

X1016-d1

2906439

HILSTONE CORPORATION LIMITED
CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended
31 DECEMBER 2000

LEVY GEE



A39
COMPANIES HOUSE

ASKF24U2

0690
13/10/01

HILSTONE CORPORATION LIMITED

CONTENTS

	Page
Company Information	2
Report of the Directors	3
Report of the Auditors	6
Consolidated Profit and Loss Account	7
Consolidated Balance Sheet	8
Company Balance Sheet	9
Consolidated Cash Flow Statement	10
Notes to the Financial Statements	11-25

HILSTONE CORPORATION LIMITED

COMPANY INFORMATION

DIRECTORS

A M Brookes
M C T Bokenham

SECRETARY

C M Denee

REGISTERED OFFICE

26-28 Mount Row
London
W1Y 5DA

COMPANY NUMBER

2906739 (England)

AUDITORS

Levy Gee
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 2000.

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 2000 is set out on page 7.

The Directors recommend the payment of a final dividend of £1,500,000 (1999: £ Nil).

FIXED ASSETS

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

THE EURO

The Directors have considered the impact of the European single currency and do not believe it will have a significant impact on the activities of the group.

HILSTONE CORPORATION LIMITED

REPORT OF THE DIRECTORS

DIRECTORS

The following Directors have held office since 1 January 2000.

A M Brookes
M C T Bokenham
P A Burroughs (Resigned 30 September 2000)

DIRECTORS' INTERESTS

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

	31 December 2000 Ordinary Shares Of £1 each	1 January 2000 Ordinary Shares Of £1 each
A M Brookes	45,000	45,000
M C T Bokenham	45,000	45,000
	<hr/>	<hr/>

DONATIONS

During the year the Group made no charitable or political donations.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Levy Gee be re-appointed as auditors will be put to the Annual General Meeting.

HILSTONE CORPORATION LIMITED

REPORT OF THE DIRECTORS

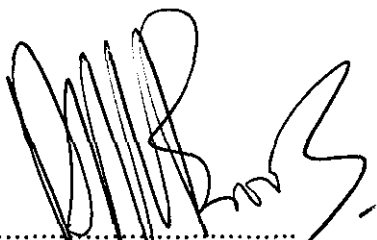
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

28 September 2001

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 7 to 25 for the year ended 31 December 2000. 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 5 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 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Levy Gee

Registered Auditor

Date 28th September 2001

66 Wigmore Street
London
W1U 2HQ

HILSTONE CORPORATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended
31 DECEMBER 2000

		Year Ended 31 December 2000			18 Months to 31 December 1999
	Note	Existing £	Acquisitions £	Total £	Total £
Turnover of the Group including					
Share of Joint Ventures and Associates		64,791,583	524,916	65,316,499	12,959,032
Share of Joint Ventures		(2,802,111)	-	(2,802,111)	(454,748)
Share of Associates		(1,065,663)	-	(1,065,663)	(807,326)
Group Turnover	2	60,923,809	524,916	61,448,725	11,696,958
Cost of Sales	2	(53,603,573)	(47,178)	(53,650,751)	(7,141,136)
Gross Profit	2	7,320,236	477,738	7,797,974	4,555,822
Administrative Expenses		(531,423)	(132,313)	(663,736)	(1,058,241)
Group Operating Profit	3	6,788,813	345,425	7,134,238	3,497,581
Share of Operating Results in Joint Ventures				1,555,310	411,597
Share of Operating Results in Associates				67,292	416,500
Total Operating Profit	3			8,756,840	4,325,678
Interest Payable	4			(2,744,972)	(3,937,456)
				6,011,868	388,222
Interest Receivable	5			431,670	132,413
Profit on Ordinary Activities before Taxation				6,443,538	520,635
Taxation	6			(1,303,393)	(207,333)
Profit on Ordinary Activities after Taxation				5,140,145	313,302
Dividends	7			(1,500,000)	-
Retained Profit for the Year	19			3,640,145	313,302

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 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Intangible	9	739,608	-
Tangible	10	28,952	34,061
Investment in Joint Ventures:	12		
Share of Gross Assets		26,410,824	26,436,886
Share of Gross Liabilities		(26,407,753)	(26,269,834)
		3,071	167,052
Investments in Associates	13	154,968	210,274
		926,599	411,387
CURRENT ASSETS			
Stock	14	8,000,001	29,782,094
Debtors: Due Within One Year	15	1,840,783	933,454
: Due After One Year	15	2,500,000	2,500,000
Cash at Bank		5,491,037	2,009,477
		17,831,821	35,225,025
CURRENT LIABILITIES			
CREDITORS - Amounts			
Falling Due Within One Year	16	(5,465,174)	(14,527,739)
NET CURRENT ASSETS		12,366,647	20,697,286
TOTAL ASSETS LESS			
CURRENT LIABILITIES		13,293,246	21,108,673
CREDITORS - Amounts			
Falling Due After One Year	17	(9,000,000)	(20,435,815)
Provision for Share in Associate		-	(19,757)
		(9,000,000)	(20,455,572)
		4,293,246	653,101
CAPITAL AND RESERVES			
Called Up Share Capital	18	90,000	90,000
Profit and Loss Account	19	4,203,246	563,101
		4,293,246	653,101

These Financial Statements were approved by the Board of Directors on 28 September 2001.


A M BROOKES
Director


M C T BOKENHAM
Director

HILSTONE CORPORATION LIMITED
COMPANY BALANCE SHEET AT 31 DECEMBER 2000

	Note	£	2000 £	£	1999 £
FIXED ASSETS					
Tangible Assets	10		28,952		34,061
Investments	11		918,060		232,650
			<hr/>		<hr/>
			947,012		266,711
CURRENT ASSETS					
Debtors Due Within One Year	15	1,518,543		233,196	
Debtors Due After One Year	15	2,500,000		3,200,000	
Cash at Bank and in Hand		4,827,650		190	
		<hr/>		<hr/>	
		8,846,193		3,433,386	
CREDITORS - Amounts					
Falling Due Within One Year	16	(7,290,661)		(3,235,810)	
		<hr/>		<hr/>	
NET CURRENT ASSETS			1,555,532		197,576
			<hr/>		<hr/>
TOTAL ASSETS LESS					
CURRENT LIABILITIES			2,502,544		464,287
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called Up Share Capital	18		90,000		90,000
Profit and Loss Account	19		2,412,544		374,287
			<hr/>		<hr/>
			2,502,544		464,287
			<hr/>		<hr/>

These Financial Statements were approved by the Board of Directors on 28 September 2001



A M BROOKES
 Director



M C T BOKENHAM
 Director

HILSTONE CORPORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT

for the year ended

31 DECEMBER 2000

	Note	Year Ended 31 December 2000		18 Months to 31 December 1999	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	23(a)		35,226,334		(4,700,602)
Returns on investments and servicing of finance:					
Interest received		361,642		118,204	
Interest paid		(3,658,136)		(741,275)	
Net cash outflow from returns on investments and servicing of finance			(3,296,494)		(623,071)
Taxation:					
Corporation tax paid			(215,920)		(611)
Capital Expenditure and Financial Investment:					
Payments to acquire tangible fixed assets		-		(27,019)	
Net cash outflow from capital and Financial investments			-		(27,019)
Acquisitions and Disposals					
Payment to acquire Joint Ventures		-		(50)	
Payment to acquire Subsidiary Undertakings		(685,410)		-	
Net Cash acquired with Subsidiary Undertakings		31,592		-	
Net cash outflow from acquisitions and disposals			(653,818)		(50)
Cash inflow/(outflow) before financing			31,060,102		(5,351,353)
Financing:					
Repayment of loans		(30,593,006)		(7,837,326)	
New Loans		3,000,000		14,780,332	
Net cash (outflow)/inflow from financing			(27,593,006)		6,943,006
Increase in Cash	23(b),(c)		3,467,096		1,591,653

LEVY GEE

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

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
----------------------------------	----------------------

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.

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

g) Deferred Taxation

Provision is made at the appropriate rates, using the liability method, for deferred taxation arising from timing differences, to the extent that it is probable that a liability will crystallise in the foreseeable future.

h) 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.

i) 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.

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

	2000 £	1999 £
Rental Income		
Group	897,661	2,652,258
Joint Venture	2,802,111	454,748
Associate	307,330	807,326
Sale of Trading Properties		
Group	43,822,394	8,600,000
Associate	758,333	-
Other Income		
Group	16,728,670	444,700
	<hr/>	<hr/>
	65,316,499	12,959,032

COST OF SALES

	2000 £	1999 £
Direct Property Costs	-	259,508
Costs of Trading Properties Sold	38,302,573	6,702,053
Other Costs	15,348,178	179,575
	<hr/>	<hr/>
	53,650,751	7,141,136

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

2 TURNOVER AND COST OF SALES (Continued)

The split of acquired and existing operations for the 18 months to 31 December 1999 is analysed below:

	Existing £	Acquisitions £	Total £
Turnover of the Group including Share of Joint Ventures and Associates	11,727,574	1,231,458	12,959,032
Share of Joint Ventures	-	(454,748)	(454,748)
Share of Associates	(807,326)	-	(807,326)
Group Turnover	10,920,248	776,710	11,696,958
Cost of Sales	(7,141,136)	-	(7,141,136)
Gross Profit	3,779,112	776,710	4,555,822
Administrative Expenses	(811,166)	(247,075)	(1,058,241)
Group Operating Profit	2,967,946	529,635	3,497,581

3 OPERATING PROFIT

The operating profit is stated after charging:-

	2000 £	1999 £
Auditors' Remuneration	60,000	40,000
Depreciation	5,109	6,011
Operating Lease Rentals	63,171	89,367

4 INTEREST PAYABLE

	2000 £	1999 £
Group: Bank Loans and Overdrafts	1,146	113,627
Group: Other Loans	722,020	3,170,059
Group: On Overdue Tax	4,245	-
Joint Venture - Bank Loans and Overdrafts	1,730,444	-
Joint Venture - Other Loans	113,196	175,099
Associates - Bank loans and Overdrafts	27	32
Associates - Other Loans	173,894	478,639
	2,744,972	3,937,456

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

5 INTEREST RECEIVABLE

	2000 £	1999 £
Group: Bank	238,327	102,281
Group: Other	123,315	15,923
Joint Venture - Bank	57,850	504
Associates - Bank	12,178	12,982
Associates - Other	-	723
	<hr/>	<hr/>
	431,670	132,413
	<hr/>	<hr/>

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
Corporation Tax at 30% (1999: 30%) based on the Group Profit for the Year	1,379,000	136,000
Joint Venture	(66,500)	70,000
Associates	(1,036)	1,333
	<hr/>	<hr/>
	1,311,464	207,333
Prior Years		
UK Corporation Tax on Group	(7,420)	-
UK Corporation Tax on Associates	(651)	-
	<hr/>	<hr/>
	1,303,393	207,333
	<hr/>	<hr/>

7 DIVIDENDS

	2000 £	1999 £
Final Ordinary Proposed	1,500,000	-
	<hr/>	<hr/>

8 DIRECTORS AND EMPLOYEES INFORMATION

	2000 £	1999 £
Directors' Emoluments		
Aggregate Emoluments	48,000	36,000
	<hr/>	<hr/>
	2000 £	1999 £
Emoluments of Highest paid Director		
Aggregate Emoluments	24,000	18,000
	<hr/>	<hr/>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

8 DIRECTORS AND EMPLOYEES INFORMATION (Continued)

Employees Information (Including Directors)

	2000 £	1999 £
Staff Costs:		
Wages and Salaries	66,250	66,352
Social Security Costs	6,621	6,233
	<hr/> 72,871	<hr/> 72,585
Numbers of Employees (Excluding Directors):		
	2000	1999
The average monthly number of employees during the year was:	<hr/> 1	<hr/> 2

9 INTANGIBLE ASSETS

	Goodwill
Group	
Cost at 1 January 2000	-
Additions	755,344
	<hr/> 755,344
Cost at 31 December 2000	755,344
Amortisation at 1 January 2000	-
Charge for the Year	15,736
	<hr/> 15,736
Amortisation at 31 December 2000	15,736
Net Book Value At	
31 December 2000	<hr/> 739,608

10 TANGIBLE FIXED ASSETS

	Fixtures, Fittings and Equipment £
Group and Company	
Cost	
At 1 January 2000 and 31 December 2000	50,592
Depreciation	
At 1 January 2000	16,531
Charge for the Year	5,109
	<hr/> 21,640
At 31 December 2000	21,640
Net Book Value	
At 31 December 2000	<hr/> 28,952
At 31 December 1999	<hr/> 34,061

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

11 INVESTMENTS

Company	Company 2000 £
Cost at 1 January 2000	232,650
Addition in Year	685,410
	<hr/>
Cost at 31 December 2000	918,060
	<hr/>
Subsidiaries	Shares Held %
Aqua Properties Limited	100
Hilstone Midtown Plc	100
Hilstone Harmsworth Plc	100*
Hilstone Northcliffe Limited	100*
Hilstone (Birmingham) Limited (formerly Seacusp Limited)	100
Associates and Joint Ventures	
Gemcrest Developments Limited	"B" Ordinary 100
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 (Middlesbrough) 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 which is a non-trading company.

All equity held is ordinary share capital unless otherwise stated.

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

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

12 INVESTMENT IN JOINT VENTURES

	Group 2000 £
At 1 January 2000	167,052
Share of Loss for the Year	(163,981)
	<hr/>
At 31 December 2000	3,071
	<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 2000. The address of its principal place of business is 26-28 Mount Row, Mayfair, London, W1Y 5DA.

Hilstone Corporation Limited hold £2,500,000 4% loan stock in Hilstone Asset Management Limited.

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

Profit and Loss Account	2000 £	1999 £
Turnover	4,566,160	909,495
Operating Profit	3,110,620	823,194
Net Interest Payable	(3,571,582)	(349,190)
Taxation	133,000	(140,000)
	<hr/>	<hr/>
Retained (Loss)/Profit for the Year	(327,962)	334,004
	<hr/>	<hr/>
Group Share	(163,981)	167,002
	<hr/>	<hr/>
Balance Sheet		
Current Assets	52,821,648	52,873,771
Liabilities Falling Due Within One Year	(5,148,837)	(2,539,667)
Liabilities Falling Due After One Year	(47,666,669)	(50,000,000)
	<hr/>	<hr/>
	6,142	334,104
	<hr/>	<hr/>
Group Share	3,071	167,052
	<hr/>	<hr/>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

13 INVESTMENTS IN ASSOCIATES

	2000 Group £
At 1 January 2000	210,274
Share of Loss for the Year	(55,306)
	<hr/>
At 31 December 2000	154,968
	<hr/>

Gemcrest Developments Limited

Hilstone Corporation Limited hold 100% of the ordinary "B" shares in Gemcrest Developments Limited, this represents 33% of the total share capital. Gemcrest Developments Limited is a property company. It prepares accounts each year to 31 May. The information herein and the group's share of results is based on management accounts for the seven month period to 31 December 2000, together with the relevant five months proportion of the audited accounts for the year to 31 May 2000.

The summarised financial information of Gemcrest Developments Limited for the year to December is as follows:

	2000 £	1999 £
Share Capital	480,000	480,000
Profit and Loss Brought Forward	150,822	282,738
Loss for Year	(165,918)	(131,916)
	<hr/>	<hr/>
	464,904	630,822
	<hr/>	<hr/>

14 STOCK

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Properties	8,000,001	29,782,094	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

15 DEBTORS

Amounts Falling Due Within One Year	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Trade Debtors	197,365	64,438	153,461	2,705
Amounts owed by Group Undertakings	-	-	-	700,381
Amounts owed by Associated Undertakings and Joint Ventures	2,500,000	2,647,432	2,500,000	2,635,000
Other Debtors	1,503,012	637,005	1,346,326	76,354
Prepayments and Accrued Income	140,406	84,579	18,756	18,756
	<u>4,340,783</u>	<u>3,433,454</u>	<u>4,018,543</u>	<u>3,433,196</u>

Amounts Falling Due After One Year

Group and Company

Included in amounts owed by associated undertakings and joint ventures is £2,500,000 (1999: £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.

16 CREDITORS

Amounts Falling Due Within One Year	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Bank Overdraft	66,444	51,980	66,444	51,980
Other Loans	-	12,980,000	-	-
Trade Creditors	125,567	135,494	-	7,349
Amounts Owed to Group Undertakings	-	-	5,356,157	524,625
Corporation Tax	1,379,660	224,000	323,000	25,000
Other Taxes and Social Security Costs	58,430	156,182	9,043	78,775
Dividends Payable	1,500,000	-	1,500,000	-
Other Creditors	1,849,695	89,312	7,017	2,506,018
Accruals and Deferred Income	485,378	890,771	29,000	42,063
	<u>5,465,174</u>	<u>14,527,739</u>	<u>7,290,661</u>	<u>3,235,810</u>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

17 CREDITORS

	Group		Company	
	2000	1999	2000	1999
Amounts Falling Due After One Year	£	£	£	£
Other Loans	9,000,000	20,435,815	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Group		Company	
	2000	1999	2000	1999
Analysis of Loans	£	£	£	£
Wholly Repayable Within Five Years	9,000,000	20,435,815	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loan Maturity Analysis	2000	1999	2000	1999
	£	£	£	£
Between One and Two Years	9,000,000	20,435,815	-	-
Between Two and Five Years	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The loans included above are secured by a fixed and floating charge over certain assets of the group.

18 SHARE CAPITAL

	2000	1999
Authorised	£	£
Ordinary Shares of £1 each	250,000	250,000
	<u> </u>	<u> </u>
Issued, Called Up and Fully Paid		
Ordinary Shares of £1 each	90,000	90,000
	<u> </u>	<u> </u>

19 STATEMENT OF MOVEMENT ON RESERVES

	Group Profit and Loss Account £	Company Profit and Loss Account £
Balance at 1 January 2000	563,101	374,287
Retained Profit for the Year	3,640,145	2,038,257
	<u> </u>	<u> </u>
Balance at 31 December 2000	4,203,246	2,412,544
	<u> </u>	<u> </u>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group

	2000 £	1999 £
Profit for the Financial Year	5,140,145	313,302
Dividends	(1,500,000)	-
	<hr/>	<hr/>
Net Addition to Shareholders' Funds	3,640,145	313,302
Opening Shareholders' Funds	653,101	339,799
	<hr/>	<hr/>
Closing Shareholders' Funds	4,293,246	653,101
	<hr/>	<hr/>

Company

	2000 £	1999 £
Profit for the Financial Year	3,538,257	356,349
Dividends	(1,500,000)	-
	<hr/>	<hr/>
Net Addition to Shareholders' Funds	2,038,257	356,349
Opening Shareholders' Funds	464,287	107,938
	<hr/>	<hr/>
Closing Shareholders' Funds	2,502,544	464,287
	<hr/>	<hr/>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

21 ACQUISITION OF SUBSIDIARY UNDERTAKINGS

Effective 31 July 2000, the Company acquired the whole of the issued share capital of Hilstone (Birmingham) Limited (formerly Seacusp Limited) for £685,410. Hilstone (Birmingham) Limited was previously an associate of the company and therefore it was the 55% not previously owed by the Company that was purchased. This transaction has been accounted for under the acquisition method of accounting. The amount of goodwill arising is being amortised through the consolidated profit and loss account over its useful economic life.

From 1 January 2000 to 31 July 2000 Hilstone (Birmingham) Limited had turnover of £607,957 and an operating profit of £445,514; profit before taxation was £83,902 and taxation of £660. The profit after taxation for Hilstone (Birmingham) Limited for the period ended 30 June 2000 was £2,564. There is no difference between profit after tax and the recognised gains and losses for the period.

The following table sets out the book values of the identifiable assets and liabilities acquired. In all cases book value equated to fair value.

	Book and Fair Value £
Stock	4,400,000
Debtors	25,255
Cash	17,375
Creditors and Provisions	(4,512,564)
Net Liabilities	(69,934)
Goodwill	755,344
Purchase Consideration and Cost of Acquisition	685,410
Satisfied By:-	
Cash	685,410
Net Cash Inflows in respect of the acquisition comprised:	
Cash Consideration	685,410
Cash at Bank and in Hand Acquired	(17,375)
	668,035

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

22 OPERATING LEASE COMMITMENTS

At 31 December 2000 the Group was committed to making the following payments during the next year in respect of operating leases:

	2000 Land and Buildings £	1999 £
Leases which expire:		
One to Two Years	-	-
Within Two to Five Years	-	-
After Five Years	63,171	63,171
	<hr/>	<hr/>
	63,171	63,171
	<hr/>	<hr/>

23 NOTES TO THE CASH FLOW STATEMENT

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

	2000 £	1999 £
Operating Profit	7,134,238	3,497,581
Depreciation Charges	20,845	6,011
Decrease/(Increase) in Stock	29,782,093	(4,926,885)
Increase in Debtors	(861,410)	(3,252,254)
Decrease in Creditors	(849,432)	(45,055)
Loss on Disposal of Investment	-	20,000
	<hr/>	<hr/>
Net Cash inflow/(outflow) from Operating Activities	35,226,334	(4,700,602)
	<hr/>	<hr/>

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended

31 DECEMBER 2000

23 NOTES TO THE CASH FLOW STATEMENT (Continued)

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

	£
Increase in Cash in the Year	3,467,096
Cash Outflow from Decrease in Debt	27,593,006
Loans acquired with Subsidiary	(6,000,000)
	<hr/>
Movement in Net Debt in the Year	25,060,102
Net Debt at 31 December 1999	(28,635,509)
	<hr/>
Net Debt at 31 December 2000	(3,575,407)
	<hr/>

c) Analysis of Net Debt

	At 1 January 1999 £	Cash Flow £	Acquisitions £	At 31 December 2000 £
Cash in Hand and at Bank	2,009,477	3,481,560	-	5,491,037
Bank Overdrafts	(51,980)	(14,464)	-	(66,444)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,957,497	3,467,096	-	5,424,593
Debt Due Within One Year	(12,980,000)	12,980,000	-	-
Debt Due After More Than One Year	(17,613,006)	14,613,006	(6,000,000)	(9,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	(28,635,509)	31,060,102	(6,000,000)	(3,575,407)
	<hr/>	<hr/>	<hr/>	<hr/>

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

31 DECEMBER 2000

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 £172,500 (1999: £143,500). No amounts remain unpaid at the year end (1999: £ Nil).

Also consultancy fees of £150,000 (1999: £100,000) were paid to Mr M C T Bokenham. No amounts remain unpaid at the year end (1999: £ Nil).

Rent, management and administrative fees totalling £199,000 (1999: £270,000) were charged to Gemcrest Developments Limited and Collier and Madge Plc. The former being an associate of the group and the latter being a company in which Mr A M Brookes is a director and shareholder. At the year end the following amounts were owed by these companies:

Gemcrest Developments Limited	£ Nil	1999: £120,000
Collier and Madge Plc	£ Nil	1999: £ Nil

Interest totalling £113,196 (1999: £ Nil) was received on the 4% loan stock Hilstone Corporation Limited holds in Hilstone Asset Management Limited.

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

Mr A M Brookes	£4,299	1999: £3,299
Mr M C T Bokenham	£2,719	1999: £2,719