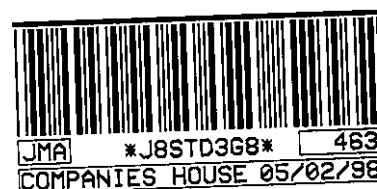


**OAKLAND FAIRFAX FURNITURE  
LIMITED**

**Report and Financial Statements**

**1 February 1997**

**Deloitte & Touche  
PO Box 500  
201 Deansgate  
Manchester  
M60 2AT**



# **OAKLAND FAIRFAX FURNITURE LIMITED**

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# **OAKLAND FAIRFAX FURNITURE LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

C T Burnett (Chairman)  
J E Robson (Deputy Chairman)  
S J Osborne  
P Blackwell  
S Whetstone  
J N Stuttard  
D J Barrowclough  
W M Hollis

### **SECRETARY**

J E Robson

### **REGISTERED OFFICE**

Hallam Road  
Nelson  
Lancashire  
BB9 8AJ

### **AUDITORS**

Deloitte & Touche  
Chartered Accountants  
201 Deansgate  
Manchester  
M60 2AT

### **BANKERS**

National Westminster Bank plc  
P O Box 90  
4th Floor  
27 Bolton Road  
Bradford  
BD1 4DR

### **SOLICITORS**

Eversheds  
Cloth Hall Court  
Infirmary Street  
Leeds  
LS1 2JB

# OAKLAND FAIRFAX FURNITURE LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 1 February 1997.

## ACTIVITIES

The principal activity is the manufacture and sale of upholstered furniture.

## REVIEW OF THE BUSINESS

The actions which were taken during the previous financial period to turn the business around and re-establish the product range in the marketplace continued during the year under review. Although the Company incurred a further loss, demand for its products has continued to grow. In the circumstances the Directors are satisfied with the performance of the Company and with the prospects for the future.

## RESULTS AND DIVIDENDS

The results for the company appear in detail on page 6. The company reported a loss after taxation for the financial year of £905,127 (£522,575 for the 40 weeks ended 3 February 1996) which has been transferred from reserves. No dividend is proposed.

## FIXED ASSETS

The movements in the company's fixed assets are set out in note 7 to the financial statements. In the opinion of the directors there is no significant difference between the current open market value of the company's land and buildings and the amounts at which they are stated in the financial statements.

## DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

C T Burnett	
J E Robson	
S J Osborne	
P Blackwell	(appointed 26 November 1996)
S Whetstone	(appointed 26 November 1996)
J N Stuttard	(appointed 26 November 1996)

D J Barrowclough was appointed to the Board on 6 August 1997 and W M Hollis was appointed to the Board on 29 November 1997.

None of the directors have any interest in the share capital of the company. The interests of Mr Burnett, Mr Robson and Mr Osborne in the shares of the ultimate parent company, Moorfield Holdings Limited, are disclosed in that company's financial statements. No other director has any interest in the share capital of the ultimate parent company.

## EMPLOYMENT OF DISABLED PERSONS

The company has an established policy of employing disabled persons wherever this is practical. In compliance with current legislation the company seeks to employ at least the quota of disabled persons required. The company endeavours to ensure that disabled employees benefit from training and career development programmes in common with all employees.

## EMPLOYEE INVOLVEMENT

Communication with employees is effected through regular briefing groups.

# OAKLAND FAIRFAX FURNITURE LIMITED

## DIRECTORS' REPORT

### AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in cursive script, appearing to read "J. P. Kolan".

Secretary

## 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 as at the end of the financial year 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;
- 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. 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.

By order of the Board



Secretary



## Chartered Accountants

Deloitte & Touche  
(P.O. Box 500)  
201 Deansgate  
Manchester M60 2AT

Telephone: National 0161 832 3555  
International + 44 161 832 3555  
Fax (Gp. 3): 0161 829 3800  
DX 14324 - Manchester 1 Exchange

## OAKLAND FAIRFAX FURNITURE LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on pages 8 and 9.

#### Respective responsibilities of directors and auditors

As described on page 4 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 as at 1 February 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants and Registered Auditors

*5 February 1998*

# OAKLAND FAIRFAX FURNITURE LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 1 February 1997

	Note	Year ended 1 February 1997 £	40 weeks ended 3 February 1996 £
<b>TURNOVER</b>	2	8,231,480	4,590,560
Cost of sales		<u>7,275,663</u>	<u>3,714,858</u>
Gross profit		955,817	875,702
Distribution costs		1,205,526	908,432
Administrative expenses		<u>912,180</u>	<u>700,379</u>
<b>OPERATING LOSS</b>	4	(1,161,889)	(733,109)
Interest payable and similar charges	5	<u>78,524</u>	<u>21,344</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,240,413)	(754,453)
Tax on loss on ordinary activities	6	<u>335,286</u>	<u>231,878</u>
<b>RETAINED LOSS FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES</b>	14	<u>(905,127)</u>	<u>(522,575)</u>

The company's activities derive from continuing operations. The result for the financial year represents all of the gains and losses recognised by the company during the year and the prior period. In addition, there is no difference between the results presented above and the results on an unmodified historical cost basis, therefore a note of historical cost profit or loss is not required.

# OAKLAND FAIRFAX FURNITURE LIMITED


## BALANCE SHEET


1 February 1997

	Note	1 February 1997 £	£	3 February 1996 £	£
<b>FIXED ASSETS</b>					
Tangible assets	7		870,071		908,137
<b>CURRENT ASSETS</b>					
Stocks	8	905,370		732,075	
Debtors	9	1,870,856		1,189,175	
Cash at bank and in hand		1,055		132,772	
		<u>2,777,281</u>		<u>2,054,022</u>	
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(3,604,081)</u>		<u>(1,849,328)</u>	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			<u>(826,800)</u>		<u>204,694</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>43,271</u>		<u>1,112,831</u>
<b>CREDITORS: amounts falling due after more than one year</b>	11		1,486,137		1,643,070
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	12		-		-
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13	1		1	
Profit and loss account	14	(1,429,868)		(522,575)	
Goodwill reserve	14	<u>(12,999)</u>		<u>(7,665)</u>	
<b>EQUITY SHAREHOLDERS' FUNDS</b>			<u>(1,442,866)</u>		<u>(530,239)</u>
			<u>43,271</u>		<u>1,112,831</u>

These financial statements were approved by the Board of Directors on 9 JANUARY 1998

Signed on behalf of the Board of Directors

 - Director

 - Director

**NOTES TO THE ACCOUNTS**

**Year ended 1 February 1997**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Tangible fixed assets**

Depreciation is calculated to write down the cost of fixed assets to their estimated residual value by equal annual instalments over the period of their useful economic lives which are considered to be:

Freehold buildings	100 years
Short leasehold buildings	period of the lease - 7 years
Plant, machinery and office equipment	4-10 years
Motor vehicles	4-10 years

**Stocks**

Stocks and work-in-progress, are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

**Taxation**

Accounts are prepared on the basis that losses will be surrendered to other group companies for payment equivalent to the corporation tax on such losses. The amount receivable is shown as a corporation tax credit and as corporation tax recoverable.

**Deferred taxation**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

**Leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

**Pensions**

The Moorfield Holdings group operates a defined benefit contributory pension scheme covering the majority of senior management. The scheme's funds are administered by trustees and are independent of the groups finances. Contributions are paid to the scheme in accordance with the recommendation of independent actuaries whose reports are compiled every three years. The company's contributions are charged against profits so as to spread the cost over the service lives of the employees in the scheme.

**Foreign currency translation**

Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. These translation differences are dealt with in the profit and loss account.

# OAKLAND FAIRFAX FURNITURE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 1 February 1997

### 1. ACCOUNTING POLICIES (continued)

#### Acquisition and goodwill

The assets and liabilities of the business acquired by the company are included in the accounts at their fair value to the company.

The difference between the consideration paid and the fair value of the assets and liabilities acquired represents goodwill. Goodwill is accounted for as a charge/credit in the company's non-distributable reserves in the period of acquisition. This is transferred to distributable reserves over the estimated economic life of the assets acquired.

### 2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax loss is attributable to the manufacture and sale of upholstered furniture.

The turnover attributable to each of the company's geographical markets is:

	Year ended 1 February 1997 £	40 weeks ended 3 February 1996 £
UK	7,443,624	3,938,608
Other European countries	787,856	651,952
	<u>8,231,480</u>	<u>4,590,560</u>

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 1 February 1997 £	40 weeks ended 3 February 1996 £
Directors emoluments		
Management remuneration	20,257	-
Pension scheme contributions	2,214	-
	<u>22,471</u>	<u>-</u>
Remuneration of the chairman	-	-
Remuneration of the highest paid director	<u>10,660</u>	<u>-</u>
	No	No
Scale of directors' remuneration		
£ 0 - £ 5,000	4	3
£ 5,001 - £ 10,000	1	-
£ 10,001 - £ 15,000	<u>1</u>	<u>-</u>

# OAKLAND FAIRFAX FURNITURE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 1 February 1997

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	Year ended 1 February 1997 No	40 weeks ended 3 February 1996 No
<b>Average number of persons employed</b>		
Production	120	109
Sales and distribution	7	8
Administration	18	16
	<u>145</u>	<u>133</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	2,008,544	1,206,374
Social security costs	164,702	87,126
Pension costs	27,703	8,565
	<u>2,200,949</u>	<u>1,302,065</u>

### 4. OPERATING LOSS

	Year ended 1 February 1997 £	40 weeks ended 3 February 1996 £
Operating loss is after charging		
Rentals under operating leases : land and buildings	69,000	69,000
Depreciation of - owned assets	55,500	32,933
- leased assets	20,586	9,807
Management charge from parent company	227,633	194,068
Auditors' remuneration - audit	14,000	16,000
- non-audit services	2,000	2,000

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 1 February 1997 £	40 weeks ended 3 February 1996 £
Other interest	61,801	15,118
Finance lease interest	16,723	6,226
	<u>78,524</u>	<u>21,344</u>

# OAKLAND FAIRFAX FURNITURE LIMITED

## NOTES TO THE ACCOUNTS Year ended 1 February 1997

### 6. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 1 February 1997 £	40 weeks ended 3 February 1996 £
United Kingdom corporation tax at 33% based on the loss for the year - group relief	<u>335,286</u>	<u>231,878</u>

### 7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Short leasehold land and buildings £	Plant and machinery and office equipment £	Motor vehicles £	Total £
Cost					
At 4 February 1996	560,000	67,681	290,007	33,189	950,877
Additions	<u>-</u>	<u>-</u>	<u>38,020</u>	<u>-</u>	<u>38,020</u>
At 1 February 1997	<u>560,000</u>	<u>67,681</u>	<u>328,027</u>	<u>33,189</u>	<u>988,897</u>
Accumulated depreciation					
At 4 February 1996	3,900	9,891	24,376	4,573	42,740
Charge for the year	<u>3,640</u>	<u>9,397</u>	<u>53,415</u>	<u>9,634</u>	<u>76,086</u>
At 1 February 1997	<u>7,540</u>	<u>19,288</u>	<u>77,791</u>	<u>14,207</u>	<u>118,826</u>
Net book value					
At 1 February 1997	<u>552,460</u>	<u>48,393</u>	<u>250,236</u>	<u>18,982</u>	<u>870,071</u>
At 3 February 1996	<u>556,100</u>	<u>57,790</u>	<u>265,631</u>	<u>28,616</u>	<u>908,137</u>

The net book value of the company's fixed assets includes £91,479 (1996 - £112,065) in respect of assets held under finance leases.

# OAKLAND FAIRFAX FURNITURE LIMITED

## NOTES TO THE ACCOUNTS Year ended 1 February 1997

### 8. STOCKS

	1 February 1997 £	3 February 1996 £
Raw materials and consumables	576,710	410,142
Work-in-progress	61,332	33,186
Finished goods and goods for resale	267,328	288,747
	<u>905,370</u>	<u>732,075</u>

The replacement value of stocks is estimated to be not materially different from the balance sheet valuation.

### 9. DEBTORS

	1 February 1997 £	3 February 1996 £
Trade debtors	1,466,657	845,287
Other debtors	300	6,849
Corporation tax recoverable	335,286	231,878
Prepayments and accrued income	68,613	105,161
	<u>1,870,856</u>	<u>1,189,175</u>

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1 February 1997 £	3 February 1996 £
Bank overdraft	1,308,956	-
Trade creditors	1,079,126	994,315
Amounts owed to group companies	84,402	15,754
Taxation and social security	227,108	123,819
Accruals and deferred income	130,535	145,737
Other creditors	748,389	542,354
Obligations under finance leases	25,565	27,349
	<u>3,604,081</u>	<u>1,849,328</u>

The bank overdraft is secured on certain assets of the company.

Other creditors represents amounts secured on the book debts of the company.

# OAKLAND FAIRFAX FURNITURE LIMITED

## NOTES TO THE ACCOUNTS Year ended 1 February 1997

### 11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	1 February 1997 £	3 February 1996 £
Amounts owed to parent company	1,468,122	1,600,000
Obligations under finance leases	18,015	43,070
	<u>1,486,137</u>	<u>1,643,070</u>

The amount owed to the parent company contains no fixed repayment terms, is only repayable on receipt of 12 months written notice and is interest free.

### 12. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1997 £	Not Provided 1997 £	Provided 1996 £	Not Provided 1996 £
Capital allowances in advance of depreciation	<u>-</u>	<u>(58,181)</u>	<u>-</u>	<u>(4,719)</u>

### 13. CALLED UP SHARE CAPITAL

	1 February 1997 £	3 February 1996 £
Authorised 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid 1 ordinary share of £1 each	<u>1</u>	<u>1</u>

# OAKLAND FAIRFAX FURNITURE LIMITED

## NOTES TO THE ACCOUNTS Year ended 1 February 1997

### 14. RESERVES

	Goodwill reserve £	Profit and loss account £	Total £
At 4 February 1996	(7,665)	(522,575)	(530,240)
Retained loss for the year	-	(905,127)	(905,127)
Finalisation of goodwill (note 16)	(7,500)	-	(7,500)
Amortisation of goodwill	2,166	(2,166)	-
At 1 February 1997	<u>(12,999)</u>	<u>(1,429,868)</u>	<u>(1,442,867)</u>

The cumulative amount of goodwill written off to reserves is £15,165 (1996 - £7,665).

### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1 February 1997 £	3 February 1996 £
Loss for the financial year	(905,127)	(522,575)
Goodwill on acquisition	(7,500)	(7,665)
Share capital issued	-	1
Net reduction to equity shareholders' funds	(912,627)	(530,239)
Opening equity shareholders' funds	<u>(530,239)</u>	<u>-</u>
Closing equity shareholders' funds	<u>(1,442,866)</u>	<u>(530,239)</u>

### 16. ACQUISITION

On 15 May 1995 the company purchased the business and certain assets and liabilities of Oakland Fairfax Limited. The goodwill calculation has been finalised for the year ended 1 February 1997, in accordance with Financial Reporting Standard No. 7, and the immaterial adjustment has been made in these financial statements.

	£
Fair value of assets acquired	
Fixed assets	912,096
Stocks	242,858
Debtors	7,953
Creditors	<u>(321,957)</u>
	840,950
Goodwill	<u>15,165</u>
Cash consideration	<u>856,115</u>

# OAKLAND FAIRFAX FURNITURE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 1 February 1997

### 17. PENSIONS

The company is a member of the Moorfield Holdings Limited Pension Scheme which is a defined benefit scheme for certain employees. The full regular cost of providing benefits of the company's members in the group pension scheme is charged in these accounts.

The contributions are determined by a qualified actuary, on the basis of periodic valuations, the last valuation being carried out as at 1 May 1994, using the projected unit method of funding. Details of the actuarial valuation are dealt with in the accounts of the parent company Moorfield Holdings Limited. The employers refund the premiums paid by the trustees in respect of the Life Assurance and Spouses' Death in Service Benefits. The pension cost for the year for this scheme was £27,703 (40 weeks ended 3 February 1996 : £8,565).

### 18. FINANCIAL COMMITMENTS

At 1 February 1997 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings £	Other £	Total £
Leases which expire:			
Within one year	-	16,899	16,899
Within 2 to 5 years	-	26,697	26,697
Over five years	69,000	-	69,000
	<u>69,000</u>	<u>43,596</u>	<u>112,596</u>

### 19. CONTINGENT LIABILITIES

The company has given its banks unlimited guarantees on behalf of the ultimate parent company and certain fellow subsidiaries in respect of bank borrowing which amounted to £4,926,519 at 1 February 1997 (1996 - £5,002,629).

### 20. ULTIMATE PARENT COMPANY

In the opinion of the directors the ultimate parent company is Moorfield Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of Moorfield Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

The company has taken advantage of the exemption included in Financial Reporting Standard No. 8 "Related Party Disclosures" (para 3) for wholly owned subsidiaries not to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties.