

Company Registration No. 2906739 (England and Wales)

HILSTONE CORPORATION LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998



HILSTONE CORPORATION LIMITED

COMPANY INFORMATION

Directors	M. C. T. Bokenham A. M. Brookes
Secretary	C. M. Denee
Company number	2906739
Registered office	26-28 Mount Row London W1Y 5DA
Auditors	Morley & Scott Lynton House 7-12 Tavistock Square London WC1H 9LT
Business address	26-28 Mount Row London W1Y 5DA
Bankers	Barclays Bank plc P.O. Box 95 1 North End Croydon CR9 1RN

HILSTONE CORPORATION LIMITED

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HILSTONE CORPORATION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1998

The directors present their report and financial statements for the year ended 30 June 1998.

Principal activities

The principal activity of the company is that of property trading and development.

Share capital

Changes in the issued share capital of the company are shown in the notes to the financial statements.

Year 2000 compliance

The directors have identified all systems upon which the company is reliant and are satisfied that all year 2000 issues will be resolved prior to the turn of the century.

Directors

The following directors have held office since 1 July 1997:

M. C. T. Bokenham

A. M. Brookes

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	30 June 1998	1 July 1997
M. C. T. Bokenham	45,000	45,000
A. M. Brookes	45,000	25,000

Charitable contributions

During the year the company made charitable donations of £300.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Morley & Scott be reappointed as auditors of the company will be put to the Annual General Meeting.

HILSTONE CORPORATION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1998

Directors' responsibilities

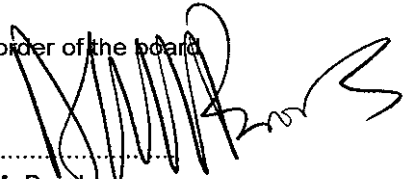
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



.....
A. M. Brookes

Director

28/4/99

HILSTONE CORPORATION LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF HILSTONE CORPORATION LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

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 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 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 the company's affairs as at 30 June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Morley & Scott

Morley & Scott

Chartered Accountants

Registered Auditor

28 April 1999

Lynton House
7-12 Tavistock Square
London
WC1H 9LT

HILSTONE CORPORATION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998

	Notes	1998 £	1997 £
Turnover		160,250	135,900
Cost of sales		(24,666)	(15,167)
Gross profit		135,584	120,733
Administrative expenses		(136,768)	(116,525)
Other operating income		13,872	1,250
Operating profit	2	12,688	5,458
Other interest receivable and similar income	3	821	10
Interest payable and similar charges		(9,126)	(3,266)
Profit on ordinary activities before taxation		4,383	2,202
Tax on profit on ordinary activities	4	(611)	216
Profit on ordinary activities after taxation	10	3,772	2,418

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

HILSTONE CORPORATION LIMITED

BALANCE SHEET AS AT 30 JUNE 1998

	Notes	1998 £	£	1997 £	£
Fixed assets					
Tangible assets	5		13,053		15,356
Investments	6		252,600		160,100
			<u>265,653</u>		<u>175,456</u>
Current assets					
Debtors	7	391,210		309,186	
Cash at bank and in hand		12,395		26,723	
		<u>403,605</u>		<u>335,909</u>	
Creditors: amounts falling due within one year	8	(561,320)		(427,199)	
Net current liabilities			(157,715)		(91,290)
Total assets less current liabilities			<u>107,938</u>		<u>84,166</u>
Capital and reserves					
Called up share capital	9		90,000		70,000
Profit and loss account	10		17,938		14,166
Shareholders' funds - equity interests	11		<u>107,938</u>		<u>84,166</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 28/4/99


A. M. Brookes
Director

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents income receivable from joint venture participation fees and commissions on property development transactions.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	15% Reducing balance
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1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2 Operating profit	1998	1997
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	2,303	3,839
Hire of plant and machinery	3,255	3,449
Operating lease rentals		
- Land and buildings	25,000	25,000
Auditors' remuneration	2,500	2,000
	<u> </u>	<u> </u>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998

3	Other interest receivable and similar income	1998	1997
		£	£
	Bank interest	821	10
		<u>821</u>	<u>10</u>
4	Taxation	1998	1997
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 21% (1997 - 24%)	611	-
	Prior years		
	U.K. corporation tax	-	(216)
		<u>611</u>	<u>(216)</u>
		<u>611</u>	<u>(216)</u>
5	Tangible fixed assets		
			Plant and machinery etc
			£
	Cost		
	At 1 July 1997 & at 30 June 1998		23,573
	Depreciation		
	At 1 July 1997		8,217
	Charge for the year		2,303
			<u>10,520</u>
	At 30 June 1998		10,520
	Net book value		
	At 30 June 1998		13,053
			<u>13,053</u>
	At 30 June 1997		15,356
			<u>15,356</u>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998

6 Fixed asset investments

Shares in group undertakings and participating interests

Cost	£
At 1 July 1997	160,100
Additions	92,500
At 30 June 1998	252,600

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings and participating interests is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertakings				
Aqua Properties Limited	England and Wales	Ordinary		100
Hilstone Midtown Plc	England and Wales	Ordinary		100
Hilstone Harmsworth Plc	England and Wales	Ordinary		100
Hilstone Northcliffe Limited	England and Wales	Ordinary		100
Participating interests				
Gemcrest Developments Limited	England and Wales	'B' Ordinary		100
Seacusp Limited	England and Wales	'B' Ordinary		100
Collier and Madge Plc	England and Wales	Ordinary		25

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Result for the year
Aqua Properties Limited	(21,315)	(13,625)
Hilstone Midtown Plc	-	-
Hilstone Harmsworth Plc	-	-
Hilstone Northcliffe Limited	-	-
Gemcrest Developments Limited	496,570	2,090
Seacusp Limited	(30,954)	(80,954)
Collier and Madge Plc	-	-

Hilstone Harmsworth Plc and Hilstone Northcliffe Limited are wholly owned subsidiary undertakings of Hilstone Midtown Plc.

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998

7 Debtors	1998	1997
	£	£
Trade debtors	20,165	101,869
Amounts owed by group undertakings	209,288	200,000
Other debtors	161,757	7,317
	<u>391,210</u>	<u>309,186</u>
8 Creditors: amounts falling due within one year	1998	1997
	£	£
Amounts owed to group undertakings	-	1,300
Amounts owed to participating interests	7,500	-
Taxation and social security	6,289	9,456
Other creditors	547,531	416,443
	<u>561,320</u>	<u>427,199</u>
9 Share capital	1998	1997
	£	£
Authorised		
250,000 Ordinary shares of £ 1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid		
90,000 Ordinary shares of £ 1 each	<u>90,000</u>	<u>70,000</u>

On 16 October 1997 the company issued an additional 20,000 ordinary shares of £1 each at par value.

10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 July 1997	14,166
Retained profit for the year	3,772
	<u>17,938</u>
Balance at 30 June 1998	

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998

11 Reconciliation of movements in shareholders' funds	1998 £	1997 £
Profit for the financial year	3,772	2,418
Proceeds from issue of shares	20,000	20,000
Net addition to shareholders' funds	23,772	22,418
Opening shareholders' funds	84,166	61,748
Closing shareholders' funds	107,938	84,166

12 Contingent liabilities

The company has given guarantees, on certain transactions, in favour of Aqua Properties Limited, a subsidiary undertaking. The outstanding liability on these transactions at the year end amounted to £27,000 (1997: £81,000).

13 Financial commitments

At 30 June 1998 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1998 £	1997 £
Expiry date:		
Between two and five years	25,000	25,000

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998

14 Transactions with directors

Included in other creditors are amounts due to M. C. T. Bokenham of £310,220 (1997: £310,220) and to A. M. Brookes of £68,300 (1997: £88,543). These loans are interest free and unsecured.

M. C. T. Bokenham and A. M. Brookes have also provided personal guarantees, for a maximum of £50,000 each, to the company's bankers, in respect of bank borrowings.

15 Control

The company was controlled by M. C. T. Bokenham a director and majority shareholder during the period 1 July 1997 to 15 October 1997. From 16 October 1997, the company was under the joint control of M. C. T. Bokenham and A. M. Brookes, directors and shareholders.

16 Related party transactions

(a) Turnover includes £87,250 in respect of property management and consultancy fees receivable from Gemcrest Developments Limited, a participating interest. These were received in full at the balance sheet date.

(b) Turnover includes £55,000 in respect of project co-ordination fees receivable from Seacusp Limited, a participating interest.

(c) During the year a loan of £100,000 was advanced to Hilstone Midtown PLC, a company in which M.C.T.Bokenham and A. M. Brookes are directors and shareholders. This loan is unsecured and interest free. At the year end the balance on the loan of £100,000 is included in other debtors.

(d) During the year loans of £36,440 were made to Hilstone Property Services Limited, a company in which M. C. T. Bokenham and A. M. Brookes are directors and shareholders. These loans were outstanding at the year end and are included in other debtors.

(e) During the year the company received an unsecured loan amounting to £150,000 from Fortress Property Services Limited, a company in which A. M. Brookes is a director and has an interest. The loan was outstanding at the year end and is included in other creditors. Interest is payable on this loan at 2.5% above Libor. The interest due but unpaid during the year amounted to £7,761 and is included in other creditors.

(f) During the year, the company received accountancy services amounting to £21,000 from Amberley Enterprises Limited, a company in which A. M. Brookes is a director and majority shareholder.

(g) The company has advanced monies to its subsidiary undertaking, Aqua Properties Limited. The balance arising from time to time on the inter company account is secured by a second charge over that company's property. The balance at the year end between the two companies is given in note 8 to the financial statements.