

To Setstone Shareholders

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Notice of Annual General Meeting of Setstone PLC

You should have received a notice of the Setstone Annual General Meeting to approve the accounts for the year ending 31 Oct 2006 and for other business. A copy of the accounts can be downloaded from www.setstoneplc.com.

Of course it's somewhat unusual for companies to call an AGM on a day that falls within the now traditional extended Christmas holiday break. Let us hope that it was not done to discourage shareholder attendance. But I plan to attend so if you wish me to represent you as a proxy holder then I would be glad to do so.

The accounts are unremarkable apart from again containing a qualified audit report in which the auditors state "In our opinion the Company is unlikely to receive any payment [of the amount within the debtors owed by SHG] and full provision of £700,160 should have been made in the 2005 Financial Statements". The annual report simply states that "the directors are continuing to take legal advice on the options open to the Company..... however the directors expect a full recovery of the £700,160 debt". Otherwise the company seems to have minimal activities during the year.

My recommendation would be to vote against resolutions 1 (approval of the accounts) and against resolution 3 (reappointment of Mr David Hyde) on the grounds that the accounts are questionable and there seems to be little hope of recovery of the primary assets of the company, with no significant information being provided on progress in that regard.

Yours sincerely

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