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**Thornfield Properties
(Redditch) Investments
Limited**

(formerly Stormbay Limited)

Report and Accounts

30 November 1999



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Thornfield Properties (Redditch) Investments Limited

Registered No. 03691965

DIRECTORS

W Y Lee
A Marcus
A J Pettit
J R Marcus

SECRETARY

M Smith

AUDITORS

Ernst & Young
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

BANKERS

National Westminster Bank Plc
8 Park Row
Leeds
LS1 1QS

SOLICITORS

Ford & Warren
Westgate Point
Westgate
Leeds
LS1 2AX

Clifford Chance
200 Aldersgate Street
London
EC1A 4SS

REGISTERED OFFICE

One Broadgate
London
EC2M 7HA

Thornfield Properties (Redditch) Investments Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the period from 5 January 1999 to 30 November 1999.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £69,560. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company was incorporated on 5 January 1999 as Stormbay Limited. It changed its name to Thornfield Properties (Redditch) Investments Limited on 23 February 1999 and commenced trading on 5 March 1999.

The principal activity of the company during the period was the management of real estate.

FUTURE DEVELOPMENTS

The directors aim to maintain the existing management policies.

DIRECTORS AND THEIR INTERESTS

The directors and their interests in the share capital of the company at 30 November 1999 were as follows:

		<i>At 30 November 1999</i>	<i>At 5 January 1999</i>
		<i>Ordinary shares</i>	<i>or subsequent</i>
			<i>date of appointment</i>
			<i>Ordinary shares</i>
W Y Lee	(appointed 19 February 1999)	-	-
A Marcus	(appointed 19 February 1999)	-	-
A J Pettit	(appointed 19 February 1999)	-	-
J R Marcus	(appointed 19 February 1999)	-	-

P J Charlton and M E Richards were the first directors of the company and resigned on 19 February 1999.

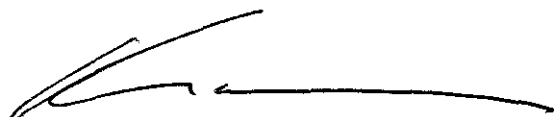
YEAR 2000 COMPLIANCE

The implementation of the company's year 2000 programme was completely successful. No disruption to the company's operations occurred, nor is any expected.

AUDITORS

Ernst & Young were appointed the company's first auditors and a resolution to reappoint them will be put to the members at the Annual General Meeting.

On behalf of the Board



J R Marcus
Director

27/9/2000

Thornfield Properties (Redditch) Investments Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

to the members of Thornfield Properties (Redditch) Investments Limited

We have audited the accounts on pages 6 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

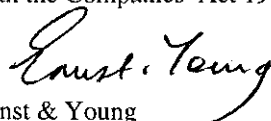
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the company's dependence on its shareholders for funding. The accounts have been prepared on a going concern basis, the validity of which depends upon this continued support. The accounts do not include any adjustments which would result from a failure to obtain continued support. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 November 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Leeds

29/9/2000

Thornfield Properties (Redditch) Investments Limited

PROFIT AND LOSS ACCOUNT

for the period ended 30 November 1999

	<i>Notes</i>	<i>1999</i> <i>£</i>
INTEREST INCOME		159,240
Interest payable	4	228,800
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(69,560)
Taxation	5	-
ACCUMULATED DEFICIT FOR THE PERIOD	10	(69,560)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses for the period other than those included in the profit and loss account.

Thornfield Properties (Redditch) Investments Limited

BALANCE SHEET

at 30 November 1999

	Notes	1999 £
FIXED ASSETS		
Investments	6	2,139,240
CURRENT ASSETS		
Debtors	7	3
CREDITORS: amounts falling due within one year		-
NET CURRENT ASSETS		3
TOTAL ASSETS LESS CURRENT LIABILITIES		2,139,243
CREDITORS: amounts falling due after more than one year	8	2,208,800
		(69,557)
CAPITAL AND RESERVES		
Called up share capital	9	3
Profit and loss account	10	(69,560)
		(69,557)
SHAREHOLDERS' FUNDS		
Equity		(69,559)
Non-equity		2
		(69,557)

J R Marcus)

)

)

) Directors

A J Pettit)

)

27/9/2000

Thornfield Properties (Redditch) Investments Limited

NOTES TO THE ACCOUNTS

at 30 November 1999

1. FUNDAMENTAL ACCOUNTING CONCEPT

The company is dependent upon the continued financial support of its shareholders. The directors have an assurance that this support will continue and believe that it is therefore appropriate to prepare the accounts on a going concern basis. However, should continuing support not be available, the going concern basis would be invalid and adjustments would have to be made to reduce the value of assets to their realisable amount, to provide for further liabilities which might arise and to reclassify long term liabilities as current liabilities.

2. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention.

Fixed assets

All fixed assets are initially recorded at cost.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Capital Instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

3. OPERATING LOSS

This is stated after charging:

	1999 £
Auditor's remuneration	-

The company had no employees other than the directors, who received no remuneration.

4. INTEREST PAYABLE

	1999 £
Other loans	228,800

Thornfield Properties (Redditch) Investments Limited

NOTES TO THE ACCOUNTS

at 30 November 1999

5. TAXATION

There are tax losses of approximately £69,500 available to carry forward against future taxable profits.

6. INVESTMENTS

	<i>Capital contributions</i> £	<i>Loan</i> £	<i>Total</i> £
At 5 January 1999	-	-	-
Additions	594,000	1,545,240	2,139,240
At 30 November 1999	594,000	1,545,240	2,139,240

The capital contribution represents 7.6% of the total Limited Partners' contribution in the Thornfield Redditch Limited Partnership. The loan is also to the Thornfield Redditch Limited Partnership and the terms are explained in detail in note 11.

7. DEBTORS

	<i>1999</i> £
Called up share capital not paid	3

8. CREDITORS: amounts falling due after more than one year

	<i>1999</i> £
Other loans (see note 11)	2,208,800

The loans are repayable between two and five years.

Thornfield Properties (Redditch) Investments Limited

NOTES TO THE ACCOUNTS

at 30 November 1999

9. SHARE CAPITAL

	<i>Authorised 1999 No.</i>	<i>Allotted and called up 1999 £</i>
Ordinary shares of £1 each	100	1
Preference shares of £1 each	2	2
	<u>102</u>	<u>3</u>

On 5 January 1999, the company was incorporated with an authorised share capital of 100 shares of £1 each and 2 preference shares of £1 each. The company has issued 2 unpaid preference shares of £1 each and 1 unpaid ordinary share.

The preference shares have the same rights *pari passu* as the ordinary shares except as detailed below:

- i) The preference shares carry no entitlement to vote except in a class meeting.
- ii) The preference shares carry no dividend right except they carry a preferential entitlement to receive, on a pro rata basis, all distributable profits only after all sums due under loan agreements between the company and each of the preference shareholders have been repaid in full.

The ordinary shares have no dividend right.

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 5 January 1999	-	-	-
Shares issued	3	-	3
Loss for the period	-	(69,560)	(69,560)
At 30 November 1999	<u>3</u>	<u>(69,560)</u>	<u>(69,557)</u>

Thornfield Properties (Redditch) Investments Limited

NOTES TO THE ACCOUNTS

at 30 November 1999

11. RELATED PARTIES

The company has a secured loan from Mable Commercial Funding Limited, a company in the same group as Lehman Brothers Holdings plc which is a shareholder in the company's parent, Thornfield Properties Plc. Under the terms of the loan agreement, interest is payable at the rate of 15% per annum. The loan principal and interest are repayable on 5 March 2003. The balance outstanding at 30 November 1999 was £1,104,400.

The company has a secured loan from Thornfield Developments Limited. This is a private company which is related to Thornfield Properties Plc. Under the terms of the loan agreement, interest is payable at the rate of 15% per annum. The loan principal and interest are repayable on 5 March 2003. The balance outstanding on the loan at 30 November 1999 was £1,104,400.

The company has extended a loan to The Thornfield Redditch Limited Partnership. This is an associated entity of Lehman Brothers Holdings plc. Under the terms of the loan agreement, interest is receivable at the rate of 15% per annum. The loan principal and interest are receivable on 5 March 2003. The balance receivable at 30 November 1999 was £1,545,240.

12. PARENT UNDERTAKING AND CONTROLLING PARTY

This company's parent undertaking is Thornfield Properties plc.

The Thornfield Redditch Limited Partnership

Report & Accounts

30 November 1999

The Thornfield Redditch Limited Partnership

Registered No. LP006174

GENERAL PARTNERS

Thornfield Properties (Redditch) No. 1 Limited 3691876
LB Redditch No. 1 Limited
Interbrook GP Limited

LIMITED PARTNERS

Thornfield Properties (Redditch) Investments Limited 3691965
LB Redditch No 2 Limited
Forebrook Limited
Interwynd Limited

AUDITORS

Ernst & Young
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

BANKERS

Bank of Scotland
110 St Vincent Street
Glasgow
G2 5EJ

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4SS

REGISTERED OFFICE

One Broadgate
London
EC2M 7HA

INDEPENDENT AUDITOR'S REPORT

to the Partners of The Thornfield Redditch Limited Partnership

We have audited the statement of assets and liabilities, the related statements of operations and cash flows on pages 4 to 11.

Respective responsibilities of partners and auditors

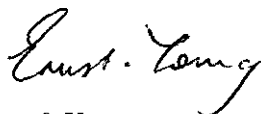
These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with generally accepted auditing standards in the United Kingdom. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Thornfield Redditch Limited Partnership as at 30 November 1999, and the results of its operations and its cash flows for the period from 5 January 1999 to 30 November 1999, in conformity with the Partnerships and Unlimited Companies (Accounts) Regulations 1993.



Ernst & Young
Registered Auditor
Leeds

29/9 | 2000

The Thornfield Redditch Limited Partnership

STATEMENT OF OPERATIONS for the period ended 30 November 1999

	Notes	1999 £
INCOME		
Rental income		5,290,616
Insurance commissions		84,613
Interest income		88,819
		<hr/> 5,464,048 <hr/>
OPERATING EXPENSES		
Letting costs (including voids)		683,720
Professional fees		767,224
Bank charges		13,025
Administrative expenses		42,520
		<hr/> 1,506,489 <hr/>
EXCEPTIONAL EXPENSES		
Legal fees		619,522
Professional fees		318,000
Bank Charges		815,015
		<hr/> 1,824,537 <hr/>
OPERATING PROFIT	2	2,133,022
Interest payable	3	6,111,821
		<hr/>
NET LOSS FOR THE PERIOD ALLOCATED TO THE PARTNERS		<hr/> (3,978,799) <hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses for the period other than those included in the statement of operations.

The Thornfield Redditch Limited Partnership

BALANCE SHEET

at 30 November 1999

	Notes	1999 £
FIXED ASSETS		
Tangible assets	4	97,914,990
CURRENT ASSETS		
Debtors	5	215,000
Cash at bank		1,936,986
		2,151,986
CREDITORS: amounts falling due within one year	6	1,717,287
NET CURRENT ASSETS		434,699
TOTAL ASSETS LESS CURRENT LIABILITIES		98,349,689
CREDITORS: amounts falling due after more than one year	7	94,498,488
TOTAL NET ASSETS		3,851,201
PARTNERS' CAPITAL	8	
Contributed capital		7,830,000
Accumulated loss		(3,978,799)
		3,851,201



J R Marcus
On behalf of
Thornfield Properties (Redditch) Investments Limited



A J Pettit
On behalf of
LB Redditch No 2 Limited

27/9/ 2000

The Thornfield Redditch Limited Partnership

STATEMENT OF CASH FLOWS for the period ended 30 November 1999

	1999 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	
Operating profit	2,133,022
Interest income	(88,819)
Increase in debtors	(215,000)
Increase in creditors	1,127,317
	<u>2,956,520</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	88,819
Interest paid	(2,683,363)
	<u>(2,594,544)</u>
CAPITAL EXPENDITURE	
Payments to acquire investment property	(97,914,990)
	<u>(97,914,990)</u>
NET CASH OUTFLOW BEFORE FINANCING	<u>(97,553,014)</u>
FINANCING	
Capital contributions	7,830,000
New long-term loans	91,660,000
	<u>99,490,000</u>
INCREASE IN CASH	<u><u>1,936,986</u></u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	1999 £
Increase in cash		1,936,986
Cash inflow from increase in loans		(91,660,000)
Movement in net debt	9	(89,723,014)
Net debt at 5 January 1999	9	-
Net debt at 30 November 1999	9	<u><u>(89,723,014)</u></u>

The Thornfield Redditch Limited Partnership

NOTES TO THE ACCOUNTS

at 30 November 1999

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention modified to include the revaluation of investment properties.

Investment properties

The partnership's properties are held for long-term investment. Investment properties are accounted for in accordance with SSAP 19 as follows:

- i) Investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. Where the total of the revaluation reserve is insufficient to cover a deficit, the amount by which the deficit exceeds the amount in the revaluation reserve is charged in the profit and loss account; and
- ii) No depreciation or amortisation is provided in respect of freehold investment properties.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation or amortisation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation or amortisation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Taxation

Taxation has not been recorded in these financial statements as any tax liabilities that may arise are borne by the individual partners comprising the Limited Partnership.

Bank interest

Bank interest is accounted for on a receipts basis.

Rental income

Rental income is accounted for on a receivable basis.

Set-up costs

The costs associated with the set-up of the partnership have been written off.

Bank Interest

All bank interest is charged to profit and loss on an accruals basis. Bank interest incurred during the development stage of projects is not capitalised.

2. OPERATING PROFIT

This is stated after charging:

Auditor's remuneration

1999
£

The partnership had no employees.

The Thornfield Redditch Limited Partnership

NOTES TO THE ACCOUNTS

at 30 November 1999

3. INTEREST PAYABLE

	1999 £
Bank loans	3,751,358
Other loan	2,054,851
Partners' loans	305,612
	<u>6,111,821</u>

4. TANGIBLE FIXED ASSETS

	<i>Freehold investment property</i> £
Valuation:	
At 5 January 1999	-
Additions	97,914,990
	<u>97,914,990</u>
At 30 November 1999	<u>97,914,990</u>
Depreciation:	
At 5 January 1999 and 30 November 1999	-
	<u>-</u>
Net book value:	
At 30 November 1999	<u>97,914,990</u>

The freehold investment property was purchased on 5 March 1999, and is stated at cost plus subsequent improvements at cost. The investment property is still in the development phase. It will be included in the accounts at market value, in accordance with SSAP19, when the development is completed.

The title to the freehold investment property is held by Thornfield Properties (Redditch) No. 1 Limited and LB Redditch No.1 Limited for the benefit of the General and Limited Partners.

5. DEBTORS

	1999 £
Trade debtors	150,000
Other debtors	65,000
	<u>215,000</u>

The Thornfield Redditch Limited Partnership

NOTES TO THE ACCOUNTS

at 30 November 1999

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £
Trade creditors	97,018
Other creditors	480,299
Accruals and deferred income	1,139,970
	<u>1,717,287</u>

7. CREDITORS: amounts falling due after more than one year

	1999 £
Loans wholly repayable within 5 years:	
Bank loan at 7.58031% per annum, interest is paid quarterly, and the principal is required to be wholly repaid on 5 March 2003.	65,000,000
Bank loan at 9.125% per annum, interest is paid quarterly, and the principal is required to be wholly repaid on 5 March 2003.	5,000,000
Loan at 15% per annum, interest is rolled up into capital on a quarterly basis. The principal and interest amount is required to be repaid on 5 March 2003. (See Note 10)	21,532,878
Partner loans at 15%, interest is rolled up into capital on a quarterly basis. The principal and interest amount is required to be repaid on 5 March 2003. (See note 10)	2,965,610
	<u>94,498,488</u>

The bank loans are secured against the property title deed for the Kingfisher Shopping Centre, Redditch.

The Thornfield Redditch Limited Partnership

NOTES TO THE ACCOUNTS at 30 November 1999

8. PARTNERS' CAPITAL

	<i>Capital</i> £	<i>Accumulated Loss</i> £	<i>Total</i> £
At 5 January 1999	-	-	-
Capital contributions - General partners	41,400	(21,037)	20,363
- Limited partners	7,788,600	(3,957,762)	3,830,838
At 30 November 1999	<u>7,830,000</u>	<u>(3,978,799)</u>	<u>3,851,201</u>

The General and Limited partners are detailed on page 2 to the accounts.

The Limited partners exposure is limited to their capital contribution. A condition of this limited liability is that the Limited partners can have no involvement in the management of the partnership.

The general partners are responsible for managing the business in accordance with the agreed business plan. Their liability is unlimited.

Profits and losses are allocated to the partners in proportion to their capital contributions. However, the General partners are incentivised by receiving an additional share of profits if certain targets are met.

9. ANALYSIS OF NET DEBT

	<i>At 5 January 1999</i> £	<i>Cash flow</i> £	<i>At 30 November 1999</i> £
Cash at bank	-	1,936,986	1,936,986
Bank loans	-	(70,000,000)	(70,000,000)
Other loan	-	(19,000,000)	(19,000,000)
Partners' loans	-	(2,660,000)	(2,660,000)
	-	<u>(89,723,014)</u>	<u>(89,723,014)</u>

10. RELATED PARTIES

The partnership has a secured loan from Mable Commercial Funding Limited, a company related to certain partners. Under the terms of the loan agreement, interest is payable at the rate of 15% per annum. The loan principal and interest are repayable on 19 February 2003. The balance outstanding on the loan at 30 November 1999 was £21,532,878.

The partnership has secured loans from Thornfield Properties (Redditch) No. 1 Limited, Thornfield Properties (Redditch) Investments Limited, LB Redditch No.1 Limited and LB Redditch No.2 Limited, all of whom are partners.

The Thornfield Redditch Limited Partnership

NOTES TO THE ACCOUNTS

at 30 November 1999

10. RELATED PARTIES (Continued)

The principal, outstanding at 30 November 1999 was as follows:

	1999 £
Thornfield Properties (Redditch) No 1 Limited	14,000
Thornfield Properties (Redditch) Investments Limited	1,386,000
LB Redditch No. 1 Limited	12,600
LB Redditch No. 2 Limited	1,247,400
	<hr/>
	2,660,000
	<hr/>

Under the terms of the loan agreements, interest is payable at the rate of 15% per annum. The loan principal and interest are repayable on 19 February 2003. The total rolled up interest at 30 November 1999 was £305,610.

The Partnership is provided with management services by Thornfield Properties (Redditch) Development Management Limited and Thornfield Properties (Redditch) Asset Management Limited. Both these companies are related to certain partners. The amount of these management fees for the period ended 30 November 1999 was £231,617. The transactions were at arms length and under normal commercial terms.

11. CONTROLLING PARTY

The Thornfield Redditch Limited Partnership comprises of 3 General Partners and 4 Limited Partners.

The partners are detailed on page 2 and their respective rights are shown in note 8.