

**IMRIE STEWART PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

REGISTRAR COPY



COMPANY INFORMATION

---

**Directors** D Lloyd Davies  
Ian KI Stewart  
J Trussler (Appointed 1 January 1997)

**Secretary** D Lloyd Davies

**Company Number** 3196818

**Registered Office** Prince Consort House  
Albert Embankment  
London  
SE1 7TJ

**Auditors** Price Firman  
Prince Consort House  
Albert Embankment  
London  
SE1 7TJ

REGISTRAR COPY

**Business Address** The Coach House  
Bury Lane  
Rickmansworth  
Hertfordshire  
WD3 1DP

**Bankers** Hambros Bank (Guernsey) Limited  
PO Box 6  
Hambros House  
St Julian's Avenue  
Guernsey  
GY1 3AE  
Channel Islands

National Westminster Bank PLC  
Enfield Business Centre  
43-45 Silver Street  
Enfield  
Middlesex  
EN1 3TP

**Investment Advisers** Lloyd Davies Trustees  
Suite 2.4  
111-117 Victoria Street  
Bristol  
BS1 6AX

**Corporate Solicitors** Memery Crystal & Co  
31 Southampton Row  
London  
WC1B 5HT

CONTENTS

---

	Page
Directors' Report	1
Auditors' Report	2
Profit and Loss Account	3
Balance Sheets	4 - 5
Cash Flow Statement	6
Notes to the Financial Statements	7 - 14

REGISTRAR COPY

**DIRECTORS' REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 1997**

---

The directors present their report and financial statements for the year ended 31 December 1997.

**Principal Activities and Review of the Business**

The group's principal activities are that of building services and property development. During the year the company disposed of Chinacorp PLC.

**Directors and Directors' Interests**

The directors who served during the period were :-

Ian KI Stewart  
D Lloyd Davies  
J Trussler (Appointed 1 January 1997)

Ian KI Stewart has an interest in the whole of the issued share capital of the Company. DL Davies has no interest in the share capital of the Company.

**Profits, Reserves and Dividends**

The group's loss for the period after taxation was £555 (1996 Profit £59,371).

The directors do not recommend the payment of a dividend for the year under review.

REGISTRAR COPY

**Payment of Creditors**

It is the policy of all group companies to settle payment terms when agreeing transactions, to ensure suppliers are aware of the terms and abide by the terms of payment.

**Auditors**

The re-election of Price Firman, Chartered Accountants and Registered Auditors, will be proposed at the forthcoming 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 group and of the company and of the profit or loss of the group 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 group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



DL Davies  
Secretary

17 July 1998

**AUDITORS' REPORT  
TO THE SHAREHOLDERS OF IMRIE STEWART PLC**

---

We have audited the financial statements on pages 3 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**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, of 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 mis-statement, 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 group and the company as at 31 December 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

REGISTRAR COPY



**Price Firman**

Chartered Accountants  
**Registered Auditors**

**17 July 1998**

Prince Consort House  
Albert Embankment  
London  
SE1 7TJ

**IMRIE STEWART PLC**
**GROUP PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1997**

	Notes	1997 £	1996 £
<b>Turnover</b>			
Continuing operations	2	10,160,576	4,168,181
Deduct cost of sales		(8,886,959)	(3,706,527)
<b>Gross Profit</b>		1,273,617	461,654
Distribution costs		(100,251)	(61,389)
Administrative expenses		(1,216,073)	(339,206)
<b>Operating (Loss)/Profit</b>	3		
Continuing operations		124,504	81,010
Discontinued operations		(167,211)	(19,951)
		(42,707)	61,059
Interest receivable	5	46,919	10,812
<b>Profit on ordinary activities before taxation</b>		4,212	71,871
Taxation	6	(17,380)	(12,500)
<b>(Loss)/Profit on ordinary activities after taxation</b>		(13,168)	59,371
Attributable to minority interest		12,613	-
<b>Retained (Loss)/Profit</b>		(555)	59,371

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

GROUP BALANCE SHEET  
AS AT 31 DECEMBER 1997

	Notes	£	1997 £	1996 £
<b>Fixed Assets</b>				
Tangible assets	7		78,125	87,544
<b>Current Assets</b>				
Stocks and work in progress	9	1,123,102		1,106,189
Debtors - due within one year	10	3,499,838		2,050,978
Cash at bank and in hand		692,295		1,411,403
		<u>5,315,235</u>		<u>4,568,570</u>
<b>Creditors</b>				
Amounts falling due within one year	11	(3,421,910)		(2,562,625)
<b>Net Current Assets</b>			<u>1,893,325</u>	<u>2,005,945</u>
<b>Total Assets Less Current Liabilities</b>			<u>1,971,450</u>	<u>2,093,489</u>
<b>Creditors</b>				
Amounts falling due after more than one year	11		(1,590,266)	(1,711,750)
			<u>381,184</u>	<u>381,739</u>
			=====	=====
<b>Capital and Reserves</b>				
Called up share capital	12		260,000	260,000
Profit and loss account	13		58,816	59,371
Other reserve	13		62,368	62,368
			<u>381,384</u>	<u>381,739</u>
<b>Shareholders' Funds</b> (including non-equity interests)			=====	=====

The financial statements were approved by the Board on 17 July 1998.

Ian KI Stewart  
Director

**IMRIE STEWART PLC**

**BALANCE SHEET  
AS AT 31 DECEMBER 1997**

	Notes	£	1997 £	£	1996 £
<b>Fixed Assets</b>					
Investments	8		571,850		871,850
<b>Current Assets</b>					
Debtors - due within one year	10	23,279		-	
Cash		39,696		-	
		<u>62,975</u>		-	
<b>Creditors</b>					
Amounts falling due within one year	11	(41,157)		-	
<b>Net Current Assets</b>			21,818		-
<b>Total Assets less Current Liabilities</b>			593,668		871,850
<b>Creditors</b>					
Amounts falling due after more than one year	11		(475,366)		(611,850)
			<u>118,302</u>		<u>260,000</u>
			=====		=====
<b>Capital and Reserves</b>					
Called up share capital	12		260,000		260,000
Profit and Loss Account	13		(141,698)		-
<b>Shareholders Funds</b> (including non-equity interest)			<u>118,302</u>		<u>260,000</u>
			=====		=====

The profit and loss account of the company is not presented in accordance with the provisions of Section 230 Companies Act 1985. The company made a loss of £141,698 during the year (1996 £Nil).

*Ian K. Stewart*  
X  
**Ian K. Stewart**  
**Director**



**GROUP CASHFLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 1997**

	Notes	£	1997 £	£	1996 £
<b>Net cash outflow from operating activities</b>	<b>16.1</b>		(521,840)		(790,637)
<b>Returns on investments and servicing of finance</b>					
Interest received			46,919		10,812
<b>Investing Activities</b>					
Purchase of tangible fixed assets			(32,945)		(13,197)
Receipts from sales of tangible fixed assets			1,800		-
Net cash (outflow)/inflow on disposals or purchases of subsidiary undertakings	<b>16.3</b>		(91,549)		232,675
Net cash inflow from investing activities			(122,703)		219,478
Net cash inflow before financing			(597,624)		(560,347)
<b>Financing</b>					
Issue of share capital			-		260,000
(Decrease)/increase in long term creditors			(121,484)		1,711,750
Net cash outflow from financing			(121,484)		1,971,750
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>16.4</b>		(719,108)		1,411,403

REGISTRAR COPY

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1997**

---

**1. Accounting Policies**

The financial statements have been prepared in accordance with applicable accounting standards.

**1.1 Accounting convention**

The financial statements have been prepared under the historical cost convention.

**1.2 Consolidation**

The group financial statements include the financial statements of the company and its subsidiary undertakings. They include the results of subsidiaries acquired during the year from the dates of acquisition and those disposed of up to the dates of disposal. Any excess of the fair value of the net assets acquired over the cost of acquisition is taken to Other Reserves.

**1.3 Turnover**

Turnover represents the amounts receivable for goods and or services, net of returns, allowances and value added tax. On long term contracts an appropriate proportion of total contract value is included in turnover according to the progress of each individual contract.

**1.4 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 the estimated residual value of each asset over its expected useful life, as follows :-

REGISTRAR COPY

Depreciation has been charged in these financial statements at the following rates :-

Leasehold improvements	10% of the aggregate cost
Motor vehicles	25% of the aggregate cost
Fixtures, fittings and equipment	20% - 33% of the aggregate cost

**1.5 Fixed asset investments**

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

**1.6 Stocks and long term contracts**

Stocks are valued at the lower of cost and net realisable value.

Long term contract balances are stated at net cost less foreseeable losses and payments on account on a contract by contract basis.

When cumulative turnover exceeds total payments on account, the balance is included in debtors as amounts recoverable on contracts. When total payments on account exceed cumulative turnover, the balance is offset against long term contract balances and any excess is disclosed separately in creditors.

**1.7 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Any differences are taken to profit and loss account.

**1.8 Deferred taxation**

Deferred tax is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

**1.9 Pensions**

The pension costs charged in the financial statements represent the contributions payable during the year in accordance with SSAP 24.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1997**

**2. Turnover**

The turnover of the group for the year has been derived from building services wholly undertaken in the United Kingdom.

**3. Operating Profit**

	1997	1996
	£	£
Operating profit is stated after charging :		
Depreciation on tangible assets	40,626	15,000
Auditors' remuneration - Audit	13,000	4,698
- Non audit	4,250	3,825
Hire of motor vehicles and equipment	147,008	51,970
	=====	=====

**4. Staff Costs and Directors' Remuneration**

	1997	1996
	£	£
<b>1.4 Staff costs comprise :</b>		
Salaries and wages	979,269	314,475
Social security costs	97,264	31,543
Other pension costs	47,016	12,461
	=====	=====
	1,123,549	358,479

REGISTRAR COPY

Average number of employees - building services	53	33
- property development	3	-
- holding company	1	-
	==	==
	57	33
	==	==

Pension costs represent amounts payable through a defined contribution scheme, whereby contributions are paid into employees' own personal pension plans.

<b>4.2 Emoluments of Directors' Comprise :</b>	1997	1996
	£	£
Remuneration	20,000	-
	=====	=====
Amounts paid to highest paid director	20,000	-
	=====	=====

**5. Interest Receivable**

	1997	1996
	£	£
Other interest receivable	46,919	10,812
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1997**

<b>6. Taxation</b>			<b>1997</b>	<b>1996</b>
			£	£
United Kingdom corporation tax at 31% (1996 33%)			17,380	12,500
			=====	=====
<b>7. Tangible Fixed Assets</b>				
	<b>Leasehold Improvements</b>	<b>Fixtures Fittings and Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>Cost</b>	£	£	£	£
At 31 December 1996	-	167,144	4,150	171,294
Additions	10,744	22,201	-	32,945
Disposals	-	-	(4,150)	(4,150)
	=====	=====	=====	=====
At 31 December 1997	10,744	189,345	-	200,089
	=====	=====	=====	=====
<b>Depreciation</b>				
At 31 December 1996	-	82,191	1,559	83,750
Charge for the period	1,074	38,699	853	40,626
Disposals	-	-	(2,412)	(2,412)
	=====	=====	=====	=====
At 31 December 1997	1,074	120,890	-	121,964
	=====	=====	=====	=====
<b>Net Book Value</b>				
At 31 December 1997	9,670	68,455	-	78,125
	=====	=====	=====	=====
At 31 December 1996	-	84,953	2,591	87,544
	=====	=====	=====	=====
<b>8. Fixed Asset Investments Company</b>				
				£
Shares in subsidiary undertakings (unlisted)				871,850
At 31 December 1996				(300,000)
Disposals				=====
At 31 December 1997				571,850
				=====
Shares in subsidiary undertakings include :				
<b>Company</b>	<b>Principal Activity</b>	<b>Class of Shares</b>	<b>Proportion Held</b>	
Maxwell Stewart PLC	Building Services	Ordinary Redeemable Preference	100%	
Stewart (I.O.W.) Developments Limited	Property Development	Ordinary	100%	
All companies are registered in England and Wales.				
During the year the company disposed of Chinacorp PLC.				

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1997**

<b>9.</b>	<b>Stock and Work-in-Progress</b>	<b>1997</b>	
	<b>Group</b>	<b>£</b>	<b>£</b>
	Trading properties	1,120,022	1,100,000
	Work-in-Progress	3,080	6,189
		<hr/>	<hr/>
		1,123,102	1,106,189
		<hr/>	<hr/>
<b>10.</b>	<b>Debtors</b>	<b>1997</b>	<b>1996</b>
	<b>Due within one year</b>		
	<b>Group</b>	<b>£</b>	<b>£</b>
	Trade debtors	1,356,355	1,256,388
	Amounts recoverable on contracts	2,091,747	755,673
	Other debtors	18,493	6,566
	Prepayments and accrued income	33,243	32,351
		<hr/>	<hr/>
		3,499,838	2,050,978
		<hr/>	<hr/>
	<b>Company</b>		
	Amounts owed by group undertakings	19,662	-
	Other debtors	3,617	-
		<hr/>	<hr/>
		23,279	-
		<hr/>	<hr/>
<b>11.</b>	<b>Creditors</b>	<b>1997</b>	<b>1996</b>
	<b>Group</b>	<b>£</b>	<b>£</b>
	<b>Amounts falling due within one year</b>		
	Trade creditors	1,496,532	1,390,328
	Bills payable	-	93,000
	Taxation	73,140	30,000
	Other taxes and social security	100,373	131,325
	Accruals	1,460,309	917,972
	Other creditors	251,899	-
	Amounts owed by group undertakings	39,657	-
		<hr/>	<hr/>
		3,421,910	2,562,625
		<hr/>	<hr/>
	<b>Amounts due after more than one year :</b>		
	Amounts due to group undertakings	1,590,266	1,711,750
		<hr/>	<hr/>

Amounts due after more than one year are repayable after more than five years.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1997

## 11. Creditors (continued)

	1997 £	1996 £
<b>Company</b>		
<b>Amounts falling due within one year :</b>		
Amounts due to group undertakings	39,657	-
Accruals	1,500	-
	<u>41,157</u>	<u>-</u>
<b>Amounts due after more than one year :</b>		
Amounts due to group undertakings	475,366	611,850
	<u>475,366</u>	<u>611,850</u>

Amounts due after more than one year are repayable after more than five years.

## 12. Share Capital

	1997 £	1996 £
<b>Authorised Share Capital :</b>		
Ordinary shares of £1 each (non-voting)	50,000	50,000
Preferred ordinary shares of £1 each (voting)	10,000	10,000
Redeemable preference shares of £1 each	200,000	200,000
	<u>260,000</u>	<u>260,000</u>
	<u>260,000</u>	<u>260,000</u>
<b>Allotted and Fully Paid :</b>		
Ordinary shares of £1 each	50,000	50,000
Preferred ordinary shares of £1 each	10,000	10,000
Redeemable preference shares of £1 each	200,000	200,000
	<u>260,000</u>	<u>260,000</u>
	<u>260,000</u>	<u>260,000</u>

REGISTRAR COPY

## 13. Movement on Reserves

	Profit and Loss Account £	Other Reserve £
<b>Group</b>		
At 31 December 1996	59,371	62,368
(Loss) for the year	(555)	-
	<u>58,816</u>	<u>62,368</u>
At 31 December 1997	<u>58,816</u>	<u>62,368</u>
<b>Company</b>		
At 31 December 1996	-	-
Loss for the year	(141,698)	-
	<u>(141,698)</u>	<u>-</u>
At 31 December 1997	<u>(141,698)</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1997**

<b>14. Reconciliation of Shareholders Funds</b>	<b>Group £</b>	<b>Company £</b>
At 31 December 1996	381,739	260,000
(Loss) for the year	(555)	(141,698)
	<u>381,184</u>	<u>118,302</u>
	=====	=====

**Analysis of Shareholders' Funds :**

	<b>Group £</b>	<b>Company £</b>
Equity interest	181,184	-
Non-equity interest	200,000	118,302
	<u>507,252</u>	<u>118,302</u>
	=====	=====

Non-equity interest comprises redeemable preference shares which have no rights to dividends and no voting rights and are redeemable at par on or after 1 January 2002, at the company's option. On a winding up or other capital reduction and after payment of liabilities, holders of preferred ordinary shares will be paid at par in priority to holders of redeemable preference shares who will be paid in priority to holders of ordinary shares.

REGISTRAR COPY
----------------

**15. Segmental Analysis**

<b>15.1 Net assets comprise</b>	<b>1997 £</b>	<b>1996 £</b>
Building services	835,893	712,092
Property development	(1,161)	281,497
Medium term funding	(453,548)	(611,850)
	<u>381,184</u>	<u>381,739</u>
	=====	=====
<b>15.2 Profit/(Loss) before tax comprises :</b>		
Building services	202,916	90,474
Property development	(159,662)	(18,603)
Other	(39,042)	-
	<u>4,212</u>	<u>71,871</u>
	=====	=====

**15.3 The effect of discontinued activities on the profit and loss account is :**

	<b>Continuing £</b>	<b>Discontinued £</b>	<b>1997 Total £</b>	<b>Continuing £</b>	<b>Discontinued £</b>	<b>1996 Total £</b>
Cost of sales	8,873,722	-	8,873,722	3,706,527	-	3,706,527
Distribution costs	100,251	-	100,251	61,389	-	61,389
Administrative expenses	1,038,687	153,974	1,192,661	319,255	19,951	339,206
Interest receivable	38,109	8,810	46,919	9,464	1,348	10,812

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1997

16. Notes to Cashflow Statement

16.1 Reconciliation of operating profit to net cash inflow from operating activities :

	1997	1996
	£	£
Operating (loss)/profit	(555)	61,059
Depreciation charge	40,626	15,000
Profit on sale of fixed assets	(62)	-
Increase in stock and work-in-progress	(16,913)	(1,097,947)
Increase in debtors	(1,448,860)	115,005
Increase in creditors	816,145	178,614
Amount of acquired net assets in excess of consideration		(62,368)
Net cash outflow from continuing operations	(609,619)	(790,637)
Net cash inflow from discounted operations	87,779	-
	(521,840)	(790,637)
	=====	=====

16.2 Sale of Subsidiary Undertakings :

Net assets disposed of	£
Fixed assets	51,042
Stocks	4,111,284
Debtors	127,806
Cash at bank	699,142
Creditors	(4,815,404)
Due from minority interest	12,513
	186,383
	=====
Satisfied by cash	186,383
	=====

REGISTRAR COPY

The subsidiary undertakings disposed of during the year contributed £8,810 to returns on investments and utilised £51,042 in investing activities.

16.3 Analysis of Net Cashflow in respect of sale or purchase of subsidiary undertakings :

	1997	1996
	£	£
Cash consideration received/(paid)	186,384	(871,850)
Cash (disposed)/acquired	(277,933)	1,704,752
	(91,549)	232,675
	=====	=====



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1997**

**16.4 Changes in Cash and Cash Equivalents :**

**Cash at Bank**

Balance at 31 December 1996

Net cash outflow

£  
1,411,403  
(719,108)

Balance at 31 December 1997

692,295  
=====

**17. Contingent Liabilities**

One of the subsidiary undertakings has provided performance bonds at 31 December 1997 in the aggregate amount of £571,344 (1996 £415,358) in respect of contracts in the course of completion.

**18. Commitments under Operating Leases :**

The group has annual commitments under non-cancellable operating leases :

		<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>
Expiring within one year		39,466	37,594
Expiring between two and five years	REGISTRAR COPY	113,222	77,094
		<u>152,688</u>	<u>114,688</u>
		=====	=====

**19. Ultimate Holding Company**

The ultimate holding company is Faversham Holdings Limited, which is registered in Jersey, Channel Islands.