

HILSTONE CORPORATION LIMITED
CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended
31 DECEMBER 2001



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HILSTONE CORPORATION LIMITED

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HILSTONE CORPORATION LIMITED

COMPANY INFORMATION

DIRECTORS

A M Brookes
M C T Bokenham

SECRETARY

C M Denee

REGISTERED OFFICE

Suite 3
6th Floor Berkeley Square House
Berkeley Square
London
W1J 6BR

COMPANY NUMBER

2906739 (England)

AUDITORS

HLB AV Audit plc
66 Wigmore Street
London
W1U 2HQ

HILSTONE CORPORATION LIMITED

REPORT OF THE DIRECTORS

The Directors present their Report and Financial Statements for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company is to own and manage the group.

The activities of the group are that of property trading and development.

The Directors are satisfied with the results for the year and will continue to pursue further acquisition and development opportunities.

RESULTS AND DIVIDENDS

The consolidated profit and loss account for the year ended 31 December 2001 is set out on page 7.

The Directors do not recommend the payment of a final dividend (2000: £1,500,000).

FIXED ASSETS

The significant changes in fixed assets during the year are explained in notes 9 to 13 to the financial statements.

DIRECTORS

The following Directors have held office since 1 January 2001.

A M Brookes
M C T Bokenham

DIRECTORS' INTERESTS

The Directors' beneficial interests in the shares of the Company are as stated below:-

	31 December 2001 Ordinary Shares Of £1 each	1 January 2001 Ordinary Shares Of £1 each
A M Brookes	45,000	45,000
M C T Bokenham	45,000	45,000

DONATIONS

During the year the Group made no charitable donations of £2,087 (2000: £ Nil).

HILSTONE CORPORATION LIMITED

REPORT OF THE DIRECTORS

AUDITORS

A V Audit Limited acquired the audit practice of Levy Gee and in accordance with section 26 of the Companies Act 1989 has been appointed as auditors in succession. On 2 July 2002 AV Audit Limited changed its name to HLB AV Audit plc. In accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

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 of the Group and of the profit or loss of the Group 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;
- * 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board

A M BROOKES
Director

30 October 2002

HILSTONE CORPORATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HILSTONE CORPORATION LIMITED

We have audited the financial statements of Hilstone Corporation Limited on pages 6 to 23 for the year ended 31 December 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB AV Audit plc

HLB AV Audit plc

Registered Auditor

Date 30 October 2002

66 Wigmore Street
London
W1U 2HQ

HILSTONE CORPORATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended

31 DECEMBER 2001

	Note	2001 Total £	2000 Total £
Turnover of the Group including			
Share of Joint Ventures and Associates		6,490,855	65,316,499
Share of Joint Ventures		(3,166,387)	(2,802,111)
Share of Associates		-	(1,065,663)
Group Turnover	2	3,324,468	61,448,725
Cost of Sales	2	(1,916,886)	(53,650,751)
Gross Profit	2	1,407,582	7,797,974
Administrative Expenses		(1,366,326)	(663,736)
Group Operating Profit	3	41,256	7,134,238
Share of Operating Results in Joint Ventures		1,787,954	1,555,310
Share of Operating Results in Associates		-	67,292
Total Operating Profit	3	1,829,210	8,756,840
Interest Payable	4	(2,283,621)	(2,744,972)
		(454,411)	6,011,868
Interest Receivable	5	381,814	431,670
(Loss)/Profit on Ordinary Activities before Taxation		(72,597)	6,443,538
Taxation	6	(424,042)	(1,303,393)
(Loss)/Profit on Ordinary Activities after Taxation		(496,639)	5,140,145
Dividends	7	-	(1,500,000)
Retained (Loss)/Profit for the Year	19	(496,639)	3,640,145

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

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2001

	Note	£	2001 £	£	2000 £	£
FIXED ASSETS						
Intangible	9			701,841		739,608
Tangible	10			28,476		28,952
Investment in Joint Ventures:	12					
Share of Gross Assets		23,974,982			26,410,824	
Share of Gross Liabilities		(23,812,130)			(26,407,753)	
				<u>162,852</u>		<u>3,071</u>
Investments in Associates	13			-		154,968
				<u>893,169</u>		<u>926,599</u>
CURRENT ASSETS						
Stock	14	8,858,807			8,000,001	
Debtors: Due Within One Year	15	1,222,846			1,840,783	
: Due After One Year	15	3,750,000			2,500,000	
Cash at Bank		1,630,677			5,491,037	
				<u>15,462,330</u>		<u>17,831,821</u>
CURRENT LIABILITIES						
CREDITORS - Amounts						
Falling Due Within One Year	16	(8,744,823)			(5,465,174)	
NET CURRENT ASSETS				<u>6,717,507</u>		<u>12,366,647</u>
TOTAL ASSETS LESS						
CURRENT LIABILITIES				<u>7,610,676</u>		<u>13,293,246</u>
CREDITORS - Amounts						
Falling Due After One Year	17			(3,814,069)		(9,000,000)
				<u>3,796,607</u>		<u>4,293,246</u>
CAPITAL AND RESERVES						
Called Up Share Capital	18			90,000		90,000
Profit and Loss Account	19			3,706,607		4,203,246
Shareholders' Funds	20			<u>3,796,607</u>		<u>4,293,246</u>

These Financial Statements were approved by the Board of Directors on 30 October 2002.

A M BROOKES
Director

M C T BOKENHAM
Director

HILSTONE CORPORATION LIMITED

COMPANY BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible Assets	10	28,476	28,952
Investments	11	757,960	918,060
		<u>786,436</u>	<u>947,012</u>
CURRENT ASSETS			
Debtors Due Within One Year	15	441,481	1,518,543
Debtors Due After One Year	15	3,750,000	2,500,000
Cash at Bank and in Hand		1,207,496	4,827,650
		<u>5,398,977</u>	<u>8,846,193</u>
CREDITORS - Amounts			
Falling Due Within One Year	16	(2,854,897)	(7,290,661)
		<u></u>	<u></u>
NET CURRENT ASSETS		<u>2,544,080</u>	<u>1,555,532</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>3,330,516</u>	<u>2,502,544</u>
CAPITAL AND RESERVES			
Called Up Share Capital	18	90,000	90,000
Profit and Loss Account	19	3,240,516	2,412,544
		<u></u>	<u></u>
Shareholders' Funds	20	<u>3,330,516</u>	<u>2,502,544</u>

These Financial Statements were approved by the Board of Directors on 30 October 2002.

A M BROOKES
Director

M C T BOKENHAM
Director

HILSTONE CORPORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT

for the year ended
31 DECEMBER 2001

		2001	2000
	Note	£	£
Net cash (outflow)/inflow from operating activities	22(a)	(1,089,400)	35,226,334
Returns on investments and servicing of finance:			
Interest received		249,682	361,642
Interest paid		(621,812)	(3,658,136)
Net cash outflow from returns on investments and servicing of finance		(372,130)	(3,296,494)
Taxation:			
Corporation tax paid		(1,801,906)	(215,920)
Capital Expenditure:			
Payments to acquire tangible fixed assets		(4,549)	-
Net cash outflow from capital expenditure		(4,549)	-
Acquisitions and Disposals			
Payment to acquire Subsidiary Undertakings		-	(685,410)
Net Cash acquired with Subsidiary Undertakings		-	31,592
Sale of Investments		160,000	-
Net cash inflow/(outflow) from acquisitions and disposals		160,000	(653,818)
Equity Dividends Paid		(1,500,000)	-
Cash (outflow)/inflow before Management of Liquid Resources and Financing		(4,607,985)	31,060,102
Financing:			
Repayment of loans		-	(30,593,006)
New Loans		814,069	3,000,000
Net cash inflow/(outflow) from financing		814,069	(27,593,006)
(Decrease)/Increase in Cash	22(b),(c)	(3,793,916)	3,467,096

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2001

1 ACCOUNTING POLICIES

The principal accounting policies of the Company and Group are set out below.

a) Accounting Convention

The Financial Statements have been prepared under the Historical Cost Convention, in accordance with applicable Accounting Standards.

b) Basis of Consolidation

The consolidated financial statements comprise the results of the Company and its subsidiaries, made up to 31 December, together with the Group's share of net profits and losses and reserves of associates and joint ventures. The results of subsidiaries acquired during the period are included from the effective date of acquisition. Profits and losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

No profit and loss account of the parent company is presented as permitted by Section 230 of the Companies Act 1985. The Company's profit for the financial year is disclosed in note 20 to these financial statements.

c) Stock

Development and trading properties are included at the lower of cost and net realisable value. The cost includes directly attributable costs including improvements expenses. Purchase and sale of properties is recognised in the financial statements on legal completion of the transaction.

d) 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 and Equipment	15% reducing balance
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e) Investments

Fixed asset investments are shown at cost less provision for impairment.

f) Turnover

Turnover, which is stated net of VAT, is derived from sale proceeds of trading and development properties, together with net rental income, recharges and fees receivable from operations in the United Kingdom.

g) Leasing

Rentals on operating leases are charged to the profit and loss account on a straight line basis over the lease term. Assets held under hire purchase agreements are recorded in the balance sheet as an asset and an obligation to pay future rentals. Depreciation is charged over the assets useful lives and finance charges accrue at a constant rate over the lease

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2001

g) Leasing

Rentals on operating leases are charged to the profit and loss account on a straight line basis over the lease term. Assets held under hire purchase agreements are recorded in the balance sheet as an asset and an obligation to pay future rentals. Depreciation is charged over the assets useful lives and finance charges accrue at a constant rate over the lease term.

h) Goodwill

Goodwill arising from the acquisition of subsidiary undertakings, representing the difference between the purchase consideration and fair value of net assets acquired, has been capitalised in accordance with the requirements of FRS10 and is being amortised over the expected useful life in each case of 20 years.

i) Deferred Tax

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 – Deferred Tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no liability would have been recognised as the conditions for recognition would not have been satisfied.

j) Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2001

2 TURNOVER AND COST OF SALES

The group operates entirely within one geographical market, the United Kingdom. The turnover and cost of sales is analysed below.

TURNOVER

	2001 £	2000 £
Rental Income		
Group	1,287,946	897,661
Joint Venture	2,403,460	2,802,111
Associate	-	307,330
Sale of Trading Properties		
Group	-	43,822,394
Joint Venture	270,000	-
Associate	-	758,333
Other Income		
Group	2,036,522	16,728,670
Joint Venture	492,927	-
	<u>6,490,855</u>	<u>65,316,499</u>

COST OF SALES

	2001 £	2000 £
Costs of Trading Properties Sold	-	38,302,573
Other Costs	1,916,886	15,348,178
	<u>1,916,886</u>	<u>53,650,751</u>

The split of acquired and existing operations for the year ended 31 December 2000 is analysed below:

	Existing £	Acquisitions £	Total £
Turnover of the Group including Share of Joint Ventures and Associates	64,791,583	524,916	65,316,499
Share of Joint Ventures	(2,802,111)	-	(2,802,111)
Share of Associates	(1,065,663)	-	(1,065,663)
Group Turnover	<u>60,923,809</u>	<u>524,916</u>	<u>61,448,725</u>
Cost of Sales	(53,603,573)	(47,178)	(53,650,751)
Gross Profit	<u>7,320,236</u>	<u>477,738</u>	<u>7,797,974</u>
Administrative Expenses	(531,423)	(132,313)	(663,736)
Group Operating Profit	<u>6,788,813</u>	<u>345,425</u>	<u>7,134,238</u>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2001

3 OPERATING PROFIT

The operating profit is stated after charging:-

	2001 £	2000 £
Auditors' Remuneration	40,000	60,000
Depreciation	5,025	5,109
Operating Lease Rentals	140,266	63,171
Amortisation	37,767	15,736

4 INTEREST PAYABLE

	2001 £	2000 £
Group: Bank Loans and Overdrafts	619,769	723,166
Group: On Overdue Tax	2,043	4,245
Joint Venture – Bank Loans and Overdrafts	1,661,809	1,730,444
Joint Venture – Other Loans	-	113,196
Associates – Bank loans and Overdrafts	-	27
Associates – Other Loans	-	173,894
	2,283,621	2,744,972

5 INTEREST RECEIVABLE

	2001 £	2000 £
Group: Bank	200,915	238,327
Group: Other	148,767	123,315
Joint Venture - Bank	32,132	57,850
Associates – Bank	-	12,178
	381,814	431,670

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
Corporation Tax at 30% (2000: 30%) based on the Group Profit for the Year	3,300	1,379,000
Joint Venture	-	(66,500)
Associates	-	(1,036)
	3,300	1,311,464
Prior Years		
UK Corporation Tax on Group	422,246	(7,420)
UK Corporation Tax on Joint Venture	(1,504)	-
UK Corporation Tax on Associates	-	(651)
	424,042	1,303,393

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2001

7 DIVIDENDS

	2001 £	2000 £
Final Ordinary Proposed	-	1,500,000

8 DIRECTORS AND EMPLOYEES INFORMATION

Directors' Emoluments	2001 £	2000 £
Aggregate Emoluments	48,000	48,000
Emoluments of Highest paid Director	2001 £	2000 £
Aggregate Emoluments	24,000	24,000
Employees Information (Including Directors)	2001 £	2000 £
Staff Costs:		
Wages and Salaries	91,210	66,250
Social Security Costs	10,060	6,621
Pension	10,000	-
	111,270	72,871
Numbers of Employees (Excluding Directors):	2001	2000
The average monthly number of employees during the year was:	2	1

9 INTANGIBLE ASSETS

Group	Goodwill £
Cost at 1 January 2001 and at 31 December 2001	755,344
Amortisation at 1 January 2001	15,736
Charge for the Year	37,767
Amortisation at 31 December 2001	53,503
Net Book Value At	
31 December 2001	701,841
31 December 2000	739,608

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2001

10 TANGIBLE FIXED ASSETS

Group and Company	Fixtures, Fittings and Equipment £
Cost	
At 1 January 2001	50,592
Additions	4,549
	<hr/>
At 31 December 2001	55,141
	<hr/>
Depreciation	
At 1 January 2001	21,640
Charge for the Year	5,025
	<hr/>
At 31 December 2001	26,665
	<hr/>
Net Book Value	
At 31 December 2001	28,476
	<hr/>
At 31 December 2000	28,952
	<hr/>

11 INVESTMENTS

Company

	£
Cost at 1 January 2001	918,060
Disposals in Year	(160,100)
	<hr/>
Cost at 31 December 2001	757,960
	<hr/>

Subsidiaries

	Shares Held %
Hilstone Midtown Plc	100
Hilstone Harmsworth Plc	100*
Hilstone Northcliffe Limited	100*
Hilstone (Birmingham) Limited	100

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2001

11 INVESTMENTS (Continued)

Joint Ventures	Shares Held %
Hilstone Asset Management Limited	50
Hilstone (Aldershot) Limited	50*
Hilstone (Clacton) Limited	50*
Hilstone (Colchester) Limited	50*
Hilstone (Harrow) Limited	50*
Hilstone (Liverpool) Limited	50*
Hilstone (Luton) Limited	50*
Hilstone (Sheffield) Limited	50*
Hilstone (Swindon) Limited	50*
Hilstone (Wood Green) Limited	50*
Hilstone (Merit House) Limited	50*
Hilstone (Sale) Limited	50*
Hilstone (19/21 Grove Street Wilmslow) Limited	50*
Hilstone (30/32 Grove Street Wilmslow) Limited	50*
Hilstone (35/37 Grove Street and Grove Arcade) Limited	50*

All the above named companies are registered in England and are property companies, apart from Hilstone Northcliffe Limited and Hilstone Harmsworth Plc which are non-trading companies.

All equity held is ordinary share capital.

The * above indicates investments held by undertakings of Hilstone Corporation Limited.

12 INVESTMENT IN JOINT VENTURES

	Group 2001 £
At 1 January 2001	3,071
Share of Profit for the Year	159,781
	<hr/>
At 31 December 2001	162,852
	<hr/>

Hilstone Asset Management Limited

Hilstone Asset Management Limited (HAM) is a property company in which Hilstone Corporation Limited hold 50% of the share capital. The information herein and the group's share of the joint venture results is based on audited accounts made up to 31 December 2001. The address of its principal place of business is Suite 3, 6th Floor Berkeley Square House, Berkeley Square, London, W1J 6BR.

Hilstone Corporation Limited hold £250,000 4% loan stock in Hilstone Asset Management Limited.

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2001

12 INVESTMENT IN JOINT VENTURES (Continued)

The summarised aggregate financial statements of Hilstone Asset Management Limited are as follows:

Profit and Loss Account	2001 £	2000 £
Turnover	6,332,774	4,566,160
Operating Profit	3,575,907	3,110,620
Net Interest Payable	(3,259,353)	(3,571,582)
Taxation	3,007	133,000
	<hr/>	<hr/>
Retained Profit/(Loss) for the Year	319,561	(327,962)
	<hr/>	<hr/>
Group Share	159,781	(163,981)
	<hr/>	<hr/>
Balance Sheet		
Current Assets	47,949,963	52,821,648
Liabilities Falling Due Within One Year	(2,362,530)	(5,148,837)
Liabilities Falling Due After One Year	(45,261,729)	(47,666,669)
	<hr/>	<hr/>
	325,704	6,142
	<hr/>	<hr/>
Group Share	162,852	3,071
	<hr/>	<hr/>

13 INVESTMENTS IN ASSOCIATES

	2001 Group £
At 1 January 2001	154,968
Disposal in Year	(154,968)
	<hr/>
At 31 December 2001	-
	<hr/>

Gemcrest Developments Limited

Hilstone Corporation Limited held 100% of the ordinary "B" shares in Gemcrest Developments Limited, this represented 33% of the total share capital. Gemcrest Developments Limited ceased trading and Hilstone Corporation Limited received its share of the liquidation proceeds.

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2001

14 STOCK

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Properties	8,858,807	8,000,001	-	-

15 DEBTORS

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Amounts Falling Due Within One Year				
Trade Debtors	727,288	197,365	16,477	153,461
Amounts owed by Group Undertakings	-	-	285,047	-
Amounts owed by Joint Ventures	2,500,000	2,500,000	2,500,000	2,500,000
Other Debtors	1,609,719	1,503,012	1,389,957	1,346,326
Prepayments and Accrued Income	135,839	140,406	-	18,756
	<u>4,972,846</u>	<u>4,340,783</u>	<u>4,191,481</u>	<u>4,018,543</u>

Amounts Falling Due After One Year

Group and Company

Included in Amounts owed by Joint Ventures is £2,500,000 (2000: £2,500,000) which represents 4% loan stock issued by Hilstone Asset Management Limited redeemable November 2009 or after October 2004 at the option of Hilstone Asset Management Limited.

Included on other debtors is £1,250,000 (2000: £ Nil) which represents 4% loan stock issued by Hilstone Portfolio Management Limited redeemable January 2011 or after January 2006 at the option of Hilstone Portfolio Management Limited.

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2001

16 CREDITORS

Amounts Falling Due Within One Year	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Bank Loans and Overdrafts	6,000,000	66,444	-	66,444
Trade Creditors	30,393	125,567	30,393	-
Amounts Owed to Group Undertakings	-	-	1,195,264	5,356,157
Corporation Tax	3,300	1,379,660	-	323,000
Other Taxes and Social Security Costs	6,969	58,430	6,969	9,043
Dividends Payable	-	1,500,000	-	1,500,000
Other Creditors	2,296,234	1,849,695	1,607,271	7,017
Accruals and Deferred Income	407,927	485,378	15,000	29,000
	<u>8,744,823</u>	<u>5,465,174</u>	<u>2,854,897</u>	<u>7,290,661</u>

The bank loan is secured by a first legal charge over certain assets of the group.

17 CREDITORS

Amounts Falling Due After One Year	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Other Loans	<u>3,814,069</u>	<u>9,000,000</u>	<u>-</u>	<u>-</u>

Analysis of Loans	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Wholly Repayable Within Five Years	<u>3,814,069</u>	<u>9,000,000</u>	<u>-</u>	<u>-</u>

Loan Maturity Analysis	2001 £	2000 £	2001 £	2000 £
Between One and Two Years	-	6,000,000	-	-
Between Two and Five Years	<u>3,814,069</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>

The other loan is secured by a second legal charge over certain assets of the group.

18 SHARE CAPITAL

	2001 £	2000 £
Authorised		
Ordinary Shares of £1 each	<u>250,000</u>	<u>250,000</u>
Issued, Called Up and Fully Paid		
Ordinary Shares of £1 each	<u>90,000</u>	<u>90,000</u>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

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19 STATEMENT OF MOVEMENT ON RESERVES

	Group Profit and Loss Account £	Company Profit and Loss Account £
Balance at 1 January 2001	4,203,246	2,412,544
Retained (Loss)/Profit for the Year	(496,639)	827,972
	<hr/>	<hr/>
Balance at 31 December 2001	3,706,607	3,240,516
	<hr/>	<hr/>

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group

	2001 £	2000 £
(Loss)/Profit for the Financial Year	(496,639)	5,140,145
Dividends	-	(1,500,000)
	<hr/>	<hr/>
Net Addition to Shareholders' Funds	(496,639)	3,640,145
Opening Shareholders' Funds	4,293,246	653,101
	<hr/>	<hr/>
Closing Shareholders' Funds	3,796,607	4,293,246
	<hr/>	<hr/>

Company

	2001 £	2000 £
Profit for the Financial Year	827,972	3,538,257
Dividends	-	(1,500,000)
	<hr/>	<hr/>
Net Addition to Shareholders' Funds	827,972	2,038,257
Opening Shareholders' Funds	2,502,544	464,287
	<hr/>	<hr/>
Closing Shareholders' Funds	3,330,516	2,502,544
	<hr/>	<hr/>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

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21 OPERATING LEASE COMMITMENTS

Group

At 31 December 2001 the Group was committed to making the following payments during the next year in respect of operating leases:

	2001 Land and Buildings £	2000 £
Leases which expire:		
One to Two Years	-	-
Within Two to Five Years	77,500	-
After Five Years	63,171	63,171
	<u>140,671</u>	<u>63,171</u>

Company

At 31 December 2001 the Company was committed to making the following payments during the next year in respect of operating leases:

	2001 Land and Buildings £	2000 £
After Five Years	63,171	63,171
	<u>63,171</u>	<u>63,171</u>

22 NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2001 £	2000 £
Operating Profit	141,256	7,134,238
Depreciation Charges	42,792	20,845
(Increase)/Decrease in Stock	(858,806)	29,782,093
Increase in Debtors	(632,063)	(861,410)
Increase/(Decrease) in Creditors	222,453	(849,432)
Profit on Disposal of Investment	(5,032)	-
	<u>(1,089,400)</u>	<u>35,226,334</u>
Net Cash (outflow)/inflow from Operating Activities	(1,089,400)	35,226,334

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

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22 NOTES TO THE CASH FLOW STATEMENT (Continued)

b) Reconciliation of Net Cash Flow to Movement in Net Debt

	£
Decrease in Cash in the Year	(3,793,916)
Cash Inflow from Increase in Debt	(814,069)
	<hr/>
Movement in Net Debt in the Year	(4,607,985)
Net Debt at 31 December 2000	(3,575,407)
	<hr/>
Net Debt at 31 December 2001	(8,183,392)
	<hr/>

c) Analysis of Net Debt

	At 1 January 2000 £	Cash Flow £	Other Non- Cash Changes £	At 31 December 2001 £
Cash in Hand and at Bank	5,491,037	(3,860,360)	-	1,630,677
Bank Overdrafts	(66,444)	66,444	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5,424,593	(3,793,916)	-	1,630,677
Debt Due Within One Year	-	-	(6,000,000)	(6,000,000)
Debt Due After More Than One Year	(9,000,000)	(814,069)	6,000,000	(3,814,069)
	<hr/>	<hr/>	<hr/>	<hr/>
	(3,575,407)	(4,607,985)	-	(8,183,392)
	<hr/>	<hr/>	<hr/>	<hr/>

23 PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £10,000 (2000: £ Nil).

24 CONTROL

The Company is jointly controlled by Mr A M Brookes and Mr M C T Bokenham both being directors and shareholders.

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

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25 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 that transactions between Group companies do not need to be disclosed.

Related party transactions with Directors and other companies are as follows:

During the year, consultancy and accounting services were received from Amberley Enterprises Limited, a company in which Mr A M Brookes is a director and majority shareholder. The cost of these services amounted to £627,333 (2000: £172,500). No amounts remain unpaid at the year end (2000: £ Nil).

Also consultancy fees of £603,333 (2000: £150,000) were paid to Mr M C T Bokenham. No amounts remain unpaid at the year end (2000: £ Nil).

Rent, management and administrative fees totalling £88,333 (2000: £50,000) were charged to Collier and Madge Plc, a company in which Mr A M Brookes is a director and shareholder. No amounts remain unpaid at the year end (2000: £ Nil).

Interest totalling £100,000 (2000: £113,196) was received on the 4% loan stock Hilstone Corporation Limited holds in Hilstone Asset Management Limited.

Interest totalling £48,767 (2000: £ Nil) was received on the 4% loan stock Hilstone Corporation Limited holds in Hilstone Portfolio Management Limited, a company in which Mr A M Brookes and Mr M C T Bokenham are directors and shareholders.

At the year end the directors had the following current account balances, disclosed within other creditors:

Mr A M Brookes	£5,053	2000: £4,299
Mr M C T Bokenham	£2,219	2000: £2,719