ended 30 September 1999

	Notes	1999 £
Net cash outflow from operating activities	17	(513,725)
Returns on investments and servicing of finance		
Net bank interest received		6,382
Loan interest paid		(120,217)
Finance lease charges		(3,475)
Net cash outflow from returns on investments and servicing of finance		(117,310)
Capital expenditure		
Purchase of tangible fixed assets		(6,928,210)
Investments		(3,556)
Cash outflow on capital expenditure		(6,931,766)
Operating cash outflow before financing		(7,562,801)
Financing		
Issue of share capital		1,473,888
Expenses of issue		(156,093)
Bank loan advanced		6,400,000
Loans from directors		71,000
Finance lease repayments		(5,004)
Net cash inflow from financing		7,783,791
Increase in cash in the period		220,990

Lion Corporate Assets Plc

Notes to the financial statements for the period ended 30 September 1999

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified to include the revaluation of land and buildings and investments.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures and Fittings	10% straight line
Office equipment	10 - 25% straight line
Motor vehicles	25% straight line

Investment properties

Investment properties are stated at their open market value. An independent professional valuation is normally carried out at least every five years, or earlier if appropriate; in the intervening years these valuations are updated by the directors with the assistance of independent professional advice as required. Any surplus arising on revaluation is taken to revaluation reserve. Any deficit arising on revaluation is taken to revaluation reserve, except where any revaluation below cost is considered to be permanent in nature, in which case it is taken to profit and loss account. No depreciation is provided as the properties are held for investment. The directors consider that this latter accounting policy, which is a departure from the Companies Act 1985 but is in accordance with Statement of Standard Accounting Practice 19, results in the accounts giving a true and fair view. If this departure from the Act had not been made the loss for the financial period would be increased by depreciation on revalued properties of £0.2m.

Leases

Assets acquired under finance leases are capitalised. The related lease obligations are shown as liabilities and the finance costs spread over the life of the lease. The assets are depreciated over their estimated useful lives. Payments applicable to other leases are charged to the profit and loss account as incurred.

Fixed asset investments

Unquoted investments are carried at cost less provision for any permanent diminution in value or, where the investment has a sufficient track record or there are other external indicators of value, at directors' valuation.

Turnover

Turnover comprises rental income and management fees receivable.

Deferred taxation

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

Lion Corporate Assets Plc

Notes to the financial statements for the period ended 30 September 1999

2 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	period to 30 Sept 1999 £
Depreciation on owned tangible fixed assets	13,485
Audit fees	15,000
Operating lease rentals	
Office premises	26,940
Office equipment	1,760
Exceptional items: professional and other costs incurred in connection with the commencement of the group and its operations	269,114
	<hr/>

Fees paid to auditors for non-audit services amounted to £55,000

Fees for the audit of the parent company amounted to £10,000

3 Employees

	period to 30 Sept 1999 Number
a) The average number of persons employed by the group during the period was:	4
	<hr/>

In addition there were two executive directors and three executives who were not directly employed by the group.

b) Employment costs:

	period to 30 Sept 1999 £
Wages and salaries	86,001
Social security costs	8,425
	<hr/>
	94,426
	<hr/>

4 Interest

	period to 30 Sept 1999 £
Interest payable on bank and other loans	(210,756)
Interest on finance leases	(3,475)
Bank interest receivable	8,689
	<hr/>
	(205,542)
	<hr/>

Lion Corporate Assets Plc

Notes to the financial statements for the period ended 30 September 1999

5 Taxation

A tax charge of £23,000 arose on the profits of an overseas subsidiary.
No tax has arisen on exceptional items.

6 Directors' remuneration

The remuneration of directors comprising non-executive directors' fees and consultancy fees paid to executive directors under service agreements was as follows:

		£
R W Heley	Chairman	5,000
T J N Beyer	Deputy chairman	10,000
A B B Canning	Chief executive	61,016
J W E Kerslake	Operations & finance	47,450
O R J Parr	Director	10,000

Amounts payable to executive directors were paid to third parties.
The company did not make any contribution to pension schemes.

7 Tangible fixed assets

Group	Long leasehold investment property £	Office furniture & equipment £	Motor vehicles £	Total £
Cost or valuation				
Additions during the period	8,041,262	72,293	17,939	8,131,494
Surplus on revaluation	208,738	-	-	208,738
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1999	8,250,000	72,293	17,939	8,340,232
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
Charge for the period	-	9,000	4,485	13,485
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 1999	8,250,000	63,293	13,454	8,326,747
	<hr/>	<hr/>	<hr/>	<hr/>

Lion Corporate Assets Plc

Notes to the financial statements for the period ended 30 September 1999

7 Tangible fixed assets (continued)

Company	Office furniture & equipment £	Motor vehicles £	Total £
Cost or valuation			
Additions during the period	72,293	17,939	90,232
	<hr/>	<hr/>	<hr/>
Depreciation			
Charge for the period	9,000	4,485	13,485
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 1999	63,293	13,454	76,747
	<hr/>	<hr/>	<hr/>

Net book value for group and company includes £29,835 in respect of assets held under finance leases and hire purchase contracts. Depreciation charged on these assets during the period amounted to £5,974.

The long leasehold investment property was valued on 15 November 1999 by Conrad Ritblat, Chartered Surveyors, on an open market basis. The valuation at this date has been adopted by the directors for these accounts.

Long leasehold investment property additions include provision for deferred consideration payable on disposal of the property at its revalued amount.

8 Fixed asset investments

The Group's investment in Anson Medical Limited represents 14.3% of the issued share capital of that company and is shown at the cost at which it was acquired during the period.

Interests in subsidiary undertakings

The following information relates to the principal subsidiary undertakings which are 100% owned and have been consolidated:

Name of undertaking	Description of shares held	Nature of business
LCA Operations Limited	Ordinary shares of £1	Property management
Lion Corporate Holdings Limited	Ordinary shares of £1	Investment company
Foster Lane Properties (No 1) Limited	Ordinary shares of £1	Property investment

LCA Operations Limited is incorporated in Great Britain.

Lion Corporate Holdings Limited and Foster Lane Properties (No 1) Limited are incorporated in Jersey.

Lion Corporate Assets Plc

Notes to the financial statements for the period ended 30 September 1999

9 Debtors

	Group 1999 £	Company 1999 £
Amounts falling due within one year		
Amounts owed by subsidiaries	-	1,034,200
Prepayments and accrued income	98,603	87,510
	<hr/>	<hr/>
	98,603	1,121,710
	<hr/>	<hr/>

10 Creditors

	Group 1999 £	Company 1999 £
Amounts falling due within one year:		
Trade creditors	84,788	84,788
Obligations under finance leases	9,228	9,228
Other creditors including taxation and social security	3,596	3,596
Corporation tax	23,000	-
Accruals	174,113	83,880
	<hr/>	<hr/>
	294,725	181,492
	<hr/>	<hr/>

	Group 1999 £	Company 1999 £
Amounts falling due after more than one year:		
Bank loan	6,400,000	-
Obligations under finance leases	21,577	21,577
	<hr/>	<hr/>
	6,421,577	21,577
	<hr/>	<hr/>

The bank loan is repayable as follows:

Between one and two years	137,926	-
Between two and five years	910,286	-
After five years	5,351,788	-
	<hr/>	<hr/>
	6,400,000	-
	<hr/>	<hr/>

The bank loan is secured by a fixed charge over the investment property and carries a fixed interest rate of 6.29% for the full ten year term of the loan.

Principal repayments by quarterly instalment are scheduled to commence on 10 April 2001.

In the event of early repayment, the group would be liable to indemnify the lender for additional costs over and above the principal amount of the loan.

Lion Corporate Assets Plc

Notes to the financial statements for the period ended 30 September 1999

10 Creditors (continued)

Net obligations under finance leases are:

	Group 1999 £	Company 1999 £
Within one year	9,228	9,228
Between one and two years	17,243	17,243
Between two and five years	4,334	4,334
	<hr/>	<hr/>
	30,805	30,805
	<hr/>	<hr/>

11 Financial instruments

Financial assets and liabilities listed below do not include short term debtors or creditors or provisions for liabilities and charges, other than loans, as permitted by Financial Reporting Standard 13.

Interest rate profile

The interest rate profile of financial assets and liabilities at 30 September 1999 is as follows:

Financial assets

Financial assets at 30 September 1999 comprise £220,990 bank deposits and credit balances that accrue interest based on Bank of Scotland and Eurohypo AG's base lending rates.

Financial liabilities

Financial liabilities at 30 September 1999 comprise a bank loan of £6,400,000 which bears interest at 6.29% and finance leases amounting to £30,805.

Maturity of financial liabilities

The maturity profile for the financial liabilities of the group at 30 September 1999 is as disclosed in note 10.

Borrowing facilities

At 30 September 1999 the group had undrawn committed borrowing facilities of £50,000, which expired on 5 November 1999 and are in the course of being renewed.

12 Deferred taxation

There may be potential liabilities to taxation in the event that the investment property is sold at its revalued amount. Provision is made in respect of such taxation only when there is a contract for sale. No deferred tax has been provided and there is no material unprovided deferred tax.

13 Provision for liabilities and charges

	1999 £
Deferred consideration payable on disposal of the investment property at its revalued amount	417,475
	<hr/>

Lion Corporate Assets Plc

Notes to the financial statements for the period ended 30 September 1999

14 Called up share capital

	1999 £
Authorised	
23,000,000 ordinary shares of 10p each	2,300,000
Allotted, called up and fully paid	
2,592,387 ordinary shares of 10p each	259,239

All of the shares were issued during the period for an aggregate consideration of £2,294,888.
At 30 September 1999, warrants were outstanding over 2,592,387 ordinary shares. These warrants are exercisable at 110p per share, between March 2001 and March 2004.

15 Reserves

Group	Share premium £	Revaluation reserve £	Profit and loss account £
Premium arising on shares issued during the period	2,035,649	-	-
Costs of issue	(156,093)	-	-
Surplus on revaluation of investment property	-	208,738	-
Loss for the period	-	-	(831,414)
At 30 September 1999	1,879,556	208,738	(831,414)

Company	Share premium £	Revaluation reserve £	Profit and loss account £
Premium arising on shares issued during the period	2,035,649	-	-
Costs of issue	(156,093)	-	-
Loss for the period	-	-	(921,552)
At 30 September 1999	1,879,556	-	(921,552)

In accordance with Section 230 of the Companies Act 1985 the company has not published a separate profit and loss account.

16 Reconciliation of movements in shareholders' funds

	1999 £
Loss for the period	(831,414)
Issue of shares (net of costs)	2,138,795
Revaluation of investment property	208,738
Balance at 30 September 1999	1,516,119

Lion Corporate Assets Plc

Notes to the financial statements for the period ended 30 September 1999

17 Reconciliation of operating loss to net cash outflow from operating activities

	1999 £
Loss for the period before interest	(602,872)
Depreciation of tangible fixed assets	13,485
(Increase) in debtors	(98,603)
Increase in creditors	174,265
	<hr/>
Net cash outflow from operating activities	(513,725)
	<hr/>

18 Reconciliation of net cash flow to movement in net debt

	1999 £
Increase in cash in the period	220,990
Bank loan advanced on acquisition of investment property	(6,400,000)
Cash outflow from repayment of finance lease obligations	5,004
	<hr/>
Change in net debt resulting from cash flows	(6,174,006)
New finance leases	(35,809)
	<hr/>
Movement in net debt in the period and net debt at 30 September 1999	(6,209,815)
	<hr/>

In addition further non-cash transactions occurred as explained in note 21:

- i) the issue of £88,750 of convertible loan notes and
- ii) the issue of 681,818 ordinary shares in acquiring an investment property.

19 Analysis of net debt

	On incorporation £	Cash flow £	Non cash movements £	Net debt At 30 Sept 1999 £
Cash at bank and in hand	-	220,990	-	220,990
Finance lease obligations	-	5,004	(35,809)	(30,805)
Bank loan	-	(6,400,000)	-	(6,400,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(6,174,006)	(35,809)	(6,209,815)
	<hr/>	<hr/>	<hr/>	<hr/>

20 Financial commitments

The group and the company had no contingent liabilities at 30 September 1999.

The group and the company have commitments to pay £22,935 within the following year under an operating lease in respect of its office premises which is due to expire in September 2009.

Lion Corporate Assets Plc

Notes to the financial statements for the period ended 30 September 1999

21 Transactions with related parties

In addition to the issue of ordinary shares during the period there have been the following transactions in which the directors had an interest:

During the period A B B Canning and J W E Kerslake advanced £71,000 to the group which was repaid by way of the issue of convertible loan notes with a nominal value of £88,750. These loan notes were subsequently converted into 80,681 ordinary shares of 10p each.

The company purchased certain items of office furniture from A B B Canning, J W E Kerslake and J C Fox (ceased to be a director on 17 November 1998) for £20,000, £4,268 and £10,750 respectively.

During the period the group acquired a property from Benchmark Group PLC at a cost of £7,250,000. Of this, £750,000 was financed by shares issued. Further deferred consideration of £417,475 has been provided.

As a result of this transaction Benchmark Group PLC owns 681,818 ordinary shares (25.49%) in the company and is a related party.