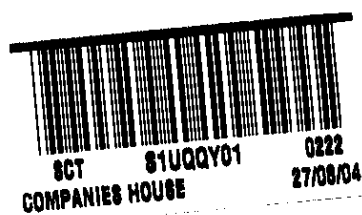


Registration number SC 164796

STONE 3 LIMITED

Abbreviated accounts

for the year ended 31 October 2003



**Independent auditors' report to STONE 3 LIMITED
under Section 247B of the Companies Act 1985**

We have examined the abbreviated accounts set out on pages 3 to 6 together with the financial statements of STONE 3 LIMITED for the year ended 31 October 2003 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985 in respect of the year ended 31 October 2003, and the abbreviated accounts on pages 3 to 6 are properly prepared in accordance with those provisions.

Other information

On 24 August 2004 we reported as auditors of STONE 3 LIMITED to the members on the financial statements prepared under Section 226 of the Companies Act 1985 for the year ended 31 October 2003 and our audit report was as follows:

' We have audited the financial statements of STONE 3 LIMITED for the year ended 31 October 2003 which comprise the profit and loss account, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

Independent auditors' report to STONE 3 LIMITED
under Section 247B of the Companies Act 1985

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the 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 Directors' Report is not consistent with the financial statements, if the company 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 is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

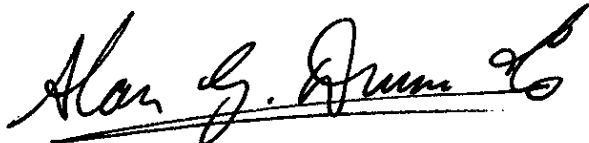
Basis of audit opinion

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 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 as at 31 October 2003 and of its profit for the year then ended and have been properly prepared in accordance with the



Alan G. Dunn & Co.
Chartered Accountants and
Registered auditors

40 St. Enoch Square,
Glasgow, G1 4DH.

24 August 2004

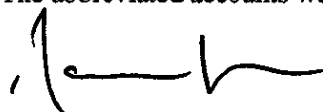
STONE 3 LIMITED

Abbreviated balance sheet as at 31 October 2003

		2003		2002	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	2		518,034		629,083
Investments	2		327,365		-
			<u>845,399</u>		<u>629,083</u>
Current assets					
Stocks		5,495		229,090	
Debtors		117,075		245,069	
Cash at bank and in hand		258,285		160,101	
		<u>380,855</u>		<u>634,260</u>	
Creditors: amounts falling due within one year		(664,813)		(754,020)	
Net current liabilities			<u>(283,958)</u>		<u>(119,760)</u>
Total assets less current liabilities			561,441		509,323
Creditors: amounts falling due after more than one year	3		(31,593)		(59,989)
Net assets			<u>529,848</u>		<u>449,334</u>
Capital and reserves					
Called up share capital	4		20,000		20,000
Profit and loss account			509,848		429,334
Shareholders' funds			<u>529,848</u>		<u>449,334</u>

The abbreviated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies .

The abbreviated accounts were approved by the Board on 24 August 2004 and signed on its behalf by



Norman W. Innes
Director

The notes on pages 4 to 6 form an integral part of these financial statements.

STONE 3 LIMITED

Notes to the abbreviated financial statements for the year ended 31 October 2003

1. Accounting policies

1.1. Accounting convention

The accounts are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land and buildings	-	4% on cost
Plant and machinery	-	25% on reducing balance
Fixtures, fittings and equipment	-	25% on reducing balance
Motor vehicles	-	25% on reducing balance

1.4. Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

1.5. Investments

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

1.6. Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.7. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives in accordance with the rules of the scheme.

1.8. Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise.

1.9. Group accounts

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts.

STONE 3 LIMITED

Notes to the abbreviated financial statements for the year ended 31 October 2003

..... continued

2. Fixed assets	Tangible fixed assets £	Investments £	Total £
Cost			
At 1 November 2002	884,199	-	884,199
Additions	15,895	327,365	343,260
Disposals	(17,977)	-	(17,977)
At 31 October 2003	882,117	327,365	1,209,482
Depreciation and			
At 1 November 2002	255,116	-	255,116
On disposals	1,824	-	1,824
Charge for year	107,143	-	107,143
At 31 October 2003	364,083	-	364,083
Net book values			
At 31 October 2003	518,034	327,365	845,399
At 31 October 2002	629,083	-	629,083

2.1. Investment details	2003 £	2002 £
Subsidiary undertaking	152,365	-

The company owns all 175,000 non voting 8.5% cumulative preference shares (redeemable 31/10/07) in Rock Res Ltd., a non trading company controlled by the chairman. On 25/11/02 it purchased a majority holding in The Barrows Centre Ltd., a company registered in Scotland. This company is undergoing reconstruction and, because of this and the fact that its business is so disparate, no consolidation has been undertaken.

3. Creditors: amounts falling due after more than one year	2003 £	2002 £
Creditors include the following:		
Instalments repayable after more than five years	17,282	18,954

STONE 3 LIMITED

Notes to the abbreviated financial statements for the year ended 31 October 2003

..... continued

4. Share capital	2003 £	2002 £
Authorised		
20,000 Ordinary shares of 1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid		
20,000 Ordinary shares of 1 each	<u>20,000</u>	<u>20,000</u>

5. Transactions with directors

The following directors had interest free loans during the year. The movements on these loans are as follows:



Norman W. Innes

Amount owing		Maximum
2003	2002	in year
£	£	£
<u>1,865</u>	<u>1,865</u>	<u>1,865</u>