

DAVID BAILEY FURNITURE SYSTEMS LIMITED

Log 603

CHAIRMAN

J. HAIGH

DIRECTORS

J HAIGH
T GILLMAN
D HAIGH
G GOLDFINCH

SECRETARY

K. GODDEN

ACCOUNTANTS

NEVILLE WESTON
3 HIGH STREET
ST. LAWRENCE
RAMSGATE
KENT CT11 0QL

BANKERS

LLOYDS BANK PLC
QUEEN STREET
RAMSGATE
KENT

REGISTERED OFFICE

45 LYSANDER CLOSE
PYSONS ROAD INDUSTRIAL ESTATE
BROADSTAIRS KENT CT10 2YJ

REGISTERED NUMBER 01665150

ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1997



DAVID BAILEY FURNITURE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1997

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of the Manufacture of Specialist Furniture.

SHAREHOLDINGS OF COMPANY

	1996		1997	
	ORD. SHARES	PREF. SHARES	ORD. SHARES	PREF. SHARES
J. Haigh - Director	3,600	76,250	3,600	72,250
T. Gillman - Director	132	-	264	-
D. Haigh - Director	2,400	76,250	2,400	72,250
	6,132	152,500	6,264	144,500

AUDITORS

Messrs Neville Weston, the Company's Auditors, offer themselves for re-election at the Annual General Meeting, in accordance with the Companies Act 1985.

This Report which has been prepared taking advantage of the exemptions conferred by Part II of Schedule 8 to the Companies Act 1985 was approved by the Board on 9th December 1997 and signed on its behalf.

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Director

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Director

DAVID BAILEY FURNITURE SYSTEMS LIMITED

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 the year. In preparing these 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 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.

DAVID BAILEY FURNITURE SYSTEMS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached financial statements which have been prepared under the historical cost convention and the Accounting Policies set out in the Notes to the Accounts.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on the Directors' Report, the Company's Directors are responsible for the preparation of the 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 as at 31st August 1997, and of its profit for the year then ended, and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

3, High Street
St. Lawrence
Ramsgate
Kent CT11 0QL

Neville Edwards
Certified Accountants
Registered Auditor

Dated: 9th December 1997

DAVID BAILEY FURNITURE SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 1997

1996 -----		1997 -----
991,903	TURNOVER -----	1,283,992
721,325 -----	COST OF SALES -----	875,966 -----
270,578	GROSS PROFIT -----	408,026
	OPERATING CHARGES -----	
29,942	DISTRIBUTION COSTS	30,914
167,756	ADMINISTRATION EXPENSES	193,755
12,720	OTHER OPERATING CHARGES	14,283
27,646	DEPRECIATION OF TANGIBLE ASSETS	27,591
30,600	DIRECTORS' REMUNERATION	42,410
268,664 -----		308,953 -----
1,914	NET OPERATING PROFIT -----	99,073
	OTHER INCOME (CHARGES) -----	
2,327	BANK DEPOSIT INTEREST	1,079
4,241 -----	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	100,152 -----
	TAXATION ON ORDINARY ACTIVITIES -----	
1,598	CORPORATION TAX	21,463
2,643 -----	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	78,689 -----
47,500	CAPITAL REDEMPTION	8,000
-	PROPERTY ALTERATIONS	8,000
(44,857) 47,990 -----	BALANCE OF PROFITS Brought Forward	62,689 3,133 -----
3,133 =====	BALANCE OF PROFITS Carried Forward	65,822 =====

There were no recognised gains and losses for either year other than those included in the Profit and Loss Account

DAVID BAILEY FURNITURE SYSTEMS LIMITED

TANGIBLE ASSETS AS AT 31 AUGUST 1997

1996				1997
----				----
8,000		ALTERATIONS TO PROPERTY		
		At Cost		-
		COMPUTER HARDWARE		
	6,500	At Cost	6,500	
	3,565	Less Depreciation	4,299	
2,935	-----		-----	2,201
		PLANT & EQUIPMENT		
	190,324	At Cost	234,812	
	115,445	Less Depreciation	134,318	
74,879	-----		-----	100,494
		FIXTURES & FITTINGS		
	38,830	At Cost	38,830	
	29,169	Less Depreciation	31,101	
9,661	-----		-----	7,729
		MOTOR VEHICLES		
	26,921	At Cost	17,926	
	8,896	Less Depreciation	6,453	
18,025	-----		-----	11,473
113,500	=====	TOTAL OF TANGIBLE ASSETS		121,897
				=====

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NET CURRENT ASSETS (LIABILITIES) AS AT 31 AUGUST 1997

1996

1997

CURRENT ASSETS

62,310	STOCK AND WORK IN PROGRESS	56,723
226,644	SUNDRY DEBTORS	327,418
13,701	BANK DEPOSIT	11,780
165	CASH ACCOUNT	95
-	BANK ACCOUNT	1,836
-----		-----
302,820		397,852
-----		-----

CREDITORS : AMOUNTS FALLING DUE
----- WITHIN ONE YEAR

11,836	FINANCE LEASE ACCOUNTS	19,848
1,598	CORPORATION TAX DUE	20,920
90,451	SUNDRY CREDITORS	131,130
25,681	BANK OVERDRAFT	-
-----		-----
129,566		171,898
-----		-----

173,254

NET CURRENT ASSETS (LIABILITIES)

225,954

=====

=====

DAVID BAILEY FURNITURE SYSTEMS LIMITED

BALANCE SHEET AS AT 31 AUGUST 1997

1996				1997
----				----
		FIXED ASSETS		

113,500		TANGIBLE ASSETS		121,897
		NET CURRENT ASSETS (LIABILITIES)		

	302,820	CURRENT ASSETS	397,852	
	129,566	CREDITORS : AMOUNTS FALLING DUE		
		WITHIN ONE YEAR	171,898	
173,254	-----		-----	225,954
-----				-----
286,754		TOTAL ASSETS LESS CURRENT LIABILITIES		347,851

		CREDITORS : AMOUNTS FALLING DUE		

		AFTER MORE THAN ONE YEAR		
	23,666	FINANCE LEASE ACCOUNT	46,765	
	24,823	LOAN ACCOUNT	-	
48,489	-----		-----	46,765
-----				-----
238,265		NET ASSETS		301,086
=====		-----		=====
		CAPITAL AND RESERVES		

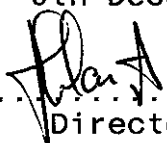
158,632		CALLED UP SHARE CAPITAL		150,764

29,000		SHARE PREMIUM ACCOUNT		29,000

47,500		CAPITAL REDEMPTION RESERVE		55,500

3,133		PROFIT AND LOSS ACCOUNT		65,822
-----		-----		-----
238,265				301,086
=====				=====

The Financial Statements, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, were approved by the board on the 9th December 1997, and signed on its behalf.

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Director

.....

Director

The notes attached hereto form part of these financial statements

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1997

ACCOUNTING POLICIES

Basis of Accounting

The Accounts are prepared under the historical cost convention.

The Company is classified as a small company and in accordance with Financial Reporting Standard No. 1 is exempt from preparing a cash flow statement.

Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Computer Hardware	25% on Reducing Balance
Plant and Equipment	20% on Reducing Balance
Fixtures and Fittings	20% on Reducing Balance
Motor Vehicles	20% on Reducing Balance

Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases") the assets are treated as if they had been purchased outright.

The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the Profit and Loss Account on the same basis as shown above.

Leasing payments are treated as consisting of capital and interest elements, and interest is charged to the Profit and Loss Account using the "sum of digits" method.

Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Profit and Loss Account as incurred.

Stock

This has been valued by the Directors at the lower of cost or market value.

Pensions

The Company operates a defined contribution pension scheme, David Bailey Furniture Systems Retirement Benefit Scheme, and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

APPROVAL OF ACCOUNTS

The Directors have taken advantage, in the preparation of these financial statements, of the exemptions available under Part I of Schedule 8 to the Companies Act 1985, on the grounds that the Company qualifies as a small company by virtue of Section 247 of the Companies Act 1985.

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1997

OPERATING PROFIT

1996

1997

£ 1,000	Auditors' Remuneration	£ 1,500
2,594	Bank Charges and Interest	3,784
3,644	Finance Lease Interest	3,286
3,120	Pension Costs	3,443
	Depreciation:	
16,210	Owned Assets	15,574
	Assets subject to Hire Purchase	
9,528	or Finance Leases	8,833
34,381	Directors' Emoluments	46,892
1,350	Operating Lease Rentals - Other	3,892
	- Hire of	
1,639	Plant & Machinery	1,825

This is attributable to the one principal activity of the Company. All sales were made within the United Kingdom.

£ 1,598	U.K. Corporation Tax at 23%/21% (1996 : 24%/25%)	£ 21,490
-	Prior Years	(27)

	Alterations To Property	Computer Hardware	Plant & Equipment	Fixtures & Fittings	Motor Vehicles	Totals
Cost	-----	-----	-----	-----	-----	-----
-----	£	£	£	£	£	£
At 01.9.96	8,000	6,500	190,324	38,830	26,921	270,575
Additions	-	-	44,488	-	-	44,488
Disposals	(8,000)	-	-	-	(8,995)	(16,995)
	-----	-----	-----	-----	-----	-----
	-	6,500	234,812	38,830	17,926	298,068
	-----	-----	-----	-----	-----	-----
Depreciation						

At 01.9.96	-	3,565	115,445	29,169	8,896	157,075
Disposals W/Off	-	-	-		(5,311)	(5,311)
Charge for Year	-	734	18,873	1,932	2,868	24,407
	-----	-----	-----	-----	-----	-----
	-	4,299	134,318	31,101	6,453	176,171
	-----	-----	-----	-----	-----	-----
Net Book Value						

At 31.8.97	-	2,201	100,494	7,729	11,473	121,897
	-----	-----	-----	-----	-----	-----
At 31.8.96	8,000	2,935	74,879	9,661	18,025	113,500

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1997

CONTINUED

TANGIBLE FIXED ASSETS - CONTINUED

1996		1997
	The Gross amount of assets held under Hire Purchase or Finance Lease and related Accumulated Depreciation:	
£ 52,441	Cost	£ 83,491
14,328	Accumulated Depreciation	23,161
£ 38,113		£ 60,330

MOVEMENT ON SHAREHOLDERS FUNDS

£ 2,643	Profit for the Year	£ 78,689
-	Less : Property Alterations	(8,000)
2,643		70,689
282,990	Opening Shareholders Funds	238,265
132	Issue of 132 Ordinary Shares	132
(47,500)	Redemption of Preference Shares	(8,000)
£238,265		£301,086

CAPITAL COMMITMENTS

£ -	Contracted for but not Provided	£ -
-	Authorised but not Contracted for	-

DEBTORS

	Due in Less than One Year:	
£204,508	Trade Debtors	£295,731
5,203	Sundry Debtors	7,553
10,277	Prepayments	12,696
£219,988		£315,980
	Due in More than One Year:	
£ 6,656	Sundry Debtors	£ 11,438
£226,644		£327,418

CREDITORS : Amounts Falling Due Within One Year

£ 53,572	Trade Creditors	£ 66,900
24,191	Social Security and Other Taxes	41,537
12,688	Accruals	22,693
£ 90,451		£131,130

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1997

CONTINUED

CREDITORS : Amounts Falling Due Within One Year - Continued

The Company meets its day to day working capital requirements through an overdraft facility which is repayable upon demand. The Company expects to work within the facility currently agreed and within that expected to be agreed on 31st October 1997 when the Company's Bankers are due to consider further renewal. These views are based on the Company's plans and on the successful outcome of discussions with the Company's Bankers. The facility is secured by a debenture on the Company's undertaking, property and assets.

The Bank overdraft facility is secured by a fixed and floating charge over the Company's assets. The finance leases are secured upon the assets concerned.

OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

£ 11,836	Within One Year	£ 25,734
23,666	Within Two to Five Years	56,953
-----		-----
£ 35,502		£ 82,687
	Less: Financial Charges allocated to	
3,739	Future Periods	16,074
-----		-----
£ 31,763		£ 66,613
-----		-----

SHARE CAPITAL

	Authorised:	
£300,000	300,000 Shares of £1 each	£300,000
-----		-----
	Allotted, Issued and Fully Paid:	
£ 6,132	6,264 Ordinary Shares of £1 each	£ 6,264
£152,500	144,500 Preference Shares of £1 each	£144,500
-----		-----

OTHER COMMITMENTS

At 31st August 1997 the Company had annual commitments under non-cancellable operating leases, as follows:

	Expiry Date "Other Leases":	
£ 3,865	Within One Year	£ 3,423
5,659	Between Two and Five Years	2,236
-----		-----

TRANSACTIONS WITH DIRECTORS/RELATED PARTIES

Mr J Haigh is a Partner in Haigh Express Transport from whom the Company bought services to the value of £76,239 (1996 - £67,632) on normal commercial terms.

The Company occupies premises owned by the controlling Director and majority Shareholders under a ten year lease dated 1st June 1988.