
DREAMS LIMITED

AUDITED BALANCE SHEET

**AS AT
28 DECEMBER 1997**



Company Number: 2189427

DREAMS LIMITED

Company Information

Directors	M G Clare C A Clare
Secretary	C A Clare
Company Number	2189427
Registered Office	Knaves Beech Loudwater High Wycombe Buckinghamshire HP10 9QY
Auditors	Barnes Roffe Chartered Accountants and Registered Auditors 3 Brook Business Centre Cowley Mill Road Uxbridge Middlesex UB8 2FX

DREAMS LIMITED

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DREAMS LIMITED

DIRECTORS' STATEMENT OF RESPONSIBILITIES

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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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.

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BALANCE SHEET
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	Note	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible fixed assets	2		2,017,449		1,430,240
CURRENT ASSETS					
Stocks	3	1,119,292		773,363	
Debtors	4	788,836		345,363	
Cash in hand		<u>3,975</u>		<u>3,539</u>	
		1,912,103		1,122,265	
CREDITORS: amounts falling due within one year	5	<u>(2,856,833)</u>		<u>(1,671,541)</u>	
NET CURRENT LIABILITIES			<u>(944,530)</u>		<u>(549,276)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,072,919		880,964
CREDITORS: amounts falling due after more than one year	6		<u>(468,254)</u>		<u>(458,781)</u>
NET ASSETS			<u>£ 604,665</u>		<u>£ 422,183</u>
CAPITAL AND RESERVES					
Called up share capital	9		50,000		100
Revaluation reserve	10		142,297		142,297
Profit and loss account			<u>412,368</u>		<u>279,786</u>
SHAREHOLDERS' FUNDS - All equity	11		<u>£ 604,665</u>		<u>£ 422,183</u>

The balance sheet was approved by the board on 12/3/ 1998 and signed on its behalf

M G Clare  Director

The notes on pages 4 to 9 form part of the balance sheet.

DREAMS LIMITED

NOTES TO THE BALANCE SHEET As at 28 December 1997

1. ACCOUNTING POLICIES

1.1 Basis of preparation of balance sheet

The balance sheet has been prepared in accordance with applicable accounting standards, except where indicated, under the historical cost convention as modified by the revaluation of freehold land and buildings and include the results of the company's operations all of which are continuing.

1.2 Turnover

Turnover comprises the total amount, net of Value Added Tax, receivable by the company in the ordinary course of business for goods supplied or contractually ordered with a deposit.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	-	2%	per annum, straight line
Leasehold premises and improvements	-		over the period of the lease, straight line
Motor vehicles	-	25%	per annum, reducing balance
Fittings and office equipment	-	15 - 25%	per annum, straight line

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Items sold but not delivered at the year end are included in stock and the cost of the re-order from the supplier is included in accruals.

1.7 Deferred Taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

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NOTES TO THE BALANCE SHEET
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2. TANGIBLE ASSETS

	Land & Buildings £	Fixtures & Equipment £	Motor Vehicles £	Total £
Cost or valuation				
At 30 December 1996	1,101,230	554,342	150,968	1,806,540
Additions	156,015	474,136	133,276	763,427
Disposals	(10,332)	(3,646)	(2,025)	(16,003)
At 28 December 1997	<u>1,246,913</u>	<u>1,024,832</u>	<u>282,219</u>	<u>2,553,964</u>
Depreciation				
At 30 December 1996	151,092	179,605	45,603	376,300
Charge for period	24,172	111,045	39,616	174,833
On disposals	(10,333)	(3,646)	(639)	(14,618)
At 28 December 1997	<u>164,931</u>	<u>287,004</u>	<u>84,580</u>	<u>536,515</u>
Net Book Value				
At 28 December 1997	<u>£ 1,081,982</u>	<u>£ 737,828</u>	<u>£ 197,639</u>	<u>£ 2,017,449</u>
At 29 December 1996	<u>£ 950,138</u>	<u>£ 374,737</u>	<u>£ 105,365</u>	<u>£ 1,430,240</u>

Included in land and buildings is freehold land valued at £550,000 (1996 - £500,000) which is not depreciated.

At 28 December 1997, £901,272 and £180,710 included within the net book value of land and buildings relates to freehold and leasehold land and buildings respectively.

Included above are assets held under finance leases or hire purchase contracts as follows:

	1997 £	1996 £
Fixtures, fittings and equipment	<u>25,675</u>	<u>40,076</u>
	<u>£ 25,675</u>	<u>£ 40,076</u>

On the historical cost basis, land and buildings would have been included as follows:

	1997 £	1996 £
Cost	642,703	642,703
Cumulative depreciation	(4,667)	-
Net book amount	<u>£ 638,036</u>	<u>£ 642,703</u>

The freehold property was valued on an open market basis in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual in October 1996.

No provision has been made for additional taxation of £34,000 which would arise if the land and buildings were disposed of at their revalued amount.

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3. STOCKS

	1997 £	1996 £
Goods for resale	<u>£ 1,119,292</u>	<u>£ 773,363</u>

4. DEBTORS

	1997 £	1996 £
Due within one year		
Due in respect of confirmed orders	617,654	433,158
Less deposits received in advance of delivery	<u>(456,193)</u>	<u>(414,408)</u>
	161,461	18,750
Trade debtors	91,576	43,210
Other debtors	16,207	17,997
Prepayments and accrued income	<u>519,592</u>	<u>265,406</u>
	<u>£ 788,836</u>	<u>£ 345,363</u>

5. CREDITORS:

Amounts falling due within one year

	1997 £	1996 £
Bank loans and overdrafts	187,418	541,196
Net obligations under finance lease and hire purchase contracts	2,927	24,716
Trade creditors	1,646,938	602,992
Corporation tax	41,500	55,000
Social security and other taxes	286,882	90,476
Accruals and deferred income	409,883	130,822
Accruals for goods to be delivered	<u>281,085</u>	<u>226,339</u>
	<u>£ 2,856,633</u>	<u>£ 1,671,541</u>

The company's bank loan and overdraft are secured over the company's assets by a debenture dated 22 June 1988 and by 1st Mortgages over each of the company's freehold properties dated 28 November 1996 and 5th December 1997.

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6. CREDITORS:
Amounts falling due after more than one year

	1997 £	1996 £
Bank loans and overdrafts	400,000	450,000
Net obligations under finance lease and hire purchase contracts	5,854	8,781
Accruals and deferred income	<u>62,400</u>	<u>-</u>
	<u>£ 468,254</u>	<u>£ 458,781</u>

Included within the above are amounts falling due as follows:

In 1 - 2 years:

Loan instalments	50,000	50,000
Finance lease and hire purchase obligations	<u>2,927</u>	<u>2,927</u>

In 2 - 5 years:

Loan instalments	150,000	150,000
Finance lease and hire purchase obligations	<u>2,927</u>	<u>5,854</u>

In more than 5 years:

Loan instalments	<u>200,000</u>	<u>250,000</u>
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The bank loan is repayable by monthly instalments of £4,167. The rate of interest charged on the loan is 2.25% above the bank base rate.

7. LOANS

	1997 £	1996 £
Creditors include loans not wholly repayable within 5 years as follows:		
- repayable by instalments	<u>£ 200,000</u>	<u>£ 250,000</u>

8. PROVISIONS FOR LIABILITIES AND CHARGES
Deferred Tax

The additional potential liability for deferred taxation not provided was as follows:

	1997 £	1996 £
Accelerated capital allowances	51,100	26,000
Revaluation of freehold property	<u>34,000</u>	<u>34,000</u>
	<u>£ 85,100</u>	<u>£ 60,000</u>

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9. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised		
100,000 ordinary shares of £1 each	£ <u>100,000</u>	£ <u>10,000</u>
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	£ <u>50,000</u>	£ <u>100</u>

On 12 November 1997, the authorised share capital of the company was increased to £100,000 and a bonus issue of 49,900 £1 ordinary shares was allotted as fully paid to the shareholders, Mr and Mrs Clare.

10. RESERVES

	£
Revaluation Reserve	
At 30 December 1996	142,297
Transfer from Profit and Loss Account	-
At 28 December 1997	£ <u>142,297</u>

11. SHAREHOLDERS' FUNDS

Reconciliation of movements on shareholders' funds

	1997 £	1996 £
Profit for the period	250,482	210,145
Dividends	<u>(68,000)</u>	<u>(32,000)</u>
	182,482	178,145
Other recognised gains and losses during period	<u>-</u>	<u>142,297</u>
	182,482	320,442
Opening shareholders' funds	<u>422,183</u>	£ <u>101,741</u>
Closing shareholders' funds	£ <u>604,665</u>	£ <u>422,183</u>

12. OTHER COMMITMENTS

At 28 December 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1997 £	1996 £
Expiry date:		
Within 1 year	92,802	59,917
Between 2 and 5 years	52,300	105,050
In more than 5 years	1,018,983	652,045

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13. TRANSACTIONS WITH DIRECTORS

Mr and Mrs Clare, directors, owned freehold property and received rental income from Dreams Limited of £2,000 per month for the use of the premises. This transaction was at arm's length and on normal commercial terms.

14. POST BALANCE SHEET EVENTS

On 29 December 1997, the company entered into a rent guarantee in favour of Solitaire Holdings for £50,000.

On 5 January 1998, the company acquired a freehold property for the sum of £180,000 from the directors, Mr and Mrs Clare. The consideration was based on an independent valuation of the property.

15. ULTIMATE CONTROLLING PARTY

The company was controlled throughout the current and previous period by Mr M Clare, a director, by virtue of his 95% shareholding.