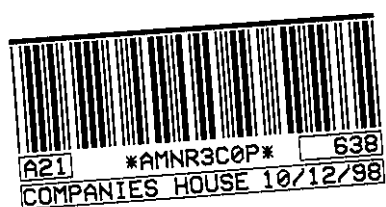


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Report of the Directors and
Financial Statements
for the Period
27th August 1997 to 31st March 1998
for
DESIGN LSM LIMITED



DESIGN LSM LIMITED

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for the Period 27th August 1997 to 31st March 1998

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DESIGN LSM LIMITED

Company Information

for the Period 27th August 1997 to 31st March 1998

DIRECTORS:

S McCarthy
S Labouchardiere
P Southgate

SECRETARY:

S J McCarthy

REGISTERED OFFICE:

100 Church Street
Brighton
East Sussex
BN1 1UJ

REGISTERED NUMBER:

3425421 (England and Wales)

ACCOUNTANTS:

Chambers & Co.
Chartered Certified Accountants
100 Church Street
Brighton
East Sussex
BN1 1UJ

BANKERS:

Barclays Bank Plc
Strand Corporate Banking Centre
Burleigh House
357 Strand
London
WC2R 0NX

DESIGN LSM LIMITED

Report of the Directors

for the Period 27th August 1997 to 31st March 1998

The directors present their report with the financial statements of the company for the period 27th August 1997 to 31st March 1998.

COMMENCEMENT OF TRADING

The company commenced trading in October 1997.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of interior designers and architectural consultants.

DIVIDENDS

No dividends will be distributed for the period ended 31st March 1998.

DIRECTORS

The directors during the period under review were:

S McCarthy	- appointed 27.8.97
S Labouchardiere	- appointed 27.8.97
P Southgate	- appointed 27.8.97

The beneficial interests of the directors holding office on 31st March 1998 in the issued share capital of the company were as follows:

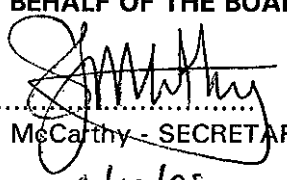
	31.3.98	at date of appointment
Ordinary £1 shares		
S McCarthy	462	-
S Labouchardiere	462	-
P Southgate	75	-

A further Ordinary Share is held jointly by Simon McCarthy and Stephen Labouchardiere.

All the directors, being eligible, offer themselves for election at the forthcoming first Annual General Meeting.

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:


.....
S J McCarthy - SECRETARY

Dated: 4/12/98

DESIGN LSM LIMITED**Profit and Loss Account****for the Period 27th August 1997 to 31st March 1998**

	Notes	£
TURNOVER	2	126,195
Cost of sales		61,790
GROSS PROFIT		64,405
Administrative expenses		30,972
OPERATING PROFIT	3	33,433
Interest receivable and similar income	4	30
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		33,463
Tax on profit on ordinary activities	5	6,936
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION		26,527
RETAINED PROFIT CARRIED FORWARD		£26,527

The notes form part of these financial statements

DESIGN LSM LIMITED**Balance Sheet**
31st March 1998

	Notes	£	£
FIXED ASSETS:			
Tangible assets	6		1,725
CURRENT ASSETS:			
Stocks		1,100	
Debtors	7	57,095	
Cash at bank and in hand		6,621	
		64,816	
CREDITORS: Amounts falling due within one year	8	39,014	
NET CURRENT ASSETS:			25,802
TOTAL ASSETS LESS CURRENT LIABILITIES:			£27,527
CAPITAL AND RESERVES:			
Called up share capital	9		1,000
Profit and loss account			26,527
Shareholders' funds			£27,527

The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the period ending 31st March 1998.

No notice has been deposited under Section 249B(2) of the Companies Act 1985 in relation to its financial statements for the financial year.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

The notes form part of these financial statements

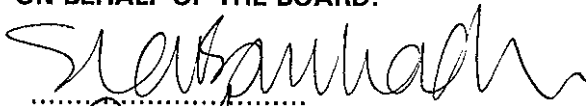
DESIGN LSM LIMITED

Balance Sheet

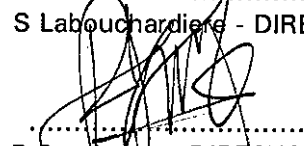
31st March 1998

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

ON BEHALF OF THE BOARD:



.....
S Labouchardiere - DIRECTOR



.....
P Southgate - DIRECTOR

Approved by the Board on 4/12/98.....

DESIGN LSM LIMITED

Notes to the Financial Statements

for the Period 27th August 1997 to 31st March 1998

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities.

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.

Fixtures and fittings - 25% on reducing balance

Stocks

Work in progress is valued at the lower of cost and net realisable value.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

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.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

3. OPERATING PROFIT

The operating profit is stated after charging:

Depreciation - owned assets	£
	575
	==

Directors' emoluments and other benefits etc	-
	==

4. INTEREST RECEIVABLE AND SIMILAR INCOME

Bank interest received net	£
	30
	==

5. TAXATION

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

UK Corporation Tax	£
	6,936
	==

UK Corporation Tax has been charged at 21%.

DESIGN LSM LIMITED**Notes to the Financial Statements
for the Period 27th August 1997 to 31st March 1998****6. TANGIBLE FIXED ASSETS**

	Fixtures and fittings
	£
COST:	
Additions	2,300
At 31st March 1998	2,300
DEPRECIATION:	
Charge for period	575
At 31st March 1998	575
NET BOOK VALUE:	
At 31st March 1998	1,725

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

	£
Trade debtors	57,095

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

	£
Trade creditors	11,695
V.A.T.	15,958
PAYE & NIC	4,425
Taxation	6,936
	39,014

9. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number: Class:

1,000 Ordinary

Nominal
value:
£1£
1,000**10. RELATED PARTY DISCLOSURES**

During the period Chalicecourt Limited, a company controlled by P Southgate provided services to Design LSM Limited totalling £6,000.

During the period the company provided staff and technical assistance to S Labouchardiere and S McCarthy, trading as Design LSM, totalling £14,000. In turn, the Design LSM partnership recharged equipment hire and other overhead expenditure to Design LSM Limited totalling £21,771.