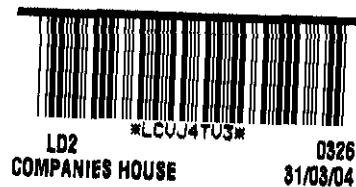


MOUNTGRANGE LAND LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

For the period ended 31 March 2003

Barnes Roffe LLP, Chartered Accountants
13 Albemarle Street, Mayfair, London, W1S 4HJ



MOUNTGRANGE LAND LIMITED

COMPANY INFORMATION

DIRECTOR	M T Myers Esq (appointed 22/03/2002)
SECRETARY	N A Berry Esq
COMPANY NUMBER	04401506
REGISTERED OFFICE	13 Albemarle Street Mayfair London W1S 4HJ
AUDITORS	Barnes Roffe LLP Chartered Accountants 13 Albemarle Street Mayfair London W1S 4HJ
BANKERS	Bank of Scotland 38 St Andrews Square Edinburgh EH2 2YR

MOUNTGRANGE LAND LIMITED

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Company detailed profit and loss account	22 - 23

MOUNTGRANGE LAND LIMITED

DIRECTOR'S REPORT For the period ended 31 March 2003

The director presents his report and the financial statements for the period ended 31 March 2003.

The company was incorporated on 22 March 2002 and commenced trading on 9 April 2002.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the director is 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 group will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company during the period under review was that of a holding company.

The principal activities of the group's subsidiary undertakings are disclosed at note 11(a) to these financial statements.

The director is satisfied with the results of the group for the period under review and views the coming year with optimism.

During the period as a part of a group reconstruction the company acquired a number of subsidiaries and associates from Mountgrange Capital Plc, a company in which M T Myers Esq is a director.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £4,138,170 (2002 - Loss £1,680,365) .

The director does not recommend the payment of a final dividend.

DIRECTOR

The director who served during the period and his beneficial interest in the company's issued share capital was:

	Ordinary shares of £1 each	
	<u>31/3/03</u>	<u>1/4/02</u>
M T Myers Esq (appointed 22/03/2002)	100	1 *

(* held on date of appointment)

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

It is the company's policy to ensure that creditors are paid as they fall due within mutually agreed credit terms. Trade creditors expressed as number of days purchases were 17 days (2002 - 18 days).

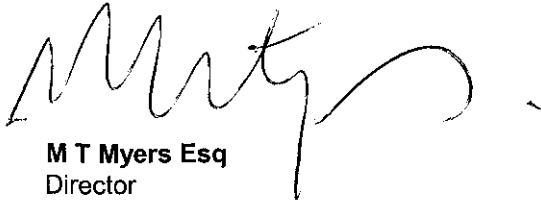
MOUNTGRANGE LAND LIMITED

DIRECTOR'S REPORT **For the period ended 31 March 2003**

AUDITORS

On 30 September 2003, Barnes Roffe transferred their business to Barnes Roffe LLP. Accordingly, Barnes Roffe resigned on 30 September 2003 and the director thereupon appointed Barnes Roffe LLP to fill the vacancy arising. A resolution for the appointment of Barnes Roffe LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

This report was approved by the board on 26 MARCH 2004 and signed on its behalf.



M T Myers Esq
Director

MOUNTGRANGE LAND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MOUNTGRANGE LAND LIMITED

We have audited the financial statements of Mountgrange Land Limited for the period ended 31 March 2003 set out on pages 4 to 21. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 10.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Director's Responsibilities the company's director is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Director's Report is not consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 affairs of the company and the group as at 31 March 2003 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985, as amended.



Barnes Roffe LLP

Chartered Accountants
Registered Auditors
13 Albemarle Street
Mayfair
London
W1S 4HJ

Date: 31st March 2004.

MOUNTGRANGE LAND LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the period ended 31 March 2003

		Period 31 March 2003 £	<i>Proforma as restated</i> Period 31 March 2002 £
TURNOVER	Note 1,2	629,625	219,402
Cost of sales		(1,734,597)	(1,294,309)
GROSS LOSS		(1,104,972)	(1,074,907)
Administrative expenses		(339,350)	(115,534)
Other operating income	3	13,578	2,343
OPERATING LOSS	4	(1,430,744)	(1,188,098)
Share of operating profit/(loss) in associates		1,583,827	(684,372)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		153,083	(1,872,470)
Income from investments in related companies - group		5,535,645	-
Income from other fixed asset investments - group		168,541	-
- associates		460,554	194,108
		629,095	194,108
Amounts written off investments - associates		(47,745)	(69,392)
Profit on disposal of investments - associates		9,010	-
Interest receivable - group		10,301	23,264
- associates		84,590	250,784
		94,891	274,048
Interest payable - group	6	(146,096)	(22,450)
- associates		(1,922,258)	(79,095)
		(2,068,354)	(101,545)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		4,305,625	(1,575,251)
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES - group	7	(32,554)	(16,186)
- associates		(134,901)	(88,928)
		(167,455)	(105,114)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		4,138,170	(1,680,365)
Minority interest		(18,314)	(24,901)
DIVIDENDS	8	-	(290,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	16	4,119,856	(1,995,266)

All amounts relate to continuing operations.

The notes on pages 9 to 21 form part of these financial statements.

MOUNTGRANGE LAND LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the period ended 31 March 2003

	Period 31 March 2003 £	<i>Proforma as restated Period 31 March 2002 £</i>
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	4,138,170	(1,680,365)
Unrealised surplus on revaluation of fixed assets	682,746	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	<u>£ 4,820,916</u>	<u>£ (1,680,365)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES For the period ended 31 March 2003

	Period 31 March 2003 £	<i>Proforma as restated Period 31 March 2002 £</i>
REPORTED PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4,305,625	(1,575,251)
HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>£ 4,305,625</u>	<u>£ (1,575,251)</u>
HISTORICAL PROFIT/(LOSS) FOR THE PERIOD RETAINED AFTER TAXATION AND DIVIDENDS	<u>£ 4,119,856</u>	<u>£ (1,995,266)</u>

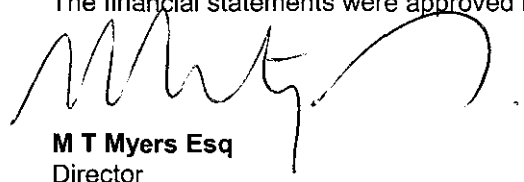
The notes on pages 9 to 21 form part of these financial statements.

MOUNTGRANGE LAND LIMITED

CONSOLIDATED BALANCE SHEET As at 31 March 2003

			31 March 2003	<i>Proforma as restated</i> 31 March 2002
	Note	£	£	£
FIXED ASSETS				
Intangible fixed assets	9		-	-
Tangible fixed assets	10		1,761,722	796,646
Investments	11		2,357,605	1,240,929
Investments in associates	11		13,145,253	9,164,096
			<u>17,264,580</u>	<u>11,201,671</u>
CURRENT ASSETS				
Stocks	12	2,270,206		2,249,807
Debtors	13	635,580		184,484
Investments		-		60,000
Cash at bank and in hand		569,136		329,635
			<u>3,474,922</u>	<u>2,823,926</u>
CREDITORS: amounts falling due within one year	14	(4,347,923)		(2,555,034)
NET CURRENT (LIABILITIES)/ASSETS			<u>(873,001)</u>	<u>268,892</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u><u>£16,391,579</u></u>	<u><u>£11,470,563</u></u>
CAPITAL AND RESERVES				
Called up share capital	15		200	-
Merger reserve	16		99,900	-
Revaluation reserve	16		682,746	-
Profit and loss account	16		15,406,932	11,287,076
SHAREHOLDERS' FUNDS - ALL EQUITY	17		<u>16,189,778</u>	<u>11,287,076</u>
MINORITY INTERESTS - EQUITY			<u>201,801</u>	<u>183,487</u>
			<u><u>£16,391,579</u></u>	<u><u>£11,470,563</u></u>

The financial statements were approved by the board on 26 MARCH 2004 and signed on its behalf.


M T Myers Esq
Director

The notes on pages 9 to 21 form part of these financial statements.

MOUNTGRANGE LAND LIMITED

COMPANY BALANCE SHEET As at 31 March 2003

	Note	£	31 March 2003 £
FIXED ASSETS			
Investments	11		284,940
Investments in associates	11		112,340
			<u>397,280</u>
CURRENT ASSETS			
Debtors	13	5,117,823	
Cash at bank		170,746	
		<u>5,288,569</u>	
CREDITORS: amounts falling due within one year	14	(116,635)	
		<u></u>	
NET CURRENT ASSETS			5,171,934
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ 5,569,214</u>
CAPITAL AND RESERVES			
Called up share capital	15		200
Merger reserve	16		99,900
Profit and loss account	16		5,469,114
			<u></u>
SHAREHOLDERS' FUNDS - All Equity	17		<u>£ 5,569,214</u>

The financial statements were approved by the board on 26 MARCH 2004 and signed on its behalf.


M T Myers Esq
Director

The notes on pages 9 to 21 form part of these financial statements.

MOUNTGRANGE LAND LIMITED

CASH FLOW STATEMENT For the period ended 31 March 2003

		Period 31 March 2003 £	Proforma as restated Period 31 March 2002 £
	Note		
Net cash flow from operating activities	18	(1,550,067)	(1,258,372)
Returns on investments and servicing of finance	19	982,546	814
Taxation		(2,646)	(150,679)
Capital expenditure and financial investment	19	(1,123,479)	(620,855)
Equity dividends paid		-	(290,000)
DECREASE IN CASH IN THE PERIOD		£ (1,693,646)	£ (2,319,092)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT For the period ended 31 March 2003

	Period 31 March 2003 £	Proforma as restated Period 31 March 2002 £
Decrease in cash in the period	(1,693,646)	(2,319,092)
MOVEMENT IN NET DEBT IN THE PERIOD	(1,693,646)	(2,319,092)
Net (debt)/funds at 1 April 2002	(1,767,443)	551,649
NET DEBT AT 31 MARCH 2003	£ (3,461,089)	£ (1,767,443)

The notes on pages 9 to 21 form part of these financial statements.

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the period ended 31 March 2003**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and are prepared in accordance with applicable accounting standards, as modified by the revaluation of freehold land and buildings.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Mountgrange Land Limited and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries acquired during the period are included from the effective date of acquisition. Various acquisitions during the period were treated using merger accounting as they took place by way of share for share exchanges.

1.3 Investments

(i) Subsidiary Undertakings

Share in subsidiaries are valued at cost less provision for permanent impairment. Amounts eliminated on consolidation include the investor's share of post acquisition profits, where an interest has become a controlling interest.

(ii) Associated undertakings

Investments in associates are stated at the amount of the company's share of net assets. The consolidated profit and loss includes the company's share of the associated companies' profits after taxation using the equity accounting basis.

(iii) Other investments

Investments held as fixed assets are shown at cost less provisions for their permanent impairment.

Land and buildings

In accordance with accounting standards, investment properties are not subject to periodic charges for depreciation (except for properties held on lease, which are depreciated over the period when the unexpired term is 20 years or less) but are included in the balance sheet at their estimated open market value at the balance sheet date.

Changes in market value of fixed asset investments are dealt with as a movement on the revaluation reserve unless a deficit (or its reversal) on an individual investment property is expected to be permanent, in which case it is charged (or credited) in the profit and loss of the period.

The departure from the Companies Act 1985's requirement for all fixed assets with a limited useful economic life to be depreciated is necessary in order to give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified.

1.4 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax.

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

1. ACCOUNTING POLICIES (continued)

1.5 Intangible fixed assets and amortisation

Goodwill, whether positive or negative is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is capitalised and amortised to the profit and loss over the shorter of its estimated economic life and 20 years.

For step by step acquisitions, total consideration is aggregated and compared to the value of net assets acquired at the point when an interest becomes a controlling interest.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold land and buildings	-	Nil	
Plant & Machinery	-	25%	straight line

1.7 Revaluation of tangible fixed assets

Freehold properties and properties held on leases with an expected remaining life of more than 20 years are stated at valuation. Independent valuations are performed at intervals not exceeding three years on an open market basis. In the intervening years the Directors review the carrying value of properties and adjustment is made where there has been a material change. Revaluation surpluses and deficits are dealt with in capital reserves except for movements on individual properties below cost which are dealt with in the consolidation profit and loss account. Other tangible assets are stated at cost less amounts provided for depreciation.

1.8 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss as incurred.

1.9 Stocks and work in progress

Bloodstock is valued at the lower of cost and estimated net market value. Nominations are written off in the year of payment and are included in the cost of the subsequent foal together with one year's keep of the broodmare and the keep of the foal from the date of weaning.

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs.

1.10 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for timing differences arising on revaluations of fixed assets which are not intended to be sold and gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.11 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

2. TURNOVER

An analysis of turnover by class of business is as follows:

	Period 31 March 2003 £	Proforma as restated Period 31 March 2002 £
-		
Horse racing and stud farming	403,975	76,175
Management of farms and stables	225,650	143,227
	<u>£ 629,625</u>	<u>£ 219,402</u>

3. OTHER OPERATING INCOME

	Period 31 March 2003 £	Proforma as restated Period 31 March 2002 £
Other operating income	13,578	2,343

4. OPERATING LOSS

The Operating loss is stated after charging:

	Period 31 March 2003 £	Proforma as restated Period 31 March 2002 £
Amortisation - intangible fixed assets	224,526	-
Depreciation of tangible fixed assets:		
- owned by the company	8,837	2,982
Auditors' remuneration	16,125	12,263
Operating lease rentals:		
- plant and machinery	126,002	65,377
- other operating leases	2,800	1,200
Difference on foreign exchange	38,475	5,347

Auditors fees for the Company were £2,500 (2002:£Nil)

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

5. STAFF COSTS

Staff costs, including director's remuneration, were as follows:

	Period 31 March 2003 £	Proforma as restated Period 31 March 2002 £
Wages and salaries	£ 34,148	£ 15,270

The average monthly number of employees, including the director, during the period was as follows:

	Period 31 March 2003 No.	Proforma as restated Period 31 March 2002 No.
Management	2	2
Maintenance	2	2
	4	4

6. INTEREST PAYABLE

	Period 31 March 2003 £	Proforma as restated Period 31 March 2002 £
On bank loans and overdrafts	143,307	12,083
Other interest payable	2,789	10,367
	£ 146,096	£ 22,450

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

7. TAXATION

	Period 31 March 2003 £	Proforma as restated Period 31 March 2002 £
Analysis of tax charge in period		
UK corporation tax charge on profits of the period	15,370	25,685
Adjustments in respect of prior periods	17,184	(9,499)
	<hr/>	<hr/>
Tax on profit on ordinary activities	£ 32,554	£ 16,186
	<hr/>	<hr/>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Period 31 March 2003 £	Proforma as restated Period 31 March 2002 £
Profit/(loss) on ordinary activities before tax	4,305,625	(1,575,251)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30)	1,291,688	(472,575)
Effects of:		
Expenses not deductible for tax purposes	26,873	348,507
Capital allowances for period in excess of depreciation	66,552	(1,730)
Utilisation of tax losses	399,191	24,690
Group relief	(4,376)	-
Charges on income	-	12,005
Adjustments to tax charge in respect of prior periods	17,184	(9,499)
Marginal relief	(5,009)	(1,602)
Dividend income	(1,759,549)	116,390
	<hr/>	<hr/>
Current tax charge for period (see note above)	£ 32,554	£ 16,186
	<hr/>	<hr/>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

8. DIVIDENDS

	Period 31 March 2003 £	<i>Proforma as restated Period 31 March 2002 £</i>
Total dividends paid	£ -	£ 290,000

9. INTANGIBLE FIXED ASSETS

	Goodwill £
Group Cost	
At 1 April 2002	-
Additions	224,526
At 31 March 2003	224,526
Amortisation	
At 1 April 2002	-
Charge for the period	224,526
At 31 March 2003	224,526
Net book value	
At 31 March 2003	£ -
At 31 March 2002	£ -

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

10. TANGIBLE FIXED ASSETS

Group	Land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 April 2002 (as restated)	790,457	13,929	804,386
Additions	912,055	49,370	961,425
Revaluation surplus/(deficit)	12,488	-	12,488
	<u>1,715,000</u>	<u>63,299</u>	<u>1,778,299</u>
At 31 March 2003			
Depreciation			
At 1 April 2002 (as restated)	-	7,740	7,740
Charge for the period	-	8,837	8,837
	<u>-</u>	<u>16,577</u>	<u>16,577</u>
At 31 March 2003			
Net book value			
At 31 March 2003	£ 1,715,000	£ 46,722	£ 1,761,722
At 31 March 2002 (as restated)	£ 790,457	£ 6,189	£ 796,646

Included in land and buildings is freehold land at valuation of £865,000, (cost £790,457) which is not depreciated.

Cost or valuation at 31 March 2003 is as follows:

Group	Land and buildings £
At cost	1,702,512
Revaluation	12,488
At valuation: On 20 June 2003 at open market value	<u>£ 1,715,000</u>

The land and buildings were revalued on 20 June 2003 by Windsor Clive International, Chartered Surveyors on an open market existing use basis.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

Group	2003 £	Proforma as restated 2002 £
Cost	1,702,512	790,457
Accumulated depreciation	-	-
Net book value	<u>£ 1,702,512</u>	<u>£ 790,457</u>

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

11. FIXED ASSET INVESTMENTS

Group	Investments in associates £	Unlisted investments £	Land and buildings £	Total £
Cost				
At 1 April 2002 (as restated)	9,164,096	8,241	1,232,688	10,405,025
Additions	3,981,157	224,364	222,054	4,427,575
Revaluations	-	-	670,258	670,258
At 31 March 2003	<u>£13,145,253</u>	<u>£ 232,605</u>	<u>£ 2,125,000</u>	<u>£15,502,858</u>

The investment property was revalued by Windsor Clive International, a firm of Chartered Surveyors on 20 June 2003.

Company	Share in group under- takings £	Investments in associates £	Unlisted investments £	Total £
Cost				
Additions	101,102	13,145,253	224,364	13,470,719
At 31 March 2003	<u>£ 101,102</u>	<u>£13,145,253</u>	<u>£ 224,364</u>	<u>£13,470,719</u>

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

a Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Mountgrange Stud Limited	United Kingdom	100.00	Horse racing & stud farming
Mountgrange Farms & Stables Limited	United Kingdom	100.00	Management of farms & stables
Mountgrange (Kingsdown Stables) Limited	United Kingdom	100.00	Bloodstock training
Buxstat Limited	United Kingdom	59.875	Investment company
Buxstat Investments Limited	United Kingdom	59.875	Investment company

b Principal associates

Company name	Country	Percentage Shareholding	Description
Mountgrange Capital Plc	United Kingdom	44.847	Holding and management company

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

11. FIXED ASSET INVESTMENTS (continued)

Additional disclosure is given below in respect of Mountgrange Capital Plc which exceeds certain threshold under Financial Reporting Standard No.9, *Associates and Joint Ventures*:-

	Period 31 March 2003 £	Period 31 March 2002 £
Turnover	3,025,576	526,429
Profit/(loss) before taxation	1,024,797	(387,968)
Taxation	(134,900)	(88,928)
Profit/(loss) after taxation	889,897	(299,040)
Fixed assets	41,853,855	6,339,592
Current assets	6,699,104	8,118,868
Liabilities due within one year	(5,916,751)	(2,494,333)
Liabilities due after more than one year	(29,501,447)	(2,794,646)

12. STOCKS

	Group		Company	
	2003 £	<i>Proforma as restated</i> 2002 £	2003 £	2002 £
Bloodstock - Stud	1,010,319	831,169	-	-
Bloodstock - Racing	1,259,887	1,418,638	-	-
	<u>£ 2,270,206</u>	<u>£ 2,249,807</u>	<u>£ -</u>	<u>£ -</u>

The difference between purchase price of stocks and their replacement cost is not material.

13. DEBTORS

	Group		Company	
	2003 £	<i>Proforma as restated</i> 2002 £	2003 £	2002 £
Due within one year				
Trade debtors	5,991	-	-	-
Amounts owed by group undertakings	-	-	5,018,673	-
Amounts owed by undertakings in which the company has a participating interest	250,000	-	-	-
Other debtors	366,283	171,485	99,150	-
Prepayments and accrued income	13,306	12,999	-	-
	<u>£ 635,580</u>	<u>£ 184,484</u>	<u>£ 5,117,823</u>	<u>£ -</u>

Included within other debtors due within one year is a loan to M T Myers Esq, a director, amounting to £99,050 (2002 - £nil) . The maximum amount outstanding during the period was £99,050. The loan was repaid in full after the year end.

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

14. CREDITORS: Amounts falling due within one year

	Group		Company	
		<i>Proforma as restated</i>		
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	4,030,225	2,097,078	-	-
Trade creditors	96,568	75,680	-	-
Amounts owed to group undertakings	-	269,920	-	-
Corporation tax	51,572	27,781	-	-
Social security and other taxes	1,648	349	-	-
Other creditors	117,496	61,029	112,636	60,576
Accruals and deferred income	50,414	23,197	3,999	-
	<u>£ 4,347,923</u>	<u>£ 2,555,034</u>	<u>£ 116,635</u>	<u>£ 60,576</u>

Bank loans and overdrafts are secured by way of a debenture granted by Mountgrange Land Limited over Mountgrange Stud Limited and Mountgrange Farms & Stables Limited, its subsidiary undertakings.

15. SHARE CAPITAL

	2003	2002
	£	£
Authorised		
1,000 Ordinary shares of £1 each	<u>£ 1,000</u>	<u>£ -</u>
Allotted, called up and fully paid		
200 Ordinary shares of £1 each	<u>£ 200</u>	<u>£ -</u>

16. RESERVES

Group	Merger reserve £	Revaluation reserve £	Profit and loss account £
At 1 April 2002 (as restated)	-	-	11,287,076
Profit retained for the period	-	-	4,119,856
Merger reserve	99,900	-	-
Revaluation of fixed assets	-	682,746	-
At 31 March 2003	<u>£ 99,900</u>	<u>£ 682,746</u>	<u>£ 15,406,932</u>

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

16. RESERVES (continued)

	Merger reserve £	Profit and loss account £
Company		
At 1 April 2002 (as restated)	-	-
Profit retained for the period	-	5,469,114
Merger reserve	99,900	
	<u>99,900</u>	<u>5,469,114</u>
At 31 March 2003	£ 99,900	£ 5,469,114

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £	<i>Proforma as restated 2002</i> £
Group		
Profit/(loss) for the period	4,119,856	(1,705,266)
Dividends	-	(290,000)
	<u>4,119,856</u>	<u>(1,995,266)</u>
Shares issued during the period	200	-
Merger reserve	99,900	-
Other recognised gains and losses during the period	682,746	-
	<u>4,902,702</u>	<u>(1,995,266)</u>
Opening shareholders' funds	11,287,076	13,282,342
Closing shareholders' funds	<u>£ 16,189,778</u>	<u>£11,287,076</u>

	2003 £	2002 £
Company		
Profit/(loss) for the period	5,469,114	-
Shares issued during the period	200	-
Merger reserve	99,900	-
	<u>5,569,214</u>	<u>-</u>
Closing shareholders' funds	£ 5,569,214	£ -

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

The profit/(loss) for the period dealt with in the accounts of the company was £5,469,114 (2002 - £nil).

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

18. NET CASH FLOW FROM OPERATING ACTIVITIES

	Period 31 March 2003 £	<i>Proforma as restated Period 31 March 2002 £</i>
Operating loss	(1,430,744)	(1,188,098)
Amortisation of intangible fixed assets	224,526	-
Depreciation of tangible fixed assets	8,837	2,982
Increase in stocks	(20,399)	(233,816)
(Increase)/decrease in debtors	(108,062)	157,691
Increase in amounts owed by participating interests	(250,000)	-
Increase/(decrease) in creditors	25,775	(192,478)
Increase in amounts owed to group undertakings	-	195,347
NET CASH OUTFLOW FROM OPERATIONS	£ (1,550,067)	£ (1,258,372)

19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Period 31 March 2003 £	<i>Proforma as restated Period 31 March 2002 £</i>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	10,301	23,264
Interest paid	(125,047)	(22,450)
Income from investments	160,000	-
Income from investments in related companies	937,292	-
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	£ 982,546	£ 814

MOUNTGRANGE LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2003

19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)

	Period 31 March 2003 £	<i>Proforma as restated Period 31 March 2002 £</i>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(961,425)	(4,000)
Sale of tangible fixed assets	-	(790,457)
Purchase of unlisted and other investments	(222,054)	(556,855)
Sale of unlisted and other investments	-	790,457
Purchase of short term unlisted investments	-	(60,000)
Sale of short term unlisted investments	60,000	-
	<u>£ (1,123,479)</u>	<u>£ (620,855)</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	<u>£ (1,123,479)</u>	<u>£ (620,855)</u>

20. ANALYSIS OF CHANGES IN NET DEBT

	1 April 2002 £	Cash flow £	Other non-cash changes £	31 March 2003 £
Cash at bank and in hand:	329,635	239,501	-	569,136
Bank overdraft	(2,097,078)	(1,933,147)	-	(4,030,225)
NET DEBT	<u>£ (1,767,443)</u>	<u>£ (1,693,646)</u>	<u>£ -</u>	<u>£ (3,461,089)</u>

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Ultimate control of the company is held by M T Myers Esq.