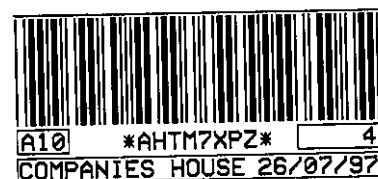


IMRIE STEWART PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996

REGISTRAR COPY



COMPANY INFORMATION

Directors	D Lloyd Davies Ian KI Stewart Marriotts Limited J Trussler	(Appointed 3 May 1996) (Appointed 3 May 1996) (Appointed and Resigned 3 May 1996) (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 - 13

REGISTRAR COPY

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 1996**

The Directors present their report and financial statements for the period ended 31 December 1996.

Principal Activities and Review of the Business

The company was incorporated on 3 May 1996 (as Warmstart PLC).

The Group's principal activities are that of building services and property development. During the year the company acquired Maxwell Stewart PLC, Chinacorp PLC and Stewart (I.O.W.) Developments Limited.

Directors and Directors' Interests

The directors who served during the period were :-

Ian KI Stewart	(Appointed 3 May 1996)
D Lloyd Davies	(Appointed 3 May 1996)
Marriotts Limited	(Appointed and Resigned 3 May 1996)

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. Mr J Trussler was appointed a director on 1 January 1997. In accordance with the Articles of Association Messrs DL Davies, Ian KI Stewart and J Trussler retire and being eligible, offer themselves for re-election.

Profits, Reserves and Dividends

The Group's profit for the period after taxation was £59,371.

The Directors do not recommend the payment of a dividend for the period under review.

Payment of Creditors

REGISTRAR COPY

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 judgments 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 1997

**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 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.

REGISTRAR COPY

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 1996 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Firman

Chartered Accountants
Registered Auditors

17 July 1997

Prince Consort House
Albert Embankment
London
SE1 7TJ

IMRIE STEWART PLC

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 1996**

	Notes	£
Turnover		
From acquisitions	2	4,168,181
Deduct cost of sales		(3,706,527)
Gross Profit		461,654
Distribution costs		(61,389)
Administrative expenses		(339,206)
Operating Profit from acquisitions	3	61,059
Interest receivable	5	10,812
Profit on ordinary activities before taxation		71,871
Taxation	6	(12,500)
Profit on ordinary activities after taxation		59,371

REGISTRAR COPY

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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

IMRIE STEWART PLC

**GROUP BALANCE SHEET
AS AT 31 DECEMBER 1996**

	Notes	£	£
Fixed Assets			
Tangible assets	7		87,544
Current Assets			
Stocks and work in progress	9	1,106,189	
Debtors - due within one year	10	2,050,978	
Cash at bank and in hand		1,411,403	
		<hr/>	
		4,568,570	
Creditors			
Amounts falling due within one year	11	(2,562,625)	
		<hr/>	
Net Current Assets			2,005,945
			<hr/>
Total Assets Less Current Liabilities			2,093,489
			<hr/>
Creditors			
Amounts falling due after more than one year	11		(1,711,750)
			<hr/>
			381,739
			<hr/>
Capital and Reserves			
Called up share capital	12		260,000
Profit and loss account	13		59,371
Other reserve	13		62,368
			<hr/>
Shareholders' Funds (including non-equity interests)			381,739
			<hr/>

REGISTRAR COPY

The financial statements were approved by the Board on 17 July 1997

Ian K. Stewart X I K I S

Ian K I Stewart
Director

IMRIE STEWART PLC**BALANCE SHEET
AS AT 31 DECEMBER 1996**

	Notes	£
Fixed Assets		
Investments	8	871,850
Creditors		
Amounts falling due after more than one year	11	(611,850)
		<hr/>
Total assets less current liabilities		260,000
		=====
Capital and Reserves		
Called up share capital (including non-equity interests)	12	260,000
		=====

REGISTRAR COPY

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 no profit or loss during the period.

X Ian K. Stewart *X I.K.S*

Ian KI Stewart
Director

IMRIE STEWART PLC

**GROUP CASHFLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 1996**

	Notes	£	
Net cash outflow from operating activities	16.1		(790,637)
Returns on investments and servicing of finance			
Interest received			10,812
Investing Activities			
Purchase of tangible fixed assets		(13,197)	
Net cash acquired on purchase of subsidiary undertakings	16.3	232,675	
Net cash inflow from investing activities			219,478
Net cash inflow before financing			(560,347)
Financing			
Issue of share capital		260,000	
Increase in long term creditors		1,711,750	
Net cash inflow from financing			1,971,750
Increase in cash and cash equivalents	16.4		1,411,403

REGISTRAR COPY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996**

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 period from the dates of acquisition. Any excess of the fair value of the net assets acquired over the cost of acquisition is taken to other reserves.

1.3 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 :-

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

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

1.4 Fixed asset investments

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

1.5 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.

1.6 Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the middle market rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Any differences are taken to the profit and loss account.

1.7 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.

1.8 Deferred Tax

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996**

1.9 Pensions

The pension costs charged in the financial statements represent the contributions payable during the year in accordance with Statement of Standard Accounting Practice Number 24 'Accounting for Pension Costs'.

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

Operating profit is stated after charging :

	£
Depreciation on tangible assets	15,000
Auditors' remuneration	4,698
Hire of motor vehicles and equipment	51,970
	=====

4. Staff Costs

Staff costs comprise :

	£
Salaries and wages	314,475
Social security costs	31,543
Other pension costs	12,461
	=====
	358,479
	=====

REGISTRAR COPY

Average number of employees - building services 33

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

The directors of the company received no remuneration during the period.

5. Interest Receivable

	£
Other interest receivable	10,812
	=====

6. Taxation

	£
United Kingdom corporation tax at 33%	12,500
	=====

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996**

7. Tangible Fixed Assets

	Fixtures Fittings and Equipment £	Motor Vehicles £	Total £
Cost			
At 3 May 1996			
On acquisition of subsidiary undertaking	153,947	4,150	158,097
Additions	13,197	-	13,197
	<hr/>	<hr/>	<hr/>
At 31 December 1996	167,144	4,150	171,294
	=====	=====	=====
Depreciation			
At 3 May 1996			
On acquisition of subsidiary undertaking	67,909	841	68,750
Charge for the period	14,282	718	15,000
	<hr/>	<hr/>	<hr/>
At 31 December 1996	82,191	1,559	83,750
	=====	=====	=====
NVB at 31 December 1996	84,953	2,591	87,544
	=====	=====	=====

REGISTRAR COPY

8. Investments

Company	£
Shares in subsidiary undertakings (unlisted)	
At 31 May 1996	-
Additions	871,850
	<hr/>
At 31 December 1996	871,850
	=====

Shares in subsidiary undertakings include :

Company	Principal Activity	Class of Shares	Proportion Held
Maxwell Stewart PLC	Building Services	Ordinary Redeemable Preference	100%
Chinacorp PLC	Property Development	Ordinary	100%
Stewart (I.O.W.) Developments Limited	Property Development	Ordinary	100%

All companies are registered in England and Wales.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996**

8. Investments (continued)

The results of Maxwell Stewart PLC, which was acquired during the year, for the financial year ended 31 December 1996 were :

	£
Turnover	10,002,835
Operating profit	194,408
Profit before taxation	217,121
Profit after taxation for year (1995 Loss £116,723)	187,121
Profit after taxation to date of acquisition	109,147

Maxwell Stewart PLC was purchased from Flightline Holdings PLC, a company in which Ian KI Stewart has an interest at market value.

**9. Stock and Work-in-Progress
Group**

	£
Trading properties	1,100,000
Work-in-Progress	6,189

REGISTRAR COPY

1,106,189

The trading property was purchased from Faversham Investments Limited, a company in which Ian KI Stewart has an interest, on the basis of independent open market valuation.

10. Debtors

	£
Group	
Due within one year	
Trade debtors	1,256,388
Amounts recoverable on contracts	755,673
Other debtors	6,566
Prepayments and accrued income	32,351

2,050,978

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996**

11. Creditors	
Group	£
Due within one year	
Trade creditors	1,390,328
Bills payable	93,000
Taxation	30,000
Other taxes and social security	131,325
Accruals	917,972
	<hr/>
	2,562,625
	<hr/>
Due after more than one year :	
Amounts due to parent undertaking	1,711,750
	<hr/>
Company	
Due after more than one year :	
Amounts due to parent undertaking	611,850
	<hr/>

The parent undertaking is controlled by Ian KI Stewart. balances, which are repayable after more than five years.

No interest is charged on the outstanding

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

All the share capital was allotted during the year, at par for cash, in order to fund the acquisition of investments.

13. Movement on Reserves	Profit and Loss Account	Other Reserve
Group	£	£
At 3 May 1996		
Arising on consolidation of acquired subsidiary undertaking	-	62,368
Profit for the period	59,371	-
	<hr/>	<hr/>
At 31 December 1996	59,371	62,368
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996**

14. Reconciliation of Shareholders Funds	Group £	Company £
At 3 May 1996	-	-
Proceeds of issue of shares	260,000	260,000
Arising on consolidation of acquired subsidiary undertaking	62,368	-
Profit for the period	59,371	-
	<hr/>	<hr/>
	381,739	260,000
	=====	=====
Analysis of Shareholders' Funds :		
Group		
Equity interest	181,739	
Non-equity interest	200,000	
	<hr/>	
	381,739	
	=====	
Company		
Equity interest	60,000	
Non-equity interest	200,000	
	<hr/>	
	260,000	
	=====	

REGISTRAR COPY

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.

15. Net Assets	
Net assets comprise :	£
Building services	712,092
Property development	281,497
Medium term funding	(611,850)
	<hr/>
	381,739
	=====
16. Notes to Cashflow Statement	
16.1 Reconciliation of operating profit to net cash inflow from operating activities :	£
Operating profit	61,059
Depreciation charge	15,000
Increase in stock and work-in-progress	(1,097,947)
Decrease in debtors	115,005
Increase in creditors	178,614
Amount of acquired net assets in excess of consideration	(62,368)
	<hr/>
Net cash outflow from operating activities	(790,637)
	=====

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996**

16.2 Purchase of Subsidiary Undertakings :

Net assets acquired	£
Tangible fixed assets	89,347
Work-in-progress	8,424
Debtors	2,166,083
Cash at bank	1,104,525
Creditors	(2,434,161)
	<hr/>
	934,218
Less acquired net assets in excess of consideration	(62,368)
	<hr/>
	871,850
	=====
Satisfied by cash	871,850
	=====

The subsidiary undertakings acquired during the year utilised £(790,637) to net operating cash outflow or contributed £10,812 to returns on investments and utilised £13,197 in investing activities.

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

	£
Cash consideration	(871,850)
Cash acquired	1,104,525
	<hr/>
	232,675
	=====

REGISTRAR COPY

16.4 Changes in Cash and Cash Equivalents :

Cash at Bank	£
Balance at 3 May 1996	-
Net cash inflow	1,411,403
	<hr/>
Balance at 31 December 1996	1,411,403
	=====

17. Contingent Liabilities

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

18. Ultimate Holding Company

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