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STOCKSPRING MANAGEMENT SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

31st JULY 1989



STOCKSPRING MANAGEMENT SERVICES LIMITED

DIRECTOR'S REPORT

The director presents his annual report and the audited financial statements for the year ended 31st July 1989.

1. ACTIVITIES

The company provided management services for its fellow subsidiaries, and interior furnishings and decoration services to third parties.

2. REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The loss on ordinary activities after taxation amounted to £742,741. Further details of the company's performance are given in the profit and loss account on page 3 and the notes on pages 6 and 7. The position of the company at the end of the year is set out in the balance sheet on page 4 and the notes on pages 7 to 9.

The director does not recommend the payment of a dividend. The director plans to rationalize the activities of the company in the near future.

3. DIRECTOR AND HIS INTEREST

The director at 31st July 1989 and his interest in the share capital of the company at 1st August 1988 and 31st July 1989 were as follows:

£1 Ordinary Shares

C.D. Stockwell

Nil

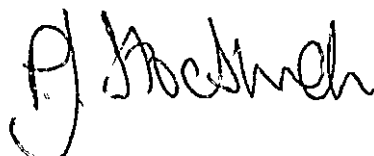
C.D. Stockwell holds one ordinary share non-beneficially as trustee for the ultimate holding company, Stockspring Limited.

4. CLOSE COMPANY STATUS

The company is a close company within the terms of the Income and Corporation Taxes Act 1988.

BY ORDER OF THE BOARD

Secretary



25 September 1990.

**Touche
Ross**



Chartered Accountants

Touche Ross & Co.
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**AUDITORS' REPORT TO
THE MEMBERS OF STOCKSPRING MANAGEMENT SERVICES LIMITED**

We have audited the financial statements set out on pages 3 to 9 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 31 July 1989, and of the result and source and application of funds for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co.

25 September 1990.

Member
DAT International

Aberdeen, Belfast, Birmingham, Bolton, Boumoumouth, Bracknell, Bristol, Cambridge, Cardiff, Chester, Coleraine, Crawley, Croydon, Dartford, Dudley, Edinburgh, Glasgow, Hull, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newark, Newcastle upon Tyne, Newport, Newry, Nottingham, Peterborough, Southampton, Swansea and Uxbridge

Principal place of business at which a list of partners' names is available:
Hill House, 1 Little New Street, London EC4A 3TF.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

STOCKSPRING MANAGEMENT SERVICES LIMITEDPROFIT AND LOSS ACCOUNTYear ended 31st July 1989

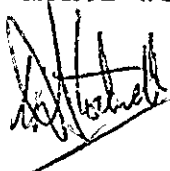
	Notes	1989 £	1988 £
Turnover	2	10,563	22,397
Changes in stocks and work in progress		-- ----- (10,563)	-- ----- (22,397)
Staff costs	4(a)	649,053	351,247
Depreciation	1(b)	17,787	7,516
Other operation charges		77,296	42,850
Interest payable and similar charges	4(b)	9,168 -----	1,011 -----
(Loss) on ordinary activities before taxation	5	(742,741)	(380,227)
Taxation on (loss) on ordinary activities	6	-- -----	-- -----
(Loss) on ordinary activities after taxation		(742,741)	(380,277)
Profit and loss account brought forward		(648,744) -----	(268,517) -----
Profit and loss account carried forward		(1,391,485) =====	(648,744) =====

STOCKSPRING MANAGEMENT SERVICES LIMITED

BALANCE SHEET AT 31st JULY 1989

	Note	1989 £	1988 £
FIXED ASSETS			
Tangible fixed assets	7	6,375	24,162
CURRENT ASSETS			
Stocks		37,000	--
Trade debtors		70,715	59,235
Amounts due by group companies	8	126,905	70,117
Prepayments and sundry debtors		1,717	1,717
		-----	-----
		236,337	131,069
		-----	-----
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts	9	165,286	29,561
Other creditors including taxation and social security	10	39,239	9,211
Amounts owed to group companies	11	1,415,909	758,768
Accruals		13,663	6,335
		-----	-----
		1,634,097	803,875
		-----	-----
		(1,397,760)	(672,806)
		-----	-----
		(1,391,385)	(648,644)
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account		(1,391,485)	(648,744)
		-----	-----
		(1,391,385)	(648,644)
		=====	=====

The financial statements were approved by the director on
25/September 1990.



STOCKSPRING MANAGEMENT SERVICES LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Year ended 31st July 1989

	1989 £	1988 £
SOURCE OF FUNDS		
Increase in amounts due to group companies	657,141	408,469
Decrease in prepaid and sundry debtors	--	2,790
Increase in other creditors including taxation and social security	30,028	--
Increase in accruals	7,328	2,835
Disposals of tangible fixed assets	--	31,649
	-----	-----
	694,497	445,743
	=====	=====
APPLICATION OF FUNDS		
Loss after taxation	742,741	380,227
Adjustment for items not involving the movement of funds:-		
Depreciation	(17,787)	(7,516)
	-----	-----
Total absorbed by operations	724,954	372,711
Purchase of stocks	37,000	--
Increase in trade debtors	11,480	43,008
Decrease in other creditors including taxation and social security	--	33,322
Increase in amounts due by group companies	56,788	27,687
	-----	-----
	830,222	476,728
	=====	=====
(DECREASE) IN NET LIQUID FUNDS*	(135,725)	(30,985)
	=====	=====

*Net liquid funds comprise bank balances less bank loans and overdrafts.

STOCKSPRING MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st July 1989

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Tangible fixed assets

The following rates of depreciation are used:

Plant and machinery	15% straight-line basis
Furniture and fittings	15% straight-line basis

2. TURNOVER

Turnover for the period represents charges invoiced for property management services excluding value added tax.

3. INFORMATION REGARDING DIRECTOR

	1989	1988
	<u>£</u>	<u>£</u>
Fees:	Nil	Nil
	---	---

4.(a) STAFF COSTS

	1989	1988
	<u>£</u>	<u>£</u>
Wages and salaries	602,663	327,129
Social security costs	46,390	24,118
	-----	-----
	649,053	351,247
	=====	=====

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

	<u>1989</u>	<u>1988</u>
Manufacturing	69	30
Retail	4	2
Administration	15	9
Sales	2	2
	---	---
	90	43
	===	===

(b) INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges in the profit and loss account relates to that charged on loans repayable within five years.

STOCKSPRING MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st July 1989
(continued)

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1989	1988
	£	£
This is stated after charging the following:		
Audit	9,500	3,500
	=====	=====

6. TAXATION

No taxation is payable. There are trading losses available to offset future profits from the same trade.

7. TANGIBLE FIXED ASSETS

	Plant and Machinery £	Fixtures and Fittings £	Total £
COST OR VALUATION			
At 1.8.88 and 31.7.89	25,500	24,603	50,103
	=====	=====	=====
At cost	--	24,603	24,603
At valuation	25,500	--	25,500
	-----	-----	-----
	25,500	24,603	50,103
	=====	=====	=====
ACCUMULATED DEPRECIATION			
At 1.8.88	15,300	10,641	25,941
Charge	3,325	13,962	17,787
	-----	-----	-----
At 31.7.89	19,125	24,603	43,728
	=====	=====	=====
NET BOOK VALUE			
At 31.7.89	6,375	--	6,375
	=====	=====	=====
At 31.8.88	10,200	13,962	24,162
	=====	=====	=====

The original cost of the plant was £15,500 and the plant would have been fully depreciated if not revalued.

STOCKSPRING MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st July 1989
(continued)

8. AMOUNTS DUE BY GROUP COMPANIES

	1989	1988
	£	£
Borofloors Limited	42,131	43,031
Lanton Finance Limited	74,774	17,086
C & R Light Limited	10,000	10,000
	-----	-----
	126,905	70,117
	=====	=====

9. BANK LOANS AND OVERDRAFTS

The bank loan and overdrafts are secured by charges over freehold land and buildings, and by floating charges over the assets of two fellow subsidiaries and by cross guarantees given by group companies, together with a personal guarantee given by C.D. Stockwell to the group's bankers.
The group enjoyed facilities totalling £1.82m at the year end, and the group's bankers held security to the value of £2.7m, excluding the value of the guarantee.

10. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1989	1988
	£	£
This heading includes:		
Taxation and social		
security	37,838	9,211
	=====	=====

11. AMOUNTS OWED TO GROUP COMPANIES

	1989	1988
	£	£
These amounts are:		
Saint Furniture of		
Norwich Limited	398,947	160,185
Stockspring Limited	209,276	181,098
Charles Barr Furniture		
Limited	798,128	407,927
C & R Light Limited	9,558	9,558
	-----	-----
	1,415,909	758,768
	=====	=====

STOCKSPRING MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st July 1989
(continued)

12. CALLED UP SHARE CAPITAL

	Authorized Number	Allotted and fully paid	
		1989	1988
		£	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>

13. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Stockspring Limited, a company incorporated in Great Britain. Mr C.D. Stockwell owned 99 ordinary shares at 1st August 1988 and 31st July 1989 in Stockspring Limited.

14. RELATED PARTY TRANSACTIONS

During the year the following inter-company transactions took place:

- (i) Fellow subsidiaries and the parent company made payments on behalf of or directly to the company as follows:

	£
Borofloors Limited	900
Saint Furniture of Norwich Limited	238,762
Stockspring Limited	28,178
Charles Barr Furniture Limited	390,201

- (ii) The company made payments on behalf of its fellow subsidiary Lanton Finance Limited totalling £57,688.