

S. MIFSUD & SONS (UK) LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31ST OCTOBER 1998

1.

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Registered office:
40-42 Kenway Road,
London SW5 0RA

Registered in England and Wales
No. 892154

S. MIFSUD & SONS (UK) LIMITED

2.

DIRECTORS' REPORT

YEAR ENDED 31ST OCTOBER 1998

The directors present their annual report and the audited financial statements for the year ended 31st October 1998.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of provision of ground handling services. The company also carried on tour operating which ceased part way through the year.

The company passed a special resolution and changed its name to S. Mifsud & Sons (UK) Limited on 25th September 1998.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and the interests of those serving at the end of the year were as follows:

	Ordinary shares of £1 each	
	31.10.98	31.10.97
Mr. N. Mifsud	-	-
Mr. E. Magri (resigned 31.01.99)	-	-

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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

AUDITORS

Daniel Auerbach & Company, Chartered Accountants, were appointed as auditors during the year and have expressed their willingness to continue as auditors.

The directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board of directors


A. Mifsud
Secretary

24th June 1999

AUDITORS' REPORT

YEAR ENDED 31ST OCTOBER 1998

AUDITORS' REPORT TO THE MEMBERS OF S. MIFSUD & SONS (UK) LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared under the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, 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.

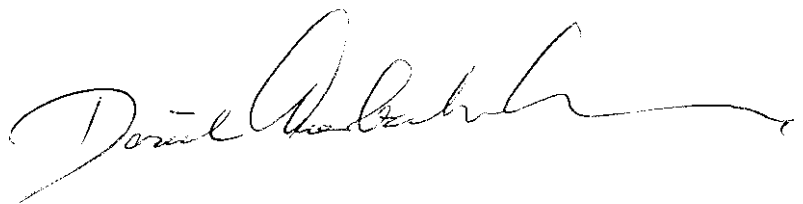
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 31st October 1998 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

9 Mansfield Street,
London W1M 9FH

24th June 1999



Daniel Auerbach & Company

Chartered Accountants and Registered Auditors

S. MIFSUD & SONS (UK) LIMITED
 PROFIT AND LOSS ACCOUNT
 YEAR ENDED 31ST OCTOBER 1998

4.

	<u>Note</u>	<u>1998</u>	<u>1997</u>
Turnover - continuing operations	2	1688272	507807
Cost of sales		(1404776)	(398213)
Gross profit		283496	109594
Administrative expenses		(159444)	(109116)
Operating profit - continuing operations	3	124052	478
Other interest receivable and similar income		<u>4865</u>	<u>2772</u>
Profit on ordinary activities before taxation		128917	3250
Tax on profit on ordinary activities	4	(40917)	(1569)
Profit for the financial year		88000	1681
Balance brought forward		<u>15747</u>	<u>14066</u>
Balance carried forward		£ 103747	£ 15747
		=====	=====

All recognised gains and losses in both the current and previous year have been included in the profit and loss account.

A separate statement of movements in shareholders' funds is not provided as there have been no movements in shareholders' funds for the current and previous year, other than the recognised gains and losses above.

The notes on pages 6 to 8 form part of these financial statements

S. MIFSUD & SONS (UK) LIMITED

5.

BALANCE SHEET

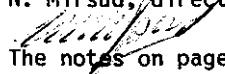
AS AT 31ST OCTOBER 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
<u>FIXED ASSETS</u>			
Tangible assets	5	90664	90488
<u>CURRENT ASSETS</u>			
Trade and other debtors	6	82552	39462
Cash in hand and at bank		<u>269695</u>	<u>105540</u>
		352247	145002
		=====	=====
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
Trade and other creditors	7	209164	89743
		=====	=====
<u>NET CURRENT ASSETS</u>		<u>143083</u>	<u>55259</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		233747	145747
<u>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u>			
	8	<u>30000</u>	<u>30000</u>
		£ 203747	£ 115747
		=====	=====
<u>CAPITAL AND RESERVES</u>			
Called up share capital	9	100000	100000
Profit and loss account		<u>103747</u>	<u>15747</u>
<u>SHAREHOLDERS' FUNDS</u>		£ 203747	£ 115747
		=====	=====

The accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

Approved by the Board of Directors on 14th
June 1999 and signed on its behalf by:

N. Mifsud, director



The notes on pages 6 to 8 form part of these financial statements

S. MIFSUD & SONS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST OCTOBER 1998

6.

1. ACCOUNTING POLICIES

- a) **Accounting convention:**
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.
- b) **Cash flow:**
The financial statements do not include a cash flow statement as the company, being a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 "Cash flow statements".
- c) **Tangible fixed assets:**
Depreciation is provided on a straight line basis to write off the cost less residual value of each asset over its expected useful life, as follows:
- | | | |
|-----------------------------------|---|-----|
| Freehold building | - | 1% |
| Furniture, fixtures and equipment | - | 15% |
| Motor vehicles | - | 20% |
- d) **Deferred taxation:**
Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise.
- e) **Foreign currencies:**
Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currency are recorded at the average monthly rates.

2. TURNOVER

Turnover comprises of invoiced value of inclusive tour and other holiday sales, ground handling operations and of net commissions from sale of ferry tickets, all exclusive of value added tax.

3. OPERATING PROFIT

	<u>1998</u>	<u>1997</u>
Operating profit is stated after charging/(crediting):		
Directors' remuneration	-	-
Depreciation	10651	11269
Audit fees	3000	1700
Difference on exchange	(38)	(48)
	=====	=====

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

UK corporation tax at 31.00% (1997 - 22.24%)	40917	1445
Adjustment to prior years' tax provisions - charge/(credit)	-	124
	£ 40917	£ 1569
	=====	=====

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S. MIFSUD & SONS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST OCTOBER 1998

7.

5. <u>TANGIBLE FIXED ASSETS</u>	Freehold land & Building	Furniture Fixtures & Equipment	Motor vehicles	Total
Cost:				
At 1st November 1997	78217	80527	22860	181604
Additions	-	10827	-	10827
At 31st October 1998	78217	91354	22860	£ 192431
	=====	=====	=====	=====
Depreciation:				
At 1st November 1997	17155	64817	9144	91116
Charge for the year	782	5297	4572	10651
At 31st October 1998	17937	70114	13716	£ 101767
	=====	=====	=====	=====
Net book value:				
At 31st October 1998	60280	21240	9144	£ 90664
	=====	=====	=====	=====
At 31st October 1997	61062	15710	13716	£ 90488
	=====	=====	=====	=====

6. <u>TRADE AND OTHER DEBTORS</u>	1998	1997
Trade debtors	78425	18940
Other debtors and prepayments	4127	2532
ACT recoverable	-	17990
	£ 82552	£ 39462
	=====	=====

7. <u>TRADE AND OTHER CREDITORS</u>	1998	1997
Trade creditors	28217	55236
Other creditors and accruals	8020	34361
Bank overdraft	150000	-
Corporation tax	22927	146
	£ 209164	£ 89743
	=====	=====

Included in other creditors is £nil (1997 - £3778) relating to deposits received in advance.

8. <u>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u>	1998	1997
Other creditor - subordinated loan	£ 30000	£ 30000
	=====	=====

The loan is from a related company. It is unsecured and interest free and is subordinated in favour of all creditors of the company.

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S. MIFSUD & SONS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST OCTOBER 1998

8.

9. CALLED UP SHARE CAPITAL

	<u>1998</u>	<u>1997</u>
Authorised, 100000 ordinary shares of £1 each	£ 100000 =====	£ 100000 =====
Allotted, called up and fully paid 100000 ordinary shares of £1 each	£ 100000 =====	£ 100000 =====

10. CONTINGENT LIABILITY

The bank has issued a guarantee of £20000 in favour of a third party. This guarantee is secured by a charge over the company's freehold property.

11. ULTIMATE HOLDING COMPANY AND RELATED PARTIES

The company's ultimate holding company is Silmar Limited, registered in Malta.

12. RELATED PARTY TRANSACTIONS

The cost of sales in the profit and loss account includes purchases from fellow subsidiary, S. Mifsud and Sons Limited, amounting to £13309 (1997 - £33775).

In addition, the company paid S. Mifsud & Sons Limited management charges amounting to £5729 (1997 - £nil) for the year.