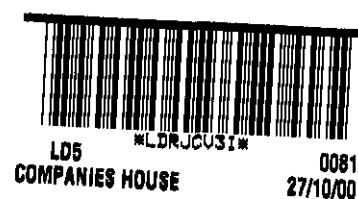


HILSTONE CORPORATION LIMITED
CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS
- for the period ended -
31ST DECEMBER 1999



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

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 eighteen months ended 31st December 1999.

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 period and look forward to the next years trading with optimism.

RESULTS AND DIVIDENDS

The consolidated profit and loss account for the eighteen months ended 31st December 1999 are set out on page 7.

The Directors do not recommend payment of an ordinary dividend.

It is proposed that the profit is transferred to the group reserves.

FIXED ASSETS

The significant changes in fixed assets during the period are explained in notes 8 to 12 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 1st July 1998.

A M Brookes

M C T Bokenham

P A Burroughs (Appointed 1st February 1999 and Resigned
30th September 1999)

DIRECTORS' INTERESTS

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

	<u>31st December 1999</u>	<u>1st July 1998</u>
	<u>Ordinary Shares</u>	<u>Ordinary Shares</u>
	<u>Of £1 each</u>	<u>Of £1 each</u>
A M Brookes	45,000	45,000
M C T Bokenham	45,000	45,000
	=====	=====

CHARITABLE CONTRIBUTIONS

During the period the Group made no charitable donations.

AUDITORS

Levy Gee were appointed as auditors and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that Levy Gee be re-appointed 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 period 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 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;
- * 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 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 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

Date 24th October 2000.

HILSTONE CORPORATION LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the Financial Statements on pages 7 to 24 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 11 and 12.

Respective Responsibilities of Directors and Auditors

As described on page 5 the Company's directors are responsible for the preparation of the Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements and to report our opinion to you.

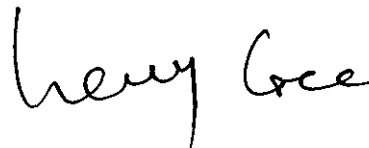
Basis of Opinion

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 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 the Group and the Company's affairs at 31st December 1999 and of the Group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



66 Wigmore Street
LONDON W1U 2HQ

LEVY GEE
Registered Auditor

Date 27th October 2000

HILSTONE CORPORATION LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

- for the period ended -

31ST DECEMBER 1999

		<u>18 Months to</u> <u>31st December 1999</u>		<u>12 Months</u> <u>to 30th June</u> <u>1998</u>
	<u>Note</u>	<u>Existing</u> £'000	<u>Acquisitions</u> £'000	<u>Total</u> £'000
Turnover of the Group including Share of Joint Ventures and Associates		11,727	1,232	12,959
Share of Joint Ventures		-	(455)	(455)
Share of Associates		(807)	-	(807)
Group Turnover	2	10,920	777	11,697
Cost of Sales	2	(7,141)	-	(7,141)
Gross Profit	2	3,779	777	4,556
Administrative Expenses		(811)	(247)	(1,058)
Group Operating Profit	3	2,968	530	3,498
Share of Operating Results in Joint Ventures				411
Share of Operating Results in Associates				416
				4,325
Interest Payable	4			(3,937)
				388
Interest Receivable	5			132
Profit on Ordinary Activities before Taxation				520
Taxation	6			(207)
Profit on Ordinary Activities after Taxation				£ 313

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

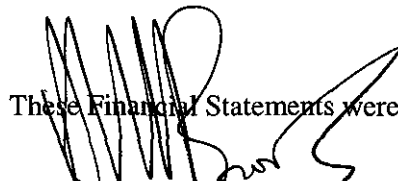
There are no recognised gains and losses other than those passing through the profit and loss account.

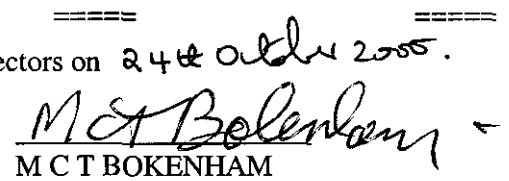
HILSTONE CORPORATION LIMITED

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER 1999

	Note	31 st December 1999		30 th June 1998	
		£'000	£'000	£'000	£'000
<u>FIXED ASSETS</u>					
Investment Properties	8		-		10,132
Investment in Joint Ventures:					
Share of Gross Assets		26,437		-	
Share of Gross Liabilities		(26,270)		-	
	9		167		-
Investments in Associates	10		210		254
Other Investments	11		-		20
Other Tangible Assets	12		34		13
			411		10,419
<u>CURRENT ASSETS</u>					
Stock	13	29,782		14,992	
Debtors: Due Within One Year	14	933		181	
: Due After One Year	14	2,500		-	
Cash at Bank		2,010		402	
		35,225		15,575	
<u>CURRENT LIABILITIES</u>					
<u>CREDITORS - Amounts</u>					
Falling Due Within One Year	15	(14,528)		(3,452)	
<u>NET CURRENT ASSETS</u>					
			20,697		12,123
<u>TOTAL ASSETS LESS</u>					
<u>CURRENT LIABILITIES</u>					
			21,108		22,542
<u>CREDITORS - Amounts</u>					
Falling Due After One Year	16	(20,435)		(22,188)	
Provision for Share in Associate	17	(20)		(14)	
			(20,455)		(22,202)
			£ 653		£ 340
<u>CAPITAL AND RESERVES</u>					
Called Up Share Capital	18		90		90
Profit and Loss Account	19		563		250
			£ 653		£ 340

These Financial Statements were approved by the Board of Directors on 24th October 2000.


A M BROOKES
Director

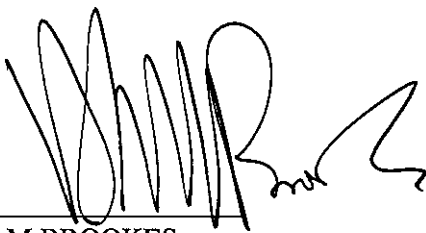

M C T BOKENHAM
Director

HILSTONE CORPORATION LIMITED

COMPANY BALANCE SHEET AT 31ST DECEMBER 1999

	Note	<u>31st December 1999</u>		<u>30th June 1998</u>	
		£'000	£'000	£'000	£'000
<u>FIXED ASSETS</u>					
Investments	11		233		253
Tangible Assets	12		34		13
			-----		-----
			267		266
<u>CURRENT ASSETS</u>					
Debtors Due Within One Year	14	233		391	
Debtors Due After One Year	14	3,200		-	
Cash at Bank and in Hand		-		12	
		-----		-----	
		3,433		403	
<u>CREDITORS - Amounts</u>					
<u>Falling Due Within One Year</u>	15	(3,236)		(561)	
		-----		-----	
<u>NET CURRENT</u>					
<u>ASSETS/(LIABILITIES)</u>					
			197		(158)
			-----		-----
<u>TOTAL ASSETS LESS</u>					
<u>CURRENT LIABILITIES</u>					
			£ 464		£ 108
			=====		=====
<u>CAPITAL AND RESERVES</u>					
Called Up Share Capital	18		90		90
Profit and Loss Account	19		374		18
			-----		-----
			£ 464		£ 108
			=====		=====

These Financial Statements were approved by the Board of Directors on 24th October 2000


A M BROOKES
Director


M C T BOKENHAM
Director

HILSTONE CORPORATION LIMITED**CONSOLIDATED CASH FLOW STATEMENT****- for the period ended -****31ST DECEMBER 1999**

	<u>Note</u>	<u>18 Months to</u> <u>31st December 1999</u> £'000	£'000	<u>12 Months to</u> <u>30th June 1998</u> £'000	£'000
Net cash outflow from operating activities	22(a)		(4,700)		(11,081)
<u>Returns on investments and servicing of finance:</u>					
Interest received		118		27	
Interest paid		(741)		(409)	
		-----		-----	
Net cash outflow from returns on investments and servicing of finance			(623)		(382)
<u>Taxation:</u>					
Corporation tax paid			(1)		-
<u>Capital Expenditure and Financial Investment:</u>					
Payments to acquire tangible fixed assets		(27)		(10,131)	
		-----		-----	
Net cash outflow from capital and Financial investments			(27)		(10,131)
<u>Acquisitions and Disposals</u>					
Purchase of Associates		-		(23)	
		-----		-----	
Net cash outflow from acquisitions and disposals			-		(23)
			-----		-----
Cash outflow before financing			(5,351)		(21,617)
<u>Financing:</u>					
Repayment of loans		(7,837)		(700)	
New Loans		14,780		22,650	
		-----		-----	
Net cash inflow from financing			6,943		21,950
			-----		-----
Increase in Cash	22(b),(c)		£ 1,592		£ 333
			=====		=====

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

1 ACCOUNTING POLICIES

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

a) Accounting Convention

The Financial Statements have been prepared under the Historical Cost accounting rules as modified by the revaluation of investment properties and in accordance with applicable Accounting Standards and with the Companies Act 1985 except as noted below under investment properties.

No profit and loss account of the parent company is presented as permitted by Section 230 of the Companies Act 1985.

b) Basis of Consolidation

The consolidated financial statements comprise the results of the Company and its subsidiaries, made up to 31st December, together with the Group's share of net profits and losses and reserves of associates and joint ventures.

c) Investment Properties

Investment properties are revalued annually on the basis of open market value. Surpluses and deficits on revaluation are taken to the revaluation reserve, except for those deficits expected to be permanent, which are included in the profit and loss account for the period.

In order to present a true and fair view, investment properties have not been depreciated as they are held for investment rather than consumption, and the directors consider that systematic annual depreciation would be inappropriate. This accords with Statement of Standard Accounting Practice 19 as amended. Depreciation is only one of many factors reflected in the property valuations and the amount which might otherwise have been shown cannot be separately identified or quantified.

Surpluses and deficits realised on sales of properties, calculated by comparing net sales proceeds with book values, are recognised in the profit and loss account.

d) 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.

Where properties are transferred from the investment portfolio to the development portfolio "cost" is deemed for this purpose to be the lower of book value and cost at the date of transfer.

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

e) 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 and Fittings	15% reducing balance
-----------------------	----------------------

f) 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.

g) Leasing

Rentals in 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) Turnover

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

2 TURNOVER AND GROSS PROFIT

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

	<u>Turnover</u>		<u>Cost of Sales</u>		<u>Gross Profit</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Rental Income Group	2,652	1,292	(259)	(25)	2,393	1,267
Share of Joint Venture	455	-	-	-	-	-
Share of Associate	807	1,020	-	-	-	-
Sales of Trading Properties						
Group	8,600	-	(6,702)	-	1,898	-
Management Fees Group	445	160	(180)	-	265	160
	-----	-----	-----	-----	-----	-----
	12,959	2,472	(7,141)	(25)	4,556	1,427
	=====	=====	=====	=====	=====	=====

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

2 TURNOVER AND GROSS PROFIT (Continued)

The split of acquired and existing operations for the 12 months to 30th June 1998 is analysed below:

	<u>Existing</u> £'000	<u>Acquisitions</u> £'000	<u>Total</u> £'000
Turnover of the Group including Share of Joint Ventures and Associates	829	1,643	2,472
Share of Joint Ventures	-	-	-
Share of Associates	(669)	(351)	(1,020)
	-----	-----	-----
Group Turnover	160	1,292	1,452
Cost of Sales	(25)	-	(25)
	-----	-----	-----
Gross Profit	135	1,292	1,427
Administrative Expenses	(150)	(232)	(382)
	-----	-----	-----
Group Operating Profit	(15)	1,060	1,045
	=====	=====	=====

3 OPERATING PROFIT

The operating profit is stated after charging:-

	<u>1999</u> £'000	<u>1998</u> £'000
Auditors' Remuneration	40	8
Depreciation	6	2
Operating Leases	89	25
	=====	=====

4 INTEREST PAYABLE

	<u>1999</u> £'000	<u>1998</u> £'000
Group: Bank Loans and Overdrafts	113	9
Group: Other Loans	3,170	789
Joint Venture - Other Loans	175	-
Associates - Other Loans	479	355
	-----	-----
	£ 3,937	£1,153
	=====	=====

5 INTEREST RECEIVABLE

	<u>1999</u> £'000	<u>1998</u> £'000
Group: Bank	102	8
Group: Other	15	19
Joint Venture - Bank	1	-
Associates - Bank	13	6
Associates - Other	1	-
	-----	-----
	£ 132	£ 33
	=====	=====

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1999</u> £'000	<u>1998</u> £'000
Corporation Tax at 30% (1998: 31%) based on the Group		
Profit for the Period	136	88
Joint Venture	70	-
Associates	1	(2)
	-----	-----
	£ 207	£ 86
	=====	=====

7 DIRECTORS AND EMPLOYEES INFORMATION

	<u>1999</u> £'000	<u>1998</u> £'000
<u>Directors' Emoluments</u>		
Aggregate Emoluments	£ 36	£ -
	=====	=====

	<u>1999</u> £'000	<u>1998</u> £'000
Emoluments of Highest paid Director		
Aggregate Emoluments	£ 18	£ -
	=====	=====

Employees Information (Including Directors)

	<u>1999</u> £'000	<u>1998</u> £'000
Staff Costs:		
Wages and Salaries	66	12
Social Security Costs	6	1
	-----	-----
	£ 72	£ 13
	=====	=====

Numbers of Employees (Excluding Directors):

	<u>1999</u>	<u>1998</u>
The average monthly number of employees during the year was:	2	2
	=====	=====

8 INVESTMENT PROPERTIES

	<u>Freehold</u> <u>Land and</u> <u>Buildings</u> £'000
<u>Group</u>	
Cost at 1 st July 1998	10,132
Transferred to Stock	(10,132)

Cost at 31 st December 1999	-
	=====

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

9 INVESTMENT IN JOINT VENTURES

	<u>Group</u> <u>1999</u> <u>£'000</u>
At 1 st July 1998	-
New Equity Investment	-
Share of Profit for the Period	167

At 31 st December 1999	167
	=====

Hilstone Asset Management Limited

Hilstone Asset Management Limited (HAM) was incorporated in September 1998. In November 1999 it acquired a portfolio of 15 freehold properties around the United Kingdom, each property being held in an individual subsidiary company of HAM. On 4th November 1999 Hilstone Corporation Limited entered into a joint venture agreement and as a result of which, now holds 50% of the share capital of HAM. Dormant accounts were prepared for the year to 30th September 1999. The information herein and the group's share of the joint venture results is based on unaudited management accounts made up to 31st December 1999. The address of its principal place of business is 26-28 Mount Row, Mayfair, London, W1Y 5DA.

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

Profit and Loss Account

	<u>£'000</u>
Turnover	909
Operating Profit	822
Net Interest Payable	(348)
Taxation	(140)

Retained Profit for the Period	334
	=====
Group Share	167
	=====

Balance Sheet

Trading Properties	50,065
Other Current Assets	2,809
Current Liabilities	(2,540)
Borrowings	(50,000)

	334
	=====
Group Share	167
	=====

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

10 INVESTMENTS IN ASSOCIATES

	<u>Group</u> £'000
At 1 st July 1998	254
Share of Loss for the Period	(44)

At 31 st December 1999	210
	=====

Seacusp

Hilstone Corporation Limited owns 100% of the ordinary "B" shares in Seacusp Limited, this represents 45% of the total share capital. Seacusp Limited prepared audited accounts for the year to 30th June 1999. The information herein and the group's share of results is based on the audited accounts together with unaudited management accounts made up to 31st December 1999.

Gemcrest

Hilstone Corporation Limited owns 100% of the ordinary "B" shares in Gemcrest Limited, this represents 33% of the total share capital. Gemcrest Limited prepared audited accounts for the year to 31st May 2000. The information herein and the group's share of results is based on management accounts made up to 31st December 1999 that have been included within the audited accounts for the year to 31st May 2000.

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

11 INVESTMENTS

<u>Company</u>	<u>Group</u> <u>1999</u> <u>£'000</u>	<u>Company</u> <u>1999</u> <u>£'000</u>
Cost at 1 st July 1998	20	253
Addition in Period	-	-
Provision in Period	(8)	(8)
Reclassification in Period	(12)	(12)
	-----	-----
Cost at 31 st December 1999	£ -	£ 233
	=====	=====

<u>Subsidiaries</u>	<u>Class</u>	<u>Shares Held</u> %
Aqua Properties Limited		100
Hilstone Midtown Plc		100
Hilstone Harmsworth Plc		100*
Hilstone Northcliffe Limited		100*
<u>Associates and Joint Ventures</u>		
Gemcrest Development Limited	"B" Ordinary	100
Seacusp Limited	"B" Ordinary	100
Hilstone Asset Management Limited		50
Hilstone (Aldershot) Limited		100% (50%*)
Hilstone (Clacton) Limited		100% (50%*)
Hilstone (Colchester) Limited		100% (50%*)
Hilstone (Harrow) Limited		100% (50%*)
Hilstone (Liverpool) Limited		100% (50%*)
Hilstone (Luton) Limited		100% (50%*)
Hilstone (Sheffield) Limited		100% (50%*)
Hilstone (Swindon) Limited		100% (50%*)
Hilstone (Wood Green) Limited		100% (50%*)
Hilstone (Merit House) Limited		100% (50%*)
Hilstone (Middlesbrough) Limited		100% (50%*)
Hilstone (Sale) Limited		100% (50%*)
Hilstone (19/21 Grove Street Wilmslow) Limited		100% (50%*)
Hilstone (35/37 Grove Street and Grove Arcade) Limited		100% (50%*)
Hilstone (30/32 Grove Street Wilmslow) Limited		100% (50%*)

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

The percentage of equity attributable to Hilstone Corporation Limited is shown in brackets where it is different from the portion of shares held by Hilstone Corporation Limited's subsidiaries.

All equity held is ordinary share capital unless otherwise stated.

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

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

12 TANGIBLE FIXED ASSETS

<u>Group and Company</u>	<u>Fixtures, Fittings and Equipment</u> £'000
<u>Cost</u>	
At 1 st July 1998	23
Additions	27

At 31 st December 1999	50

<u>Depreciation</u>	
At 1 st July 1998	10
Charge for the Period	6

At 31 st December 1999	16

<u>Net Book Value</u>	
At 31 st December 1999	£ 34
	=====
At 30 th June 1998	£ 13
	=====

13 STOCK

	<u>Group</u>		<u>Company</u>	
	<u>1999</u> £'000	<u>1998</u> £'000	<u>1999</u> £'000	<u>1998</u> £'000
Trading Properties	£29,782 =====	£14,992 =====	£ - =====	£ - =====

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

14 DEBTORS

<u>Amounts Falling Due Within One Year</u>	<u>Group</u>		<u>Company</u>	
	<u>1999</u> £'000	<u>1998</u> £'000	<u>1999</u> £'000	<u>1998</u> £'000
Trade Debtors	64	20	3	20
Amounts owed by Group Undertakings	-	-	700	310
Amounts owed by Associated Undertakings and Joint Ventures	2,647	-	2,635	-
Other Debtors	637	136	76	36
Prepayments and Accrued Income	85	25	19	25
	-----	-----	-----	-----
	£ 3,433	£ 181	£ 3,433	£ 391
	=====	=====	=====	=====

Group

Included in amounts owed by associated undertakings and joint ventures is £2,500,000 which is recoverable after more than one year.

Company

Included in amounts owed by group undertakings is £700,000 and in amounts owed by associated undertakings and joint ventures is £2,500,000 which is recoverable after more than one year.

15 CREDITORS

<u>Amounts Falling Due Within One Year</u>	<u>Group</u>		<u>Company</u>	
	<u>1999</u> £'000	<u>1998</u> £'000	<u>1999</u> £'000	<u>1998</u> £'000
Bank Overdraft	52	36	52	-
Other Loans	12,980	2,118	-	-
Trade Creditors	136	18	7	-
Amounts Owed to Group Undertakings	-	-	525	-
Amounts owed by Associated Undertakings and Joint Ventures	-	7	-	7
Corporation Tax	224	89	25	-
Other Taxes and Social Security Costs	156	55	79	6
Other Creditors	89	1,002	2,506	529
Accruals - Deferred Income	891	127	42	19
	-----	-----	-----	-----
	£14,528	£ 3,452	£ 3,236	£ 561
	=====	=====	=====	=====

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

16 CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
<u>Amounts Falling Due After One Year</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£000</u>
Other Loans	£20,435	£22,188	£ -	£ -
	=====	=====	=====	=====
	<u>Group</u>		<u>Company</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
<u>Analysis of Loans</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Wholly Repayable Within Five Years	£20,435	£22,188	£ -	£ -
	=====	=====	=====	=====
<u>Loan Maturity Analysis</u>	<u>1999</u>	<u>1998</u>		
	<u>£'000</u>	<u>£'000</u>		
Between One and Two Years	20,435	-		
Between Two and Five Years	-	22,188		
	=====	=====		

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

17 PROVISION FOR SHARE IN ASSOCIATE

	<u>Group</u>
	<u>1999</u>
	<u>£'000</u>
At 1 st July 1998	14
Share of Loss for the Period	6

At 31 st December 1999	£ 20
	=====

18 SHARE CAPITAL

	<u>1999</u>	<u>1998</u>
	<u>£'000</u>	<u>£'000</u>
<u>Authorised</u>		
Ordinary Shares of £1 each	£ 250	£ 250
	=====	=====
<u>Issued, Called Up and Fully Paid</u>		
Ordinary Shares of £1 each	£ 90	£ 90
	=====	=====

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

19 STATEMENT OF MOVEMENT ON RESERVES

	<u>Group</u> <u>Profit and</u> <u>Loss Account</u> £'000	<u>Company</u> <u>Profit and</u> <u>Loss Account</u> £'000
Balance at 1 st July 1998	250	18
Retained Profit for the Period	313	356
	-----	-----
Balance at 31 st December 1999	£ 563	£ 374
	=====	=====

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

<u>Group</u>	<u>1999</u> £'000	<u>1998</u> £'000
Profit for the Financial Period	313	197
Proceeds from Issue of Shares	-	20
	-----	-----
Net Addition to Shareholders' Funds	313	217
Opening Shareholders' Funds	340	123
	-----	-----
Closing Shareholders' Funds	£ 653	£ 340
	=====	=====
 <u>Company</u>		
	<u>1999</u> £'000	<u>1998</u> £'000
Profit for the Financial Period	356	4
Proceeds from Issue of Shares	-	20
	-----	-----
Net Addition to Shareholders' Funds	356	24
Opening Shareholders' Funds	108	84
	-----	-----
Closing Shareholders' Funds	£ 464	£ 108
	=====	=====

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

21 OPERATING LEASE COMMITMENTS

At 31st December 1999 the Group was committed to making the following payments during the next year in respect of operating leases:

	<u>1999</u>	<u>1998</u>
	<u>Land and Buildings</u>	
	£'000	£'000
Leases which expire:		
One to Two Years	-	-
Within Two to Five Years	-	25
After Five Years	63	-
	-----	-----
	£ 63	£ 25
	=====	=====

22 NOTES TO THE CASH FLOW STATEMENT

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

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Operating Profit	3,498	1,045
Depreciation Charges	6	2
Increase in Stock	(4,927)	(12,837)
Increase in Debtors	(3,252)	(72)
(Decrease)/Increase in Creditors	(45)	781
Loss on Disposal of Investment	20	-
	-----	-----
Net Cash outflow from Operating Activities	£(4,700)	£(11,081)
	=====	=====

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- for the period ended -

31ST DECEMBER 1999

22 NOTES TO THE CASH FLOW STATEMENT (Continued)

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

	£'000
Increase in Cash in the Period	1,592
Cash Outflow from Decrease in Debt	(6,943)

Movement in Net Debt in the Period	(5,351)
Net Debt at 1 st July 1998	(23,284)

Net Debt at 31 st December 1999	£(28,635)
	=====

c) Analysis of Net Debt

	<u>At 1st July</u> <u>1998</u> £'000	<u>Cash Flow</u> £'000	<u>At 31st</u> <u>December</u> <u>1999</u> £'000
Cash in Hand and at Bank	402	1,608	2,010
Bank Overdrafts	(36)	(16)	(52)
	-----	-----	-----
	366	1,592	1,958
Debt Due Within One Year	(1,850)	(11,130)	(12,980)
Debt Due After More Than One Year	(21,800)	4,187	(17,613)
	-----	-----	-----
	£(23,284)	£(5,351)	£(28,635)
	=====	=====	=====

23 CONTROL

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

24 PROFIT OF THE COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these financial statements. The profit for the period was £356,349 (1998: £3,772).

HILSTONE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25 CONTINGENT LIABILITIES

A funding agreement was entered into by various Hilstone group companies and an outside third party during December 1997. The funds provided, facilitated the purchase and development of a number of properties.

As part of the agreement, a facility fee is to be paid to the third party representing a percentage of the difference between the net proceeds of sale (including any rental or other income arising) and the total cost of the said properties. In accordance with Financial Reporting Standard 12 "Provisions, contingent liabilities and contingent assets", at the balance sheet date no provision has been made for the facility fee of approximately £735,000 which will become payable upon the sale of the property. The sale being the "obligating event" for the provision to arise.

26 RELATED PARTY TRANSACTIONS

Group

During the period, consultancy and accounting services were received from Amberley Enterprises Limited, a company in which Mr A M Brookes is a director and majority shareholder. These services amounted to £143,500 (1998: £ Nil). No amounts remain unpaid at the period end.

Also consultancy fees of £100,000 (1998: £ Nil) were paid to Mr M C T Bokenham. No amounts remain unpaid at the period end.

Management and administrative fees totalling £360,000 (1998: £160,250) were charged to Gemcrest Limited, Seacusp Limited and Collier and Madge Plc. The two former being associates of the group and the latter being a company in which Mr A M Brookes is a director and shareholder. At the period end the following amounts were owed by these companies:

Seacusp	£27,432	1998: £ Nil
Gemcrest	£120,000	1998: £ Nil
Collier and Madge	£ Nil	1998: £ Nil

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

Mr A M Brookes	£2,719	1998: £15,220
Mr M C T Bokenham	£3,299	1998: £3,300

Company

The Company has taken advantage of the exemptions conferred in Financial Reporting Standard 8 and excluded any intercompany balances or transactions with relevant group companies, as consolidated accounts incorporating group companies, are prepared which are publicly available.