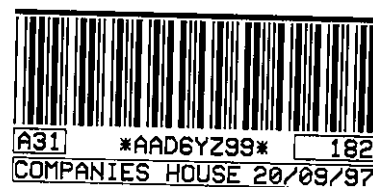


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REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1996
FOR
HEATLY AND GRESHAM LIMITED



HEATLY AND GRESHAM LIMITED

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FOR THE YEAR ENDED 31ST DECEMBER 1996

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HEATLY AND GRESHAM LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 1996

DIRECTORS: G T VERGHESE
R J ADVANI
T L VERGHESE
MRS S JOHN

SECRETARY: MR T L VERGHESE

REGISTERED OFFICE: SUITE 28
4TH FLOOR, MORLEY HOUSE
320 REGENT STREET
LONDON
W1R 5AA

REGISTERED NUMBER: 37554 (England and Wales)

AUDITORS: HAMSUN & HOGATE
CHARTERED ACCOUNTANTS
& REGISTERED AUDITORS
UNIT 2, BRAMBER COURT
3 BRAMBER ROAD
WEST KENSINGTON
LONDON W14 9PA

HEATLY AND GRESHAM LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
HEATLY AND GRESHAM LIMITED

We have audited the financial statements on pages four to ten which have been prepared under the historical cost convention and the accounting policies set out on page six.

Respective responsibilities of directors and auditors

As described on page two 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.

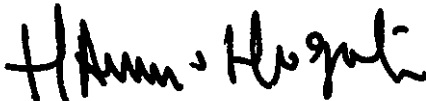
Basis of opinion

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 judgments 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 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



HAMSUN & HOGATE
CHARTERED ACCOUNTANTS
& REGISTERED AUDITORS
UNIT 2, BRAMBER COURT
3 BRAMBER ROAD
WEST KENSINGTON
LONDON W14 9PA

Dated: 18th September 1997

HEATLY AND GRESHAM LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 1996

The directors present their report with the financial statements of the company for the year ended 31st December 1996.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of International Traders, Exporters and Importers and Commission Agents.

DIRECTORS

The directors during the year under review were:

G T VERGHESE
R J ADVANI
T L VERGHESE
MRS S JOHN

The directors holding office at 31st December 1996 did not hold any beneficial interest in the issued share capital of the company at 1st January 1996 or 31st December 1996.

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 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 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

The auditors, HAMSUN & HOGATE, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

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

ON BEHALF OF THE BOARD:



MR T L VERGHESE - SECRETARY

Dated: 18.9.97.

HEATLY AND GRESHAM LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1996

		<u>1996</u>		<u>1995</u>	
	Notes	£	£	£	£
TURNOVER	2		526,933		221,631
Cost of sales			451,855		153,492
GROSS PROFIT			75,078		68,139
Administrative expenses			60,479		71,037
OPERATING PROFIT/(LOSS)	3		14,599		(2,898)
Income from investments		2,778		1,759	
Interest receivable and similar income	4	484		569	
			3,262		2,328
			17,861		(570)
Interest payable and similar charges			87		4,215
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			17,774		(4,785)
Tax on profit/(loss) on ordinary activities			3,317		210
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION			14,457		(4,995)
(Deficit)/Retained profit brought forward			(353)		4,642
RETAINED PROFIT/(DEFICIT) CARRIED FORWARD			£14,104		£(353)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year.

HEATLY AND GRESHAM LIMITED

BALANCE SHEET 31ST DECEMBER 1996

		1996		1995	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		1,494		34
CURRENT ASSETS:					
Debtors	8	269,452		3,185	
Investments	9	22,757		22,757	
Cash at bank and in hand		10,243		20,963	
		<u>302,452</u>		<u>46,905</u>	
CREDITORS: Amounts falling due within one year	10	<u>264,171</u>		<u>21,621</u>	
NET CURRENT ASSETS:			<u>38,281</u>		<u>25,284</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>39,775</u>		<u>25,318</u>
CREDITORS: Amounts falling due after more than one year	11		<u>18,171</u>		<u>18,171</u>
			<u>£21,604</u>		<u>£7,147</u>
CAPITAL AND RESERVES:					
Called up share capital	13		7,500		7,500
Profit and loss account			14,104		(353)
Shareholders' funds	15		<u>£21,604</u>		<u>£7,147</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:


G T VERGHESE - DIRECTOR

Approved by the Board on 18.9.97

HEATLY AND GRESHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1996

1. ACCOUNTING POLICIES

Accounting convention

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

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 20% on cost
Computer equipment	- 25% on cost

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension Scheme

The company has a defined contribution pension scheme for the director. The scheme is administered by an independent pension company. The payments due in this respect are charged to the profit and loss account when paid. The charge in the year to the profit and loss account amounted to £1500.00 (1995 £1500.00). The level of contribution is negotiated between the company and the director annually.

2. TURNOVER

The turnover and profit (1995 - loss) before taxation are attributable to the principal activities of the company.

3. STAFF COSTS

Staff costs include the following:

	1996	1995
	£	£
Pension costs (other than social security costs)	1,500	1,500

HEATLY AND GRESHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1996

4. OPERATING PROFIT/(LOSS)

The operating profit (1995 - operating loss) is stated after charging:

	1996 £	1995 £
Depreciation - owned assets	246	33
Auditors' remuneration	1,000	900
	<u> </u>	<u> </u>
Directors' emoluments	25,500	25,500
	<u> </u>	<u> </u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1996 £	1995 £
Deposit account interest	484	569
	<u> </u>	<u> </u>

6. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	1996 £	1995 £
UK Corporation Tax	3,317	210
	<u> </u>	<u> </u>

UK Corporation Tax has been charged at 24% (1995 - 25%).

7. TANGIBLE FIXED ASSETS

	Plant and machinery £	Computer equipment £	Totals £
COST:			
At 1st January 1996	1,944	-	1,944
Additions	-	1,706	1,706
	<u> </u>	<u> </u>	<u> </u>
At 31st December 1996	1,944	1,706	3,650
	<u> </u>	<u> </u>	<u> </u>
DEPRECIATION:			
At 1st January 1996	1,910	-	1,910
Charge for year	33	213	246
	<u> </u>	<u> </u>	<u> </u>
At 31st December 1996	1,943	213	2,156
	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUE:			
At 31st December 1996	1	1,493	1,494
	<u> </u>	<u> </u>	<u> </u>
At 31st December 1995	34	-	34
	<u> </u>	<u> </u>	<u> </u>

HEATLY AND GRESHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1996

8. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1996 £	1995 £
V.A.T.	466	507
Trade debtors	267,883	-
Accrued income	-	1,408
Prepayments	1,103	1,270
	<u>269,452</u>	<u>3,185</u>

9. **CURRENT ASSET INVESTMENTS**

	1996 £	1995 £
Unlisted investments	<u>22,757</u>	<u>22,757</u>

The company holds 40% of the share capital of Heatly & Gresham (India) Limited, a private limited company registered in India. In the opinion of the directors, the value of this investment is in excess of its book value. The company does not consider Heatly & Gresham (India) Limited as its associated company for accounting purposes as no control is exercised over the investee company and there is no board representation.

10. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1996 £	1995 £
Bank loans and overdrafts (see note 12)	216,969	-
Trade creditors	27,229	-
Directors current accounts	1,475	1,475
Heatly & Gresham (India) Ltd	9,575	16,903
Taxation	2,955	230
Accrued expenses	5,968	3,013
	<u>264,171</u>	<u>21,621</u>

11. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1996 £	1995 £
Holding company Loan	<u>18,171</u>	<u>18,171</u>

The company is a wholly owned subsidiary of Pelonia Establishment, incorporated in leichtenstein. The above loan is interest-free and with no specific repayments terms.

HEATLY AND GRESHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1996

12. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	1996 £	1995 £
Amounts falling due within one year or on demand:		
Bank overdrafts	216,969	-

The Bank overdraft facility is guaranteed by one of the directors (Mr R J Advani) and other third parties.

13. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	1996 £	1995 £
10,000	ORDINARY	£1	10,000	10,000
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	1996 £	1995 £
7,500	ORDINARY	£1	7,500	7,500

14. CONTINGENT LIABILITIES

The company has guaranteed \$9,500.00 and \$19,000.00 respectively on behalf of Heatly and Gresham (India) Limited.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit/(Loss) for the financial year	14,370	(4,995)
NET ADDITION/(REDUCTION) TO SHAREHOLDERS' FUNDS	14,370	(4,995)
Opening shareholders' funds	7,147	12,142
CLOSING SHAREHOLDERS' FUNDS	21,517	7,147
Equity interests	21,517	7,147

16. RELATED PARTY TRANSACTIONS

During the financial year, the following transactions took place:

	£	£
Management charges to Pelonia Establishment, its Holding company	2,900	2,904
Transactions with Heatly and Gresham (India) Limited	7,327	6,271

HEATLY AND GRESHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1996

17. CONTROLLING PARTY

Pelonia Establishment, incorporated in Leichtenstein is the Controlling party by virtue of its Controlling interest in the equity share capital of the company.