

Hillsdown International Limited
(Registered Number 1943509)

Directors' Report and Accounts

For the Period Ended 31 December 1999



Hillsdown International Limited

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Hillsdown International Limited

Report of the Directors

The directors present their report together with the audited accounts of the company for the period ended on 31 December 1999.

Principal activities and business review results

The principal activity is that of an investment company.

Results

The profit before taxation for the year amounts to £407,246,192 (1998: loss of £108,140,200). The directors do not recommend payment of a dividend (1998: £nil).

Directors and their interests

The directors who held office during the period are listed below.

Name	Date of appointment (where relevant)	Date of resignation (where relevant)
K M Buchanan	-	-
R I Campbell	21.7.99	-
P A Leach	21.7.99	-
G P Tyley	14.9.99	-
M J Teacher	-	3.8.99

No directors received emoluments in respect of their services to the company during the period ended 31 December 1999.

No directors held interests in shares or debentures of the company or any other corporate in the group at 31 December 1999. Any interests in options in the company or any other company in the group either held at the beginning of the year or granted to directors during the year prior to 27 July 1999 were cancelled during the year. No options were granted after 27 July 1999.

Year 2000

The company had no direct exposure to any potential impact of Year 2000 non-compliance

Auditors

During the period under review, KPMG resigned as Auditors to the company and the Directors appointed Messrs. PricewaterhouseCoopers to fill the casual vacancy. They have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting that they be re-appointed as auditors for the ensuing period.

Hillsdown International Limited

Report of the Directors (Continued)


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

By Order of the Board



R I Campbell
Director

20 October 2000

Auditors' Report to the Members of Hillsgdown International Limited

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

1 Embankment Place

London WC2N 6NN

20 October 2000

Hillsdown International Limited

Profit and Loss Account for the Year Ended 31 December 1999

	Note	1999 £	1998 £
Rental income		20,756	3,150
Provision against investments		(48,619,988)	(72,814,000)
Write off of inter company creditor balances		500,217,323	13,743,007
Exchange differences		(16,307)	(70,551)
Administration expenses		(167,270)	(27,612)
Dividends received		13,630,193	-
Other income		42,235	-
Operating profit/(loss)	2	465,106,942	(59,166,006)
Exceptional items	3	(57,907,116)	(49,331,531)
Profit/(loss) on ordinary activities before interest and taxation		407,199,826	108,497,537
Net interest receivable	4	46,366	357,337
Profit/(loss) on ordinary activities before taxation		407,246,192	(108,140,200)
Taxation	5	22,452	(1,086,329)
Profit/(loss) on ordinary activities after taxation		407,268,644	(109,226,529)
Retained profit/(loss) for the financial year		407,268,644	(109,226,529)

There were no recognised gains and losses other than those passing through the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

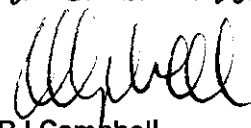
The notes on pages 6 to 10 form part of these accounts.

Hillsdown International Limited

Balance Sheet as at 31 December 1999

	Note	1999 £	1998 £
Fixed assets			
Investments	6	-	277,523,046
Current assets			
Investments	7	3,962,438	4,234,986
Debtors	8	509,652,163	249,002,534
Cash at bank and in hand		-	875,009
		513,614,607	254,112,529
Creditors - amounts falling due within one year	9	(93,678,985)	(518,968,603)
Net current assets/(liabilities)		419,935,616	(264,856,074)
Net assets		419,935,616	12,666,972
Capital and reserves			
Called up share capital	10	150,000,000	150,000,000
Profit and loss account	11	269,935,616	(137,333,028)
Shareholders' funds	12	419,935,616	12,666,972

The financial statements on pages 4 to 10 were approved by the Board of Directors on 20 October 2000 and signed on its behalf by:


R I Campbell
 Director

The notes on pages 6 to 10 form part of these accounts.

Hillsdown International Limited

Notes to the Financial Statements

1 Accounting policies

Basis of accounting

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

The principal accounting policies of the company are set out below.

Group accounts

The company has not prepared group accounts as it is a wholly owned subsidiary undertaking of a parent undertaking established under the law of a member state of the European Community, as permitted by Section 228 of the Companies Act 1985.

Exceptional items

Exceptional items are those that need to be disclosed by virtue of their size or incidence. Such items are included within operating results unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the company's business, or profits or losses on the disposal of fixed assets.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a currency swap. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the contracted rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, which are taken directly to reserves to the extent that they are used to finance or provide a hedge against foreign equity investments.

Deferred tax

Deferred tax is the taxation attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements. The directors have adopted the liability method in which a liability or an asset is reflected to the extent that it is expected to crystallise in the foreseeable future.

Cash flow statement

The company is a wholly-owned subsidiary of HMTF Premier Limited and is included in the consolidated financial statements of Hillsdown Holdings Limited. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

Hillsdown International Limited

Notes to the Financial Statements

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	1999 £	1998 £
Auditors		
-audit services	-	4,000
-non audit services	-	-

3 Exceptional items

The components of the non-operating exceptional charges/(credits) are as follows:

	1999 £	1998 £
Loss on disposal of investments	58,286,207	48,851,386
Loss/(gain) on disposal of property	(379,091)	480,145
	57,907,116	49,331,531

4 Interest and similar items

	1999 £	1998 £
Bank interest payable	770	-
Bank interest receivable	(47,136)	(357,337)
Net interest payable	(46,366)	(357,337)

5 Tax on profit/(loss) on ordinary activities

The current tax (credit)/charge is based on the profit/(loss) for the year and comprises:

	1999 £	1998 £
Tax credit		
United Kingdom corporation tax at 30.25% (1998: 31%)	(22,452)	732,758
Prior year adjustment	-	353,571
	(22,452)	1,086,329

Hillsdown International Limited

Notes to the Financial Statements

6 Investments in fixed assets

	Shares in subsidiary undertakings £
Cost	
At 1 January 1999	350,337,046
Additions	32
Disposals to other group companies	(228,903,090)
At 31 December 1999	121,433,988
Provisions	
At 1 January 1999	(72,814,000)
Additions	(48,619,988)
At 1 January 1999	(121,433,988)
Net book value	
At 31 December 1999	-
At 31 December 1998	277,523,046

During the year the company sold its ordinary share capital of the following companies:

Christie Tyler Limited
 Carleton Furniture Group Limited
 Walker and Homer Group Limited
 MBM Produce Limited
 F E Barber Limited

The company owns 100% of the issued ordinary share capital of the following major unlisted companies, which are registered in England:

Hillsdown Oldco Limited dormant company
 Hobson Limited grocery products

7 Current asset investments

	1999 £	1998 £
Freehold Property	3,962,438	4,234,986

Hillsdown International Limited

Notes to the Financial Statements

8 Debtors

	1999 £	1998 £
Amounts owed by parent and group undertakings	509,611,561	248,189,306
Other debtors	40,602	813,228
	<u>509,652,163</u>	<u>249,002,534</u>

9 Creditors - amounts falling due within one year

	1999 £	1998 £
Bank overdraft	371,561	-
Corporation tax payable	79,179	834,296
Accruals	13,103	13,999
Amounts owed to group undertakings	93,215,142	518,120,308
	<u>93,678,985</u>	<u>518,968,603</u>

10 Called up share capital

	1999 £	1998 £
Authorised		
150,000,000 ordinary shares of £1 each	150,000,000	150,000,000
Allotted, issued and fully paid		
150,000,000 ordinary shares of £1 each	150,000,000	150,000,000

11 Profit and loss account

	1999 £	1998 £
Balance brought forward	(137,333,028)	(28,106,499)
Retained profit/(loss) for the year	407,268,644	(109,226,529)
Balance carried forward	<u>269,935,616</u>	<u>(137,333,028)</u>

Hillsdown International Limited

Notes to the Financial Statements

12 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Opening shareholders' funds	12,666,972	121,893,501
Profit/(loss) for the financial year	407,268,644	(109,226,529)
	<hr/> 419,935,616	<hr/> 12,666,972

13 Ultimate parent undertaking and related party transactions

The ultimate parent company is HMTF Premier Limited which is registered in the Cayman Islands. The parent company of the largest group into which the financial statements of this company are consolidated, is Hillsdown Holdings Limited which is incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of Hillsdown Holdings Limited can be obtained from the Company Secretary at Hillsdown House, 32 Hampstead High Street, London NW3 1QD.

The company has taken advantage of an exemption under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the Hillsdown Holdings Limited group.