

FRANCO BRITANNIC PROPERTIES LIMITED

7 The Drive, Hove
East Sussex BN3 3JS
England

2000 REPORT AND ACCOUNTS

DIRECTORS

Mr D.H. SLEATOR
Ms J. SLEATOR
Ms G. SLEATOR
Mr R.J.M. CRAWT

SECRETARY

Mr R.J.M. CRAWT

REGISTERED OFFICE

7, the drive – HOVE – East Sussex BN3 3JS

2000 REPORT AND ACCOUNTS

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DIRECTORS' REPORT

The Directors who are responsible for the preparation of the financial statements, present their Report and the Accounts for the year ended 31st December 2000.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year continued to be the investments in properties and overseas ventures.

CURRENCY

The accounts such as the comparative figures for the previous year have been expressed in Euro. This avoid a lot of exchange differences at the end of each year.

RESULTS BUSINESS REVIEW AND DIVIDENDS

The profit for the year, after taxation, amounted to € 13,696. The Directors recommend a final ordinary dividend of € 182,062 for the year, which leaves a loss of € 168,366 to be input on the capital surplus existing at the end of the previous year. All the income of the Company was generated from its principal activities.

FUTURE DEVELOPMENTS

The Directors aim to maintain the current policies of the Company.

FIXED ASSETS

Details of movements in fixed assets are given in note 5 to the Accounts.

MARKET VALUE OF LAND AND BUILDINGS

The freehold properties were revalued in 1962. The valuation of € 169,355 which was € 45,159 higher than the former net book value, has been incorporated in these Accounts.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The total amounts of contributions were as follows :

	<u>2000</u>	<u>1999</u>
. Political contributions	€ <u>NIL</u>	€ <u>NIL</u>
. Charitable donation	€ <u>NIL</u>	€ <u>NIL</u>

EVENTS SINCE THE END OF THE YEAR

No specific event had occurred since the end of the year.

AUDITORS

A resolution for the re-appointment of the Auditor, Audit de France - SODIP SA represented by Mr R.A. Cornu will be proposed at the following Annual General Meeting.

BY ORDER OF THE BOARD



Secretary

9/7/2001

Date



G. Spandonis
C. Bouisset
D. Chatelain
Y. Chaumet
R. Cornu
L. Ginot
JP. Horen
G. Prigent
P. Spandonis
A. Vignaud

Experts-comptables diplômés
Commissaires aux comptes

AUDITORS' REPORT TO THE MEMBERS OF

FRANCO-BRITANNIC PROPERTIES LIMITED

(for the year ended 31 December 2000)

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2 of the director's report, the company's directors are responsible for the preparation of the 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 an examination on a test basis, of evidence relevant to the amount 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 statement 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.

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RCS Créteil B 662 003 458

SA d'expertise comptable et de commissariat aux comptes au capital de 1.070.000 €
Inscrite au Tableau de l'Ordre de Paris Ile de France et Membre de la Compagnie Régionale de Paris



Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the companies Act 1985 (applicable to small companies).

Audit de France - SODIP SA
represented by

A handwritten signature in black ink, consisting of a large, sweeping loop followed by a series of smaller, more intricate strokes, ending in a horizontal line.

R.A. Cornu

Vincennes, 23rd May 2001

PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31ST DECEMBER, 2000

	<u>Notes</u>	€	<u>2000</u>	€	€	<u>1999</u>	€
PROPERTY INCOME-RENTS	8 & 9a		270,256			280,522	
Less : Property expenses			<u>(118,196)</u>			<u>(102,717)</u>	
NET PROPERTY INCOME			152,060			177,805	
Administrative expenses	2		<u>(138,000)</u>			<u>(119,033)</u>	
OPERATING PROFIT or (LOSS)			14,060			58,772	
Interest receivable		2,505			10,811		
Profit on bonds sold		<u>22,354</u>			<u>72,858</u>		
			<u>24,859</u>			<u>83,669</u>	
PROFIT on ordinary activities before tax			38,919			142,441	
TAX	3		<u>(25,223)</u>			<u>(60,573)</u>	
PROFIT on ordinary activities after tax			13,696			81,868	
Dividends	4		<u>(182,062)</u>			<u>(182,062)</u>	
RETAINED PROFIT or (LOSS) for the year			(168,366)			(100,194)	
RETAINED PROFIT brought forward			<u>0</u>			<u>101,430</u>	
			(168,366)			1,236	
TRANSFER TO CAPITAL SURPLUS			<u>168,366</u>			<u>(1,236)</u>	
RETAINED PROFIT CARRIED FORWARD			€ <u>0</u>			€ <u>0</u>	

BALANCE SHEET AT 31ST DECEMBER, 2000

	<u>Notes</u>	€	<u>2000</u>	€	€	<u>1999</u>	€
FIXED ASSETS							
Tangible assets	5		60,234			64,008	
Investments	6		<u>521,907</u>			<u>521,907</u>	
			582,141			585,915	
CURRENT ASSETS							
Debtors	7	960,993		1,023,226			
Bonds		347,479		408,461			
Bank balances and cash		<u>231,892</u>		<u>266,029</u>			
		1,540,364		1,697,716			
CREDITORS							
		<u>(459,947)</u>		<u>(453,194)</u>			
			1,080,417			1,244,522	
TOTAL ASSETS LESS CURRENT LIABILITIES							
			€ <u>1,662,558</u>			€ <u>1,830,437</u>	
CAPITAL AND RESERVES							
Called up share capital			10,984			10,984	
Revaluation reserve			45,159			45,159	
Capital surplus			1,541,784			1,709,663	
Exchange adjustment account	1		64,631			64,631	
Profit and loss account			<u>0</u>			<u>0</u>	
			€ <u>1,662,558</u>			€ <u>1,830,437</u>	

Mr D.H. SLEATOR)
 Ms J. SLEATOR)
 Ms G. SLEATOR)

Directors

Approved by the Board on 9/7/2001

STATEMENT OF SOURCE AND APPLICATION OF FUNDS**FOR THE YEAR ENDED 31ST DECEMBER, 2000**

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
		€	€
Profit on ordinary activities before tax		38,919	142,441
Adjustment for items non involving the movement of funds:			
. Depreciation on fixed assets	5	8,043	7,521
. Depreciation on debtors		68,292	78,059
. Depreciation on bonds		594	(24,048)
. Exchange profit/(loss) on non fixed assets and miscellaneous		<u>0</u>	<u>0</u>
		<u>76,929</u>	<u>61,532</u>
Total generated from operations		115,848	203,973
APPLICATION OF FUNDS			
Transfer to subsidiary company		0	(11,388)
Purchase of tangible fixed assets		0	0
Tax paid	3	(25,223)	(60,573)
Dividends paid	4	<u>(182,062)</u>	<u>0</u>
		<u>(207,285)</u>	<u>(71,961)</u>
		€ <u>(91,437)</u>	€ <u>132,012</u>
MOVEMENT IN WORKING CAPITAL			
Debtors		65,220	66,533
Creditors		<u>(61,538)</u>	<u>(77,061)</u>
		3,682	(10,528)
MOVEMENT IN NET LIQUID FUNDS			
Cash		(34,137)	263,675
Deposits		0	0
Bonds		<u>(60,982)</u>	<u>(121,135)</u>
		<u>(95,119)</u>	<u>142,540</u>
		€ <u>(91,437)</u>	€ <u>132,012</u>

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared on the historical cost basis as modified by the revaluation of properties.

(b) Currency of the accounts

For the third time this year, the accounts are expressed in the European single currency, the Euro (€). Comparative figures of the previous year are also expressed in E.U.

(c) Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, in order to write off their cost over their expected useful lives at the following annual rates:

. Freehold property	2,5%
. Car park	1,538%
. Office furniture	10%/15%
. Computer program	100%

(d) Deferred tax

Deferred tax is provided using the liability method, in respect of timing differences, which are expected to reverse in the foreseeable future without replacement.

(e) Foreign currencies

Assets and liabilities in foreign currencies are translated at balance sheet date rates of exchange namely.

€ 1: 6,55957 French Francs except for US\$ accounts with the subsidiary FRANCO BRITANNIC INC. There the historical rate of exchange of the currency move has been kept.

Transaction in foreign currencies are also recorded at the rate of exchange ruling at the balance sheet date.

Reserves, however, have been converted at historical rates, and share capital has been maintained at its original amount.

Realised exchange differences are taken into account in arriving at the operating profit.

The exchange account remained now freezed to € 64,631, its amount at end of 1998, because of the use of the €.

2. ADMINISTRATIVE EXPENSE

	<u>2000</u>	<u>1999</u>
	€	€
Director's remuneration	41,619	39,817
Auditor's remuneration	19,452	17,684
Depreciation on fixed assets	8,043	7,521
Bonds depreciation	594	(24,048)
Exchange Loss on bank account	0	0
Allowances for litigations and risks	68,292	78,059
	<u>€ 138,000</u>	<u>€ 119,033</u>

3. TAX

Tax on overseas income	<u>€ 25,223</u>	<u>€ 60,573</u>
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4. DIVIDEND

Dividend proposed on ordinary shares	<u>€ 182,062</u>	<u>€ 182,062</u>
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5. TANGIBLE FIXED ASSETS

	Freehold property €	Office furniture €	Total €
COST OR VALUATION			
At 1st January, 2000	294,447	22,208	316,655
Additions		4,269	4,269
Disposals		(13,604)	(13,604)
Revaluation			0
Exchange adjustment			0
At 31st December 2000	<u>€ 294,447</u>	<u>€ 12,873</u>	<u>€ 307,320</u>
Cost			
Valuation 1962	<u>169,355</u>		
DEPRECIATION			
At 1st January, 2000	232,775	19,872	252,647
Charge for the year	6,345	1,698	8,043
On disposal		(13,604)	(13,604)
Exchange adjustment			0
At 31st December 2000	<u>239,120</u>	<u>7,966</u>	<u>247,086</u>
NET BOOK VALUE			
At 31st December, 2000	<u>€ 55,327</u>	<u>€ 4,907</u>	<u>€ 60,234</u>
At 31st December, 1999	<u>€ 61,672</u>	<u>€ 2,336</u>	<u>€ 64,008</u>

The freehold land was valued in 1962 in accordance with co-efficients permitted by the French tax authorities.

During the year 1993, the company bought a car park place for 65 years in PARIS. This asset is depreciated on a straight-line basis, linked to that period.

6. INVESTMENTS

	€
Unlisted investments at cost and current accounts linked:	
At 1st January, 2000	521,907
Additions	..
Disposals	..
At 31st December, 2000	€ <u>521,907</u>

The above investments represent:

(i)	75% of the share capital of Franco Britannic Inc, a company registered in the U.S.A. (US\$ 75000)	56,782
(ii)	Additional amount paid in Capital in FRANCO BRITANNIC INC. a company registered in the USA	129,950
(iii)	100% of the share capital of DHS Patrimoine, a company registered in France. These shares have been acquired in 1997	71
(iv)	Current account due to D. SLEATOR and linked to the above shares of DHS PATRIMOINE	<u>335,104</u>
		€ <u>521,907</u>

The Directors have not prepared Group Accounts consolidating the accounts of Franco Britannic Inc and DHS Patrimoine SàRL, on the grounds that the cost of preparing Group accounts would be out of proportion to the benefit to the shareholders.

The investments in FRANCO BRITANNIC INC. have not been depreciated even though accumulated retained earnings are negative, because of the real market value of the asset of that subsidiary compared to the book value.

7. DEBTORS

	<u>2000</u> €	<u>1999</u> €
Sundry debtors and prepayments	61,609	123,842
Amount due from subsidiary company (1 060 000 US \$ end 1999 and 2000)	<u>899,384</u>	<u>899,384</u>
	€ <u>960,993</u>	€ <u>1,023,226</u>

8 - PROPERTY INCOME RENTS

	<u>2000</u> €	<u>1999</u> €
Car park place	1,258	1,372
Garage rent	259,163	259,163
Expenses reimbursed by the tenant	<u>9,835</u>	<u>19,987</u>
	€ <u>270,256</u>	€ <u>280,522</u>

9 - ADDITIONAL INFORMATIONS ON 2000 ACCOUNTS

- 9a - The tangible assets « Land and freehold properties » mainly located in LEVALLOIS PERRET are mentioned on the Balance sheet at a book value on the basis of a 1962 valuation.

The market value of these assets in LEVALLOIS PERRET, linked to the annual rent can be estimated at the end of this year at about (20 millions FF) (i.e. about € 3,048,980) at the rate of 1 € = 6,55957 FF).

The evaluation of this main asset is currently based on a capitalisation value between 10% and 12% of the annual current rent. The lease contract has been negotiated on the basis of an annual rent of 1,300,000 FF (i.e. € 198,184), it is actualised each year, and after a first period of 3 years ending 31st December 1992, it is actualised again on a basis of an annual rent of 1,700,000 FF, (i.e. 259,163 €). For the year 1998: this rent has been exceptionally decreased to 1,400,000 FF (i.e. 213,429 €).

The renewal of the lease contract with effect 1st January 1999 is actually in negotiation with the tenant through proceedings not yet finalized. Provisionally the court has, by a decision taken on 14th January 2000, decided an annual rent of FRF 1,700,000 (€ 259,163) with effect from 1st January 1999.

Considering the demand of its tenant(an annual rent of FRF1,240,000; € 189,036), an allowance for risk has been recorded at the end of 2000 for FRF 920,000, € 140,253 ; representing the difference between both amounts of rent in request.

- 9b - As the new EEC rules are effective since January 1st 1993: these accounts have been prepared as those of the previous year in accordance with the Companies Act. 1985, under section proper to small companies.
- 9c - Bonds are not accounted at the market value but at the purchase price. When the market value is lower, a provision is accounted against the book value.
- 9d - A tax inspection occurred in 2000, on the French activities of the company for the period 1997 to 2000. The demand of adjustments by the French Administration amount roughly to FRF 294,000 (€ 44,820). An allowance for risk of FRF 40,000 (€ 6,098) has been recorded for the adjustments accepted by FBP Ltd. The remaining adjustments for FRF 254,000 (€ 38,722) being still in negotiation.