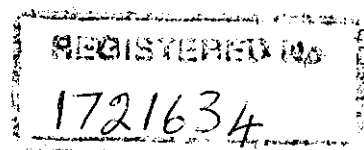


REGISTRAR'S
COPY

PATCHETTS GREEN LIMITED
REPORT AND FINANCIAL STATEMENTS
31st MARCH 1999



Patchetts Green Limited

Directors

D.E. McTaggart
J.L. Skender
A. Theodorou

Secretary and Registered Office

Cornhill Secretaries
St.Paul's House, Warwick Lane, London EC4P 4BN

Auditors

Moore Stephens
Chartered Accountants
St. Paul's House, Warwick Lane, London, EC4P 4BN

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31st March 1999.

Report of Activities

The principal activity during the year was that of an equestrian centre providing facilities for horse riding and keeping horses, tack shop for the necessary clothing of a rider and catering for the people visiting the premises.

Result for the Year

The net loss for the financial year amounted to £18,586 (1998 - £37,148) and has been carried forward to the next year.

The directors do not recommended that a dividend is paid.

Directors

The directors' beneficial interests in the company's issued share capital were:

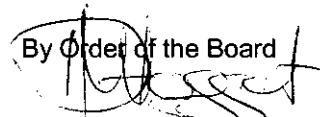
	Ordinary shares of £1 each	
	31st March 1999	31st March 1998
D.E. McTaggart	70	70
J.L. Skender	30	30
A. Theodorou	-	-

Patchetts Green Limited**Directors Report (Continued)****Year 2000**

The costs incurred in ensuring that the company was not adversely affected by the Year 2000 problem were not material. No significant problems resulting from the Year 2000 have been experienced and no future problems are envisaged.

Auditors

The auditors, Moore Stephens, are willing to continue in office. A resolution confirming their appointment and authorising the directors to fix their remuneration will be submitted to the Annual General Meeting.

By Order of the Board

D.E. McTAGGART

Director

Patchetts Green Limited**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 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.

**Report of the Auditors to the Members of
Patchetts Green Limited**

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 company's circumstances, consistently applied and adequately disclosed.

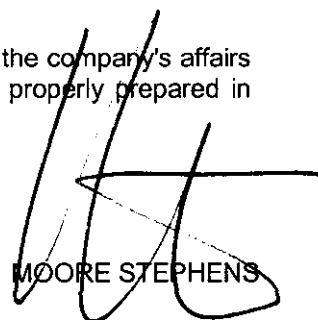
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 31st March 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House,
London, EC4P 4BN

25 April 2000



MOORE STEPHENS
Registered Auditor
Chartered Accountants

Patchetts Green Limited

Profit and Loss Account
For the year ended 31st March 1999

	<u>Note</u>	<u>1999</u>	<u>1998</u>
		£	£
Turnover	1(b),2	1,250,437	1,177,117
Cost of sales		<u>(962,612)</u>	<u>(925,598)</u>
Gross Profit		287,825	251,519
Administrative expenses		(308,080)	(279,605)
Other operating income		<u>-</u>	<u>560</u>
Operating Loss	3	(20,255)	(27,526)
Interest receivable		1,669	707
Interest payable	6	<u>-</u>	<u>(10,329)</u>
Loss for the Year		(18,586)	(37,148)
Accumulated Loss Brought Forward		<u>(402,383)</u>	<u>(365,235)</u>
Accumulated Loss Carried Forward		£ <u><u>(420,969)</u></u>	£ <u><u>(402,383)</u></u>

Turnover and operating loss derive wholly from continuing operations.

There are no recognised gains or losses other than the loss for the year.

Patchetts Green Limited

Balance Sheet as at 31st March 1999

	Note	1999		1998	
		£	£	£	£
Fixed Assets					
Tangible fixed assets	7		1,823,277		1,639,769
Current Assets					
Stocks	8	211,501		189,572	
Debtors	9	132,759		92,989	
Cash at bank and in hand		12,218		48,604	
		<u>356,478</u>		<u>331,165</u>	
Creditors, amounts falling due within one year	10	<u>(270,946)</u>		<u>(229,034)</u>	
Net Current Assets/ (Liabilities)			<u>85,532</u>		<u>102,131</u>
Total Assets Less Current Liabilities			1,908,809		1,741,900
Creditors, amounts falling due after more than one year	11		<u>(2,329,678)</u>		<u>(2,144,183)</u>
			<u>£ (420,869)</u>		<u>£ (402,283)</u>
Equity Capital and Reserves					
Called up share capital	12		100		100
Profit and loss account			<u>(420,969)</u>		<u>(402,383)</u>
Equity Shareholder's Funds	13		<u>£ (420,869)</u>		<u>£ (402,283)</u>

These financial statements were approved by the Board on
and signed on their behalf by


D.E. McTAGGART Director

20/4/2000

Patchetts Green Limited

Financial Statements for the year ended 31st March 1999

Notes

1. Accounting Policies

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards and include the results of the company's operations all of which are continuing.

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on grounds that it is a small company.

(b) Turnover

Turnover represents the value of goods sold and services provided during the year, net of value added tax.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Plant and machinery	-	15% Reducing balance
Motor vehicles	-	25% Reducing balance
Fixtures and fittings	-	10% Reducing balance

Leasehold improvements are not currently depreciated as they represent assets under construction. Once completed the leasehold improvements will be depreciated over the term of the lease agreements.

(d) Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. The livestock, which is included at market value which is lower than cost, is revalued each year in order to take into account the age and condition of the livestock.

(e) Going concern

At the balance sheet date the company had net current assets of £85,532 (1998: net current liabilities of £102,131) and a deficit of assets over liabilities of £420,869 (1998: £402,283). The company is reliant upon the continued support of Exchange Limited who have provided funds of £2,329,678. Exchange Limited has confirmed that it will not ask for repayment of its loan during the next year. The directors are confident that future funding is available for the company to carry on trading for the next twelve months. On this basis, in the opinion of the directors, it is appropriate to prepare the financial statements on a going concern basis.

Patchetts Green Limited

Financial Statements for the year ended 31st March 1999

Notes (Continued)

2. Turnover

Turnover is attributable to the one principal activity of the company, being that of an equestrian centre, entirely within the UK.

The divisional turnover arose as follows:

	<u>1999</u> £	<u>1998</u> £
Riding school	714,757	667,533
Tack shop	410,273	354,626
Clubhouse	125,407	154,958
	<u>£ 1,250,437</u>	<u>£ 1,177,117</u>

3. Operating Loss

The operating loss is stated after charging:

	<u>1999</u> £	<u>1998</u> £
Depreciation and impairment write downs of tangible fixed assets owned by the company	49,822	49,350
Auditors remuneration	10,000	10,000
Equipment hire	978	635
	<u>£ 60,800</u>	<u>£ 60,000</u>

4. Staff Costs

Staff costs, including directors' remuneration, were as follows:

	<u>1999</u> £	<u>1998</u> £
Wages and salaries	434,687	406,685
Social security costs	29,294	26,533
	<u>£ 463,981</u>	<u>£ 433,218</u>

The average monthly number of employees including directors, during the year was as follows:

	<u>1999</u> Number	<u>1998</u> Number
Office and management	6	6
Operations	47	47
	<u>£ 53</u>	<u>£ 53</u>

Patchetts Green Limited

Financial Statements for the year ended 31st March 1999

Notes (Continued)

5. Directors' Remuneration

	<u>1999</u> £	<u>1998</u> £
Aggregate emoluments	£ 11,882	£ 10,906

No retirement benefits are accruing to directors under a money purchase pension scheme or defined benefit scheme.

6. Interest Payable

	<u>1999</u> £	<u>1998</u> £
On bank loans and overdrafts	-	9,799
On other loans	-	530
	£ -	£ 10,329

7. Tangible Assets

	<u>Leasehold Improvements</u> £	<u>Plant and Machinery</u> £	<u>Fixtures and Equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost					
At 1st April 1998	1,362,426	83,310	280,065	102,329	1,828,130
Additions	188,581	-	44,799	-	233,380
Disposals	-	-	-	(50)	(50)
At 31st March 1999	1,551,007	83,310	324,864	102,279	2,061,460
Depreciation					
At 1st April 1998	26,885	49,549	67,554	44,373	188,361
Charge for the year	-	4,306	26,684	14,476	45,466
Impairment review	-	-	4,356	-	4,356
At 31st March 1999	26,885	53,855	98,594	58,849	238,183
Net book value					
At 31st March 1999	£ 1,524,122	£ 29,455	£ 226,270	£ 43,430	£ 1,823,277
At 31st March 1998	£ 1,335,541	£ 33,761	£ 212,511	£ 57,956	£ 1,639,769

Patchetts Green Limited

Financial Statements for the year ended 31st March 1999

Notes (Continued)

8. Stocks

	<u>1999</u>	<u>1998</u>
	£	£
Horses and ponies	48,841	46,781
Horse and pony food	4,129	3,968
Finished goods	158,531	138,823
	<hr/>	<hr/>
£	211,501	£ 189,572
	<hr/>	<hr/>

9. Debtors

	<u>1999</u>	<u>1998</u>
	£	£
Due within one year:		
Trade debtors	96,362	79,611
Other debtors	4,528	1,244
Prepayments and accrued income	31,869	12,134
	<hr/>	<hr/>
£	132,759	£ 92,989
	<hr/>	<hr/>

10. Creditors: amounts falling due within one year

	<u>1999</u>	<u>1998</u>
	£	£
Bank loans and overdrafts	28,712	1,775
Trade creditors	131,492	131,367
Social security and other taxes	31,135	22,917
Other creditors	47,554	27,921
Accruals and deferred income	32,053	45,054
	<hr/>	<hr/>
£	270,946	£ 229,034
	<hr/>	<hr/>

Included in other creditors above is an amount owed to one of the directors of £8,743 (1998: £2,139). This is interest free and repayable on demand.

Patchetts Green Limited

Financial Statements for the year ended 31st March 1999

Notes (Continued)

11. Creditors: amounts falling due after more than one year

	<u>1999</u> £	<u>1998</u> £
Loans	£ 2,329,678	£ 2,144,183
Included within the above amounts falling due as follows:		
In 2-5 years on demand	£ 2,329,678	£ 2,144,183

No interest is chargeable on this loan.

12. Share Capital

	<u>1999</u> £	<u>1998</u> £
Authorised		
100 ordinary shares of £1 each	£ 100	£ 100
Allotted, called up and fully paid		
100 ordinary shares of £1 each	£ 100	£ 100

13. Shareholders Funds

Reconciliation of movements on shareholders' funds

	<u>1999</u> £	<u>1998</u> £
Loss for the year	(18,586)	(37,148)
Opening shareholders' funds	(402,283)	(365,135)
Closing shareholders' funds	£ (420,869)	£ (402,283)

14. Lease Commitments

The company has signed a lease to rent the land and buildings at Hilfield Lane, Aldenham, Watford until 22nd December 2012, and has annual operating lease commitments of £30,000 under the terms of the lease.

Patchetts Green Limited**Financial Statements for the year ended 31st March 1999****Notes (Continued)****15. Related Party Transactions**

At the balance sheet date, McTaggart Shipping Company Limited owed to Patchetts Green Limited £Nil (1998: creditor £42,714) being a debt in the ordinary course of the business. The two companies have Mr. D.E. McTaggart as a common director and controlling shareholder.

16. Ultimate Controlling Party

The ultimate controlling party of the company is Mr. D.E. McTaggart who owns 70% of the issued ordinary share capital of the company.