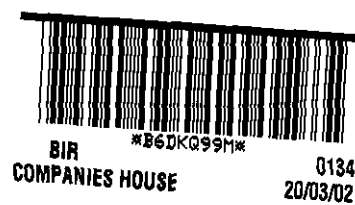


CITY OFFICE INTERIORS LIMITED
REPORT AND FINANCIAL STATEMENTS

31 October 2001

Registered number 1854684



CITY OFFICE INTERIORS LIMITED

DIRECTORS' REPORT

31 October 2001

The directors present their report and the audited financial statements for the year ended 31 October 2001.

Principal activity

The principal activity of the company is that of the design and fitting-out of office interiors.

Business review and future developments

The profit on ordinary activities after tax for the year amounted to £195,558 (2000: £195,634) as shown on page 4.

Dividends of £40,000 (2000: £33,500) were paid during the year. Dividends of £80,000 (2000: £66,500) were proposed at the year end by the directors.

The directors consider the state of affairs of the company and its future prospects to be satisfactory.

Directors and their shareholdings

The following were directors at 31 October 2001 and their interests in the share capital of the company were as follows

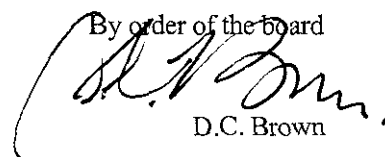
	Ordinary shares of £1 each	
	31 October 2001	31 October 2000
D.C. Brown	550	550
D.J. Crabb	300	300
S.D. Spires	8,000	8,000
M. Rich	550	550

Charitable and political donations

During the year donations totalling £210 (2000: £410) were made to charitable organisations.

Auditors

HLB Kidsons have agreed to offer themselves for re-appointment as auditors of the company.

By order of the board

D.C. Brown

Secretary

Albany House
Hurst Street
Birmingham
B5 4BD

15 / 3 / 2002

CITY OFFICE INTERIORS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

31 October 2001

We are required under company law 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 year.

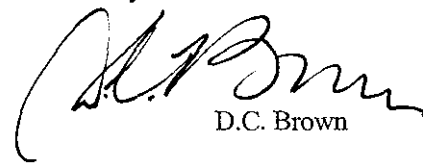
In preparing these financial statements we are required to:

- select suitable accounting policies and apply them consistently
- make reasonable and prudent judgements and estimates
- state whether applicable accounting standards have been followed, and give details of any departures
- prepare the financial statements on a going concern basis unless in our view the company will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records
- safeguarding the company's assets
- taking reasonable steps for the prevention and detection of fraud

By order of the board



D.C. Brown

Secretary

15 / 3 / 2002

CITY OFFICE INTERIORS LIMITED

AUDITORS' REPORT

Auditors' report to the shareholders of City Office Interiors Limited

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 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 at 31 October 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB Kidsons

HLB Kidsons

Registered Auditors

Chartered Accountants

Birmingham

18-3-2002

CITY OFFICE INTERIORS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 October 2001

	Note	2001 £	2000 £
Turnover	2	5,229,325	6,707,211
Cost of sales		(3,818,960)	(5,064,728)
		<hr/>	<hr/>
Gross profit		1,410,365	1,642,483
Administrative expenses		(1,195,703)	(1,434,008)
		<hr/>	<hr/>
Operating profit		214,662	208,475
Interest receivable	3	40,896	45,437
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	255,558	253,912
Tax on profit on ordinary activities	6	(60,000)	(58,278)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		195,558	195,634
Dividends	7	(120,000)	(100,000)
		<hr/>	<hr/>
Retained profit for the year	15	75,558	95,634
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses other than the profit for the year of £195,558 (2000: £195,634).

CITY OFFICE INTERIORS LIMITED

BALANCE SHEET

at 31 October 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	8	139,502		146,781	
Investments	9	<u>1,000</u>	140,502	<u>-</u>	146,781
Current assets					
Stocks and work in progress	10	74,292		159,137	
Debtors	11	936,433		569,265	
Cash at bank		<u>1,389,661</u>		<u>1,250,490</u>	
		2,400,386		1,978,892	
Creditors: amounts falling due within one year	12	<u>(2,076,912)</u>		<u>(1,737,255)</u>	
Net current assets			<u>323,474</u>		<u>241,637</u>
Total assets less current liabilities			<u>463,976</u>		<u>388,418</u>
Capital and reserves (equity)					
Called up share capital	14	10,000		10,000	
Profit and loss account	15	<u>453,976</u>		<u>378,418</u>	
Total shareholders' funds			<u>463,976</u>		<u>388,418</u>

The financial statements on pages 4 to 14
were approved by the board of directors on

15/3/ 2002



S.D. Spires - Director

CITY OFFICE INTERIORS LIMITED

CASH FLOW STATEMENT

for the year ended 31 October 2001

	Note	2001	2000
		£	£
Net cash inflow from operating activities	18a	310,758	511,323
Returns on investments and servicing of finance			
Interest received		40,942	44,156
Taxation			
UK corporation tax paid		(57,000)	(56,278)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(61,818)	(93,053)
Receipts from sales of tangible fixed assets		<u>15,450</u>	<u>19,000</u>
Net cash outflow from capital expenditure		(46,368)	(74,053)
Acquisitions and disposals			
Investment in associated undertaking		(1,000)	-
Equity dividends paid		<u>(106,500)</u>	<u>(93,500)</u>
		140,832	331,648
Management of liquid resources			
Movement in short term deposits		(100,000)	(700,000)
Financing			
Capital element of hire purchase payments		<u>(1,661)</u>	<u>(6,964)</u>
Increase/(decrease) in cash	18b & c	<u>39,171</u>	<u>(375,316)</u>

CITY OFFICE INTERIORS LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 2001

1 Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes appropriate overheads. Contract work in progress, other than long term work in progress, is valued at cost less foreseeable losses and payments on account. No credit is taken for claims unless there is a firm agreement with the customer.

Depreciation

Depreciation is calculated on a straight line basis to write off the cost or valuation less the estimated residual value of tangible assets over their expected useful lives as follows

	%
Plant and equipment	10 - 20 per annum
Motor vehicles	25 per annum

Pension scheme

Contributions are made by the company to individuals' personal pension plans. These are charged to the profit and loss account as they become due.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will become payable in the foreseeable future.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Operating lease rentals are charged to the profit and loss account in the year to which they relate

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

Liquid resources

For the purpose of preparing the cashflow statement, all funds which are not able to be withdrawn within 24 hours notice are treated as liquid resources rather than cash.

2 Turnover

Turnover represents the invoiced amount, excluding value added tax, of goods sold and services rendered together with the value of contracting work executed.

All activities are classed as continuing and are confined to one trade carried on within the United Kingdom.

CITY OFFICE INTERIORS LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 2001
(continued)

3	Interest receivable	2001	2000
		£	£
	Bank interest	40,650	45,119
	Other	<u>246</u>	<u>318</u>
		40,896	45,437
		<u> </u>	<u> </u>
4	Profit on ordinary activities before taxation		
	Profit on ordinary activities before taxation is stated after charging		
	Depreciation		
	- owned assets	54,731	37,999
	- assets on hire purchases	-	5,750
	Hire purchase interest	208	831
	Auditors' remuneration	8,100	8,100
	Operating lease rentals		
	- land and buildings	43,014	43,359
	- other	3,592	6,898
	Loss on foreign exchange	-	35,136
		<u> </u>	<u> </u>
5	Directors and employees		
	Staff costs including directors' emoluments		
	Wages and salaries	762,096	916,864
	Social security costs	85,115	106,154
	Other pension costs	<u>44,242</u>	<u>37,726</u>
		891,453	1,060,744
		<u> </u>	<u> </u>
		Number	Number
	The average number of employees, including directors, during the year was	11	11
		<u> </u>	<u> </u>
	Directors		
	Aggregate remuneration (excluding pension contributions)	£	£
	Total	615,741	789,702
		<u> </u>	<u> </u>
	In respect of the highest paid director	374,523	558,960
		<u> </u>	<u> </u>

CITY OFFICE INTERIORS LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 2001
(continued)

5 Directors and employees (continued)

Defined contribution schemes (individuals' personal pension plans)	2001 Number	2000 Number
Number of directors qualifying for benefits	4	4
	=	=
	£	£
Contributions paid in total	30,283	24,559
	<u> </u>	<u> </u>
Contributions paid in respect of the highest paid director	16,750	11,711
	<u> </u>	<u> </u>

6 Tax on profit on ordinary activities

UK corporation tax	61,000	58,000
Adjustment in respect of prior year	(1,000)	278
	60,000	58,278
	<u> </u>	<u> </u>

7 Dividends

Paid	40,000	33,500
Proposed	80,000	66,500
	<u> </u>	<u> </u>
	120,000	100,000
	<u> </u>	<u> </u>

CITY OFFICE INTERIORS LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 2001
(continued)

8	Tangible assets	Plant, equipment and motor vehicles £
	Cost	
	1 November 2000	244,515
	Additions	61,818
	Disposals	<u>(31,671)</u>
	31 October 2001	274,662
	Depreciation	
	1 November 2000	97,734
	Charge for the period	54,731
	Disposals	<u>(17,305)</u>
	31 October 2001	135,160
	Net book value	
	31 October 2001	<u>139,502</u>
	31 October 2000	<u>146,781</u>

The net book amount of fixed assets includes £Nil (2000: £7,188) in respect of motor vehicles held under finance leases and hire purchase contracts, their depreciation of which is shown in note 4.

9	Fixed asset investment	£
	Cost	
	1 November 2000	-
	Additions	<u>1,000</u>
	31 October 2001	<u>1,000</u>

Details regarding the above investment at 31 October 2001 are as follows

Associated undertaking	Country of incorporation	Class of share	Proportion held	Nature of business
Design Seating Limited	England	Ordinary	20%	Seating manufacturer

Design Seating Limited is in its first year of trade and will prepare its first set of accounts to 31 December 2001. No financial statements are currently available and consequently disclosure of its assets, liabilities, turnover and operating result is not possible.

CITY OFFICE INTERIORS LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 2001
(continued)

10	Stocks and work in progress	2001 £	2000 £
	Work in progress	74,292	159,137
		<u> </u>	<u> </u>
11	Debtors		
	Due within one year		
	Trade debtors	782,785	394,206
	Retentions	82,368	111,615
	Amount owed by undertaking in which there is a participating interest	9,000	-
	Prepayments and accrued income	<u>50,730</u>	<u>51,894</u>
		924,883	557,715
	Due after more than one year		
	Prepayments and accrued income	<u>11,550</u>	<u>11,550</u>
		936,433	569,265
		<u> </u>	<u> </u>
12	Creditors: amounts falling due within one year		
	Trade creditors	1,342,304	865,841
	Obligations under hire purchase contracts	-	1,661
	Corporation tax	61,000	58,000
	Other taxes and social security	138,786	116,921
	Accruals and deferred income	454,822	628,332
	Proposed dividends	<u>80,000</u>	<u>66,500</u>
		2,076,912	1,737,255
		<u> </u>	<u> </u>
13	Provision for liabilities		
		Provided	Full potential asset
		2001	2000
		£	£
	Deferred taxation	-	-
	Accelerated capital allowances	<u> </u>	<u> </u>
		6,900	1,100
		<u> </u>	<u> </u>

CITY OFFICE INTERIORS LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 2001
(continued)

14	Share capital	2001		2000	
		Number of		Number of	
	Authorised, allotted, called up	shares	£	shares	£
	and fully paid				
	Ordinary shares of £1 each	10,000	10,000	10,000	10,000
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
15	Reserves			Profit and	
				loss account	
				£	
	1 November 2000			378,418	
	Retained profit for the year			<u>75,558</u>	
	31 October 2001			453,976	
				<u> </u>	
16	Reconciliation of movements in shareholders' funds		2001		2000
			£		£
	Profit for the period		195,558		195,634
	Dividends		<u>(120,000)</u>		<u>(100,000)</u>
			75,558		95,634
	Opening shareholders' funds		<u>388,418</u>		<u>292,784</u>
	Closing shareholders' funds		463,976		388,418
			<u> </u>		<u> </u>
17	Commitments and contingent liabilities				
	Operating leases				
	Annual commitments in respect of non-cancellable operating leases are as follows				
		2001		2000	
		Land and		Land and	
		buildings	Other	buildings	Other
		£	£	£	£
	Expiring within one year	5,833	-	2,338	1,730
	Expiring between two and five years	<u>23,100</u>	<u>1,711</u>	<u>23,100</u>	<u>1,711</u>
		28,933	1,711	25,438	3,441
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Capital commitments

Capital commitments existing at the year end amounted to £Nil (2000: £13,928).

CITY OFFICE INTERIORS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 October 2001
(continued)

18 Notes to the cash flow statement

	2001 £	2000 £	
a Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	214,662	208,475	
Depreciation charges	54,731	43,749	
Profit on disposal of fixed assets	(1,084)	(1,859)	
Movement in debtors	(367,214)	(24,959)	
Movement in stocks	84,845	63,804	
Movement in creditors and provisions	<u>324,818</u>	<u>222,113</u>	
	310,758	511,323	
	<u><u> </u></u>	<u><u> </u></u>	
b Reconciliation of net cash flows to movement in net funds			
Increase/(decrease) in cash in the year	39,171	(375,316)	
Cash outflow from decrease in debt and leasing finance	1,661	6,964	
Cashflow from increase in liquid resources	<u>100,000</u>	<u>700,000</u>	
Movement in net funds resulting from cash flows	140,832	331,648	
Net funds at the start of the year	<u>1,248,829</u>	<u>917,181</u>	
Net funds at the end of the year	<u>1,389,661</u>	<u>1,248,829</u>	
	<u><u> </u></u>	<u><u> </u></u>	
c Analysis of changes in net funds	At first day of year £	Cash flows £	At last day of year £
Cash at bank and in hand	550,490	39,171	589,661
Net debt			
- Hire purchase and finance leases	(1,661)	1,661	-
Short and medium term deposits	<u>700,000</u>	<u>100,000</u>	<u>800,000</u>
	1,248,829	140,832	1,389,661
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

CITY OFFICE INTERIORS LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 2001
(continued)

19 Related party transactions

During the year the company made unsecured loans to each of the directors which totalled £Nil (2000: £240,541). No interest has been charged on the loans and the balances were repaid in full before the year end.

During the year the company incurred costs of £Nil (2000: £25,873) relating to home improvements on behalf of S.D. Spires. These have been treated as benefits in kind and included in directors emoluments.

During the year the company made purchases of £18,774 from its associated undertaking Design Seating Limited. The amount owed to Design Seating Limited at the year end was £10,333 which is included within trade creditors. A loan of £9,000 was granted to Design Seating Limited during the year. The whole of this amount was outstanding at the year end.

20 Controlling party

The company is controlled by S.D. Spires.