

A03 21/11/2006 468
COMPANIES HOUSE

The assistance is to be given to (note 2) MERISTEM HOLDINGS LIMITED
(COMPANY NUMBER 5584805) WHOSE REGISTERED OFFICE IS AT ST JAMES'S COURT, BROWN STREET, MANCHESTER, M2 2JF ("THE PURCHASER")

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold block
lettering

The assistance will take the form of

SEE APPENDIX 3

The person who ~~(has acquired)~~ will acquire[†] the shares is

[†] delete as
appropriate

THE PURCHASER

The principal terms on which the assistance will be given are

SEE APPENDIX 4

The amount of cash to be transferred to the person assisted is £ SEE APPENDIX 5

The value of any asset to be transferred to the person assisted is £ SEE APPENDIX 5

The date on which the assistance is to be given is within 8 weeks of today's date

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold block lettering

* delete either (a) or
(b) as appropriate

~~X~~We have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts (note 3)

(a) ~~X~~We have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date]* (note 3)

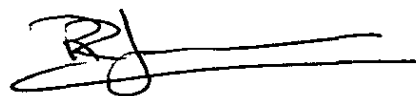
(b) ~~It is intended to commence the winding up of the company within 12 months of that date, and ~~X~~we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up]~~ (note 3)

And ~~X~~we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835

Declared at

11 CHICHELL STREET
GLASTONBURY, SUMMER
BA6 8DL

Declarants to sign below



Day Month Year
on 10 11 2006

before me

A Commissioner for Oaths or Notary Public or Justice of
the Peace or a Solicitor having the powers conferred on
a Commissioner for Oaths *Shinton*

NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given, if a recipient is a company the registered office address should be shown
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form
- 5 The address for companies registered in England and Wales or Wales is -

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

or, for companies registered in Scotland -

The Registrar of Companies
37 Castle Terrace
Edinburgh
EH1 2EB

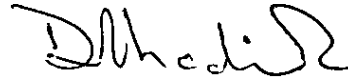
Declared at *Halliwells, London*

Declarants to sign below

on *13 November* 2006

before me *K Anderson* K ANDERSON

A Commissioner for Oaths or Notary Public or
Justice of the Peace or a Solicitor having the
powers conferred on a Commissioner for Oaths



SPACE 2 LIMITED

APPENDICES TO FORM 155(6)a

APPENDIX 1

Name: The Furniture Factory Limited acting by Douglas Frederick Chadwick
for Meristem Furniture Group Ltd, Director

Address: Meristem House
Wells Road
Glastonbury BA6 9AG

Name: Paul Robert Johnson
Address: Cornerways,
Pilcorn Street
Wedmore
Somerset BS28 4AW

SPACE 2 LIMITED

APPENDICES TO FORM 155(6)a

APPENDIX 2

The number and class of the shares being acquired is:

- (a) 115,580 A shares of £1.00 each,
- (b) 111,124 B shares of £1 00 each,

in the capital of the Company

SPACE 2 LIMITED

APPENDICES TO FORM 155(6)a

APPENDIX 3

All capitalised terms in this appendix 3 shall have the meanings given to them in appendix 6.

Form of assistance

The assistance will take the form of the use of any part of the Facilities either to be on lent to the Purchaser or to fund the acquisition. The Facilities are already documented in and secured by various documentation as set out below as the same maybe amended, varied, supplemented or substituted from time to time. In addition, the Facilities will be further secured by the new documents set out below. Space is now acceding to certain Facilities and providing security and will enter into the new documents listed below. The Company and Space will continue to make all payments due and provide, all security and perform all obligations as required pursuant to the Facilities:

Existing Documents

- 1 the Ancillary Facilities Agreement,
- 2 the SIF Agreement;
- 3 the CAS Agreement;
- 4 the CAS Guarantee;
- 5 the Confidential Invoice Discounting Agreement
- 6 the Plant and Machinery Loan Agreement,
- 7 the Lombard Loan Agreement;
- 8 the Chattel Mortgage,
- 9 Existing Guarantee and Debenture,

New documents

- 10 the CAS Agreement Accession Deed;
- 11 the CAS Guarantee Accession Agreement,
- 12 the Additional Guarantee and Debenture; and
- 13 the Intra Group Funding Agreement,

SPACE 2 LIMITED

APPENDICES TO FORM 155(6)a

APPENDIX 4

All capitalised terms in this appendix 4 shall have the meanings given to them in appendix 6.

Terms on which assistance given

The principal terms on which the assistance will be given are:

- 1 pursuant to the terms of the Ancillary Facilities Agreement, the Lender has made and continues to make the Ancillary Facilities available to the Company and its subsidiary Furniture Factory Limited ("**the Subsidiary**") The Ancillary Facilities are now to be used in part to be lent to the Purchaser to provide finance in connection with the Acquisition and the Lender has consented to the use of the Ancillary Facilities in connection with the Acquisition,
- 2 pursuant to the CAS Agreement the Company and the Subsidiary have agreed to terms upon which the Lender will for the purposes of calculating interest, deduct credit balances on debit balances on the accounts of each such party to which the CAS Agreement applies (the "**Relevant Accounts**"), by enabling the Lender at any time to set off credit balances on the Relevant Accounts against indebtedness owed to the Lender on the Relevant Accounts The CAS Facilities are now to be used in part to be lent to the Purchaser to provide financing in connection with the Acquisition and the Lender has consented to the use of the CAS Facilities in connection with the Acquisition,
- 3 by the CAS Accession Agreement the Lender has agreed that the CAS Facilities can be made available or on lent to the Purchaser to be utilised in connection with the Acquisition;
- 4 pursuant to the CAS Guarantee the Company and the Subsidiary (among others) have guaranteed payment of all monies due and performance of obligations in relation to the CAS Agreement and as part of the requirement of the CAS Accession Agreement, the Lender has required that the Purchaser and Space are now added as additional parties to the CAS Guarantee,
- 5 pursuant to the CAS Guarantee Accession Deed the Purchaser and Space will become a party to the CAS Guarantee and each party to the CAS Guarantee on a joint and several basis guarantees to the Lender all of the obligations and liabilities from time to time of the other parties thereto on the terms and conditions of the CAS Guarantee and the CAS Guarantee Accession Deed;
- 6 pursuant to the SIF Agreement the Lender and the Company have agreed the terms upon which the Lender will provide selective invoice discounting facilities to the Company The SIF Facilities may now be used in part to be on lent to the Purchaser to provide financing in connection with the Acquisition and the Lender has consented to the use of this SIF Facilities in connection with the Acquisition;

- 7 pursuant to the Existing Guarantee and Debenture, the Company and the Subsidiary agree to
- (i) undertake to discharge their own liabilities and obligations from time to time to the Lender;
 - (ii) agree to guarantee the liabilities and obligations from time to time of the other parties thereto, and
 - (iii) grant fixed and floating charges in favour of the Lender over the whole of their property, assets and undertaking to secure all their respective obligations to the Lender,
- 8 pursuant to the Lombard Loan Agreement, Lombard North Central Plc have agreed to provide facilities to the Subsidiary for the purchase of plant and machinery. The proceeds of this loan agreement may now be used in part to be on lent to the Purchaser to assist with the financing of the Acquisition,
- 9 pursuant to the terms of the Chattel Mortgage, the Subsidiary has granted security over specific plant and machinery in favour of Lombard North Central Plc. The proceeds of the Lombard Loan Agreement may be used in part to be on lent to the Purchaser to assist in the financing of the Acquisition;
- 10 pursuant to the Plant and Machinery Loan Agreement, the Lender has agreed to provide finance to the Subsidiary for the purchase of plant and machinery. Any part of the facilities may now be used to be on lent to the Purchaser to assist in the financing of the Acquisition,
- 11 as a prerequisite to agreeing that any of the Facilities may be used by or used to be on lent to the Purchaser to finance the Acquisition, the Lender has required that an Additional Guarantee and Debenture be put in place which will ensure that the Purchaser and each of the Company, the Subsidiary and Space give guarantees and security in respect of all the Facilities. Pursuant to the terms of the Additional Guarantee and Debenture, the Purchaser, the Company, the Subsidiary and Space agree to
- (i) undertake to discharge their own liabilities and obligations from time to time to the Lender,
 - (ii) agree to guarantee the liabilities and obligations from time to time of the other parties thereto, and
 - (iii) grant fixed and floating charges in favour of the Lender over the whole of their property, assets and undertaking to secure all their respective obligations to the Lender,
- 12 pursuant to the terms of the Intra Group Funding Agreement, the Company, the Subsidiary and Space agree, inter alia, to provide funds to the Purchaser to enable it to fund the Acquisition, and to enable the Purchaser to meet its obligations to the Lender under, or as contemplated by the CAS Agreement and also for any purpose in connection with the Acquisition,

In entering into the various documents and undertaking the payments referred to above, the Company is entering into obligations and assuming liabilities and giving security in connection with the Acquisition and may in the future be called upon

pursuant to any of the documents referred to in this statutory declaration to discharge obligations and/or liabilities arising out of or in connection with the Acquisition

SPACE 2 LIMITED

APPENDICES TO FORM 155(6)b

APPENDIX 5

The amount of cash to be transferred to the person assisted is all sums due under the Intra Group Funding Agreement subject to a maximum of £10,000,000.

SPACE 2 LIMITED

APPENDICES TO FORM 155(6)b

APPENDIX 6

In this Form 155(6)b, and all its appendices, the following terms shall have the following meanings

"Acquisition" means the acquisition of the entire issued share capital of the Company by the Purchaser,

"Additional Guarantee and Debenture" a composite guarantee and debenture to be entered into by the Purchaser, the Company, the Subsidiary and Space in favour of the Lender;

"Ancillary Facilities" means all the facilities available pursuant to the terms of the Ancillary Facilities Agreement,

"Ancillary Facilities Agreement" means an ancillary facilities dated 13 April 2006 and between the Company and the Subsidiary and the Lender pursuant to which the Lender has made available

(a) to the Company and the Subsidiary a sterling overdraft facility, foreign currency overdraft and documentary letters of credit to a gross limit not exceeding £2,000,000 and a net limit of £250,000 (the **"Overdraft Facility"**); and

(b)

i to the Company £70,000 in respect of company Barclaycard,

ii. to the Subsidiary £2,150,000 in respect of BACS,

iii to the Subsidiary £5,259,000 in respect of Business Master;

iv. to the Subsidiary £5,000,000 as a gross limit, or its currency equivalent, in respect of spot and forward exchange transactions (with a settlement risk limit of £200,000); and

v to the Subsidiary £367,000 or its currency equivalent in respect of bonds, guarantees and indemnities,

together the **"Ancillary Facilities"**.

"CAS Agreement" means a composite accounting agreement dated 21 June 2001 between (inter alia) the Company and the Subsidiary and the Lender;

"CAS Agreement Accession Deed" means a deed of accession by the Purchaser and the Company and Space to the CAS Agreement,

"CAS Facilities" means all the facilities available pursuant to the terms of the CAS Agreement;

"CAS Guarantee" means a guarantee dated 21 June 2001 provided by the Company and the Subsidiary in relation to the CAS Facility;

"CAS Guarantee Accession Agreement" a deed of accession by the Purchaser the Company and Space to the CAS Guarantee,

"The Chattel Mortgage" means a chattel mortgage from the Subsidiary in favour of Lombard North Central Plc dated 5 January 2005,

"Company" means Meristem Furniture Group Limited (Company number 3496555);

"Confidential Invoice Discounting Agreement" means a confidential invoice finance agreement dated 6 January 2006 between the Subsidiary and the Lender pursuant to which the Lender provides invoice discounting facilities up to a maximum of £5,000,000,

"Confidential Invoice Discounting Facilities" means all facilities available pursuant to the terms of the Confidential Invoice Discounting Agreement,

"Existing Guarantee and Debenture" is a composite guarantee and debenture by a company and a subsidiary in favour of the Lender dated 21 June 2001;

"Facilities" means all or any of the CAS Facilities, the Ancillary Facilities or the SIF Facilities, the CID Facilities, the Lombard Facilities and the Plant and Machinery Facilities,

"Intra Group Funding Agreement" means the intra group funding agreement to be entered into between the Purchaser, the Company and the Subsidiary;

"Lender" means in respect of the Ancillary Facilities Agreement and the CAS Agreement, Barclays Bank plc, in respect of the Confidential Invoice Discounting Agreement, Barclays Sales Finance; in respect of the SIF Agreement, Barclays Trade Finance and in respect of the Plant and Machinery Loan Agreement, Barclays Mercantile and where the context admits all of them,

"The Lombard Facilities" means all facilities available pursuant to the terms of the Lombard Agreement;

"The Lombard Loan Agreement" means a loan agreement dated 5 August 2005 between Lombard North Central Plc and the Subsidiary up to a maximum of £1,650,000,

"Purchaser" has the meaning given to it on page 2 of this Form 155(6)b,

"The Plant and Machinery Facilities" means all facilities available pursuant to the terms of the Plant and Machinery Loan Agreement

"The Plant and Machinery Loan Agreement" means a plant and machinery loan agreement dated 4 January 2005 between Barclays, Mercantile and the Subsidiary up to a maximum of £1,200,000,

"SIF Agreement" means a Selective Invoice Finance Agreement dated 16 December 2005 between the Subsidiary and the Lender pursuant to which the Lender provides the trade financing and accounting system in respect of a specific customer up to a maximum of £8,000,000,

"SIF Facilities" means all facilities available pursuant to the terms of the SIF Agreement,

"**Space**" means Space 2 Limited (registered number 5875978),

"**Subsidiary**" means The Furniture Factory Limited (registered number 3697771),



Accountants &
business advisers

The Directors
Space 2 Limited
Meristem House
Avalon Trading Estate
Wells Road
Glastonbury
Somerset
BA6 9AG

13 November 2006

Dear Sirs

Auditors' report to the directors of Space 2 Limited (the "Company") pursuant to section 156(4) of the Companies Act 1985 (the "Act")

We have examined the attached statutory declaration of the directors of the Company dated today in connection with the proposal that the Company should give financial assistance in connection with the purchase of its own shares

This report is made solely to the Company's directors, as a body, in accordance with Section 156(4) of the Companies Act 1985. Our work has been undertaken so that we might state to the directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's directors as a body, for our audit work, for this report, or for the opinions we have formed

Basis of Opinion

We have enquired into the state of the Company's affairs so far as necessary for us to review the bases for the statutory declaration

Opinion

We are not aware of anything to indicate that the opinion expressed by the directors in their statutory declaration as to any of the matters mentioned in section 156(2) of the Act is unreasonable in all the circumstances

PKF (UK) LLP

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Accountants &
business advisers

Barclays Bank plc
1 Churchill Place
London
E14 5HP

13 November 2006

Dear Sirs

Report by the auditors of Space 2 Limited (the "Company") to Barclays Bank plc (the "Lender")

This report is given in connection with the proposed arrangement whereby the Company will give financial assistance in connection with the purchase of its own shares. Particulars of the financial assistance given or to be given are set out in the attached copy of the statutory declaration made this day by the directors of the Company pursuant to section 155(6) of the Companies Act 1985 (the "Act").

The purpose of this report is solely to assist the Lender in considering whether the proposed arrangements are permitted under section 155(2) of the Act, and it is not intended to be used, quoted or referred to for any other purpose.

We have examined the board memorandum dated 13 November 2006 (a copy of which is attached, initialed by us for the purpose of identification) for which the directors of the Company are solely responsible and we have enquired into the Company's state of affairs so far as necessary for us to review the bases for the board memorandum. Our enquiry did not constitute an audit under the provisions of the Act.

We confirm that as at close of business on 30 September 2006 the aggregate of the Company's assets as stated in its accounting records exceeded the aggregate of its liabilities as so stated.

We are not aware of anything to indicate that the opinion expressed in paragraph 2 of the board memorandum is unreasonable in all the circumstances.

Yours faithfully

PKF (UK) LLP
PKF (UK) LLP

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