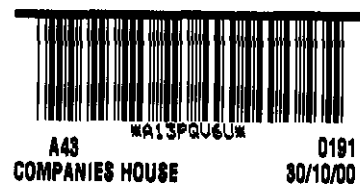


Company Registration No. 3109490

SANDHEAD HOLDING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

12918-a-1999

Registered Office
Suite 205, Moghul House
57 Grosvenor Street
Mayfair
London
W1X 9DA



SANDHEAD HOLDING LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1999**

The directors present their report and financial statements for the year ended 31 December 1999.

Principal activities and review of the business

The principal activity of the company is that of an investment company.

Results and dividends

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

Directors

The following directors have held office since 1 January 1999:

S. Hirst
W.R. Hawes
C.F. Mellegard

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



S. Hirst (Director)

Date : **07 OCT 2000**

MATTHEW EDWARDS & CO

CHARTERED ACCOUNTANTS

P.O. Box 227, Clinch's House, Lord Street, Douglas, Isle of Man IM99 1RZ
Telephone: +44 (0) 1624 663166 Facsimile: +44 (0) 1624 677108
+44 (0) 171 950 9800 +44 (0) 171 437 9509
E-mail audit@matthew-edwards.com

AUDITORS' REPORT TO THE SHAREHOLDERS OF SANDHEAD HOLDING 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 6.

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.

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 1999 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

7/10/2000

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

SANDHEAD HOLDING LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999**

	Notes	1999 £	1998 £
Administrative expenses		(3,204)	(4,156)
Operating loss	2	(3,204)	(4,156)
Other interest receivable and similar income	3	717	204
Loss on ordinary activities before taxation		(2,487)	(3,952)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	8	(2,487)	(3,952)
Loss brought forward at 1 January 1999		(10,828)	(6,876)
Loss carried forward at 31 December 1999		(13,315)	(10,828)

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

SANDHEAD HOLDING LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1999**

	1999	1998
	£	£
Loss for the financial year	(2,487)	(3,952)
Currency translation differences on foreign currency loans	48,608	50,045
Currency translation differences on foreign currency investments	(48,608)	(50,045)
Total recognised gains and losses relating to the year	<u>(2,487)</u>	<u>(3,952)</u>

SANDHEAD HOLDING LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 1999**

	Notes	1999 £	£	1998 £	£
Fixed assets					
Investments	5		360,466		409,074
Current assets					
Cash at bank and in hand		928		928	
		<u>928</u>		<u>928</u>	
Creditors: amounts falling due within one year	6	<u>(373,709)</u>		<u>(419,830)</u>	
Net current liabilities			<u>(372,781)</u>		<u>(418,902)</u>
Total assets less current liabilities			<u>(12,315)</u>		<u>(9,828)</u>
Capital and reserves					
Called up share capital	7		1,000		1,000
Profit and loss account	8		(13,315)		(10,828)
Shareholders' funds - equity interests	9		<u>(12,315)</u>		<u>(9,828)</u>

The financial statements were approved by the Board on **07 OCT 2000**


S. Huret
Director

SANDHEAD HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

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 Investments

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

1.3 Foreign currency translation

The company's accounting records are maintained in Pounds Sterling.

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 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2 Operating loss

	1999	1998
	£	£
Operating loss is stated after charging:		
Audit and accountancy fees	600	530
	<u>600</u>	<u>530</u>

3 Other interest receivable and similar income

	1999	1998
	£	£
Profit on foreign exchange	717	204
	<u>717</u>	<u>204</u>

4 Taxation

On the basis of these financial statements no provision has been made for corporation tax.

SANDHEAD HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1999**

5 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 1999	409,074
Revaluation	(48,608)
	<u>360,466</u>
At 31 December 1999	<u>360,466</u>
At 31 December 1998	<u>409,074</u>

Holdings of 20% or more

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Sanim Srl	Italy	ordinary	90

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Principal Activity	Capital and reserves	Profit/(loss) for the year
Sanim Srl	General Trader	563,484	-
		<u>563,484</u>	<u>-</u>

6 Creditors: amounts falling due within one year

	1999 £	1998 £
Other creditors	371,270	416,030
Accruals and deferred income	2,439	3,800
	<u>373,709</u>	<u>419,830</u>

7 Share Capital

The authorised share capital of the Company comprises 10000 Ordinary £1 shares of which 1000 have been issued and are fully paid up (1998 - 1000).

SANDHEAD HOLDING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1999****8 Statement of movements on profit and loss account**

	Profit and loss account £
Balance at 1 January 1999	(10,828)
Retained loss for the year	(2,487)
Currency translation differences on foreign currency investments	(48,608)
Currency translation differences on foreign currency loans	48,608
	<hr/>
Balance at 31 December 1999	(13,315)
	<hr/>

9 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Loss for the financial year	(2,487)	(3,952)
	<hr/>	<hr/>
Net depletion in shareholders' funds	(2,487)	(3,952)
Opening shareholders' funds	(9,828)	(5,876)
	<hr/>	<hr/>
Closing shareholders' funds	(12,315)	(9,828)
	<hr/>	<hr/>

10 Contingent liabilities

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

11 Capital commitments

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

12 Employees**Number of employees**

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

13 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.