

Company Registration No. 3423143

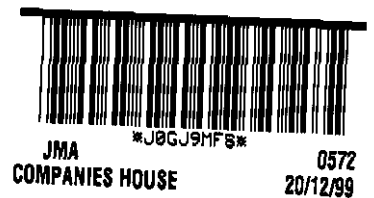
STONEHORSE PROPERTIES LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1998

18592-A-1998

Registered Office
Suite 205, Moghul House
57 Grosvenor Street
Mayfair
London
W1X 9DA



STONEHORSE PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1998

The directors present their report and financial statements for the period ended 31 December 1998.

Principal activities and review of the business

The principal activity of the company is that of an investment company. The company was incorporated on 21 August 1997 and commenced activities on 1 December 1998.

Results and dividends

The results for the period are set out on page 3.

Fixed assets

The significant changes in fixed assets during the period are explained in note 4 to the financial statements.

Future developments

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The directors have considered the potential risks to the company's activities arising from the date change to the Year 2000. Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain because at least some level of failure may still occur, however the Board believe that it has achieved an acceptable state of readiness and will continue to monitor the issues on a regular basis.

The company has not incurred significant costs during the consideration of this problem.

Directors

The following directors have held office since 21 August 1997:

L.R. Taylor	(Appointed 1 June 1998)
A.M. Taylor	(Appointed 1 June 1998)
C Lewin	(Appointed 14 August 1998 and resigned 16 December 1998)
S. Hirst	(Appointed 31 July 1998 and resigned 14 August 1998)
J Butterfield	(Appointed 12 September 1997 and resigned 1 June 1998)
F M Forrai	(Appointed 12 September 1997 and resigned 1 June 1998)
A.J Weir	(Appointed 12 September 1997 and resigned 31 July 1998)
Company Directors Limited	(Appointed 21 August 1997 and resigned 12 September 1997)

The directors have no interest in the issued share capital of the company.

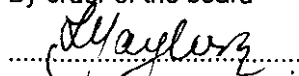
Directors' responsibilities

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;
- 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


L.R. Taylor (Director)

Date : 16 DEC 1999

BENTINCK & Co

CHARTERED ACCOUNTANTS

P.O. Box 227, Clinch's House, Lord Street, Douglas, Isle of Man IM99 1RZ
Telephone: 01624 663166 Facsimile: 01624 677108

ACCOUNTANTS' REPORT TO THE DIRECTORS ON THE ACCOUNTS OF STONEHORSE PROPERTIES LIMITED

We report on the accounts for the period ended 31 December 1998.

As described on the balance sheet you are responsible for the preparation of the accounts for the period ended 31 December 1998, set out on pages 3 to 7 and you consider that the company is exempt from an audit. In accordance with your instructions, we have compiled these accounts in order to assist you to fulfil your statutory responsibilities.

Our procedures consisted of comparing the accounts with the accounting records kept by the company and making such enquiries of the officers and other officials of the company as we considered necessary for the purposes of this report.

In our opinion the accounts are in agreement with the accounting records kept by the company under section 221 of the Companies Act 1985.

Bentinck & Co.

Bentinck & Co

Chartered Accountants

16-12-99

PO Box 227, Clinch's House
Lord Street
Douglas
Isle of Man, IM99 1RZ

STONEHORSE PROPERTIES LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 1998**

	Notes	1998 FFR
Administrative expenses		(15,044)
Operating loss		<u>(15,044)</u>
Investment income	2	3,869
Loss on ordinary activities before taxation		<u>(11,175)</u>
Tax on loss on ordinary activities	3	-
Loss on ordinary activities after taxation	8	<u>(11,175)</u>
Loss carried forward at 31 December 1998		<u><u>(11,175)</u></u>

All of the company's activities are derived from continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

STONEHORSE PROPERTIES LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 1998**

	Notes	1998 FFR	FFR
Fixed assets			
Investments	4		2,926,200
Current assets			
Debtors	5	10,840	
Creditors: amounts falling due within one year	6	(2,938,378)	
Net current liabilities			(2,927,538)
Total assets less current liabilities			(1,338)
Capital and reserves			
Called up share capital	7		9,837
Profit and loss account	8		(11,175)
Shareholders' funds - equity interests	9		(1,338)

In preparing these financial statements:

- (a) The directors are of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985;
- (b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- (c) The directors acknowledge their responsibilities for:
 - (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

The financial statements were approved by the Board on **16 DEC 1999**


L.R. Taylor (Director)

STONEHORSE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1998

1 Accounting policies

1.1 Accounting convention

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

The financial statements have been prepared on the going concern basis. This is considered appropriate as the ultimate beneficial shareholders will continue to provide financial support to the company for the foreseeable future.

1.2 Investments

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

1.3 Foreign currency translation

The company's accounting records are maintained in French Francs.

Transactions in other currencies are converted at the rate ruling at the date of the transaction. Current assets and liabilities are converted at the rate of exchange ruling at the balance sheet date. Any material gains or losses resulting from the conversion are taken to the profit and loss account.

1.4 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

1.5 Cash Flow

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

2 Income from investments

1998

FFR

Income from subsidiary undertakings

3,869

3,869

3 Taxation

On the basis of these financial statements no provision has been made for corporation tax.

STONEHORSE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1998**

4 Fixed asset investments

	Shares in subsidiary undertakings	Loans in subsidiary undertakings	Total
	FFR	FFR	FFR
Cost			
At 21 August 1997	-	-	-
Additions	10,000	2,916,200	2,926,200
	<u>10,000</u>	<u>2,916,200</u>	<u>2,926,200</u>
At 31 December 1998	<u>10,000</u>	<u>2,916,200</u>	<u>2,926,200</u>

Holdings of 20% or more

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

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
SCI Voltaire Immobilier	France	Ordinary	98

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 reserves	Profit/(Loss) for the year
SCI Voltaire Immobilier	Property Developer	(8,397)	(13,397)
		<u>(8,397)</u>	<u>(13,397)</u>

5 Debtors **1998**
FFR

Other debtors	3,869
Prepayments and accrued income	6,971
	<u>10,840</u>

6 Creditors: amounts falling due within one year **1998**
FFR

Other creditors	2,916,363
Accruals and deferred income	22,015
	<u>2,938,378</u>

STONEHORSE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1998

7 Share Capital

The authorised share capital of the Company comprises 100000 ordinary £1 shares of which 1000 have been issued and are fully paid up.

8 Statement of movements on profit and loss account

Profit and
loss account
FFR

Retained loss for the period	(11,175)
Balance at 31 December 1998	(11,175)

9 Reconciliation of movements in shareholders' funds

1998
FFR

Loss for the financial period	(11,175)
Proceeds from issue of shares	9,837
Net depletion in shareholders' funds	(1,338)
Opening shareholders' funds	-
Closing shareholders' funds	(1,338)

10 Contingent liabilities

There were no known contingent liabilities at the balance sheet date.

11 Capital commitments

There were no major capital commitments at the balance sheet date.

12 Employees

Number of employees, wages and salaries

There were no employees during the period apart from the directors. The directors received no remuneration during the period.

13 Ultimate Controlling Party and Related party transactions

The directors are not aware of the ultimate controlling party, transactions related thereto and any other related party transactions.