

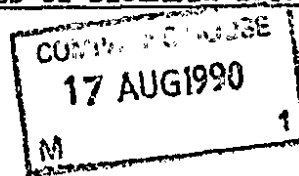
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FURNITURE VILLAGE PLC

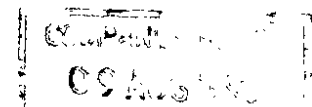
REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1989

Signed Copy.



CLARK WHITEHILL
Chartered Accountants
37 Minster Street
Reading
Berkshire



REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1989

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the first Annual General Meeting of the company will be held at 17 Eyston Way Fairacres Shopping Centre Abingdon Oxon on 4 April 1990, to transact the following business:

- 1.) To receive and consider the financial statements for the period ended 31 December 1989, together with the reports of the directors and the auditors.
- 2). To declare a dividend.
- 3). To re-elect directors.
- 4). To re-appoint the auditors and to authorise the Board of Directors to fix their remuneration for the ensuing year.
- 5). Any other business

By Order of the Board

G.C. MARTIN

Secretary

1990

A member entitled to attend and vote may appoint another person, who need not be a member, to attend and vote as his proxy.

DIRECTOR'S REPORTFOR THE PERIOD ENDED 31 DECEMBER 1989DIRECTORS

J.G. Rose	-	Chairman (appointed 22 November 1988)
D.J.G. Imrie	-	(appointed 22 November 1988)
P.J. Harrison	-	(appointed 22 May 1989)
P.A. Grant	-	(appointed 22 May 1989)
S.A. Corbyn	-	(appointed 1 February 1990)
S.H. Davis	-	)
R. Futerman	-	) Formation agents (appointed and resigned 22 November 1988)

RESULTS AND DIVIDENDS

The trading loss for the period was £192,487. The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The company was incorporated as a Public Limited Company on 22 October 1988 under the name of Kiteshield Plc. On 8 December 1988, by special resolution, the company's name was changed to Furniture Village Plc.

The company received its "certificate that a public company is entitled to do business and borrow" under section 117(1) of the Companies Act 1985 on 26 May 1989, and commenced trading on 14 August 1989. The principle activity of the company is that of the supply of retail furnishings. The company was licenced as a Credit Broker in August, 1989.

On 18 December 1989 all of the company's ordinary 'B' shares of £1 each were sold to Cadogan Estates Limited.

The directors are pleased with the results for the period under review which bore the cost of substantial launch and pre-trading expenditure.

Furthermore, in view of average delivery lead times for "custom-made" Furniture and the standard practise of recognising sales once accepted by the customer, only modest sales were recorded during the period.

Outstanding orders however, are running at a satisfactory level and subject to no further deterioration of economic conditions, the directors look forward to a full period of trading in 1990 with a profitable outcome.

TANGIBLE FIXED ASSETS

Details of the additions to fixed assets are shown in note 7 to the financial statements, the main addition being the acquisition and fitting out of the company's leasehold premises.

DIRECTOR'S REPORT (Continued)FOR THE PERIOD ENDED 31 DECEMBER 1989

DIRECTORS INTERESTS

The beneficial interests of the directors in the share capital of the company were as follows:-

	31 December 1989	
	<u>Ordinary 'A' Shares</u>	<u>Ordinary 'B' Shares</u>
	<u>of £1 each</u>	<u>of £1 each</u>
J.G. Rose	30,000	-
P.J. Harrison	60,000	-
D.J.G Imrie	60,000	-
P.A. Grant	-	30,000

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the reappointment of Clark Whitehill as auditors to the company will be put to the annual general meeting.

By Order of the Board

G.C. MARTIN

Secretary

26 February 1990

AUDITORS' REPORT

TO THE MEMBERS OF FURNITURE VILLAGE PLC

We have audited the financial statements on pages 6 to 14 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1989 and of its loss and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



CLARK WHITEHILL
Chartered Accountants

Reading

26 February 1990

FURNITURE VILLAGE PLC

6

PROFIT AND LOSS ACCOUNTFOR THE PERIOD ENDED31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> <u>£</u>
TURNOVER	2	460,488
Cost of sales	3(a)	<u>(316,269)</u>
GROSS PROFIT		<u>144,219</u>
Distribution costs	3(b)	133,936
Administrative expenses	3(c)	<u>205,773</u>
		<u>339,709</u>
		(195,490)
Other operating income	4	<u>895</u>
OPERATING LOSS		(194,595)
Interest receivable		5,128
Interest payable	6	<u>(3,020)</u>
RETAINED LOSS FOR THE PERIOD	14	<u>£(192,487)</u> <u>=====</u>

The notes on pages 9 to 14 form part of these financial statements.

BALANCE SHEET31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u>	
		£	£
FIXED ASSETS			
Tangible assets	7		300,559
CURRENT ASSETS			
Stocks	8	218,738	
Debtors	9	16,097	
Cash at bank and in hand		<u>101,816</u>	
		336,651	
CREDITORS: amounts falling due within one year	10	<u>463,748</u>	
NET CURRENT LIABILITIES			<u>(127,097)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			173,462
CREDITORS: amounts falling due after more than one year	11	<u>14,9</u>	
NET ASSETS			<u>£ 158,513</u>
			=====
CAPITAL AND RESERVES			
Called up share capital	13	351,000	
Profit and loss account	14	<u>(192,487)</u>	
SHAREHOLDER'S FUNDS			<u>£ 158,513</u>
			=====

Approved by the board on 26 February 1990
and signed on its behalf by:

P.J. HARRISON)
D.J.G. IMRIE) DIRECTORS

The notes on pages 9 to 14 form part of these financial statements.

SOURCE AND APPLICATION OF FUNDS STATEMENTFOR THE PERIOD ENDED 31 DECEMBER 1989

	<u>1989</u>
	<u>£</u>
SOURCE OF FUNDS	
Loss on ordinary activities before taxation	(192,487)
Adjustment for items not involving the movement of funds:	
Depreciation	<u>29,401</u>
TOTAL CONSUMED BY OPERATIONS	(163,086)
FUNDS FROM OTHER SOURCES	
Proceeds of share issue	351,000
Lease obligations	<u>30,392</u>
	<u>381,392</u>
APPLICATION OF FUNDS	
Purchase of tangible fixed assets	329,960
Lease obligation repayments	<u>7,659</u>
	<u>337,619</u>
	£(119,313)
	=====
INCREASE/(DECREASE) IN WORKING CAPITAL	
Stocks	218,738
Debtors	16,097
Creditors	<u>(369,745)</u>
	(134,910)
Movement in net liquid funds:	
Increase in cash at bank and in hand	101,816
Increase in bank overdraft	<u>(86,219)</u>
	£(119,313)
	=====

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 1969

1. ACCOUNTING POLICIES

a) Basis of Accounting

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

b) Depreciation

Depreciation is provided on all tangible fixed assets in use at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Leasehold buildings	- over the lease term
Fixtures, fittings and equipment	- over 4 - 10 years
Motor vehicles	- over 3 - 5 years

c) Leased Assets

Where the company has entered into finance leases, the obligations to the lessor are shown as part of borrowings and the rights in the corresponding assets are treated in the same way as owned fixed assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than the rights to legal title.

d) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a "first in, first out" basis.

e) Deferred Taxation

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that liabilities or assets will crystallise. Timing differences are taxable items, allowances or reliefs which are given effect to in taxation periods different from those in which they have effect in the financial statements. They comprise mainly accelerated tax depreciation allowances and short-term timing differences.

NOTES TO THE FINANCIAL STATEMENTS (Continued)FOR THE PERIOD ENDED 31 DECEMBER 1989

2. TURNOVER

Turnover represents the net amount invoiced to customers excluding Value Added Tax and sales of fixed assets. Sales are recognised when goods are delivered and accepted by customers. All turnover relates to household furniture retailing within the United Kingdom.

3. OPERATING PROFIT

This is stated after charging:

	<u>1989</u> £
a) Cost of Sales	£316,269 =====
b) Distribution costs:	
Depreciation	
-tangible owned fixed assets	1,030
Other costs	<u>132,906</u>
	£133,936 =====
c) Administrative expenses:	
Auditors' remuneration	4,800
Depreciation	
-tangible owned fixed assets	23,426
-tangible fixed assets held under finance leases	4,945
Directors' remuneration (Note 5(a))	44,328
Other costs	<u>128,274</u>
	£205,773 =====
4. OTHER OPERATING INCOME	
Commission received	£ 895 =====

NOTES THE FINANCIAL STATEMENTS (Continued)FOR THE PERIOD ENDED 31 DECEMBER 1989

5. DIRECTORS AND STAFF

1989

£

a) Directors' emoluments:

Other emoluments

46,728

£ 46,728

=====

Emoluments, excluding pensions scheme contributions:

Chairman

£ NIL

=====

Highest paid director

£ 24,509

=====

Other directors

No.

£ Nil

1

£20,001 - £25,000

1

==

b) Staff costs for all employees including executive directors consists of:

£

Wages and salaries

94,521

Social security costs

9,445

£ 103,966

=====

The average weekly number of employees during the period was made up as follows:

No.

Office and management

5

Retailing and distribution

7

12

==

6. INTEREST PAYABLE

1989

On finance leases

£ 3,020

=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)FOR THE PERIOD ENDED 31 DECEMBER 1989

7. TANGIBLE FIXED ASSETS

	Short Leasehold Property £	Fixtures, Fittings, Equipment and Vehicles £	Total £
COST:			
Additions at cost	<u>189,831</u>	<u>140,129</u>	<u>329,960</u>
31 December 1989	<u>189,831</u>	<u>140,129</u>	<u>329,960</u>
DEPRECIATION:			
Charge for the period	<u>16,330</u>	<u>13,071</u>	<u>29,401</u>
31 December 1989	<u>16,330</u>	<u>13,071</u>	<u>29,401</u>
NET BOOK VALUE			
31 December 1989	<u>£173,501</u>	<u>£127,058</u>	<u>£300,559</u>

Assets held under finance leases included within the heading "Fixtures, fittings, equipment and vehicles" were as follows:

	<u>1989</u> £
Cost	27,372
Accumulated depreciation	<u>4,945</u>
Net Book Value	<u>£ 22,427</u>

8. STOCKS

Goods for resale	<u>£218,738</u>
------------------	-----------------

9. DEBTORS

Other debtors	374
Prepayments	<u>15,723</u>
	<u>£ 16,097</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)FOR THE PERIOD ENDED 31 DECEMBER 1989

10. CREDITORS: amounts falling due within one year	<u>1989</u> £
Bank overdraft (see below)	86,219
Obligations under finance leases	7,784
Deposits on goods not delivered (See note 2)	56,189
Trade creditors	248,997
Other taxes and social security costs	30,074
Accruals	<u>34,485</u>
	£463,748 =====

The bank overdraft is secured by bank debenture on the company's leasehold property.

11. CREDITORS: amounts falling due after more than one year	<u>1989</u> £
Obligations under finance leases	£ 14,949 =====

12. FINANCIAL COMMITMENTS	<u>1989</u> £
Obligations under finance leases are repayable as follows:	
Between two and five years	£ 22,733 =====

13. CALLED UP SHARE CAPITAL	<u>1989</u> £
Authorised:	
Ordinary Shares of £1 each	1,100,000
'A' Ordinary Shares of £1 each	300,000
'B' Ordinary Shares of £1 each	<u>600,000</u>
	£2,000,000 =====
Allotted:	
'A' Ordinary Shares of £1 each	150,000
'B' Ordinary Shares of £1 each	<u>300,000</u>
	£ 450,000 =====
Part called up and paid:	
'A' Ordinary Shares of £1 each (78p paid)	117,000
'B' Ordinary Shares of £1 each (78p paid)	<u>234,000</u>
	£ 351,000 =====

NOTES TO THE FINANCIAL STATEMENTS (Continued)FOR THE PERIOD ENDED 31 DECEMBER 1989

13. 150,000 'A' shares and 300,000 'B' shares with an aggregate nominal value of £450,000 were allotted during the year.

The calls made on these shares were as follows:

2 May 1989 - 2 subscriber shares at 25 pence per £1 ordinary share yeilding 50 pence. On 22 May 1989 these shares were redesignated 'A' ordinary shares of £1 each.

22 May 1989 - 149,998 'A' ordinary shares and 300,000 'B' ordinary shares at 25 pence per £1 share yeilding £112,499.50.

9 June 1989 - A further call on the same 150,000 'A' ordinary shares and 300,000 'B' ordinary shares at 53 pence each per £1 share yeilding £238,500.

The issue of shares was made in order to inject working capital into the company to enable it to commence trading.

14. PROFIT AND LOSS ACCOUNT

1989
£

Retained loss for the period

£192,487
=====

15. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be Cadogan Estates Limited.