

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
(Registered number 2514463)

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 1998



PANNELL KERR FORSTER
Chartered Accountants

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1998

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ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the company for the year ended 31 December 1998.

CHANGE OF NAME

The company changed its name by special resolution to Asticus (GMS) Limited on 17 April 1998.

RESULTS

The loss for the year after taxation amounted to £20,728 which is added to the loss carried forward. No dividend is recommended.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During 1998 the company continued with the redevelopment of its freehold property in central London with a view to subsequent future commercial letting. An Agreement for Lease for a large part of the property was signed in the year, and the tenants are due to move in during the summer of 1999.

YEAR 2000

The directors have undertaken a review of the risks and uncertainties associated with the Year 2000 issue to assess its potential impact upon the company's operations and its relationship with suppliers and customers. They are satisfied that their accounts and property management systems will not be affected by this problem.

FIXED ASSETS

Details of movements in tangible fixed assets are given in note 4 to the financial statements.

DIRECTORS

The following directors served during the year:

	<u>Appointed</u>	<u>Resigned</u>
Mr O Agri	-	31 March 1998
Mr J Svedin	-	-
Mr T H Petersson	-	31 March 1998
Mr L Oberg	-	31 March 1998
Mr U I Johansson	26 March 1998	-
Mr T A Seifert	26 March 1998	-
Mr P Banerjee	26 March 1998	-

None of the directors holding office at 31 December 1998 had any interest in the company which required to be recorded in the register maintained by the company under Section 325 of the Companies Act 1985, nor did they hold any right to subscribe for shares or debentures in the company.

AUDITORS

A resolution to reappoint the auditors, Pannell Kerr Forster, will be proposed at the annual general meeting.

ON BEHALF OF THE BOARD


P BANERJEE
Secretary

9 March 1999

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
STATEMENT OF 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.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)**

We have audited the financial statements on pages 4 to 11, which have been prepared under the accounting policies set out on page 7.

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. 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 affairs of the company 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.



PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

London

9 March 1999

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
Administrative expenses		(20,728)	(16,443)
Partial write back of provision for diminution in value	4	-	6,573,654
		<hr/>	<hr/>
Operating (loss)/profit on ordinary activities before taxation		(20,728)	6,557,211
Taxation	3	-	-
		<hr/>	<hr/>
Retained (loss)/profit for the year	10	(20,728)	6,557,211
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

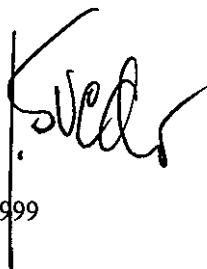
The company has no recognised gains or losses other than the result for the year shown above.

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
BALANCE SHEET
AT 31 DECEMBER 1998

	<u>Notes</u>	£	<u>1998</u>	£	£	<u>1997</u>	£
FIXED ASSETS							
Tangible asset	4		45,484,393			27,415,456	
Investment	5		2			2	
			<hr/>			<hr/>	
			45,484,395			27,415,458	
CURRENT ASSETS							
Debtors	6	345,799			8,388,612		
Cash at bank and in hand		1,227,164			272,818		
		<hr/>			<hr/>		
		1,572,963			8,661,430		
CREDITORS							
Amounts falling due within one year	7	(17,906,647)			(26,505,449)		
		<hr/>			<hr/>		
NET CURRENT LIABILITIES			(16,333,684)			(17,844,019)	
			<hr/>			<hr/>	
NET ASSETS			29,150,711			9,571,439	
			<hr/>			<hr/>	
CAPITAL AND RESERVES							
Called up share capital	8		16,800,000			16,800,000	
Capital contribution	9		19,600,000			-	
Profit and loss account	10		(7,249,289)			(7,228,561)	
			<hr/>			<hr/>	
SHAREHOLDERS' FUNDS	11		29,150,711			9,571,439	
			<hr/>			<hr/>	

J SVEDIN

9 March 1999



Director

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
Operating (loss)/profit before interest and tax		(20,728)	6,557,211
Decrease/(increase) in trade debtors		8,042,813	(3,080,830)
Increase in trade creditors		6,834	677,227
Write back of provision for diminution in value		-	(6,573,654)
		<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities		8,028,919	(2,420,046)
		<hr/> <hr/>	<hr/> <hr/>
CASHFLOW STATEMENT			
Net cash inflow/(outflow) from operating activities		8,028,919	(2,420,046)
Returns on investments and servicing of finance	11A	(802,087)	(691,772)
Capital expenditure	11A	(15,355,034)	(10,113,962)
		<hr/>	<hr/>
Cash outflow before financing		(8,128,202)	(13,225,780)
Financing	11A	9,082,550	13,320,000
		<hr/>	<hr/>
Increase in cash in the period		954,348	94,220
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow movement to movement in net debt	11B		
Increase in cash in the period		954,348	94,220
Cash outflow from reduction in debt		10,517,450	(13,320,000)
		<hr/>	<hr/>
Movement in net debt in the period		11,471,798	(13,225,780)
Net debt at 1 January 1998		(25,327,182)	(12,101,402)
		<hr/>	<hr/>
Net debt at 31 January 1998		(13,855,384)	(25,327,182)
		<hr/> <hr/>	<hr/> <hr/>

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, and in accordance with applicable accounting standards.

(b) Consolidated financial statements

The group qualifies as 'medium' within the definition of section 249 of the Companies Act 1985. Accordingly, by virtue of section 248 of the Companies Act 1985, consolidated financial statements are not presented. The company's auditors, Pannell Kerr Forster, have confirmed to the directors that the company is entitled to rely on the exemption granted by section 248. The financial statements present information about the company as an individual undertaking and not about the group as a whole.

Investments in subsidiary undertakings are stated at cost.

(c) Development property

The site on which the property is located is included at the valuation of the directors. All costs associated with the acquisition and development of development property, net of incidental receipts and including interest payable on loans taken out to finance the project are capitalised. No depreciation is to be provided prior to the completion of the development.

(d) Turnover

Turnover represents the amounts, excluding value added tax, of rent and recharges received from the tenants.

(e) Deferred taxation

Provision is made for deferred tax, using the liability method, to the extent that it is probable that a liability will crystallise in the foreseeable future.

(f) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated to sterling at the rate prevailing at the balance sheet date. Transactions in foreign currencies are converted at the rate prevailing at the date of the transaction.

(g) Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

2 OPERATING PROFIT

	<u>1998</u>	<u>1997</u>
	£	£
Operating profit is stated after charging:		
Auditors' remuneration - for audit services	7,450	7,000
- for other services	13,278	9,443
None of the directors received any emoluments from the company for their services.	<u> </u>	<u> </u>

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

3 TAXATION

No taxation charge arises on the result for the year due to the availability of tax losses. The company has estimated unutilised tax losses of approximately £5 million available for offset against future profits.

4 TANGIBLE FIXED ASSET

	Freehold development property £
Cost or valuation	
At 1 January 1998	27,415,456
Additions at cost	18,068,937
	<hr/>
At 31 December 1998	45,484,393
	<hr/> <hr/>

Prior to 30 June 1997 the property at 14/17 Great Marlborough Street was accounted for as an investment property using a directors' valuation as at December 1996 of £8.8 million on an open market basis.

From 1 July 1997 the property has been accounted for as a development property and all costs associated with the development, net of incidental receipts and including interest payable on loans taken out to finance the project, are capitalised. Upon completion it is intended to hold the property for commercial letting.

The adjoining property, at 18 Great Marlborough Street, transferred from Asticus (Marlborough) Development Limited during 1997, has been accounted for as a development property.

At 31 December 1997, based on professional advice, the directors assessed the site value of 14-18 Great Marlborough Street to be £21.6m. Accordingly, they wrote back part of the provision previously made against the value of the property in the year ended 31 December 1997.

At 31 December 1998, a professional open market valuation for accounts purposes was obtained from FPD Savills International Property Consultants for £49.1m. The valuation was carried out in accordance with the Practice Statements of the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, and was undertaken by external valuers as defined in Practice Statement 5. This has not been reflected in the financial statements.

The historical cost of the total property is £51,730,720 (1997: £33,641,055). Included in the cost are interest charges of £5,860,687 (1997: £5,138,745).

5 FIXED ASSET INVESTMENT

The fixed asset investment represents the cost of the company's holding of 100% of the issued ordinary £1 shares of Asticus (Marlborough) Limited (formerly Hufvudstaden (Marlborough) Developments Limited).

Asticus (Marlborough) Limited is registered in England and Wales. At 31 December 1998 the reserves of Asticus (Marlborough) Limited were £199,470. The company was dormant during the year.

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

6 DEBTORS	<u>1998</u>	<u>1997</u>
	£	£
Amounts falling due within one year:		
Amounts due from group undertakings	-	8,118,306
Prepayments and accrued income	350	360
Other debtors	318,949	243,446
	<hr/>	<hr/>
	319,299	8,362,112
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Other debtors	26,500	26,500
	<hr/>	<hr/>
	345,799	8,388,612
	<hr/> <hr/>	<hr/> <hr/>

7 CREDITORS	<u>1998</u>	<u>1997</u>
	£	£
Amounts falling due within one year:		
Bank loan	15,082,550	25,600,000
Amount due to related party	5,934	-
Amount due to subsidiary undertaking	199,472	199,472
Accruals and deferred income	2,618,691	705,977
	<hr/>	<hr/>
	17,906,647	26,505,449
	<hr/> <hr/>	<hr/> <hr/>

The bank loan forms part of a £37.5million facility secured on the properties at 14-18 Great Marlborough Street. The facility matures on 30 September 2000 and the current drawdowns are repayable early in 1999. They attract an interest rate of LIBOR plus a margin of 0.9424% and MLA costs of 0.0625%.

8 CALLED UP SHARE CAPITAL	<u>1998</u>	<u>1997</u>
	£	£
Authorised		
20,000,000 ordinary shares of £1 each	20,000,000	20,000,000
	<hr/>	<hr/>
Allotted, issued and fully paid		
16,800,000 ordinary shares of £1 each	16,800,000	16,800,000
	<hr/> <hr/>	<hr/> <hr/>

There has been no movement in share capital during the year.

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

9 CAPITAL CONTRIBUTION

During the year a capital contribution was received from the company's parent undertaking, Stockned BV. This contribution is not repayable and bears no interest.

10 PROFIT AND LOSS ACCOUNT

	£
At 1 January 1998	(7,228,561)
Retained loss for the year	(20,728)
	<hr/>
At 31 December 1998	(7,249,289)
	<hr/>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1998</u> £	<u>1997</u> £
Balance at 1 January 1998	9,571,439	3,014,228
Capital contribution from parent undertaking	19,600,000	-
(Loss)/profit for the financial year	(20,728)	6,557,211
	<hr/>	<hr/>
Balance at 31 December 1998	29,150,711	9,571,439
	<hr/>	<hr/>

12 NOTES TO THE CASHFLOW STATEMENT

	<u>1998</u> £	<u>1997</u> £
(A) Analysis of Cashflow for Headings Netted in the Cashflow Statement		
Returns on investment and servicing of finance		
Interest received	218,514	442,874
Interest paid	(1,020,601)	(1,134,646)
	<hr/>	<hr/>
	(802,087)	(691,772)
	<hr/>	<hr/>
Capital Expenditure		
Payments to acquire tangible fixed assets	(15,355,034)	(10,113,962)
	<hr/>	<hr/>
Financing		
Repayment of loans	(25,600,000)	(12,280,000)
New loans	15,082,550	25,600,000
Capital contribution received	19,600,000	
	<hr/>	<hr/>
	9,082,550	13,320,000
	<hr/>	<hr/>

ASTICUS (GMS) LIMITED
(Formerly Hufvudstaden International (GMS) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

Note 12 continued	At 1 January <u>1998</u> £	Cash Flows £	31 December <u>1998</u> £
(B) Analysis of changes in net debt			
Cash in hand and at bank	272,818	954,346	1,227,164
	<hr/>	<hr/>	<hr/>
Net debt within one year	(25,600,000)	10,517,450	(15,082,550)
	<hr/>	<hr/>	<hr/>
	(25,327,182)	11,471,796	(13,855,386)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
13 COMMITMENTS		<u>1998</u> £	<u>1997</u> £
As at 31 December 1998 the company had annual commitments under non-cancellable operating leases in respect of land and buildings expiring as follows:			
In more than five years		53,000	53,000
		<hr/> <hr/>	<hr/> <hr/>

14 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Stockned Holding BV, a company incorporated in the Netherlands.

Asticus AB, a company incorporated in Sweden is regarded by the directors as the ultimate parent company and ultimate controlling party, and is the parent undertaking of the only group for which group accounts are prepared.

The parent undertaking of the smallest group for which group accounts are prepared is Asticus AB, incorporated in Sweden.

Group accounts of Asticus AB are available to the public from Patent-och Registreringsverket, Bolagsavdelningen, 851 - 81 Sundsvall, Sweden.

No disclosure has been made within these financial statements of any transactions or balances with group companies by virtue of the exemptions allowed by Financial Reporting Standard No.8.