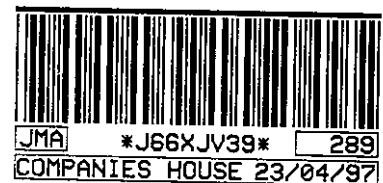


**OAKLAND FAIRFAX FURNITURE
LIMITED**
(formerly Focalpro Limited)

Report and Financial Statements

3 February 1996

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



OAKLAND FAIRFAX FURNITURE LIMITED
(formerly Focalpro Limited)

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OAKLAND FAIRFAX FURNITURE LIMITED
(formerly Focalpro Limited)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C T Burnett (Chairman)
J E Robson (Deputy Chairman)
S J Osborne
P Blackwell
S Whetstone
N Stuttard

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 **(formerly Focalpro Limited)**

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 3 February 1996.

The company was incorporated on 24 April 1995 as Focalpro Limited and issued 1 £1 ordinary share. On 5 May 1995 the company changed its name to Oakland Fairfax Furniture Limited.

ACTIVITIES

The principal activity is the manufacture and sale of upholstered furniture. On 15 May 1995 the company purchased certain assets and liabilities from the Receiver of Oakland Fairfax Limited, and commenced trading.

REVIEW OF THE BUSINESS

Following the commencement of trading, plans were implemented to turn the business around and to re-establish the product range in the marketplace. While these plans were being implemented, the Company continued to suffer losses. 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 period of £522,575 which has been transferred to 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.

LAND AND BUILDINGS

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 period were:

C T Burnett (appointed 4 May 1995)

J E Robson (appointed 4 May 1995)

S J Osborne (appointed 19 May 1995)

York Place Company Nominees Limited (appointed 24 April 1995, resigned 4 May 1995)

None of the directors have any interest in the share capital of the company. The interests of Mr Burnett and Mr Robson 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.

P Blackwell, N Stuttard and S Whetstone were appointed to the Board on 26 November 1996.

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
(formerly Focalpro Limited)

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche were appointed by the directors as the company's first 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 black ink, appearing to read 'J E Robson', written in a cursive style.

J E ROBSON

Secretary

OAKLAND FAIRFAX FURNITURE LIMITED
(formerly Focalpro Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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



J E ROBSON

Secretary



Chartered Accountants

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

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International + 44 161 832 3555
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DX 14324 – Manchester 1 Exchange

OAKLAND FAIRFAX FURNITURE LIMITED (formerly Focalpro Limited)

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 14 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 3 February 1996 and of its loss for the 40 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

22 April 1997

OAKLAND FAIRFAX FURNITURE LIMITED
(formerly Focalpro Limited)

PROFIT AND LOSS ACCOUNT
40 weeks ended 3 February 1996

	Note	40 weeks ended 3 February 1996 £
TURNOVER	2	4,590,560
Cost of sales		<u>3,714,858</u>
Gross profit		875,702
Distribution costs		908,432
Administrative expenses		<u>700,379</u>
OPERATING LOSS	4	(733,109)
Interest payable and similar charges	5	<u>21,344</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(754,453)
Tax on loss on ordinary activities	6	<u>231,878</u>
RETAINED LOSS FOR THE FINANCIAL PERIOD TRANSFERRED FROM RESERVES	14	<u>(522,575)</u>

The company's activities derive from acquisitions. The result for the financial period represents all of the gains and losses recognised by the company during the 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
(formerly Focalpro Limited)

BALANCE SHEET
3 February 1996

	Note	1996 £
FIXED ASSETS		
Tangible assets	7	908,137
CURRENT ASSETS		
Stocks	8	732,075
Debtors	9	1,189,175
Cash at bank and in hand		132,772
		<u>2,054,022</u>
CREDITORS: amounts falling due within one year	10	<u>1,849,328</u>
NET CURRENT ASSETS		<u>204,694</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,112,831</u>
CREDITORS: amounts falling due after more than one year	11	1,643,070
PROVISION FOR LIABILITIES AND CHARGES	12	-
CAPITAL AND RESERVES		
Called up share capital	13	1
Profit and loss account	14	(522,575)
Goodwill reserve	16	(7,665)
		<u>(530,239)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,112,831</u>

These financial statements were approved by the Board of Directors on 22 April 1997

Signed on behalf of the Board of Directors



J E ROBSON

- Director

NOTES TO THE ACCOUNTS
40 weeks ended 3 February 1996

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 and long leasehold buildings	100 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
(formerly Focalpro Limited)

NOTES TO THE ACCOUNTS
40 weeks ended 3 February 1996

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 manufacturing and sale of upholstered furniture.

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

	40 weeks ended 3 February 1996 £
UK	3,938,608
Other European countries	651,952
	<u>4,590,560</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration from the company during the period.

	40 weeks ended 3 February 1996 No
Average number of persons employed	
Production	109
Sales and distribution	8
Administration	16
	<u>133</u>
	£
Staff costs during the period (including directors)	
Wages and salaries	1,206,374
Social security costs	87,126
Pension costs	8,565
	<u>1,302,065</u>

OAKLAND FAIRFAX FURNITURE LIMITED
(formerly Focalpro Limited)

NOTES TO THE ACCOUNTS
40 weeks ended 3 February 1996

4. OPERATING LOSS

	40 weeks ended 3 February 1996 £
Operating loss is after charging	
Rentals under operating leases : land and buildings	69,000
Depreciation of - owned assets	32,933
- leased assets	9,807
Management charge from parent company	194,068
Auditors' remuneration - audit	16,000
- non-audit services	<u>2,000</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	40 weeks ended 3 February 1996 £
Other interest	15,118
Finance lease interest	<u>6,226</u>
	<u>21,344</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	40 weeks ended 3 February 1996 £
United Kingdom corporation tax at 33% based on the loss for the period	<u>(231,878)</u>

OAKLAND FAIRFAX FURNITURE LIMITED
(formerly Focalpro Limited)

NOTES TO THE ACCOUNTS
40 weeks ended 3 February 1996

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Long leasehold land and buildings £	Plant and machinery and office equipment £	Motor vehicles £	Total £
Cost					
On acquisition	560,000	67,681	279,394	5,021	912,096
Additions	-	-	10,613	28,168	38,781
At 3 February 1996	560,000	67,681	290,007	33,189	950,877
Accumulated depreciation					
On acquisition	-	-	-	-	-
Charge for the period	3,900	9,891	24,376	4,573	42,740
At 3 February 1996	3,900	9,891	24,376	4,573	42,740
Net book value					
At 3 February 1996	556,100	57,790	265,631	28,616	908,137

The net book value of the company's fixed assets includes £112,065 in respect of assets held under finance leases.

8. STOCKS

	1996 £
Raw materials and consumables	410,142
Work-in-progress	33,186
Finished goods and goods for resale	288,747
	<u>732,075</u>

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

9. DEBTORS

	1996 £
Trade debtors	845,287
Other debtors	6,849
Corporation tax recoverable	231,878
Prepayments and accrued income	105,161
	<u>1,189,175</u>

OAKLAND FAIRFAX FURNITURE LIMITED
(formerly Focalpro Limited)

NOTES TO THE ACCOUNTS
40 weeks ended 3 February 1996

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £
Trade creditors	994,315
Amounts owed to group companies	15,754
Taxation and social security	123,819
Accruals and deferred income	145,737
Other creditors	542,354
Obligations under finance leases	27,349
	<u>1,849,328</u>

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

11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	1996 £
Amounts owed to parent company	1,600,000
Obligations under finance leases	43,070
	<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 1996 £	Not Provided 1996 £
Capital allowances in advance of depreciation	-	(4,719)
Other timing differences	-	-
	<u>-</u>	<u>(4,719)</u>

OAKLAND FAIRFAX FURNITURE LIMITED
(formerly Focalpro Limited)

NOTES TO THE ACCOUNTS
40 weeks ended 3 February 1996

13. CALLED UP SHARE CAPITAL

	1996 £
Authorised 1,000 ordinary shares of £1 each	1,000
	<hr/>
Allotted and fully paid 1 ordinary share of £1 each	1
	<hr/>

The share capital was issued at par to provide the initial share capital of the company.

14. RESERVES

	Goodwill reserve £	Profit and loss account £	Total £
On acquisition	(7,665)	-	(7,665)
Retained loss for the period	-	(522,575)	(522,575)
	<hr/>	<hr/>	<hr/>
At 3 February 1996	(7,665)	(522,575)	(530,240)
	<hr/>	<hr/>	<hr/>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £
Loss for the financial period	(522,575)
Goodwill on acquisition	(7,665)
Share capital issued	1
	<hr/>
Net reduction to equity shareholders' funds	(530,239)
Opening equity shareholders' funds	-
	<hr/>
Closing equity shareholders' funds	(530,239)
	<hr/>

OAKLAND FAIRFAX FURNITURE LIMITED
(formerly Focalpro Limited)

NOTES TO THE ACCOUNTS
40 weeks ended 3 February 1996

16. ACQUISITION

On 15 May 1995 the company purchased the business and certain assets and liabilities of Oakland Fairfax Limited.

	£
Fair value of assets acquired	
Fixed assets	912,096
Stocks	250,358
Debtors	7,953
Creditors	(321,957)
	<hr/>
	848,450
Cash consideration	(856,115)
	<hr/>
Goodwill	7,665
	<hr/>

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 is 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 period for this scheme was £8,565.

18. FINANCIAL COMMITMENTS

At 3 February 1996 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	-	21,905	21,905
Within 2 to 5 years	-	29,508	29,508
Over five years	69,000	-	69,000
	<hr/>	<hr/>	<hr/>
	69,000	51,413	120,413
	<hr/>	<hr/>	<hr/>

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 £5,002,629 at 3 February 1996.

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.