

TURNER WALLCOVERINGS LIMITED

ABBREVIATED ACCOUNTS

FOR THE 9 MONTHS ENDED

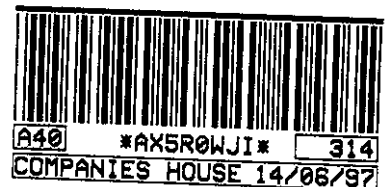
31st DECEMBER 1996

COMPANY NUMBER-00739287

WHITTINGHAM RIDDELL

CHARTERED ACCOUNTANTS

15 BELMONT, SHREWSBURY



TURNER WALLCOVERINGS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the nine months ended 31st December 1996.

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;
- 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Principal activity

The principal activity of the Company is the distribution of wallcoverings.

Business review

The results for the period are shown in the attached profit and loss account at page 5.

On 30th May 1996 the whole of the share capital of the Company was acquired by Designsingle Limited, a subsidiary of the Company's ultimate holding company, Newmor Group Limited, all companies registered in England and Wales.

Proposed dividend

The directors do not recommend the payment of a dividend for the period (31.3.96: £Nil).

Directors and directors' interests

The directors who held office during the period were as follows:

		<u>£1 Ordinary shares</u>	
		<u>31.12.96</u>	<u>31.3.96</u>
B.M. Turner	(resigned 30th May 1996)	-	4,975
D.C. Turner	(resigned 30th May 1996)	-	25
P.J. Reeves	(resigned 1st October 1996)	-	-
G.P. Jackson		-	-
H.M. Morris	(appointed 30th May 1996)	-	-
D.J. Morris	(appointed 30th May 1996)	-	-
A. Johnston	(appointed 30th May 1996)	-	-
E.G. Turner	(appointed 30th May 1996)	-	-

TURNER WALLCOVERINGS LIMITED

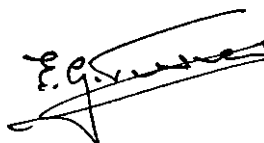
DIRECTORS' REPORT

The interests of the directors in the share capital of the parent company are shown in the accounts of Newmor Group Limited, the ultimate holding company.

Auditors

Whittingham Riddell have expressed their willingness to be reappointed as auditors of the Company in accordance with section 385 of the Companies Act 1985.

By order of the board

A handwritten signature in black ink, appearing to read 'E.G. Turner', written over a horizontal line.

E.G. Turner
Secretary

28th February 1997

AUDITORS' REPORT TO THE DIRECTORS OF

TURNER WALLCOVERINGS LIMITED

PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 16 together with the financial statements of Turner Wallcoverings Limited prepared under Section 226 of the Companies Act 1985 for the period ended 31st December 1996.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the Company's entitlement to the exemptions claimed in the directors' statement on page 6 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the Company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the Company is entitled under Sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section B of Part III of Schedule 8 to that Act, in respect of the period ended 31st December 1996, and the abbreviated accounts on pages 5 to 16 have been properly prepared in accordance with that Schedule.

Other information

On 9th April 1997 we reported, as auditors of Turner Wallcoverings Limited, to the members on the financial statements prepared under Section 226 of the Companies Act 1985 for the period ended 31st December 1996, and our audit report was as follows:

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 1 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.

AUDITORS' REPORT TO THE DIRECTORS OF

TURNER WALLCOVERINGS LIMITED

PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited was explained below.

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.

However, the evidence available to us was limited because we were appointed auditors on 19th June 1996 and in consequence we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of stock and work in progress, appearing in the balance sheet at 31st March 1996 in the sum of £416,047.

Any adjustment to this opening stock figure could have a consequential significant effect on the loss for the period.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

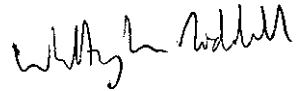
Opinion: disclaimer on view given by financial statements

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1996, however because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of its loss for the period then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to stock.

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

9th APRIL 1997
SHREWSBURY


WHITTINGHAM RIDDELL
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

TURNER WALLCOVERINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE 9 MONTHS ENDED 31st DECEMBER 1996

	<u>Note</u>	<u>9M to</u> <u>31.12.96</u>	<u>Y.E.</u> <u>31.3.96</u>
		£	£
<u>Gross profit</u>		726,764	1,308,193
Distribution costs		(312,428)	(114,019)
Administrative expenses		(605,234)	(1,992,834)
<u>Operating loss</u>		<u>(190,898)</u>	<u>(798,660)</u>
Interest payable	3	(30,423)	(26,477)
<u>Loss on ordinary activities</u> <u>before taxation</u>	4	<u>(221,321)</u>	<u>(825,137)</u>
Taxation	7	44,129	-
<u>Retained loss for the</u> <u>financial period</u>		<u>(177,192)</u>	<u>(825,137)</u>

There were no recognised gains or losses other than those shown in the above profit and loss account.

TURNER WALLCOVERINGS LIMITED

BALANCE SHEET

AT 31st DECEMBER 1996

	<u>Note</u>	<u>31.12.96</u>		<u>31.3.96</u>	
		£	£	£	£
<u>Fixed assets</u>					
Tangible assets	8		308,493		451,860
Investments	9		2		2
			<u>308,495</u>		<u>451,862</u>
<u>Current assets</u>					
Stocks	10	380,241		416,047	
Debtors	11	570,024		793,270	
Cash at bank and in hand		323		428	
		<u>950,588</u>		<u>1,209,745</u>	
<u>Creditors: amounts falling due within one year</u>	12	(767,439)		(1,292,771)	
<u>Net current assets</u>			<u>183,149</u>		<u>(83,026)</u>
<u>Total assets less current liabilities</u>			<u>491,644</u>		<u>368,836</u>
<u>Creditors: amounts falling due after more than one year</u>	13		(300,000)		-
<u>Net assets</u>			<u>191,644</u>		<u>368,836</u>
<u>Capital and reserves</u>					
Called up share capital	2		5,000		5,000
Share premium account			17,119		17,119
Profit and loss account			169,525		346,717
<u>Shareholders' funds</u>	17		<u>191,644</u>		<u>368,836</u>

In preparing these abbreviated accounts:

- a) We have relied upon the exemptions for individual Accounts under Section B of Part III of Schedule 8 to the Companies Act 1985.
- b) We have done so on the grounds that the Company is entitled to the benefit of those exemptions as a medium company.

These financial statements were approved by the board of directors on 28th February 1997 and were signed on its behalf by:

H.M. Morris



Director

TURNER WALLCOVERINGS LIMITED

CASH FLOW STATEMENT

FOR THE 9 MONTHS ENDED 31st DECEMBER 1996

	<u>Note</u>	<u>31.12.96</u>	<u>31.3.96</u>
		£	£
<u>Net cash inflow from operating activities</u>	5	490,423	(365,689)
<u>Return on investments and servicing of finance</u>			
Bank interest paid		(29,071)	(21,383)
Interest element of finance lease payments		(1,352)	(5,094)
		<u>(30,423)</u>	<u>(26,477)</u>
<u>Taxation</u>			
Corporation tax		44,129	-
<u>Investment activities</u>			
Purchase of tangible fixed assets		-	(124,727)
Sale of tangible fixed assets		12,300	45,358
		<u>12,300</u>	<u>(79,369)</u>
<u>Net cash inflow from investing activities</u>			
		12,300	(79,369)
<u>Net cash inflow before financing</u>		<u>516,429</u>	<u>(471,535)</u>
<u>Financing</u>			
Payment of Lombard Northwest Contract		(441,823)	441,823
Capital element of finance lease payments		(13,161)	(43,563)
		<u>(454,984)</u>	<u>398,260</u>
<u>Net cash outflow from financing</u>			
		(454,984)	398,260
<u>Increase in cash and cash equivalents</u>	16	<u>61,445</u>	<u>(73,275)</u>

TURNER WALLCOVERINGS LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention incorporating the continuing operational activities described in the directors' report. The comparative figures in these accounts relate to the year ended 31st March 1996.

The accounts have been prepared on a going concern basis which assumes the ongoing support of Newmor Group Limited.

(b) Depreciation

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Class of asset

Computer equipment	6 years on a straight line basis
Fixtures and fittings	15% per annum on written down value
Contract binders	4 years on a straight line basis
Motor vehicles	4 years on a straight line basis

(c) Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the first in first out basis is used.

(d) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

(e) Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable to the scheme are charged to the profit and loss account in the period in which they are incurred.

TURNER WALLCOVERINGS LIMITED

NOTES TO THE ACCOUNTS

(f) Leasing

Where the group enters into a lease which entails taking substantially all the risks and reward of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

(g) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2. Called up share capital

	<u>31.12.96</u>	<u>31.3.96</u>
	£	£
<u>Authorised</u>		
Ordinary shares of £1 per share	6,000	6,000
Deferred ordinary shares of £1 per share	4,000	4,000
	<hr/> 10,000	<hr/> 10,000
<u>-Allotted, called up and fully paid</u>		
Ordinary shares of £1 each	1,000	1,000
Deferred ordinary shares of £1 each	4,000	4,000
	<hr/> 5,000	<hr/> 5,000

TURNER WALLCOVERINGS LIMITED

NOTES TO THE ACCOUNTS

3. Interest payable and similar charges

	<u>31.12.96</u>	<u>31.3.96</u>
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years	29,071	21,383
Finance charges payable in respect of finance leases and hire purchase contracts	1,352	5,094
	<u>30,423</u>	<u>26,477</u>

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging the following:

	<u>31.12.96</u>	<u>31.3.96</u>
	£	£
Auditors' remuneration	5,000	17,000
Depreciation of owned tangible fixed assets	131,466	164,363
Depreciation of tangible fixed assets being acquired under hire purchase contracts	3,506	11,873
Directors' remuneration	95,090	219,667
	<u> </u>	<u> </u>

TURNER WALLCOVERINGS LIMITED

NOTES TO THE ACCOUNTS

5. Reconciliation of operating loss to operating cash flow

	<u>31.12.96</u>	<u>31.3.96</u>
	£	£
Operating loss	(190,898)	(798,660)
Depreciation charge	134,972	176,236
Profit on sale of tangible fixed assets	(3,905)	-
Decrease in stocks	35,806	196,062
Decrease in debtors	223,246	124,281
Increase in creditors	291,202	(63,608)
Net cash inflow from operating activities	<u>490,423</u>	<u>(365,689)</u>

6. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	<u>Number of employees</u>	
	<u>31.12.96</u>	<u>31.3.96</u>
Sales	14	16
Office and management	8	10
Warehouse	11	8
	<u>33</u>	<u>34</u>

The aggregate payroll costs of these persons were as follows:

	<u>31.12.96</u>	<u>31.3.96</u>
	£	£
Wages and salaries	443,650	801,857
Social security costs	43,017	82,383
Other pension costs	12,380	20,616
	<u>499,047</u>	<u>904,856</u>

TURNER WALLCOVERINGS LIMITED

NOTES TO THE ACCOUNTS

Remuneration of directors

	<u>31.12.96</u>	<u>31.3.96</u>
	£	£
Directors' emoluments including pension contributions are:		
As directors of the Company	95,090	219,667
As directors of the subsidiary undertaking	-	-
	<u>95,090</u>	<u>219,667</u>

The emoluments excluding pension contributions of the chairman were £6,333 (31.3.96 : £111,167). The emoluments excluding pension contributions of the highest paid director were £49,590 (31.3.96 : £65,000).

The emoluments, excluding pension contributions of the directors (including the chairman) were within the following ranges:

		<u>Number of directors</u>	
		<u>31.12.96</u>	<u>31.3.96</u>
£5,001	- £10,000	1	1
£35,001	- £40,000	1	-
£40,001	- £45,000	-	1
£45,001	- £50,000	1	-
£60,001	- £65,000	-	1
£110,001	- £115,000	-	1

7. Taxation

The taxation recharge arises due to group relief being claimed.

TURNER WALLCOVERINGS LIMITED

NOTES TO THE ACCOUNTS

8. Tangible fixed assets

	<u>Computer equipment</u>	<u>Furniture fittings, tools and equipment</u>	<u>Contract binders</u>	<u>Motor vehicles</u>	<u>Total</u>
	£	£	£	£	£
<u>Cost or valuation</u>					
At 1st April 1996	103,515	507,774	688,166	47,490	1,346,945
Disposals	-	-	-	(28,790)	(28,790)
At 31st December 1996	103,515	507,774	688,166	18,700	1,318,155
<u>Depreciation and diminution in value</u>					
At 1st April 1996	92,543	456,136	321,670	24,736	895,085
Charge for year	2,101	5,809	118,157	8,905	134,972
On disposal	-	-	-	(20,395)	(20,395)
At 31st December 1996	94,644	461,945	439,827	13,246	1,009,662
<u>Net book value</u>					
At 31st March 1996	10,972	51,638	366,496	22,754	451,860
At 31st December 1996	8,871	45,829	248,339	5,454	308,493

Included within the net book value of motor vehicles is £5,454 in respect of assets acquired under hire purchase agreements. The amount of depreciation in respect of these assets is £3,506.

TURNER WALLCOVERINGS LIMITED

NOTES TO THE ACCOUNTS

9. Fixed asset investments

Share in group
undertaking

£

Shares in unlisted subsidiary undertaking

Cost

At beginning and end of period

2

Subsidiary undertaking

Name

Principal Class and
activity percentage
 of shares
 held

Ernest Turner (Northdown House) Limited

Dormant

Ordinary £1
100%

10. Stocks

31.12.96 31.3.96

£

£

Finished goods and goods for resale

380,241

416,047

11. Debtors

31.12.96 31.3.96

£

£

Trade debtors

474,404

675,025

Other debtors

95,620

118,245

570,024

793,270

The Company has factored its debtors ledger to Lombard Northwest, as detailed at note 12.

TURNER WALLCOVERINGS LIMITED

NOTES TO THE ACCOUNTS

12. Creditors: amounts falling due within one year

	<u>31.12.96</u>	<u>31.3.96</u>
	£	£
Bank loans and overdrafts - secured	32,309	93,859
Trade creditors	471,101	649,133
Lombard Northwest	-	441,823
Obligations under finance lease and hire purchase contracts	4,662	17,823
Taxation and social security	57,660	71,780
Other creditors	66,223	17,732
Accruals and deferred income	-	621
Amounts owed to group undertakings	135,484	-
	<u>767,439</u>	<u>1,292,771</u>

13. Creditors: amounts falling due after more than one year

	<u>31.12.96</u>	<u>31.3.96</u>
	£	£
Amounts owed to group undertakings	300,000	-
	<u>300,000</u>	<u>-</u>

14. Commitments under operating leases

	<u>31.12.96</u>	<u>31.3.96</u>
	£	£
Lease expiring: Over five years	244,008	244,008
	<u>244,008</u>	<u>244,008</u>

TURNER WALLCOVERINGS LIMITED

NOTES TO THE ACCOUNTS

15. Contingent liabilities

There are guarantees given to H.M. Customs and Excise of £50,000.

16. Analysis of changes in cash and cash equivalents

	<u>Cash</u>	<u>Overdraft</u>	<u>Net</u>
	£	£	£
Balance at 31st March 1996	428	(93,859)	(93,431)
Net cash inflow	(105)	61,550	61,445
Balance at 31st December 1996	323	(32,309)	(31,986)

17. Reconciliation of movement in shareholders' funds

At 31st March 1996	368,836
Loss for the financial period	(177,192)
At 31st December 1996	191,644

18. Related party transactions

The Company is a wholly owned subsidiary of Newmor Group Limited and all transactions with related parties are disclosed in the consolidated accounts of that company.

As detailed in the directors report Mr B.M. Turner and Mrs D.C. Turner sold their shares in the Company to Designsingle Limited on 30th May 1996.

19. Ultimate holding company

The Company's ultimate holding company is Newmor Group Limited, a company registered in England and Wales.