

SWANSIDE PROPERTIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000



15684-B-2000

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

SWANSIDE PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

The directors' present their report and financial statements for the year ended 31 December 2000.

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 4.

Directors'

The following directors' have held office since 1 January 2000:

A.M Taylor
L.R Taylor
K Yates

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.

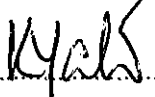
Directors' responsibilities

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 : 19 JUL 2001
.....

MATTHEW EDWARDS & CO
CHARTERED ACCOUNTANTS

P.O. Box 227, Clinch's House, Lord Street, Douglas, Isle of Man IM99 1RZ
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**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SWANSIDE PROPERTIES LIMITED**

We have audited the financial statements on pages 4 to 8 of Swanside Properties Limited for the year ended 31 December 2000 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

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 Acts 1985. We also report to you whether 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF SWANSIDE PROPERTIES LIMITED

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 2000 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

19.7.01

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

SWANSIDE PROPERTIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000**

	Notes	2000 ITL'000	1999 ITL'000
Administrative expenses		(149,258)	(145,418)
Operating loss	2	(149,258)	(145,418)
Other interest receivable and similar income	3	-	3,061
Interest payable and similar charges	4	(121)	-
Loss on ordinary activities before taxation		(149,379)	(142,357)
Tax on loss on ordinary activities	5	(13,317)	(13,317)
Loss on ordinary activities after taxation	9	(162,696)	(155,674)
Loss brought forward at 1 January 2000		(513,525)	(357,851)
Loss carried forward at 31 December 2000		(676,221)	(513,525)

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

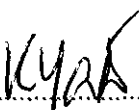
There are no recognised gains and losses other than those passing through the profit and loss account.

SWANSIDE PROPERTIES LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2000**

	Notes	2000 ITL'000	ITL'000	1999 ITL'000	ITL'000
Fixed assets					
Tangible assets	6		5,520,000		5,640,000
Creditors: amounts falling due within one year	7	(193,675)		(150,979)	
Net current liabilities			(193,675)		(150,979)
Total assets less current liabilities			5,326,325		5,489,021
Capital and reserves					
Called up share capital	8		6,002,546		6,002,546
Profit and loss account	9		(676,221)		(513,525)
Shareholders' funds - equity interests	10		5,326,325		5,489,021

The financial statements were approved by the Board on 19 JUL 2001.


.....
K Yates
Director

SWANSIDE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

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 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.

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.

2 Operating loss	2000	1999
	ITL'000	ITL'000
Operating loss is stated after charging:		
Depreciation of tangible assets	120,000	120,000
Auditor's remuneration	2,259	2,069
	<u> </u>	<u> </u>
3 Other interest receivable and similar income	2000	1999
	ITL'000	ITL'000
Profit on foreign exchange	-	3,061
	<u> </u>	<u> </u>
	-	3,061
	<u> </u>	<u> </u>
4 Interest payable and similar expenses	2000	1999
	ITL'000	ITL'000
Loss on foreign exchange	121	-
	<u> </u>	<u> </u>
	121	-
	<u> </u>	<u> </u>

SWANSIDE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000**

5 Taxation	2000	1999
	ITL'000	ITL'000
Current year taxation		
Italian Taxation	13,317	13,317
	<u>13,317</u>	<u>13,317</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.

6 Tangible fixed assets	Investment properties
	ITL'000
Cost	
At 1 January 2000 & at 31 December 2000	6,000,000
Depreciation	
At 1 January 2000	360,000
Charge for the year	120,000
At 31 December 2000	480,000
Net book value	
At 31 December 2000	5,520,000

The investment represents land and buildings in Rome, Italy.

The valuation of the property as at 5 November 1996 was carried out by Dr. Massimo Gay an architect in the City of Rome. The valuation was on an open market basis and approximates to cost.

7 Creditors: amounts falling due within one year	2000	1999
	ITL'000	ITL'000
Italian taxes payable	66,026	65,360
Other creditors	123,197	73,416
Accruals and deferred income	4,452	12,203
	<u>193,675</u>	<u>150,979</u>

8 Share Capital

The authorised share capital of the company comprises 10,000 ordinary £1 shares of which 1,000 have been issued (1999 - 1,000) and 6,000,000 ordinary ITL1,000 shares of all which have been issued (1999 - 6,000,000).

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

SWANSIDE PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2000**

9 Statement of movements on profit and loss account

	Profit and loss account ITL'000
Balance at 1 January 2000	(513,525)
Retained loss for the year	(162,696)
Balance at 31 December 2000	(676,221)

10 Reconciliation of movements in shareholders' funds

	2000 ITL'000	1999 ITL'000
Loss for the financial year	(162,696)	(155,674)
Opening shareholders' funds	5,489,021	5,644,695
Closing shareholders' funds	5,326,325	5,489,021

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.

13 Employees

Number of employees

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.

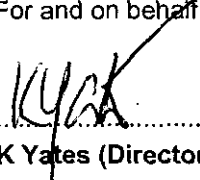
Swanside Properties Limited

Messrs Matthew Edwards & Co.
Clinch's House, Lord Street
Douglas
Isle Of Man
IM99 1RZ

Dear Sirs,

We confirm that for the year ended 31 December 2000 we are not aware of the ultimate controlling party, transactions related thereto and any other related party transactions.

For and on behalf of the board.


.....
K Yates (Director)

Date : 19 JUL 2001