

Company Registration No. 3625464 (England and Wales)

**HILSTONE ASSET MANAGEMENT LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2011**



# HILSTONE ASSET MANAGEMENT LIMITED

## DIRECTORS AND ADVISERS

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<b>Directors</b>	A M Brookes M C T Bokenham
<b>Secretary</b>	A M Brookes
<b>Company number</b>	3625464
<b>Registered office</b>	5th Floor 1 Great Cumberland Place London W1H 7AL
<b>Registered auditors</b>	RSM Tenon Audit Limited 66 Chiltern Street London W1U 4JT

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# HILSTONE ASSET MANAGEMENT LIMITED

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# **HILSTONE ASSET MANAGEMENT LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2011**

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The directors present their report and financial statements for the year ended 31 March 2011

#### **Principal activities and review of the business**

The principal activity of the company and group continued to be that of property trading

The results for the year and the financial position at the year end were considered satisfactory by the directors who were expecting these results

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the group are considered to relate to the volatility of the property market.

The group's financial instruments comprise loans from a bank, other loans and loan stock, details of which are given in note 11 and note 12. The directors are aware of the group's required finance and have determined that the loans will be repaid in full as soon as the finance is available.

Given the straightforward nature of the business, the company and group's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

#### **Results and dividends**

The consolidated profit and loss account for the year is set out on page 5.

#### **Directors**

The following directors have held office since 1 April 2010:

A M Brookes

M C T Bokenham

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# HILSTONE ASSET MANAGEMENT LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2011**

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### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



A M Brookes

**Director**

15 December 2011

# **HILSTONE ASSET MANAGEMENT LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF HILSTONE ASSET MANAGEMENT LIMITED**

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We have audited the group and parent company financial statements (the "financial statements") of Hilstone Asset Management Limited for the year ended 31 March 2011 set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# HILSTONE ASSET MANAGEMENT LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE MEMBERS OF HILSTONE ASSET MANAGEMENT LIMITED

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#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

RSM Tenon Audit Limited

Alicia Slade (Senior Statutory Auditor)  
for and on behalf of RSM Tenon Audit Limited

15 December 2011

Statutory Auditor

66 Chiltern Street  
London  
W1U 4JT

# HILSTONE ASSET MANAGEMENT LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	Year 2010 £
Turnover	2	1,179,443	1,275,596
Cost of sales		-	(3,103,515)
Gross profit/(loss)		1,179,443	(1,827,919)
Administrative expenses		(926,322)	(593,913)
Operating profit/(loss)	3	253,121	(2,421,832)
Other interest receivable and similar income		146	1,796
Interest payable and similar charges	4	(498,974)	(451,913)
Loss on ordinary activities before taxation		(245,707)	(2,871,949)
Tax on loss on ordinary activities	5	(3,067)	4,915
Loss on ordinary activities after taxation		(248,774)	(2,867,034)

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 ASSET MANAGEMENT LIMITED

## BALANCE SHEETS

AS AT 31 MARCH 2011

	Notes	Group 2011 £	2010 £	Company 2011 £	2010 £
<b>Fixed assets</b>					
Investments	8	-	-	10,000	10,000
		<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
<b>Current assets</b>					
Stocks	9	17,000,000	17,000,000	-	-
Debtors	10	451,404	558,741	-	3,978
Cash at bank and in hand		651,863	697,807	20,460	20,346
		<u>18,103,267</u>	<u>18,256,548</u>	<u>20,460</u>	<u>24,324</u>
<b>Creditors: amounts falling due within one year</b>	11	(1,130,335)	(20,534,843)	(2,000)	(11,671)
<b>Net current assets/(liabilities)</b>		16,972,932	(2,278,295)	18,460	12,653
<b>Creditors amounts falling due after more than one year</b>	12	(26,432,256)	(6,932,256)	-	-
		<u>(9,459,324)</u>	<u>(9,210,551)</u>	<u>28,460</u>	<u>22,653</u>
<b>Capital and reserves</b>					
Called up share capital	13	10,100	10,100	10,100	10,100
Share premium account	14	90,000	90,000	-	-
Profit and loss account	14	(9,559,424)	(9,310,651)	18,360	12,553
<b>Shareholders' funds</b>	15	<u>(9,459,324)</u>	<u>(9,210,551)</u>	<u>28,460</u>	<u>22,653</u>

Approved by the Board and authorised for issue on 15 December 2011

  
A M Brookes  
Director

Company Registration No 3625464

# HILSTONE ASSET MANAGEMENT LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	£	2011 £	£	2010 £
<b>Net cash inflow/(outflow) from operating activities</b>		402,783		440,972
<b>Returns on investments and servicing of finance</b>				
Interest received	146		1,796	
Interest paid	(624,361)		(385,246)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(624,215)		(383,450)
<b>Taxation</b>		100		(24,755)
<b>Equity dividends paid</b>		-		(220,778)
<b>Net cash outflow before management of liquid resources and financing</b>		624,115		(679,711)
<b>Financing</b>				
<b>Net cash inflow/(outflow) from financing</b>				-
<b>Increase/(decrease) in cash in the year</b>		(45,945)		(118,011)

# HILSTONE ASSET MANAGEMENT LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

1	Reconciliation of operating profit/(loss) to net cash inflow from operating activities	2011	2010
		£	£
	Operating profit/(loss)	253,121	(2,421,832)
	Decrease in stocks	-	3,000,000
	Decrease/(increase) in debtors	102,587	(5,266)
	Increase/(decrease) in creditors within one year	144,633	(131,930)
	<b>Net cash inflow from operating activities</b>	<b>500,341</b>	<b>440,972</b>

2	Analysis of net debt	1 April 2010	Cash flow	Other non-cash changes	31 March 2011
		£	£	£	£
	Net cash				
	Cash at bank and in hand	697,807	(45,944)	-	651,863
	Debts falling due within one year	(19,500,000)	-	19,500,000	-
	Debts falling due after one year	(6,932,256)	-	(19,500,000)	(26,432,256)
	<b>Net debt</b>	<b>(25,734,449)</b>	<b>(45,944)</b>	<b>-</b>	<b>(25,780,393)</b>

3	Reconciliation of net cash flow to movement in net debt	2011	2010
		£	£
	Decrease in cash in the year	(45,944)	(188,011)
	Cash inflow from increase in debt	-	(491,700)
	<b>Movement in net debt in the year</b>	<b>(45,944)</b>	<b>(679,711)</b>
	Opening net debt	(25,734,449)	(25,054,738)
	<b>Closing net debt</b>	<b>(25,780,393)</b>	<b>(25,734,449)</b>

# HILSTONE ASSET MANAGEMENT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2011

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#### **1 Accounting policies**

##### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention

At 31 March 2011 the group balance sheet shows that liabilities exceed assets by £9,459,324. Included within creditors amounts falling due after one year is a bank loan of £19,500,000. During the year Hilstone Land Limited, a subsidiary company, negotiated with its bank to formally extend the loan to 15 April 2013.

The directors have reviewed the company's and group's budgets and plans for the twelve months from the date of signing the financial statements and they are satisfied that the company and group will have enough funds to meet its day to day working requirements. On this basis the directors consider it appropriate to prepare the financial statements for the company and group on the going concern basis.

##### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

##### **1.3 Basis of consolidation**

The financial statements have been prepared under merger accounting principles set out in Financial Reporting Standard 6 (Acquisitions and Mergers). Under merger accounting principles the results and cashflows of Hilstone Asset Management Limited and Hilstone Land Limited have been combined from the beginning of the period in which the merger occurred, i.e. the period ended 31 March 2009, and for all prior and subsequent periods. The profit and loss account, balance sheet and cashflow statement comparative figures have been restated on the combined basis. Intra-group sales and profits are eliminated fully on consolidation.

##### **1.4 Turnover**

Turnover represents amounts receivable for service charges, rental income, services and property proceeds net of VAT.

Profit on the sale of properties is recognised on completion of the sale.

##### **1.5 Investments**

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

##### **1.6 Stock**

Properties held for development or resale are stated at the lower of cost and net realisable value.

##### **1.7 Deferred taxation**

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### **2 Turnover**

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

# HILSTONE ASSET MANAGEMENT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2011

<b>3</b>	<b>Operating profit/(loss)</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Operating profit/(loss) is stated after charging		
	<b>Auditors' remuneration</b>		
	Fees payable to the group's auditor for the audit of the group's annual accounts (company £2,000, 2010 £2,000)	15,000	21,500
	Other services relating to taxation	4,500	4,500
	All other services	8,200	5,000
		<u>27,700</u>	<u>31,000</u>
<b>4</b>	<b>Interest payable</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	498,974	384,984
	On overdue tax	-	262
	Other interest	-	66,667
		<u>498,974</u>	<u>451,913</u>

# HILSTONE ASSET MANAGEMENT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2011

5	Taxation	2011 £	2010 £
	<b>Domestic current year tax</b>		
	Adjustment for prior years	3,067	(4,915)
	<b>Total current tax</b>	<u>3,067</u>	<u>(4,915)</u>
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	<u>(245,707)</u>	<u>(2,871,949)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00% (2010 - 21.00%)	<u>(51,598)</u>	<u>(603,109)</u>
	Effects of		
	Non deductible expenses	3,269	3,551
	Adjustments to previous periods	3,067	(4,915)
	Tax losses carried forward	48,329	599,558
		<u>54,665</u>	<u>598,194</u>
	<b>Current tax charge for the year</b>	<u>3,067</u>	<u>(4,915)</u>

The company has estimated losses of £ 1,093,607 (2010 - £ 1,093,574) available for carry forward against future trading profits

## 6 Profit/(loss) for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows

	2011 £	2010 £
Holding company's profit/(loss) for the financial year	<u>5,807</u>	<u>(81)</u>

7	Dividends	2011 £	2010 £
	Ordinary interim paid	<u>-</u>	<u>220,778</u>

# HILSTONE ASSET MANAGEMENT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2011

#### 8 Fixed asset investments

##### Company

	Shares in group undertakings £
<b>Cost</b>	
At 1 April 2010 & at 31 March 2011	10,000
<b>Net book value</b>	
At 31 March 2011	10,000
At 31 March 2010	10,000

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

#### Holdings of more than 20%

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

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Hilstone Land Limited	England & Wales	Ordinary	100
Hilstone Properties Limited (1)	England & Wales	Ordinary	100
Hilstone Property Investments Limited (2)	England & Wales	Ordinary	100
Hilstone (WMS) Limited (3)	England & Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

	<b>Principal activity</b>
Hilstone Land Limited	Holding company
Hilstone Properties Limited (1)	Holding company
Hilstone Property Investments Limited (2)	Property
Hilstone (WMS) Limited (3)	Dormant

(1) This company is a wholly owned subsidiary of Hilstone Land Limited

(2) This company is a wholly owned subsidiary of Hilstone Properties Limited

(3) This company is a wholly owned subsidiary of Hilstone Property Investments Limited

# HILSTONE ASSET MANAGEMENT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2011

### 9 Stocks

	Group 2011 £	2010 £	Company 2011 £	2010 £
Properties	17,000,000	17,000,000	-	-

### 10 Debtors

	Group 2011 £	2010 £	Company 2011 £	2010 £
Trade debtors	203,861	398,629	-	-
Corporation tax	-	4,750	-	-
Other debtors	181,918	154,737	-	3,978
Prepayments and accrued income	65,625	625	-	-
	451,404	558,741	-	3,978

### 11 Creditors amounts falling due within one year

	Group 2011 £	2010 £	Company 2011 £	2010 £
Bank loans and overdrafts	-	19,500,000	-	-
Corporation tax	-	1,583	-	-
Taxes and social security costs	75,662	52,535	-	9,671
Other creditors	502,425	502,425	-	-
Accruals and deferred income	552,248	478,300	2,000	2,000
	1,130,335	20,534,843	2,000	11,671



# HILSTONE ASSET MANAGEMENT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2011

### 12 Creditors amounts falling due after more than one year

	Group 2011 £	2010 £	Company 2011 £	2010 £
Debenture loans	5,000,000	5,000,000	-	-
Bank loans	19,500,000	-	-	-
Other loans	1,932,256	1,932,256	-	-
	<u>26,432,256</u>	<u>6,932,256</u>	<u>-</u>	<u>-</u>
<b>Analysis of loans</b>				
Wholly repayable within five years	26,432,256	26,432,256	-	-
Included in current liabilities	-	(19,500,000)	-	-
	<u>26,432,256</u>	<u>6,932,256</u>	<u>-</u>	<u>-</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	5,000,000	-	-	-
In more than two years but not more than five years	19,500,000	5,000,000	-	-

The loan stock is redeemable on 4 August 2012 and bears no interest

At the year end there is a loan from Nationwide Building Society amounting to £19,500,000 (2010 £19,500,000) Security on this loan has been given by way of legal charges over the group's properties

There is also a debenture charge in favour of Nationwide Building Society secured on the assets of the group

### 13 Share capital

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
75,250 "A" Ordinary shares of 10p each	7,525	7,575
25,750 "C" Ordinary shares of each	2,575	2,525
	<u>10,100</u>	<u>10,100</u>

The "A", "B" and "C" shares rank pari passu in all respects

# HILSTONE ASSET MANAGEMENT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2011

#### 14 Statement of movements on reserves

##### Group

	Merger reserve £	Profit and loss account £
Balance at 1 April 2010	90,000	(9,310,650)
Loss for the year	-	(248,774)
Balance at 31 March 2011	90,000	(9,559,424)

##### Company

	Profit and loss account £
Balance at 1 April 2010	12,553
Profit for the year	5,807
Balance at 31 March 2011	18,360

#### 15 Reconciliation of movements in shareholders' funds

##### Group

	2011 £	2010 £
Loss for the financial year	(248,774)	(2,867,034)
Dividends	-	(220,778)
Net depletion in shareholders' funds	(248,774)	(3,087,812)
Opening shareholders' funds	(9,210,551)	(6,122,739)
Closing shareholders' funds	(9,459,324)	(9,210,551)

##### Company

	2011 £	2010 £
Profit/(Loss) for the financial year	5,807	(81)
Dividends	-	(220,778)
Net addition to/(depletion in) shareholders' funds	5,807	(220,859)
Opening shareholders' funds	22,653	243,512
Closing shareholders' funds	28,460	22,653

# **HILSTONE ASSET MANAGEMENT LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 MARCH 2011***

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### **16 Employees**

#### **Number of employees**

There were no employees during the year apart from the directors

### **17 Related party relationships and transactions**

#### **Group**

During the year the group accrued interest totalling £nil (2010 £50,000) payable to Hilstone Corporation Limited, a company in which A M Brookes and M C T Bokenham are directors and shareholders. At the year end £6,182,256 (2010 £6,182,256) was owed to Hilstone Corporation Limited.

During the year interest totalling £nil (2010 £16,667) was accrued to A M Brookes' and M C T Bokenham's Funded Unapproved Retirement Benefit Schemes. At the year end £1,250,000 (2010 £1,250,000) of loan stock and £129,167 (2010 £129,167) of interest was owed to these Benefit Schemes.