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HILSTONE CORPORATION LIMITED

REPORT AND FINANCIAL STATEMENTS

30th JUNE 1995



Hilstone Corporation Limited**Directors**

M.C.T. Bokenham
A.M. Brookes
M.G. Smith

Secretary and Registered Office

C. Denee
53 Grosvenor Street, Mayfair, London W1X 9FH

Auditors

Moore Stephens
Chartered Accountants
St. Paul's House, Warwick Lane, London EC4P 4BN

Report of the Directors

The directors present their report and audited financial statements for the period ended 30th June 1995.

Review of Activities

The company was incorporated on the 5th March 1994 in the name of Hicktone Limited and changed its name to Hilstone Corporation Limited on the 1st September 1994. The company commenced to trade on the 1st September 1994 as a property trading and development company and the results for the first period are considered satisfactory.

Results and Dividends

The profit for the financial period amounted to £5,238. The directors do not recommend the payment of a dividend for the period and the profit will be carried forward.

Directors

The following have acted as directors during the period from incorporation:

Mr D.G. Almond	appointed 29th March 1994, resigned 11th May 1995
Mr P.H. Beatty	appointed 29th March 1994, resigned 11th May 1995
Mr M.C.T. Bokenham	appointed 29th March 1994
Mr A.M. Brookes	appointed 11th May 1995
Mr M.G. Smith	appointed 11th May 1995

Interests in the Company

The interests, as defined by the Companies Act 1985, of the directors in the share capital of the company at 30th June 1995 was as follows:

Mr M.C.T Bokenham	£1 ordinary shares	- fully paid	15,000
		- unpaid	10,000
Mr A.M. Brookes	£1 ordinary shares	- fully paid	15,000
		- unpaid	10,000

Hilstone Corporation Limited**Report of the Directors (Continued)****Auditors**

The auditors, Moore Stephens, were appointed by the directors during the year and have indicated their willingness to continue in office. A resolution for their reappointment and authorising the directors to fix their remuneration will be submitted to the annual general meeting.

By Order of the Board


A.M. BROOKES

Director

Hilstone Corporation Limited**Statement of Directors' Responsibilities**

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the financial year. The directors consider that in preparing the financial statements the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the company and for the prevention and detection of fraud and other irregularities.

**Report of the Auditors to the Members of
Hilstone Corporation Limited**

We have audited the financial statements on pages 4 to 8 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 above 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.

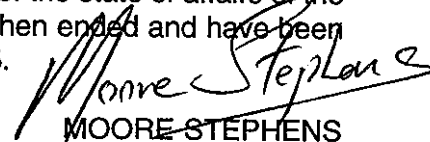
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity 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 as at 30th June 1995 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House,
London, EC4P 4BN

5th January 1996



MOORE STEPHENS

Chartered Accountants
Registered Auditor

Hilstone Corporation Limited**Profit and Loss Account
For the period ended 30th June 1995**

	<u>Note</u>	<u>1995</u> £
Turnover	1(b)	111,785
Cost of sales		46,831
		<hr/>
Gross Profit		64,954
Administrative expenses		56,637
		<hr/>
Operating Profit	2	8,317
Net interest receivable	4	271
		<hr/>
Profit on Ordinary Activities before Taxation		8,588
Taxation	5	3,350
		<hr/>
Profit on Ordinary Activities after Taxation, Retained for the Financial Year		£ 5,238
		<hr/>

All results are derived from continuing operations.

There are no recognised gains or losses other than those recorded above.

Hilstone Corporation Limited**Balance Sheet - 30th June 1995**

	<u>Note</u>	£	£
Fixed Assets			
Tangible assets	6		20,389
Long term debtor - lease deposit			12,500
			<hr/>
			32,889
Current Assets			
Debtors	7	44,373	
Cash at bank		15,282	
		<hr/>	
		59,655	
Creditors, amounts falling due within one year	8	36,356	
		<hr/>	
Net Current Assets			23,299
			<hr/>
Total Assets less Current Liabilities			56,188
Provision for liabilities and charges	9		950
			<hr/>
		£	55,238
			<hr/>
Equity Capital and Reserves			
Called up share capital	10		50,000
Profit and loss account			5,238
			<hr/>
		£	55,238
			<hr/>

These financial statements were approved by the Board on 5th January 1996
and signed on their behalf by:

A.M. BROOKES



Hilstone Corporation Limited**Financial Statements for the period ended 30th June 1995****Notes****1. Principal Accounting Policies****(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

(b) Turnover

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

(c) Fixed assets and depreciation

Depreciation is provided at the following rates per annum on the reducing balance method to write off the cost of the tangible fixed assets over their estimated useful lives:

Furniture, fittings and office equipment - 20%

2. Operating Profit

	<u>1995</u>
Operating profit is stated after charging:	
Depreciation of tangible fixed assets	-
Auditors' remuneration	2,000
	<u>2,000</u>

3. Directors and Employees

None of the directors received any remuneration in respect of services provided in the current period.

Staff costs

Staff costs during the year were as follows:

Wages and salaries	3,000
Social security costs	306
	<u>3,306</u>
	£ 3,306

Hilstone Corporation Limited**Financial Statements for the period ended 30th June 1995****Notes (Continued)****4. Net Interest Receivable**

	<u>1995</u>
Bank interest received	281
Bank interest paid	<u>(10)</u>
	£ 271

5. Taxation on Ordinary Activities

United Kingdom corporation tax based on the result for the year at 25%	2,400
Deferred taxation	<u>950</u>
	£ 3,350

6. Tangible Fixed Assets

	<u>Furniture, fittings and office equipment</u>
Cost and net book value	
Additions and at 30th June 1995	£ 20,389

7. Debtors

	£
Other debtors	16,715
Called up share capital not paid	20,000
Prepayments	<u>7,658</u>
	£ 44,373

8. Creditors, amounts falling due within one year

Bank overdraft	18,304
Corporation tax	2,400
Other taxation and social security	1,143
Other creditors	12,509
Accruals	<u>2,000</u>
	£ 36,356

Hilstone Corporation Limited**Financial Statements for the period ended 30th June 1995****Notes (Continued)****9. Provision for Liabilities and Charges**

Deferred taxation provided and the total potential liability of £950 is in respect of accelerated capital allowances.

10. Share Capital

	<u>1995</u>
Authorised	
250,000 ordinary shares of £1 each	£ 250,000
	<hr/>
Allotted and called up	
Fully paid, 30,000 ordinary shares of £1 each	30,000
Unpaid, 20,000 ordinary shares of £1 each	20,000
	<hr/>
	£ 50,000
	<hr/>

On incorporation 10 ordinary shares of £1 each were issued at par. To provide additional working capital a further 49,990 shares of £1 each were issued at par on 28th June 1995 for cash. At 30th June 1995 share capital of £20,000 remained unpaid.

11. Lease Obligations - Land and Buildings

The company has a commitment to pay £25,000 per annum under a non-cancellable operating lease which expires between two and five years from the year end.