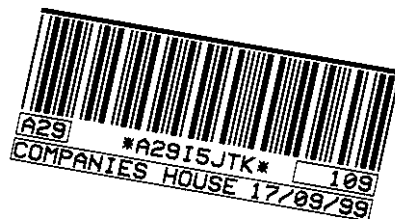


Company Registration No. 3137938

CHINSIDE ENGINEERING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

13420-B-1998

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



CHINSIDE ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1998

The directors present their report and financial statements for the year ended 30 June 1998.

Principal activities and review of the business

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

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The results for the year are set out on page 4.

Fixed assets

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

Year 2000

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 July 1997:

S. Hirst	(Appointed 31 July 1998)
L.R. Taylor	(Appointed 1 June 1998)
A.M. Taylor	(Appointed 1 June 1998)
F M Forrai	(Appointed 20 August 1997 and resigned 1 June 1998)
J Butterfield	(Appointed 20 August 1997 and resigned 1 June 1998)
A.J Weir	(Resigned 31 July 1998)
M.W. Denton	(Resigned 20 August 1997)

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

CHINSIDE ENGINEERING LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 1998**

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 : **09 JUN 1999**

MATTHEW EDWARDS & CO
C H A R T E R E D A C C O U N T A N T S

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 edwards@bentinck.com

**ACCOUNTANTS' REPORT TO THE DIRECTORS ON THE
ACCOUNTS OF CHINSIDE ENGINEERING LIMITED**

We report on the accounts for the year ended 30 June 1998.

As described on the balance sheet you are responsible for the preparation of the accounts for the year ended 30 June 1998, set out on pages 4 to 9 and you consider that the company is exempt from an audit. In accordance with your instructions, we have compiled these accounts in order to assist you to fulfil your statutory responsibilities.

Our procedures consisted of comparing the accounts with the accounting records kept by the company and making such enquiries of the officers and other officials of the company as we considered necessary for the purposes of this report.

In our opinion the accounts are in agreement with the accounting records kept by the company under section 221 of the Companies Act 1985.

Matthew Edwards & Co.

Matthew Edwards & Co.

Chartered Accountants

09-06-99

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

CHINSIDE ENGINEERING LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1998**

	Notes	1998 £	1997 £
Administrative expenses		(5,156)	(2,405)
Operating loss	2	(5,156)	(2,405)
Other interest receivable and similar income	3	-	311
Loss on ordinary activities before taxation		(5,156)	(2,094)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	9	(5,156)	(2,094)
Loss brought forward at 1 July 1997		(6,106)	(4,012)
Loss carried forward at 30 June 1998		(11,262)	(6,106)

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

CHINSIDE ENGINEERING LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 1998**

	1998	1997
	£	£
Loss for the financial year	(5,156)	(2,094)
Currency translation differences on foreign currency investments	(7,803)	-
Currency translation differences on foreign currency loans	7,803	-
Total recognised gains and losses relating to the year	(5,156)	(2,094)

CHINSIDE ENGINEERING LIMITED

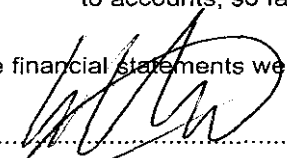
**BALANCE SHEET
AS AT 30 JUNE 1998**

	Notes	1998 £	£	1997 £	£
Fixed assets					
Investments	5		70,806		78,609
Current assets					
Debtors	6	1,125		-	
		<u>1,125</u>		<u>-</u>	
Creditors: amounts falling due within one year	7	<u>(82,193)</u>		<u>(83,715)</u>	
Net current liabilities			<u>(81,068)</u>		<u>(83,715)</u>
Total assets less current liabilities			<u>(10,262)</u>		<u>(5,106)</u>
Capital and reserves					
Called up share capital	8		1,000		1,000
Profit and loss account	9		(11,262)		(6,106)
Shareholders' funds - equity interests	10		<u>(10,262)</u>		<u>(5,106)</u>

In preparing these financial statements:

- (a) The directors are of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985;
- (b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- (c) The directors acknowledge their responsibilities for:
 - (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

The financial statements were approved by the Board on **09 JUN 1999**


.....
S. Hirst (Director)

CHINSIDE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 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 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. Monetary 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

	1998	1997
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	-	500
	<u> </u>	<u> </u>

3 Other interest receivable and similar income

	1998	1997
	£	£
Profit on foreign exchange	-	311
	<u> </u>	<u> </u>
	-	311
	<u> </u>	<u> </u>

4 Taxation

No UK corporation tax arises for the period under review as the company has made tax allowable losses.

CHINSIDE ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998**

5 Fixed asset investments

	Unlisted investments	Loans in participating interests	Total
	£	£	£
Cost			
At 1 July 1997	26,449	52,160	78,609
Additions	19,713	-	19,713
Revaluation	(6,713)	(1,090)	(7,803)
Disposals	-	(19,713)	(19,713)
At 30 June 1998	<u>39,449</u>	<u>31,357</u>	<u>70,806</u>

Holdings of more than 20%

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

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Elemol Srl	Italy	Ordinary	65

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

	Capital and reserves	Profit/(Loss) for the year
Elemol Srl	<u>61,428</u>	<u>1,381</u>

The above results are taken from the financial statements for the year ended 31 December 1997.

6 Debtors	1998	1997
	£	£
Prepayments and accrued income	<u>1,125</u>	<u>-</u>
7 Creditors: amounts falling due within one year	1998	1997
	£	£
Bank loans and overdrafts	-	17
Other creditors	74,964	82,748
Accruals and deferred income	7,229	950
	<u>82,193</u>	<u>83,715</u>

CHINSIDE ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998****8 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 (1997 - 1000).

9 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 July 1997	(6,106)
Retained loss for the year	(5,156)
Currency translation differences on foreign currency net investments	(7,803)
Currency translation differences on foreign currency loans	7,803
Balance at 30 June 1998	<u>(11,262)</u>

10 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Loss for the financial year	(5,156)	(2,094)
Net depletion in shareholders' funds	<u>(5,156)</u>	<u>(2,094)</u>
Opening shareholders' funds	(5,106)	(3,012)
Closing shareholders' funds	<u>(10,262)</u>	<u>(5,106)</u>

11 Contingent liabilities

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

12 Capital commitments

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

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.