

Company Registration No. 3225639

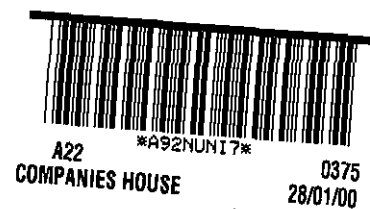
SWANSIDE PROPERTIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

15684-B-1998

Registered Office
Suite 205, Moghul House,
57 Grosvenor St.,
London.



**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1998**

The directors present their report and financial statements for the year ended 31 December 1998.

Principal activities and review of the business

The principal activity of the company continued to be that of a property company.

Results and dividends

The results for the year are set out on page 3.

Fixed assets

The significant changes in fixed assets during the year are explained in note 5 to the financial statements.

Future developments

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The directors have considered the potential risks to the company's activities arising from the date change to the Year 2000. Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain because at least some level of failure may still occur, however the Board believe that it has achieved an acceptable state of readiness and will continue to monitor the issues on a regular basis.

The company has not incurred significant costs during the consideration of this problem.

Directors

The following directors have held office since 1 January 1998:

D. Rudge	(Resigned 29 January 1999)
J Butterfield	(Resigned 1 June 1998)
F M Forrai	(Resigned 1 June 1998)
A.M Taylor	(Appointed 1 June 1998)
L.R Taylor	(Appointed 1 June 1999)
K Yates	(Appointed 29 January 1999)

The directors have no interest in the issued share capital of the company.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Matthew Edwards & Co. be reappointed as auditors of the company will be put to the Annual General Meeting.

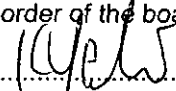
Directors' responsibilities

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

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

By order of the board


.....
K Yates (Director)

Date : 1.1 JAN 2000

MATTHEW EDWARDS & CO
CHARTERED ACCOUNTANTS

P.O. Box 227, Clinch's House, Lord Street, Douglas, Isle of Man IM99 1RZ

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**AUDITORS' REPORT
TO THE SHAREHOLDERS OF SWANSIDE PROPERTIES LIMITED**

We have audited the financial statements on pages 3 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of 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 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.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements. The financial statements have been prepared on a going concern basis, the validity of which depends upon the continued support of the ultimate beneficial shareholder. The financial statements do not include any adjustments that would result from a change to that basis. Our opinion is not qualified in this respect.

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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Matthew Edwards & Co.

Matthew Edwards & Co.
Chartered Accountants
Registered Auditor

11-01-00

Clinch's House, Lord Street
Douglas, Isle Of Man
IM99 1RZ

SWANSIDE PROPERTIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998**

		Year ended 31 December 1998 ITL'000	Period ended 31 December 1997 ITL'000
	Notes		
Administrative expenses		(167,952)	(138,798)
Operating loss	2	(167,952)	(138,798)
Other interest receivable and similar income	3	1,059	402
Loss on ordinary activities before taxation		(166,893)	(138,396)
Tax on loss on ordinary activities	4	(52,562)	-
Loss on ordinary activities after taxation	9	(219,455)	(138,396)
(Loss)/profit brought forward at 1 January 1998		(138,396)	-
Loss carried forward at 31 December 1998		(357,851)	(138,396)

All of the company's activities are derived from continuing operations.

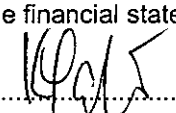
There are no recognised gains and losses other than those passing through the profit and loss account.

SWANSIDE PROPERTIES LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 1998**

		1998		1997	
	Notes	ITL'000	ITL'000	ITL'000	ITL'000
Fixed assets					
Tangible assets	5		5,760,000		5,880,000
Current assets					
Debtors	6	-		3,730	
Creditors: amounts falling due within one year	7	(115,305)		(19,580)	
Net current liabilities			(115,305)		(15,850)
Total assets less current liabilities			5,644,695		5,864,150
Capital and reserves					
Called up share capital	8		6,002,546		6,002,546
Profit and loss account	9		(357,851)		(138,396)
Shareholders' funds - equity interests	10		5,644,695		5,864,150

The financial statements were approved by the Board on **11 JAN 2000**


K Yates (Director)

SWANSIDE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on the going concern basis. This is considered appropriate as the ultimate beneficial shareholders will continue to provide financial support to the company for the foreseeable future.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company.

1.2 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% per annum.
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1.3 Foreign currency translation

The company's accounting records are maintained in Italian Lira.

Transactions in other currencies are converted at the rate ruling at the date of the transaction. Current assets and liabilities are converted at the rate of exchange ruling at the balance sheet date. Any material gains or losses resulting from the conversion are taken to the profit and loss account.

1.4 Restatement of Accounts

The figures for 1997 have been restated to reflect the change in reporting currency from Pounds Sterling to Italian Lira.

2 Operating loss

	1998 ITL'000	1997 ITL'000
Operating loss is stated after charging:		
Depreciation of tangible assets	120,000	120,000
Audit and accountancy fees	2,016	1,916
	<u> </u>	<u> </u>

3 Other interest receivable and similar income

	1998 ITL'000	1997 ITL'000
Profit on foreign exchange	1,059	402
	<u> </u>	<u> </u>
	1,059	402
	<u> </u>	<u> </u>

SWANSIDE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1998**

4	Taxation	1998 ITL'000	1997 ITL'000
	Current year taxation		
	Italian Taxation	52,562	-
		<u>52,562</u>	<u>-</u>

Due to the taxable losses incurred no provision has been made for current year UK Corporation Tax. The tax charge relates to Italian taxes payable by the companies Italian branch.

5 Tangible fixed assets

	Land and buildings Freehold ITL'000
Cost	
At 1 January 1998	-
Additions	6,000,000
	<u>6,000,000</u>
At 31 December 1998	<u>6,000,000</u>
Depreciation	
At 1 January 1998	120,000
Charge for the year	120,000
	<u>240,000</u>
At 31 December 1998	<u>240,000</u>
Net book value	
At 31 December 1998	<u>5,760,000</u>
At 31 December 1997	<u>5,880,000</u>

6	Debtors	1998 ITL'000	1997 ITL'000
	<i>Prepayments and accrued income</i>	-	3,730
		<u>-</u>	<u>3,730</u>

SWANSIDE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1998**

7 Creditors: amounts falling due within one year	1998 ITL'000	1997 ITL'000
Italian taxes payable	78,714	-
Other creditors	17,337	3,550
Accruals and deferred income	19,254	16,030
	<u>115,305</u>	<u>19,580</u>

8 Share Capital

The authorised share capital of the company comprises 10,000 ordinary £1 shares of which 1,000 have been issued (1997 - 1,000) and 6,000,000 ordinary ITL1,000 shares of all which have been issued (1997 - 6,000,000).

The ITL1,000 shares rank pari passu in all respects with the ordinary £1 shares.

9 Statement of movements on profit and loss account

	Profit and loss account ITL'000
Balance at 1 January 1998	(138,396)
Retained loss for the period	(219,455)
	<u> </u>
Balance at 31 December 1998	<u>(357,851)</u>

10 Reconciliation of movements in shareholders' funds	1998 ITL'000	1997 ITL'000
Loss for the financial year	(219,455)	(138,396)
Proceeds from issue of shares	-	6,002,546
	<u> </u>	<u> </u>
Net (depletion in)/addition to shareholders' funds	(219,455)	5,864,150
Opening shareholders' funds	5,864,150	-
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>5,644,695</u>	<u>5,864,150</u>

11 Contingent liabilities

There were no known contingent liabilities at the balance sheet date.

12 Capital commitments

There were no major capital commitments at the balance sheet date.

SWANSIDE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1998**

13 Employees

Number of employees, wages and salaries

There were no employees during the year apart from the directors. The directors received no remuneration during the year.

14 Ultimate Controlling Party and Related party transactions

The directors are not aware of the ultimate controlling party, transactions related thereto and any other related party transactions.