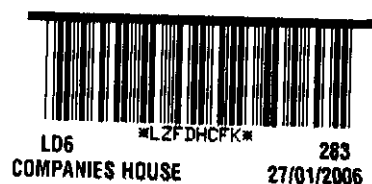


Company Registration No. 4265097 (England and Wales)

HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

HLB **AV** audit



**HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
COMPANY INFORMATION**

Directors
A M Brookes (Appointed 6 August 2004)
M C T Bokenham (Appointed 6 August 2004)
P A Burroughs (Appointed 6 August 2004)

Secretary
A M Brookes

Company number
4265097

Registered office
Suite 3, 6th floor, Berkeley Square House,
Berkeley Square
London
W1J 6BR

Auditors
HLB AV Audit plc
66 Wigmore Street
London
W1U 2SB

HILSTONE PROPERTY INVESTMENTS LIMITED (FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED) CONTENTS

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HILSTONE PROPERTY INVESTMENTS LIMITED

(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2005

The directors present their report and financial statements for the year ended 31 March 2005.

Principal activities and review of the business

On 26 August 2004 the company changed its name from Sackville Property Investments Limited to Hilstone Property Investments Limited.

The principal activity of the company continued to be that of property development.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 April 2004:

A M Brookes	(Appointed 6 August 2004)
M C T Bokenham	(Appointed 6 August 2004)
P A Burroughs	(Appointed 6 August 2004)
R J Madejski	(Resigned 6 August 2004)
M E Bracken	(Resigned 6 August 2004)
J F Hickie	(Resigned 6 August 2004)
J P Homan	(Resigned 6 August 2004)
N Howe	(Resigned 6 August 2004)
I M Wood-Smith	(Resigned 6 August 2004)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2005	1 April 2004
A M Brookes	-	-
M C T Bokenham	-	-
P A Burroughs	-	-

The directors' interests in Hilstone Land Limited, the company's ultimate parent company, are disclosed in that company's financial statements.

Auditors

HLB AV Audit plc were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

**HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005**

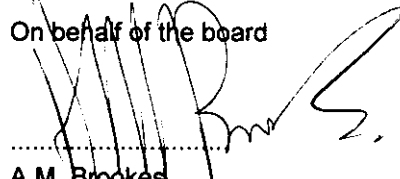
Directors' responsibilities

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 profit or loss of the company 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 company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



.....
A M Brookes

Director

25.1.06.....

**HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF HILSTONE PROPERTY INVESTMENTS LIMITED**

We have audited the financial statements of Hilstone Property Investments Limited on pages 4 to 11 for the year ended 31 March 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditor's 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 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 or 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 company 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 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 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 company's affairs as at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB AV Audit Plc
HLB AV Audit plc

27/1/06

Registered Auditor

66 Wigmore Street
London
W1U 2SB

HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 £	2004 £
Turnover	2	2,529,250	2,525,845
Administrative expenses		(564,250)	(396,581)
Operating profit	3	1,965,000	2,129,264
Investment income	4	395,735	863,235
Other interest receivable and similar income	4	17,635	22,803
Interest payable and similar charges	5	(2,701,459)	(3,084,510)
Loss on ordinary activities before taxation		(323,089)	(69,208)
Tax on loss on ordinary activities	6	-	95,313
(Loss)/profit on ordinary activities after taxation	13	(323,089)	26,105

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 PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
BALANCE SHEET
AS AT 31 MARCH 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Investments	7	1,403,225		1,403,225	
Current assets					
Stocks	8	30,127,402		30,127,402	
Debtors: amounts falling due within one year	9	16,486,804		727,686	
Debtors: amounts falling due after more than one year	9	-		15,914,544	
Cash at bank and in hand		172,281		393,183	
		<u>46,786,487</u>		<u>47,162,815</u>	
Creditors: amounts falling due within one year	10	<u>(6,213,570)</u>		<u>(6,911,891)</u>	
Net current assets		<u>40,572,917</u>		<u>40,250,924</u>	
Total assets less current liabilities		<u>41,976,142</u>		<u>41,654,149</u>	
Creditors: amounts falling due after more than one year	11	<u>(42,405,082)</u>		<u>(41,760,000)</u>	
		<u>(428,940)</u>		<u>(105,851)</u>	
Capital and reserves					
Called up share capital	12	2		2	
Profit and loss account	13	<u>(428,942)</u>		<u>(105,853)</u>	
Shareholders' funds - equity interests	14	<u>(428,940)</u>		<u>(105,851)</u>	

The financial statements were approved by the Board on 25/01/06

A M Brookes
 Director

M C T Bokenham
 Director

HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for rents receivable and other services net of VAT.

1.4 Investments

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

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

1.6 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.

1.7 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Hilstone Land Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

2 Turnover

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

3 Operating profit

	2005	2004
	£	£
Operating profit is stated after charging:		
Auditors' remuneration	2,750	-
	<u>2,750</u>	<u>-</u>

HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

4	Investment income	2005	2004
		£	£
	Income from shares in group undertakings	395,735	863,235
	Bank interest	14,888	22,803
	Other interest	2,747	-
		<u>413,370</u>	<u>886,038</u>
5	Interest payable	2005	2004
		£	£
	On amounts payable to group companies	1,690,048	467,791
	On bank loans and overdrafts	1,011,411	2,616,719
		<u>2,701,459</u>	<u>3,084,510</u>
6	Taxation	2005	2004
		£	£
	Domestic current year tax		
	U.K. corporation tax	-	(48,403)
	Adjustment for prior years	-	(46,910)
		<u>-</u>	<u>(95,313)</u>
	Current tax charge	<u>-</u>	<u>(95,313)</u>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	<u>(323,089)</u>	<u>(69,208)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	<u>(96,927)</u>	<u>(20,762)</u>
	Effects of:		
	Non deductible expenses	906,330	(27,641)
	Tax losses carried forward	229,412	-
	Group relief	-	(46,910)
	Other tax adjustments	(1,038,815)	-
		<u>96,927</u>	<u>(74,551)</u>
	Current tax charge	<u>-</u>	<u>(95,313)</u>

HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

7 Fixed asset investments

Shares in
group
undertakings
£

Cost and net book value

At 1 April 2004 & at 31 March 2005

1,403,225

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	Class	Shares held %
Subsidiary undertakings			
Chilton Land and Property Limited	England and Wales	Ordinary	100.00
Hilstone Properties (Bracknell) Limited	England and Wales	Ordinary	100.00
Hilstone Properties (Cardiff) Limited	England and Wales	Ordinary	100.00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Principal activity	Capital and Result for the	
		reserves 2005 £	year 2005 £
Chilton Land and Property Limited	Property	12,098	(26,308)
Hilstone Properties (Bracknell) Limited	Property	117,907	(4,954)
Hilstone Properties (Cardiff) Limited	Property	2,978,996	(133,540)

8 Stocks

	2005 £	2004 £
Property	30,127,402	30,127,402

HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

9 Debtors	2005	2004
	£	£
Trade debtors	527,201	486,014
Amounts owed by group undertakings	15,740,255	16,047,234
Other debtors	219,348	108,982
	<u>16,486,804</u>	<u>16,642,230</u>

Amounts falling due after more than one year and included in the debtors above are:

	2005	2004
	£	£
Amounts owed by group undertakings	-	15,914,544
	<u>-</u>	<u>15,914,544</u>

10 Creditors: amounts falling due within one year	2005	2004
	£	£
Amounts owed to group undertakings	5,533,912	6,219,000
Taxation and social security	-	98,204
Other creditors	679,658	594,687
	<u>6,213,570</u>	<u>6,911,891</u>

HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

11 Creditors: amounts falling due after more than one year	2005	2004
	£	£
Bank loans	-	41,760,000
Amounts owed to group undertakings	42,405,082	-
	<u>42,405,082</u>	<u>41,760,000</u>
Analysis of loans		
Wholly repayable within five years	42,405,082	41,760,000
	<u>42,405,082</u>	<u>41,760,000</u>
Loan maturity analysis		
In more than two years but not more than five years	-	41,760,000
	<u>-</u>	<u>41,760,000</u>

The bank loans were repaid in the year when the company was bought by Hilstone Land Limited.

12 Share capital	2005	2004
	£	£
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

13 Statement of movements on profit and loss account	Profit and loss account
	£
Balance at 1 April 2004	(105,853)
Retained loss for the year	<u>(323,089)</u>
Balance at 31 March 2005	<u>(428,942)</u>

HILSTONE PROPERTY INVESTMENTS LIMITED
(FORMERLY SACKVILLE PROPERTY INVESTMENTS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2005

14 Reconciliation of movements in shareholders' funds	2005	2004
	£	£
(Loss)/Profit for the financial year	(323,089)	26,105
Opening shareholders' funds	(105,851)	(131,956)
Closing shareholders' funds	<u>(428,940)</u>	<u>(105,851)</u>

15 Contingent liabilities

Hilstone Property Investments Limited has guaranteed loans of Hilstone Land Limited via a fixed charge over any freehold property, shares, rent proceeds and a floating charge over any property assets.

16 Employees

Number of employees

There were no employees during the year apart from the directors.

Employment costs	2005	2004
	£	£
Wages and salaries	8,065	12,239
Social security costs	1,943	4,001
	<u>10,008</u>	<u>16,240</u>