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COMPANY REGISTRATION NUMBER 1665150

DAVID BAILEY FURNITURE SYSTEMS LIMITED

**FINANCIAL STATEMENTS FOR THE YEAR ENDED
31st AUGUST 2005**

NEVILLE WESTON

Chartered Certified Accountants & Registered Auditors

3 High Street
St Lawrence
Ramsgate
Kent
CT11 0QL



DAVID BAILEY FURNITURE SYSTEMS LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

The Board of Directors

T Gillman
D J Haigh
G H Goldfinch

Company Secretary

G H Goldfinch

Registered Office

12 Lysander Close
Pysons Road Industrial Estate
Broadstairs
Kent
CT10 2YJ

Auditors and Accountants

Neville Weston
Chartered Certified Accountants
& Registered Auditors
3 High Street
St Lawrence
Ramsgate
Kent
CT11 0QL

Bankers

Lloyds TSB Bank PLC
3 Queen Street
Ramsgate
Kent
CT11 9DL

DAVID BAILEY FURNITURE SYSTEMS LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st AUGUST 2005

The Directors have pleasure in presenting their Report and the Financial Statements of the Company for the Year ended 31st August 2005.

PRINCIPAL ACTIVITIES

The Principal Activity of the Company during the Year was the Manufacture of Specialist Furniture.

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The Directors who served the Company during the Year together with their beneficial interests, including family holdings, in the Shares of the Company were as follows:

		At	At
Class of Share		31 August 2005	1 September 2004
T Gillman	Ordinary	660	660
	Preference	600	100
D J Haigh	Ordinary	5,400	6,000
	Preference	5,400	900
G H Goldfinch		<u> </u>	<u> </u>

J Haigh resigned as a Director on 31st August 2005.

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 at the end of the Year and of the Profit or Loss for the Year then ended.

In preparing those Financial Statements, the Directors are required to select suitable Accounting Policies, as described on pages 7 to 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The Directors must also 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. The Directors 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

A resolution to re-appoint Neville Weston as Auditors for the ensuing Year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

DAVID BAILEY FURNITURE SYSTEMS LIMITED

THE DIRECTORS' REPORT *(continued)*

FOR THE YEAR ENDED 31st AUGUST 2005

SMALL COMPANY PROVISIONS

This Report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered Office:
12 Lysander Close
Pysons Road Industrial Estate
Broadstairs
Kent
CT10 2YJ

Signed on behalf of the Directors



T Gillman
Managing Director

Approved by the Directors on 20th March 2006

DAVID BAILEY FURNITURE SYSTEMS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31st AUGUST 2005

We have audited the Financial Statements of David Bailey Furniture Systems Limited for the Year ended 31st August 2005 on pages 5 to 11 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the Accounting policies set out on pages 7 to 8.

This Report is made solely to the Company's Shareholders, 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 Shareholders 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 Shareholders as a body, for our audit work, for this Report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards.

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 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.

DAVID BAILEY FURNITURE SYSTEMS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
(continued)
FOR THE YEAR ENDED 31st AUGUST 2005

OPINION

In our opinion the Financial Statements give a true and fair view of the state of the Company's affairs as at 31st August 2005 and of its Profit for the Year then ended, and have been properly prepared in accordance with the Companies Act 1985.

3 High Street
St Lawrence
Ramsgate
Kent
CT11 0QL

NEVILLE WESTON 

**Chartered Certified Accountants
and Registered Auditors**

20th March 2006

DAVID BAILEY FURNITURE SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st AUGUST 2005

	Note	2005	2004
TURNOVER		1,963,371	2,102,433
Cost of Sales		<u>1,311,805</u>	<u>1,351,751</u>
GROSS PROFIT		651,566	750,682
Administrative Expenses		529,167	521,737
Other Operating Income	2	<u>(27)</u>	<u>—</u>
OPERATING PROFIT	3	122,426	228,945
Interest Receivable		8,413	5,041
Interest Payable and Similar Charges		<u>(4,855)</u>	<u>(5,616)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		125,984	228,370
Tax on Profit on Ordinary Activities		<u>24,446</u>	<u>42,449</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		101,538	185,921
Dividends		60,000	100,000
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>41,538</u>	<u>85,921</u>

The notes on pages 7 to 11 form part of these Financial Statements.

DAVID BAILEY FURNITURE SYSTEMS LIMITED

BALANCE SHEET AS AT 31st AUGUST 2005

	Note	2005	2004
FIXED ASSETS			
Tangible Assets	5	171,809	<u>158,982</u>
CURRENT ASSETS			
Stocks		99,334	128,670
Debtors	6	457,007	356,487
Cash at Bank and in Hand		<u>144,633</u>	<u>322,994</u>
		700,974	808,151
CREDITORS: Amounts falling due within one Year	7	<u>345,570</u>	<u>380,132</u>
NET CURRENT ASSETS		<u>355,404</u>	<u>428,019</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		527,213	587,001
CREDITORS: Amounts falling due after more than one Year	8	<u>23,432</u>	<u>39,758</u>
		<u>503,781</u>	<u>547,243</u>
CAPITAL AND RESERVES			
Called-up Share Capital	11	12,060	7,660
Share Premium Account		29,000	29,000
Other Reserves		200,000	200,000
Profit and Loss Account	12	262,721	310,583
SHAREHOLDERS' FUNDS (including non-equity interests)		<u>503,781</u>	<u>547,243</u>

These Financial Statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These Financial Statements were approved by the Directors on the 20th March 2006 and are signed on their behalf by:


T GILLMAN
 Director


D J HAIGH
 Director

The notes on pages 7 to 11 form part of these Financial Statements.

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st AUGUST 2005

1. ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

The turnover shown in the Profit and Loss Account represents amounts invoiced during the Year, exclusive of Value Added Tax.

Fixed Assets

All Fixed Assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 20% On Reducing Balance
Fixtures & Fittings	- 20% On Reducing Balance
Motor Vehicles	- 20% On Reducing Balance
Equipment	- 25% On Reducing Balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in Progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable Losses where appropriate. No element of Profit is included in the valuation of work in progress.

Finance Lease Agreements

Where the Company enters into a lease which entails taking substantially all the risks and rewards 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 in accordance with the above depreciation policies. 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 on a straight line basis, and the Capital element which reduces the outstanding obligation for future instalments.

Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against Profits on a straight line basis over the period of the lease.

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st AUGUST 2005

1. ACCOUNTING POLICIES *(continued)*

Pension Costs

The Company operates a defined contribution pension scheme for employees. The Assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the Profit and Loss Account.

2. OTHER OPERATING INCOME

	2005	2004
Other Operating Income	<u>27</u>	<u>-</u>

3. OPERATING PROFIT

Operating Profit is stated after charging:

	2005	2004
Depreciation of Owned Fixed Assets	24,854	20,442
Depreciation of Assets held under Finance Lease Agreements	22,330	22,047
Loss on Disposal of Fixed Assets	-	7,321
Auditors' Fees	<u>4,360</u>	<u>3,960</u>

4. DIRECTORS' EMOLUMENTS

The Directors' aggregate emoluments in respect of qualifying services were:

	2005	2004
Aggregate Emoluments	105,088	103,423
Value of Company Pension Contributions to Money Purchase Schemes	<u>1,377</u>	<u>1,337</u>
	<u>106,465</u>	<u>104,760</u>

The number of Directors who accrued benefits under Company Pension Schemes was as follows:

	2005	2004
	No	No
Defined Benefit Schemes	<u>1</u>	<u>1</u>

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st AUGUST 2005

5. TANGIBLE FIXED ASSETS

	Plant & Machinery	Fixtures & Fittings	Motor Vehicles	Computer Hardware	Total
COST					
At 1 September 2004	398,813	39,208	94,194	10,041	542,256
Additions	38,400	—	—	23,411	61,811
Disposals	(1,800)	—	—	—	(1,800)
At 31 August 2005	<u>435,413</u>	<u>39,208</u>	<u>94,194</u>	<u>33,452</u>	<u>602,267</u>
DEPRECIATION					
At 1 September 2004	290,405	37,508	47,312	8,049	383,274
Charge for the Year	29,736	340	10,757	6,351	47,184
At 31 August 2005	<u>320,141</u>	<u>37,848</u>	<u>58,069</u>	<u>14,400</u>	<u>430,458</u>
NET BOOK VALUE					
At 31 August 2005	<u>115,272</u>	<u>1,360</u>	<u>36,125</u>	<u>19,052</u>	<u>171,809</u>
At 31 August 2004	<u>108,408</u>	<u>1,700</u>	<u>46,882</u>	<u>1,992</u>	<u>158,982</u>

Finance Lease Agreements

Included within the net book value of £171,809 is £84,964 (2004 - £82,033) relating to Assets held under finance lease agreements. The depreciation charged to the Financial Statements in the Year in respect of such Assets amounted to £22,330 (2004 - £22,047).

6. DEBTORS

	2005	2004
Trade Debtors	436,310	331,692
Other Debtors	20,697	24,795
	<u>457,007</u>	<u>356,487</u>

7. CREDITORS: Amounts falling due within one Year

	2005	2004
Trade Creditors	112,177	97,104
Corporation Tax	24,446	43,504
Other Taxation and Social Security	75,507	80,801
Finance Lease Agreements	27,970	23,761
Other Creditors	105,470	134,962
	<u>345,570</u>	<u>380,132</u>

The following liabilities disclosed under creditors falling due within one Year are secured by the Company:

	2005	2004
Finance Leases	<u>27,970</u>	<u>23,761</u>

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st AUGUST 2005

8. CREDITORS: Amounts falling due after more than one Year

	2005	2004
Finance Lease Agreements	<u>23,432</u>	<u>39,758</u>

The following liabilities disclosed under creditors falling due after more than one Year are secured by the Company:

	2005	2004
Finance Leases	<u>23,432</u>	<u>39,758</u>

9. COMMITMENTS UNDER OPERATING LEASES

At 31st August 2005 the Company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2005	2004
Operating Leases which Expire:		
Within 1 Year	2,267	2,266
Within 2 to 5 Years	<u>9,325</u>	<u>8,702</u>
	<u>11,592</u>	<u>10,968</u>

10. RELATED PARTY TRANSACTIONS

The Company was under the control of Mr J Haigh throughout the current and previous Year.

Mr D J Haigh is a Partner in Haigh Express Transport from whom the Company bought services to the value of £121,152 (2004 - £117,615) on normal commercial terms. No amounts were outstanding at the end of the Year (2004 - Nil).

Included within creditors due within 12 months is £55,000 (2004 -£100,000) in respect of short term advances on the Directors current Accounts.

The Company's banking facilities are secured on the Company Assets by a charge dated 27 May 1993.

11. SHARE CAPITAL

Authorised Share Capital:

	2005	2004
300,000 Ordinary Shares of £1 each	300,000	300,000
6,000 Preference Shares of £1 each	<u>6,000</u>	<u>1,000</u>
	<u>306,000</u>	<u>301,000</u>

Allotted, Called Up and Fully Paid:

	2005		2004	
	No			
Ordinary Shares of £1 each	6,060	6,060	6,660	6,660
Preference Shares of £1 each	<u>6,000</u>	<u>6,000</u>	<u>1,000</u>	<u>1,000</u>
	<u>12,060</u>	<u>12,060</u>	<u>7,660</u>	<u>7,660</u>

DAVID BAILEY FURNITURE SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31st AUGUST 2005

12. PROFIT AND LOSS ACCOUNT

	2005	2004
Balance Brought Forward	310,583	224,662
Retained Profit for the Financial Year	41,538	85,921
Purchase of Own Shares	(89,400)	—
Balance Carried Forward	<u>262,721</u>	<u>310,583</u>