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CITY OFFICE INTERIORS LIMITED
REPORT AND FINANCIAL STATEMENTS

31 October 1997

Registered number 1854684

KIDSONS IMPEY



CITY OFFICE INTERIORS LIMITED

DIRECTORS' REPORT

31 October 1997

The directors present their report and the audited financial statements for the 16 month period ended 31 October 1997.

Review of business

The principal activity of the company was that of the design and fitting-out of office interiors.

On 9 October 1997 the company was purchased by the directors in a management buy out from Raine plc.

The profit on ordinary activities after tax for the period amounted to £239,224 as shown on page 4.

Dividends of £895,000 were paid during the year and the directors recommend that the retained loss of £655,776 be set against reserves.

The directors consider the state of affairs of the company to be satisfactory.

Directors and their shareholdings

The following were directors at 31 October 1997 and their interests in the share capital of the company were as follows

	Ordinary shares of £1 each	
	at 31 October 1997	at 30 June 1996
D.C. Brown	-	-
D.J. Crabb	-	-
S.D. Spires	10,000	-

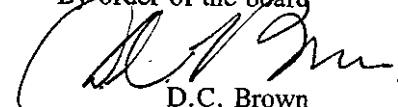
P. Cleaver was appointed as a director of the company on 2 January 1997 and resigned on 8 October 1997.

D.S. Vincent resigned as a director of the company on 2 January 1997.

Auditors

Kidsons Impey have agreed to offer themselves for re-appointment as auditors of the company.

By order of the board



D.C. Brown

Secretary

Albany House
Hurst Street
Birmingham
B5 4BD

16 February 1998

CITY OFFICE INTERIORS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

31 October 1997

We are required under company law to prepare financial statements for each financial period 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 these financial statements we are required to:

- select suitable accounting policies and apply them consistently
- make reasonable and prudent judgements and estimates
- state whether applicable accounting standards have been followed, and give details of any departures
- prepare the financial statements on a going concern basis unless in our view the company will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records
- safeguarding the company's assets
- taking reasonable steps for the prevention and detection of fraud

By order of the board



D.C. Brown

Secretary

16 February 1998

CITY OFFICE INTERIORS LIMITED

AUDITORS' REPORT

Auditors' report to the shareholders of City Office Interiors Limited

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 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 judgements 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 at 31 October 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Kidsons Impey

Kidsons Impey

Registered Auditors

Chartered Accountants

Birmingham

16 February 1998

CITY OFFICE INTERIORS LIMITED

PROFIT AND LOSS ACCOUNT

for the period ended 31 October 1997

	Note	16 months period ended 31 October 1997 £	Year ended 30 June 1996 £
Turnover	2	5,084,006	4,022,597
Cost of sales		(4,033,304)	(3,254,587)
Gross profit		1,050,702	768,010
Administrative expenses		(773,870)	(536,657)
Operating profit		276,832	231,353
Interest receivable	3	97,339	65,510
Profit on ordinary activities before taxation	4	374,171	296,863
Tax on profit on ordinary activities	6	(134,947)	(104,260)
Profit on ordinary activities after taxation		239,224	192,603
Dividends paid	7	(895,000)	(120,000)
Retained (loss)/profit for the period	14	(655,776)	72,603

There are no recognised gains or losses other than the profit for the period of £239,224 (1996 £192,603).

CITY OFFICE INTERIORS LIMITED

BALANCE SHEET

at 31 October 1997

	Note	31 October 1997		30 June 1996	
		£	£	£	£
Fixed assets					
Tangible assets	8		11,029		19,216
Current assets					
Stocks and work in progress	9	127,556		49,022	
Debtors	10	550,285		437,931	
Cash at bank		<u>507,103</u>		<u>1,159,300</u>	
		1,184,944		1,646,253	
Creditors: amounts falling due within one year	11	<u>(1,157,556)</u>		<u>(971,276)</u>	
Net current assets			<u>27,388</u>		<u>674,977</u>
Total assets less current liabilities			<u>38,417</u>		<u>694,193</u>
Capital and reserves (equity)					
Called up share capital	13	10,000		10,000	
Profit and loss account	14	<u>28,417</u>		<u>684,193</u>	
Total shareholders' funds			<u>38,417</u>		<u>694,193</u>

The financial statements on pages 4 to 13
were approved by the board of directors on
16 February 1998

S.D. Spires - Director



CITY OFFICE INTERIORS LIMITED

CASH FLOW STATEMENT

for the period ended 31 October 1997

	Note	16 months ended 31 October 1997		Year ended 30 June 1996	
		£	£	£	£
Net cash inflow from operating activities	18a		309,920		235,356
Returns on investments and servicing of finance					
Interest received			97,339		65,510
Taxation					
UK corporation tax paid			(106,218)		(51,730)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets			(10,238)		(7,528)
Equity dividends paid			(943,000)		(116,000)
(Decrease)/increase in cash	18b & c		(652,197)		125,608
			<u> </u>		<u> </u>

CITY OFFICE INTERIORS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 October 1997

1 Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes appropriate overheads. Contract work in progress, other than long term work in progress, is valued at cost less foreseeable losses and payments on account. No credit is taken for claims unless there is a firm agreement with the customer.

Depreciation

Depreciation is calculated on a straight line basis to write off the cost or valuation less the estimated residual value of tangible assets over their expected useful lives as follows

	%
Plant and equipment	10 - 20 per annum
Motor vehicles	25 per annum

Pension scheme

Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over the expected average remaining service lives of the scheme members.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will become payable in the foreseeable future.

Leased assets

Operating lease rentals are charged to the profit and loss account in the year to which they relate

2 Turnover

Turnover represents the invoiced amount, excluding value added tax, of goods sold and services rendered together with the value of contracting work executed.

All activities are classed as continuing and are confined to one trade carried on within the United Kingdom.

CITY OFFICE INTERIORS LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 1997
(continued)

3	Interest receivable	16 month period ended 31 October 1997 £	Year ended 30 June 1996 £
	Bank interest	97,339	65,510
		<u> </u>	<u> </u>
4	Profit on ordinary activities before taxation		
	Profit on ordinary activities before taxation is stated after charging		
	Depreciation	18,425	10,989
	Auditors' remuneration	6,000	4,727
	Operating lease rentals		
	- land and buildings	19,945	6,584
	- other	41,232	30,627
		<u> </u>	<u> </u>
5	Directors and employees		
	Staff costs including directors' emoluments		
	Wages and salaries	439,440	284,374
	Social security costs	38,925	25,614
	Other pension costs	<u>36,817</u>	<u>21,396</u>
		515,182	331,384
		<u> </u>	<u> </u>
		Number	Number
	The average number of employees, including directors, during the year was	10	10
	Directors	<u> </u>	<u> </u>
	Directors' emoluments		
	Management remuneration	256,072	155,585
	Pension contributions	<u>13,615</u>	<u>7,386</u>
		269,687	162,971
		<u> </u>	<u> </u>

CITY OFFICE INTERIORS LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 1997
(continued)

5 Directors and employees (continued) **16 month period ended
31 October 1997**

	Number
Defined contribution schemes	
Number of directors qualifying for benefits	3
	=
	£
Contributions paid in total	2,889
	=
Contributions paid in respect of the highest paid director	1,209
	=

Defined benefit schemes	Number
Number of directors qualifying for benefits	2
	=

The highest paid director does not qualify for benefits under the defined benefit scheme.

6 Tax on profit on ordinary activities	£	£
UK corporation tax	131,000	106,106
Deferred taxation	3,887	(1,610)
Adjustment in respect of prior year	<u>60</u>	<u>(236)</u>
	134,947	104,260
	=	=

7 Dividends		
Paid	895,000	72,000
Proposed	<u>-</u>	<u>48,000</u>
	895,000	120,000
	=	=

CITY OFFICE INTERIORS LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 1997
(continued)

8	Tangible assets		Plant and equipment
	Cost		£
	1 July 1996		80,945
	Additions		<u>10,238</u>
	31 October 1997		91,183
	Depreciation		<u> </u>
	1 July 1996		61,729
	Charge for the period		<u>18,425</u>
	31 October 1997		80,154
	Net book value		<u> </u>
	31 October 1997		11,029
			<u> </u>
	30 June 1996		<u>19,216</u>
			<u> </u>
9	Stocks and work in progress	31 October 1997	30 June 1996
		£	£
	Work in progress	127,556	49,022
		<u> </u>	<u> </u>
10	Debtors		
	Trade debtors	454,207	300,248
	Retentions	79,864	112,057
	Amounts owed by fellow subsidiary undertakings	-	817
	Prepayments and accrued income	<u>16,214</u>	<u>24,809</u>
		550,285	437,931
		<u> </u>	<u> </u>

CITY OFFICE INTERIORS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 October 1997

(continued)

11	Creditors: amounts falling due within one year	31 October 1997		30 June 1996	
		£		£	
	Trade creditors	682,250		441,168	
	Amounts owed to ultimate parent company	-		28,140	
	Amounts owed to fellow subsidiary undertakings	-		48,000	
	Corporation tax	131,000		106,158	
	Other taxes and social security	67,623		94,745	
	Accruals and deferred income	<u>276,683</u>		<u>253,065</u>	
		1,157,556		971,276	
		<u><u> </u></u>		<u><u> </u></u>	
12	Provision for liabilities			Full potential (asset)/liability	
		Provided		(asset)/liability	
		1997	1996	1997	1996
		£	£	£	£
	Deferred taxation				
	Accelerated capital allowances	-	(4,973)	(6,600)	(4,973)
	Other timing differences	<u>-</u>	<u>1,086</u>	<u>-</u>	<u>1,086</u>
		-	(3,887)	(6,600)	(3,887)
	Transferred to debtors	<u>-</u>	<u>3,887</u>	<u>-</u>	<u>-</u>
		-	-	(6,600)	(3,887)
		<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
13	Share capital	31 October 1997		30 June 1996	
		Number of		Number of	
		shares	£	shares	£
	Authorised, allotted, called up and fully paid				
	Ordinary shares of £1 each	10,000	10,000	10,000	10,000
		<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
	On 9 October 1997 Mr. S.D. Spires, acquired 100% of the issued share capital in a management buyout from Raine plc.				
14	Reserves			Profit and loss account	
				£	
	1 July 1996			684,193	
	Retained loss for the period			<u>(655,776)</u>	
	31 October 1997			28,417	

CITY OFFICE INTERIORS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 October 1997

(continued)

15 Reconciliation of movements in shareholders' funds

	31 October 1997 £	30 June 1996 £
Profit for the period	239,224	192,603
Dividends	(895,000)	(120,000)
	(655,776)	72,603
Opening shareholders' funds	<u>694,193</u>	<u>621,590</u>
Closing shareholders' funds	<u>38,417</u>	<u>694,193</u>

16 Commitments and contingent liabilities

Operating leases

Annual commitments in respect of non-cancellable operating leases are as follows

	31 October 1997		30 June 1996	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring within one year	-	3,171	-	2,752
Expiring between two and five years	<u>14,000</u>	<u>14,137</u>	<u>14,000</u>	<u>14,769</u>
	<u>14,000</u>	<u>17,308</u>	<u>14,000</u>	<u>17,521</u>

17 Pensions

The company was a member of the defined benefit pension scheme operated by the ultimate parent undertaking, Raine plc. Contributions totalling £35,371 (1996: £21,396) were paid during the period, in accordance with the recommendations of independent actuaries. The company left this scheme on 30 September 1997, and since that date have operated various contributory pension schemes for the benefit of its employees. Contributions to these schemes totalled £1,446.

CITY OFFICE INTERIORS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 October 1997

(continued)

18	Notes to the cash flow statement	16 months period ended 31 October 1997	Year ended 30 June 1996	
a	Reconciliation of operating profit to net cash inflow from operating activities	£	£	
	Operating profit	276,832	231,353	
	Depreciation charges	18,425	10,989	
	Movement in debtors	(116,241)	128,741	
	Movement in stocks	(78,534)	27,932	
	Movement in creditors and provisions	<u>209,438</u>	<u>(163,659)</u>	
		309,920	235,356	
		<u><u> </u></u>	<u><u> </u></u>	
b	Reconciliation of net cash flows to movement in net funds			
	(Decrease)/increase in cash in the period	(652,197)	125,608	
	Net funds at 1 July 1996	<u>1,159,300</u>	<u>1,033,692</u>	
	Net funds at 31 October 1997	507,103	1,159,300	
		<u><u> </u></u>	<u><u> </u></u>	
c	Analysis of changes in net funds	At first day of period £	Cash flows £	At last day of period £
	Cash at bank and in hand	1,159,300	(652,197)	507,103