

Zonestar Limited

Directors' Report and Financial Statements

Registered number 224223

For the period ended 31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the 15 months ended 31 December 2001.

Activities and business review

The company did not trade during the period.

Directors and their interests

The directors who served during the period are as follows:

DL Grove
HC Everett
DW Muir
CJ Burr (appointed 1 January 2002)

None of the directors has any beneficial interest in the shares of the company.

Mr DL Grove, Mr CJ Burr and Mr HC Everett are directors of the ultimate holding company, Hill & Smith Holdings PLC, and their interests in the shares and share options of that company are shown in its financial statements.

Mr DW Muir held 20,000 shares in Hill & Smith Holdings plc at 31 December 2001 (30 September 2000: 2,714). His share options in that company are detailed as follows:

Share options

	At 30.9.00	Granted during year	Lapsed during year	At 31.12.01	Exercise price p	Date exercisable	Expiry date
DW Muir							
1	19,360	-	-	19,360	112.5	23.01.98	23.01.05
2	10,000	-	-	10,000	68.5	04.08.02	04.08.09
3	20,000	-	-	20,000	68.5	04.08.02	04.08.06
4		8,855	-	8,855	41.3	01.03.04	01.09.04
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	49,360	8,855	-	58,215			
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Note 1: These options were granted under the 1985 Executive Share Option Scheme

Note 2: These options were granted under the 1995 Executive Share Option Scheme

Note 3: These options were granted under the 1999 Unapproved Executive Share Option Scheme

Note 4: These options were granted under the 1995 Savings Related Share Option Scheme

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



HC Everett
Secretary

Springvale Business and Industrial Park
Bilston
Wolverhampton
West Midlands
WV14 0QL

26 March 2002

Balance sheet
as at 31 December 2001

	<i>Note</i>	31 December 2001	30 September 2000
		£	£
Current assets			
Amounts owed by parent undertaking		1,127,588	1,127,588
Capital and reserves			
Called up share capital	3	2,405,348	2,405,348
Other reserves		51,553	51,553
Profit and loss account		(1,329,313)	(1,329,313)
Equity shareholders' funds		1,127,588	1,127,588

The company has not traded during the period, consequently no profit and loss account has been prepared.

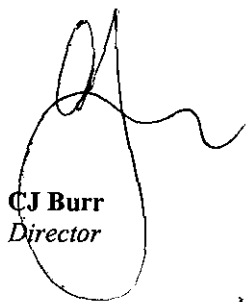
The company was entitled to exemption under Section 249A(1) of the Companies Act 1985 from the requirement to have its financial statements for the financial year ended 31 December 2001 audited.

No notice has been deposited under Section 249B(2) of that Act requiring an audit in relation to the company's financial statements for that financial year.

The directors acknowledge their responsibility for:

- ensuring the company keeps accounting records which comply with section 221 of the Companies Act 1985; and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year in accordance with the requirements of section 226 of that Act, and which otherwise comply with the requirements of that Act relating to financial statements, so far as applicable to the company.

These financial statements were approved by the board of directors on 26 March 2002 and signed on their behalf by:


CJ Burr
Director


HC Everett
Director

Notes to the financial statements

1 Accounting policies

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

2 Called up share capital

	31 December 2001 £	30 September 2000 £
<i>Authorised:</i>		
3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
	<hr/>	<hr/>
<i>Allotted called up and fully paid:</i>		
2,405,348 Ordinary shares of £1 each	2,405,348	2,405,348
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3 Ultimate parent company

The company's ultimate parent undertaking is Hill & Smith Holdings PLC, a company registered in England. Copies of the Group financial statements may be obtained from group headquarters:

2 Highlands Court
 Cranmore Avenue
 Shirley, Solihull
 B90 4LE