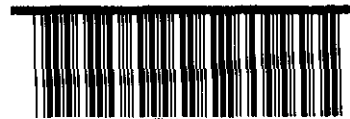


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FRANCO BRITANNIC PROPERTIES LIMITED

7 The Drive, Hove
East Sussex BN3 3JS
England

2002 REPORT AND ACCOUNTS



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COMPANIES HOUSE

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26/07/03

DIRECTORS

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

SECRETARY

Mr R.J.M. CRAWT

REGISTERED OFFICE

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

2002 REPORT AND ACCOUNTS

<u>Pages</u>	2 to 3	Director's Report
	4 to 5	Auditor's Report
	6	Profit and Loss Account
	7	Balance Sheet
	8	Statement of Source and Application of Funds
	9 to 12	Notes on the Accounts

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 2002.

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 € 137,182. The Directors recommend a final ordinary dividend of € 180,000 for the year, which leaves a loss of € 42,818 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>2002</u>	<u>2001</u>
. Political contributions	€ <u>NIL</u>	€ <u>NIL</u>
. Charitable donation	€ <u>NIL</u>	€ <u>NIL</u>

EVENTS SINCE THE END OF THE YEAR

On the 13th March 2003, the Court of Appeal has definitively assessed the annual rent to € 282,031 and condemned the tenant to pay the rent owing and the arrears of interest, since 1st January 1999, date of the renewal of the lease.

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

Date

6th July 2003



G. Spandonis
C. Bouisset
D. Chatelain
Y. Chaumet
R. Cornu
L. Ginet
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 2002)

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

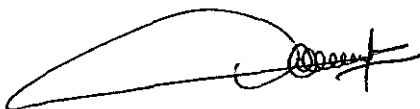
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination on a test basis, of evidence relevant to the amount and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

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 2002 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, appearing to read 'R.A. Cornu', is written over a horizontal line.

R.A. Cornu

Vincennes, 20th June 2003

PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31ST DECEMBER, 2002

	<u>Notes</u>	<u>2002</u>	<u>2001</u>
		€	€
PROPERTY INCOME-RENTS	8 & 9a	336,703	359,677
Less : Property expenses		<u>(89,683)</u>	<u>(122,607)</u>
NET PROPERTY INCOME		247,020	237,070
Administrative expenses	2 & 9a	<u>(85,461)</u>	<u>67,438</u>
OPERATING PROFIT or (LOSS)		161,559	304,508
Interest receivable		2,575	4,444
Profit on bonds sold		<u>35,990</u>	<u>47,825</u>
		<u>38,565</u>	<u>52,269</u>
PROFIT on ordinary activities before tax		200,124	356,777
TAX	3	<u>(62,942)</u>	<u>(112,610)</u>
PROFIT on ordinary activities after tax		137,182	244,167
Dividends	4	<u>(180,000)</u>	<u>(180,000)</u>
RETAINED PROFIT or (LOSS) for the year		(42,818)	64,167
RETAINED PROFIT brought forward		<u>0</u>	<u>0</u>
		(42,818)	64,167
TRANSFER TO CAPITAL SURPLUS		<u>42,818</u>	<u>(64,167)</u>
RETAINED PROFIT CARRIED FORWARD		€ 0	€ 0

BALANCE SHEET AT 31ST DECEMBER, 2002

	<u>Notes</u>	<u>2002</u>	<u>2001</u>
		€	€
FIXED ASSETS			
Tangible assets	5	24,700	31,961
Investments	6	<u>521,907</u>	<u>521,907</u>
		546,607	553,868
CURRENT ASSETS			
Debtors	7	995,159	945,949
Bonds		390,872	561,749
Bank balances and cash		<u>48,342</u>	<u>47,912</u>
		1,434,373	1 555,610
CREDITORS		<u>(297,074)</u>	<u>(382,756)</u>
		1,137,299	1,172,854
TOTAL ASSETS LESS CURRENT LIABILITIES		€ <u>1,683,906</u>	€ <u>1,726,722</u>
CAPITAL AND RESERVES			
Called up share capital		10,984	10,984
Revaluation reserve		45,159	45,159
Capital surplus		1,563,132	1,605,949
Exchange adjustment account	1	64,631	64,631
Profit and loss account		<u>0</u>	<u>0</u>
		€ <u>1,683,906</u>	€ <u>1,726,722</u>

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

)
) Directors
)

Approved by the Board on

Handwritten signature: D.H. Sleator
Handwritten signature: R.J.M. Crawl
Handwritten date: 6th July 2003

STATEMENT OF SOURCE AND APPLICATION OF FUNDS**FOR THE YEAR ENDED 31ST DECEMBER, 2002**

	<u>Notes</u>	€	<u>2002</u>	€	€	<u>2001</u>	€
Profit on ordinary activities before tax				200,124			356,777
Adjustment for items non involving the movement of funds:							
. Depreciation on fixed assets	5	7,611			7,287		
. Depreciation on debtors		0			(145,507)		
. Depreciation on bonds		0			(594)		
. Sale of fixed assets and miscellaneous		(17,789)			(15,611)		
				(10,178)			(154,425)
Total generated from operations				189,946			202,352
APPLICATION OF FUNDS							
Transfer to subsidiary company		0			(5,868)		
Purchase of tangible fixed assets		(349)			0		
Tax paid	3	(62,942)			(112,610)		
Dividends paid	4	(180,000)			(182,062)		
				(243,291)			(300,540)
				<u>€ (53,345)</u>			<u>€ (98,188)</u>
MOVEMENT IN WORKING CAPITAL							
Debtors		49,211			(20,912)		
Creditors		<u>85,682</u>			<u>(70,375)</u>		
				134,893			(91,287)
MOVEMENT IN NET LIQUID FUNDS							
Cash		428			(183,980)		
Deposits		0			0		
Bonds		(188,666)			<u>177,079</u>		
				(188,238)			(6,901)
				<u>€ (53,345)</u>			<u>€ (98,188)</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 fourth 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%
. 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 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

	2002	2001
	€	€
Director's remuneration	45,786	45,780
Auditor's remuneration	32,241	25,593
Depreciation on fixed assets	7,611	7,287
Bonds depreciation		(594)
Exchange Loss on bank account	(177)	
Allowances for litigations and risks		(145,504)
	€ 85,461	€ (67,438)

3. TAX

Tax on overseas income	€ 62,942	€ 112,610
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4. DIVIDEND

Dividend proposed on ordinary shares	€ 180,000	€ 180,000
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5. TANGIBLE FIXED ASSETS

	Freehold property €	Office furniture €	Total €
COST OR VALUATION			
At 1st January, 2002	271,053	11,148	282,201
Additions		349	349
Disposals			
Revaluation			
Exchange adjustment			
At 31st December 2002	€ 271,053	€ 11,497	€ 282,550
Cost			
Valuation 1962	169,355		
DEPRECIATION			
At 1st January, 2002	242,279	7,960	250,239
Charge for the year	6,323	1,288	7,611
On disposal			
Exchange adjustment			0
At 31st December 2002	248,602	9,248	257,850
NET BOOK VALUE			
At 31st December, 2002	€ 22,451	€ 2,249	€ 24,700
At 31st December, 2001	€ 28,774	€ 3,188	€ 31,962

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

6. INVESTMENTS

	€
Unlisted investments at cost and current accounts linked:	
At 1st January, 2002	521,907
Additions	..
Disposals	..
At 31st December, 2002	€ <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>2002</u> €	<u>2001</u> €
Sundry debtors and prepayments	89,908	40,697
Amount due from subsidiary company (1 065 000 US \$ end 2001 and 2002)	<u>905,252</u>	<u>905,252</u>
	€ <u>995,160</u>	€ <u>945,949</u>

8 - PROPERTY INCOME RENTS

	<u>2002</u> €	<u>2001</u> €
Car park place		1,120
Garage rent	305,204	329,320
Expenses reimbursed by the tenant	<u>31,500</u>	<u>29,237</u>
	<u>€ 336,703</u>	<u>€ 359,677</u>

9 - ADDITIONAL INFORMATION ON 2002 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 € 3,048,980.

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 € 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 € 259,163. For the year 1998: this rent has been exceptionally decreased to € 213,429.

The renewal of the lease contract with effect 1st January 1999 was in negotiation with the tenant a long period of time. Provisionally the court has, by a decision taken on 14th January 2000, decided an annual rent of € 259,163 with effect from 1st January 1999. Endly, on 13th June 2001, the court decided an effective rent of € 282,031.

Nonetheless the tenant decided on 23th July 2001 to contest that decision. On the 13th March 2003, the Court of Appeal has definitively assessed the annual rent to € 282,031 and condemned the tenant to pay the rent owing and the arrears of interest.

- 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.