

UTOPIA FURNITURE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2003

**Registered Number
2826071**

ORMEROD RUTTER LIMITED



UTOPIA FURNITURE LIMITED

COMPANY INFORMATION

Company Number: 2826071

Directors: Mr D W Conn
Mr I W Hall
Mr M A Heap
Mrs E B Green
Ms A L Shepherd

Secretary: Mr I W Hall

Registered Office: Utopia House
Springvale Avenue
Springvale Business Park
Bilston
Wolverhampton
WV14 0QL

Auditors: Ormerod Rutter Limited
Registered Auditors
The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

Bankers: HSBC Bank PLC
8 Market Square
Stafford
ST16 2JP

UTOPIA FURNITURE LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

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UTOPIA FURNITURE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30TH JUNE 2003

The directors present their report and the financial statements for the year ended 30th June 2003.

Principal activities

The principal activity of the company during the year was the manufacture of bathroom furniture and the supply of associated accessories.

Review of business and future developments

The directors are once again particularly pleased with the company's continued expansion and strong profit performance during the year.

The company has continued to re-invest profits in high-tech advanced machinery and highly skilled personnel during the year.

The company is continuing to develop new product lines and expand further into sanitaryware and accessories.

The directors believe that the company will continue to dominate and take advantage of this fast growing market sector and they look forward to further profitable expansion in the future.

Research and development

The company is continuing to develop and advance its own bespoke computer software system to further enhance the company's performance in the future.

Employees

The company also encourages employees to bring forward any ideas to further enhance the capabilities of the company's performance.

Disabled employees

The company gives full consideration to the applications for employment by disabled persons.

Fixed assets

Changes in fixed assets during the year are set out in the notes to the financial statements.

Results and dividends

The directors propose that the retained profits of £1,848,737 (2002 - £1,218,296 profit) be added to reserves.

UTOPIA FURNITURE LIMITED
DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30TH JUNE 2003

Directors' interests

The directors of the company during the year and their interests in the share capital of the company as recorded in the register of directors' interests were as follows:

	2003 No.	2002 of shares
Mr D W Conn - B shares	150	150
Mr I W Hall - B shares	150	150
Mr M A Heap	-	-
Mrs E B Green	-	-
Ms A L Shepherd (appointed 20th June 2003)	-	-

The ordinary "A" share capital of the company is owned by Utopia Group Limited, its ultimate holding company. The interests of the directors in the issued share capital of the holding company are disclosed in that company's financial statements.

Responsibilities of the directors

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the 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:

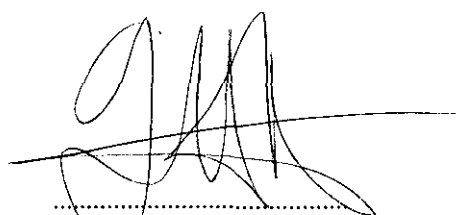
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 1985. 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.

Auditors

The auditors, Ormerod Rutter Limited, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

On behalf of the board



Mr I W Hall
(Company Secretary)

6th August 2003

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF UTOPIA FURNITURE LIMITED
FOR THE YEAR ENDED 30TH JUNE 2003

We have audited the financial statements on pages 4 to 14. These financial statements have been prepared under the historical cost convention and the accounting policies set out on therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

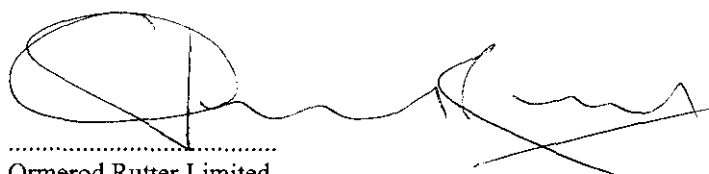
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments 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 misstatements, 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 30th June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ormerod Rutter Limited
Registered Auditors
The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

15th August 2003

UTOPIA FURNITURE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2003

	Note	2003 £	2002 £
Turnover	2	15,116,103	12,929,009
Cost of sales		7,163,094	5,991,688
Gross profit		7,953,009	6,937,321
<i>Administrative expenses</i>		5,047,227	4,714,864
		2,905,782	2,222,457
Other operating income		111,650	103,045
Operating profit	3	3,017,432	2,325,502
Other interest receivable and similar income		-	19,523
Interest payable	5	(48,475)	(176,092)
Profit on ordinary activities before taxation		2,968,957	2,168,933
Tax on profit on ordinary activities	6	(853,377)	(658,081)
Profit for the financial year		2,115,580	1,510,852
Dividends		(266,843)	(292,556)
Retained profit for the year		£ 1,848,737	£ 1,218,296

The company has made no acquisitions nor discontinued any operations within the meaning of Financial Reporting Standard 3 during 2003 or 2002 therefore turnover and operating profit derive entirely from continued operations.

The company has no recognised gains or losses other than the profit for the financial year.

The annexed notes form part of these financial statements.

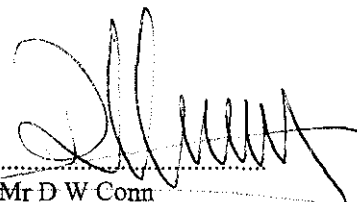
UTOPIA FURNITURE LIMITED

BALANCE SHEET

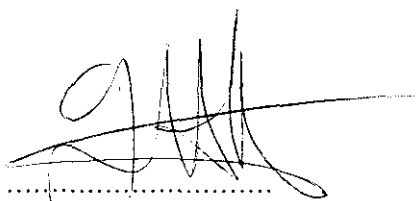
AS AT 30TH JUNE 2003

	Note	2003	2002
		£	£
Fixed assets			
Tangible assets	7	2,409,147	3,066,165
Current assets			
Stocks	8	868,686	765,506
Debtors	9	7,539,852	5,376,662
Cash at bank and in hand		231,876	246,983
		<u>8,640,414</u>	<u>6,389,151</u>
Creditors			
Amounts falling due within one year	10	(2,681,541)	(2,485,787)
Net current assets		<u>5,958,873</u>	<u>3,903,364</u>
Total assets less current liabilities		<u>8,368,020</u>	<u>6,969,529</u>
Creditors			
Amounts falling due after more than one year	11	(242,410)	(465,080)
Provisions for liabilities and charges	13	(175,752)	(403,328)
Net assets		<u>£ 7,949,858</u>	<u>£ 6,101,121</u>
Capital and reserves			
Called up share capital	14	23,000	23,000
Profit and loss account	15	7,926,858	6,078,121
Shareholders' funds	16	<u>£ 7,949,858</u>	<u>£ 6,101,121</u>

Approved by the board of directors on 6th August 2003 and signed on its behalf.



 Mr D W Conn
 (Director)



 Mr J W Hall
 (Director)

The annexed notes form part of these financial statements.

UTOPIA FURNITURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2003

1. Accounting policies

The financial statements are prepared under the historical cost convention and incorporate the results of the principal activity which is described in the directors' report and which is continuing and in accordance with applicable accounting standards. There were no material departures from these standards.

Advantage has been taken of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 Paragraph 12(b) on the grounds that consolidated financial statements in which the company and group are publicly available.

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

Depreciation and diminution in value of assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and Machinery	- 20% reducing balance basis
Information Technology Equipment	- 50% straight line basis
Fixtures and Fittings	- 33.3% reducing balance basis
Motor Vehicles	- 25% reducing balance basis

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation purposes, using the full provision method. Deferred tax assets are only provided where, in the opinion of the directors, they are expected to be fully recoverable. The company continues to adopt the Financial Reporting Standard No.19 Deferred Taxation.

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30TH JUNE 2003

Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period. Rentals paid under operating leases are charged to the profit and loss account on straight line basis over the term of the lease.

Pension costs

The company operates a defined contribution pension scheme and pension contributions are charged to the profit and loss account as they fall due.

Government grants

Government grants are being written off over the period of two years.

2. Turnover

Turnover is attributable solely to continuing operations and derives from one activity that of the manufacture of bathroom furniture and associated accessories.

3. Operating profit

	2003 £	2002 £
This is stated after charging:		
Directors' emoluments	156,582	153,322
Directors' pensions	32,420	25,871
Total directors' emoluments	189,002	179,193
Auditors' remuneration	24,096	21,325
Depreciation of owned assets	821,118	491,128
Depreciation of assets held under finance leases and hire purchase contracts	214,641	215,262
Pension costs	26,328	59,271
Hire of plant and machinery - operating leases	173,238	158,199
Hire of other assets - operating leases	69,759	88,754

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30TH JUNE 2003

4. Staff costs

The average number of persons employed by the company, including directors, during the year was as follows:

	2003	2002
Administration	48	37
Works	140	120
	<u>188</u>	<u>157</u>

The aggregate payroll costs of these persons were as follows:

	2003 £	2002 £
Wages and salaries	3,379,454	2,553,608
Social security	269,658	210,037
Other pension costs	58,748	85,142
	<u>£3,707,860</u>	<u>£2,848,787</u>

5. Interest payable

	2003 £	2002 £
Interest payable - bank loans and overdraft and other loans repayable within five years	-	125,196
Finance lease and hire purchase charges	48,475	50,896
	<u>£ 48,475</u>	<u>£176,092</u>

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30TH JUNE 2003

6. Tax on profit on ordinary activities

	2003	2002
	£	£
Analysis of charge in period		
Current tax:		
UK corporation tax on profits	980,953	579,719
Adjustments in respect of previous period	-	266
Total current tax	<u>980,953</u>	<u>579,985</u>
Deferred tax:		
Origination and reversal of timing differences	(127,576)	84,501
Effect of change in tax rate	-	(6,405)
Total deferred tax	<u>(127,576)</u>	<u>78,096</u>
Tax on profit on ordinary activities	<u>£ 853,377</u>	<u>£ 658,081</u>

Factors affecting tax charge for year

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2003	2002
	£	£
Profit on ordinary activities before tax	<u>2,968,957</u>	<u>2,168,933</u>
Standard UK corporation tax rate:	30.00 %	30.00 %
Profit/(loss) on ordinary activities multiplied by standard UK corporation tax rate:	890,687	650,680
Effects of:		
Expenses not deductible for tax purposes	7,476	20,709
Capital allowances in excess of depreciation	127,436	(84,501)
Group relief	(44,646)	(7,169)
Adjustment to tax charge in previous year	-	266
Current tax charge for the year	<u>£ 980,953</u>	<u>£ 579,985</u>

Corporation Tax has been charged at 30% (2002 - 30%).

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30TH JUNE 2003

7. Tangible fixed assets

	Plant and Machinery £	Information Technology Equipment and Fixtures and Fittings £	Motor Vehicles £	Total £
Cost:				
At 1st July 2002	4,096,146	676,210	104,931	4,877,287
Additions	324,095	60,785	6,000	390,880
Disposals	(31,400)	(21,549)	(46,431)	(99,380)
At 30th June 2003	<u>4,388,841</u>	<u>715,446</u>	<u>64,500</u>	<u>5,168,787</u>
Depreciation:				
At 1st July 2002	1,328,222	427,395	55,505	1,811,122
Charge for the year	844,759	168,581	22,419	1,035,759
On disposals	(23,856)	(20,250)	(43,135)	(87,241)
At 30th June 2003	<u>2,149,125</u>	<u>575,726</u>	<u>34,789</u>	<u>2,759,640</u>
Net book value:				
At 30th June 2003	<u>£2,239,716</u>	<u>£ 139,720</u>	<u>£ 29,711</u>	<u>£2,409,147</u>
At 30th June 2002	<u>£2,767,924</u>	<u>£ 248,815</u>	<u>£ 49,426</u>	<u>£3,066,165</u>

Included in the total net book value of tangible fixed assets held at 30th June 2003 was £620,122 (2002 - £1,013,506) of assets held under hire purchase and finance leases.

8. Stocks

	2003 £	2002 £
Raw materials	615,732	558,106
Work in progress	252,954	207,400
	<u>£868,686</u>	<u>£765,506</u>

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30TH JUNE 2003

9. Debtors

	2003	2002
	£	£
Due within one year:		
Trade debtors	2,185,253	2,106,034
Amounts owed by group undertakings	3,157,086	1,868,704
Amounts owed by undertakings in which the company has a participating interest	1,920,729	1,165,009
Other debtors	400	-
Prepayments	276,384	236,915
	<u>£7,539,852</u>	<u>£5,376,662</u>

10. Creditors - amounts falling due within one year

	2003	2002
	£	£
Trade creditors	1,331,801	1,234,259
Other creditors	18,238	58,529
Directors' current accounts	85,964	3,871
Corporation tax	365,952	196,919
Other taxes and social security	476,726	408,982
Obligations under finance leases and hire purchase contracts	226,883	316,099
Accruals and deferred income	175,977	267,128
	<u>£2,681,541</u>	<u>£2,485,787</u>

11. Creditors - amounts falling due after more than one year

	2003	2002
	£	£
Obligations under finance leases and hire purchase contracts	242,410	465,080
	<u>242,410</u>	<u>465,080</u>

UTOPIA FURNITURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30TH JUNE 2003

12. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2003	2002
	£	£
Amounts payable:		
Within one year	226,883	316,099
Between two and five years	242,010	465,080
	<u>£468,893</u>	<u>£781,179</u>

13. Provisions for liabilities and charges

	Deferred taxation	Other provisions	Total
	£	£	£
Balance at 1st July 2002	303,328	100,000	403,328
Utilised for the year	(127,576)	(100,000)	(227,576)
Balance at 30th June 2003	<u>£ 175,752</u>	<u>£ -</u>	<u>£ 175,752</u>

14. Share capital

	2003	2002
	£	£
Authorised		
Ordinary 'A' shares of £1 each	40,000	40,000
Ordinary 'B' shares of £1 each	10,000	10,000
	<u>50,000</u>	<u>50,000</u>
	£	£
Allotted, called up and fully paid		
Ordinary 'A' shares of £1 each	20,000	20,000
Ordinary 'B' shares of £1 each	3,000	3,000
	<u>23,000</u>	<u>23,000</u>

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30TH JUNE 2003

15. Profit and loss account

	2003
	£
Balance at 1st July 2002	6,078,121
Profit retained for the year	1,848,737
	<hr/>
Balance at 30th June 2003	£7,926,858
	<hr/> <hr/>

16. Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial year	2,115,580	1,510,852
Dividends	266,843	292,556
	<hr/>	<hr/>
Retained profit for the year	1,848,737	1,218,296
Opening shareholders' funds	6,101,121	4,882,825
	<hr/>	<hr/>
Closing shareholders' funds	£7,949,858	£6,101,121
	<hr/> <hr/>	<hr/> <hr/>

17. Leasing commitments

At 30th June 2003 the company had annual commitments under non-cancellable operating leases as detailed below:

	Other	Other
	2003	2002
	£	£
Operating leases which expire:		
Due within 1 year	13,601	11,109
Due between 2 and 5 years	110,939	191,861
	<hr/>	<hr/>
	£124,540	£202,970
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UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30TH JUNE 2003

18. Contingent liabilities

A bank loan and overdraft facility have been guaranteed by Utopia Group Limited, Utopia Furniture Limited, Dominion Plumbing Supplies Limited and Kidsville Limited. At 30th June 2003 the amounts outstanding on these facilities amounted to £2,075,000 (2002 - £3,025,000).

Under the terms of a government grant for £200,000, Utopia Furniture Limited may be required to repay the grant to the government anything up to three years after payment of the final instalment. The final instalment was paid during the current financial year.

19. Pension costs

The company operates a defined contribution scheme for its directors. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension contributions for the year amounted to £31,068 (2002 - £25,871). There were no prepaid or outstanding contributions at the year end.

20. Capital commitments

At the year end the company had no capital commitments authorised or contracted for.

21. Related party transactions

During the year, Mr I W Hall and Mr D W Conn had an interest in Newlyn Homes Limited and Idiom Design. Also during the year the company dealt with companies within the group - Dominion Plumbing Supplies Limited, Kidsville Limited and Utopia Group Limited. All transactions were undertaken under normal commercial trading terms. Balances outstanding at the year end were as follows:

	Balance Outstanding at 30th June 2003 £
Company:	
Dominion Plumbing Supplies Limited	158,250
Utopia Group Limited	2,958,297
Kidsville Limited	40,539
Newlyn Homes Limited	1,920,266

The aggregate of transactions amounted to £326,534 rent charges, £424,798 management charges, £207,492 inter-company purchases, and £140,000 of dividend recharges.

22. Ultimate holding company

The directors consider that the holding company is Utopia Group Limited, a company registered in England and Wales.

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UTOPIA FURNITURE LIMITED
DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2003

	2003		2002	
	£	£	£	£
Turnover				
Sales		15,116,103		12,929,009
Cost of sales				
Purchases	4,095,005		3,474,750	
Direct staff costs	2,676,971		1,898,863	
Carriage	391,118		618,075	
		7,163,094		5,991,688
Gross profit		7,953,009		6,937,321
Miscellaneous other operating income				
Government grant receivable	100,000		100,000	
Rent receivable	3,233		3,000	
Interest receivable	8,417		45	
Bank interest receivable	-		19,523	
		111,650		122,568
		8,064,659		7,059,889
Overheads				
Directors' remuneration	167,896		153,646	
Other administrative costs	4,879,331		4,561,218	
Interest payable and similar charges	48,475		176,092	
		5,095,702		4,890,956
Profit on ordinary activities		£2,968,957		£2,168,933

UTOPIA FURNITURE LIMITED
SCHEDULE OF OVERHEAD EXPENSES
FOR THE YEAR ENDED 30TH JUNE 2003

	2003		2002	
	£	£	£	£
Directors' remuneration				
Directors' remuneration and NIC	136,828		127,775	
Directors' pension contributions	31,068		25,871	
		167,896		153,646
Other administrative costs				
Wages, salaries and NIC	862,993		796,278	
Sales commission	371,214		436,330	
Plant and equipment hire	15,111		18,641	
Motor and travel expenses	114,277		83,574	
Vehicle leasing costs	69,759		88,754	
Rent, rates and insurance	644,855		573,505	
Heat, light and power	98,260		126,299	
Printing and stationery	121,110		50,437	
Sales, promotions and advertising	532,289		574,945	
Machinery maintenance and consumables	245,686		269,498	
Repairs and renewals	61,144		64,398	
Telephone and postage	97,476		87,945	
Computer software and maintenance costs	85,554		77,347	
Bank charges	20,308		21,259	
Bad debts	15,476		925	
Sundry expenses	73,118		38,712	
Training expenses	41,204		-	
Entertaining	8,567		5,761	
Auditors' remuneration	24,096		21,325	
Group management and administration cost	302,737		289,718	
Legal and professional	41,700		199,609	
Depreciation	1,035,759		706,390	
(Profit)/loss on sale of fixed assets	(3,362)		29,568	
		4,879,331		4,561,218
Interest payable and similar charges				
Bank interest	-		82,030	
Bank loan interest	-		43,166	
Hire purchase interest	48,475		50,896	
		48,475		176,092
Total overhead expenses		£5,095,702		£4,890,956