

Reg. Cos.

DAVID BAILEY FURNITURE SYSTEMS LIMITED

CHAIRMAN

J. HAIGH

DIRECTORS

J HAIGH  
T GILLMAN  
D HAIGH  
G GOLDFINCH

SECRETARY

L SHEPHERD

AUDITORS

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

BANKERS

LLOYDS BANK PLC  
QUEEN STREET  
RAMSGATE  
KENT

REGISTERED OFFICE

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

REGISTERED NUMBER - 01665150 (ENGLAND AND WALES)

ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2002



23-1-03 197

DAVID BAILEY FURNITURE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2002

PRINCIPAL ACTIVITY

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

DIRECTORS AND THEIR INTERESTS

The Directors who served the Company throughout the year together with their interests in the shares of the Company at the beginning and end of the year were as follows:

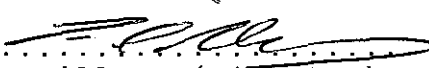
	2001 ----	2002 ----
	ORD. SHARES -----	ORD. SHARES -----
J. Haigh	3,600	3,600
T. Gillman	660	660
D. Haigh	2,400	2,400
G. Goldfinch	-	-
	-----	-----
	6,660	6,660
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AUDITORS

Messrs Neville Weston, the Company's Auditors, will be proposed for re-appointment in accordance with S.385 of the Companies Act 1985.

The Directors' Report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies, and was approved by the Board on 10th December 2002 and signed on its behalf.

.....  
  
J Haigh (Director)

.....  
  
T. Gillman (Director)

DAVID BAILEY FURNITURE SYSTEMS LIMITED

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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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:

- i) Select suitable accounting policies and then apply them consistently;
- ii) Make judgements and estimates that are reasonable and prudent;
- iii) 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
DAVID BAILEY FURNITURE SYSTEMS LIMITED  
FOR THE YEAR ENDED 31 AUGUST 2002

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We have audited the financial statements on pages 4 to 10 of David Bailey Furniture Systems Limited for the year ended 31st August 2002 and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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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 OPINION

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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 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

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In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st August 2002 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.

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Neville West   
Chartered Certified Accountants  
Registered Auditors

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Dated: 10th December 2002

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DAVID BAILEY FURNITURE SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2002

2001 -----		2002 -----
£1,744,782	TURNOVER -----	£1,885,072
1,201,111 -----	COST OF SALES -----	1,208,420 -----
£ 543,671	GROSS PROFIT -----	£ 676,652
( 53,047)	DISTRIBUTION COSTS	( 51,680)
( 370,294) -----	ADMINISTRATIVE EXPENSES	( 408,505) -----
£ 120,330	OPERATING PROFIT -----	£ 216,467
505	INTEREST RECEIVABLE	695
( 4,462) -----	INTEREST PAYABLE	( 8,054) -----
£ 116,373	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION -----	£ 209,108
( 22,757) -----	TAXATION ON PROFIT ON ORDINARY ACTIVITIES	( 42,544) -----
£ 93,616	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION -----	£ 166,564
( 29,500)	CAPITAL REDEMPTION	( - )
( 30,000) -----	DIVIDENDS	( 50,000) -----
34,116	RETAINED RESULT FOR THE YEAR -----	116,564
67,495 -----	RETAINED PROFIT BROUGHT FORWARD	101,611 -----
£ 101,611 =====	RETAINED PROFIT CARRIED FORWARD -----	£ 218,175 =====

The Notes on pages 6 to 10 form part of these financial statements

DAVID BAILEY FURNITURE SYSTEMS LIMITED

BALANCE SHEET AS AT 31 AUGUST 2002

2001 -----		2002 -----
	FIXED ASSETS -----	
£150,156	TANGIBLE ASSETS	£167,623
	CURRENT ASSETS -----	
	77,679 STOCK AND WORK IN PROGRESS	83,616
	444,271 DEBTORS	346,083
	1,898 CASH AT BANK AND IN HAND	235,300
	-----	-----
	523,848	664,999
	CREDITORS: AMOUNTS FALLING DUE	
	311,991 ----- WITHIN ONE YEAR	324,585 -----
211,857 -----	NET CURRENT ASSETS -----	340,414 -----
362,013	TOTAL ASSETS LESS CURRENT LIABILITIES -----	508,037
	CREDITORS: AMOUNTS FALLING DUE	
	----- AFTER MORE THAN ONE	
( 24,742) 24,742 -----	YEAR	53,202 -----
£337,271 =====	NET ASSETS -----	£454,835 =====
	CAPITAL RESERVES -----	
£ 6,660	CALLED UP SHARE CAPITAL	£ 7,660
29,000	SHARE PREMIUM ACCOUNT	29,000
200,000	CAPITAL REDEMPTION RESERVE	200,000
101,611	PROFIT AND LOSS ACCOUNT	218,175
-----	-----	-----
£337,271 =====	SHAREHOLDERS FUNDS -----	£454,835 =====

The Financial Statements, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities, (effective June 2002), were approved by the Board on the 10th December 2002, and signed on its behalf.

.....  
J. Haigh (Director)

.....  
T. Gillman (Director)

The Notes on pages 6 to 10 form part of these Financial Statements

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2002

ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The Accounts are prepared under the historical cost convention.

Turnover

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

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

Leasing and Hire Purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives.

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.

Stocks and Work in Progress

Stocks 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. Work-in-Progress is valued by the Directors based upon the level of contract works completed.

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.

Deferred Taxation

No provision has been made in the accounts as, in the opinion of the Directors, no liability shall arise in the foreseeable future.

DAVID BAILEY FURNITURE SYSTEMS LIMITED

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NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2002

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CONTINUED

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TURNOVER

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

OPERATING PROFIT

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This is stated after charging the following:

2001		2002
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£ 2,575	Auditors' Remuneration	£ 3,160
3,534	Pension Costs	12,127
	Depreciation:	
24,081	Owned Assets	22,914
	Assets subject to Hire Purchase	
6,479	or Finance Leases	22,203
76,802	Directors' Emoluments	95,357
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Retirement Benefits under the Company's pension scheme are accruing to one Director.

TAXATION

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£ 22,826	U.K. Corporation Tax	£ 42,548
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INTEREST PAYABLE AND SIMILAR CHARGES

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£ 591	Bank Loans and Overdrafts	£ 152
3,871	Finance Leases	7,902
-----		-----
£ 4,462		£ 8,054
-----		-----

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2002

CONTINUED

TANGIBLE FIXED ASSETS

	Computer Hardware	Plant & Equipment	Fixtures & Fittings	Motor Vehicles	Totals
Cost:					
At 01.9.01	8,641	293,026	39,208	79,577	420,452
Additions	1,400	57,330	-	3,855	62,585
	10,041	350,356	39,208	83,432	483,037
Depreciation:					
At 01.9.01	5,321	211,604	35,888	17,483	270,296
Charge for Year	1,180	27,751	664	15,523	45,118
	6,501	239,355	36,552	33,006	315,414
Net Book Value:					
At 31.8.02	3,540	111,001	2,656	50,426	167,623
At 31.8.01	3,320	81,422	3,320	62,094	150,156

Included above are assets held under finance leases or hire purchase contracts amounting to a net book value of £82,450, (2001 - £53,654)

MOVEMENT ON SHAREHOLDERS FUNDS

£ 93,616	Profit for the Year	£166,564
303,155	Opening Shareholders Funds	337,271
-	Issue of 1,000 Preference Shares	1,000
( 29,500)	Redemption of Preference Shares	( - )
( 30,000)	Dividend Proposed	( 50,000)
£337,271		£454,835

DEBTORS:

£423,452	Trade Debtors	£327,505
20,819	Other Debtors	18,578
£444,271		£346,083

DAVID BAILEY FURNITURE SYSTEMS LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2002

CONTINUED

CREDITORS: Amounts Falling Due Within One Year

£ 39,202	Bank Loans and Overdrafts	£ -
18,246	Net Obligations under Finance Leases	22,635
79,506	Trade Creditors	72,742
22,757	Corporation Tax	42,548
152,280	Other Creditors	186,660
£311,991		£324,585

Included within Other Creditors is an amount of £81,546, (2001 - £67,391), relating to Social Security and Other Taxes. Of the Creditors falling due within and after more than one year the Bank loans and overdrafts totalling £Nil, (2001 - £39,202), and the net obligations under finance lease and hire purchase contracts £75,837, (2001 - £42,988) are secured.

CREDITORS: Amounts Falling due after More than One Year

£ 24,742	Obligations Under Finance Leases	£ 53,202
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OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

£ 21,443	Within One Year	£ 28,370
27,037	Within Two to Five Years	59,292
£ 48,480		£ 87,662
5,492	Less: Financial Charges allocated to Future Periods	11,825
£ 42,988		£ 75,837

CAPITAL/FUTURE COMMITMENTS

£ 60,000	Expenditure contracted but not provided in the financial statements	£ -
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The expenditure is being funded by a finance agreement requiring gross future payments of:

£ 14,844	Within One Year	£ -
72,997	Between Two and Five Years	£ -

# DAVID BAILEY FURNITURE SYSTEMS LIMITED

## NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2002

### CONTINUED

#### SHARE CAPITAL

£300,000	Authorised: 300,000 Shares of £1 each	£300,000
<hr/>		
£ 6,660	Allotted, Issued and Fully Paid:	£ 6,660
-	6,660 Ordinary Shares of £1 each	1,000
£ 6,660	1,000 Preference Shares Issued in the year	£ 7,660

#### CONTROLLING PARTY

The Company is controlled by Mr J Haigh who owns 54% of the issued share capital.

#### OTHER COMMITMENTS

At 31st August 2002 the Company had annual commitments under non-cancellable operating leases, as follows:

	Expiry Date "Other Leases":	
£ -	Within One Year	£ 1,282
2,804	Between Two and Five Years	1,543

#### CONTINGENT LIABILITIES

	Performance Bond guaranteed by the Company's Bankers to Customer in fulfilment of contractual obligations	
£ 11,140		£ 11,140

#### TRANSACTIONS WITH DIRECTORS

Messrs J and D Haigh are Partners in Haigh Express Transport from whom the Company bought services to the value of £110,863, (2001 - £104,236) on normal commercial terms. No amount was due to the Partnership at 31st August 2002, (2001 - £Nil).

Included within creditors due within 12 months is £73,402, (2001 - £61,364) in respect of short term advances on the Directors' current accounts.

The Company's banking facilities are secured on the personal assets of two Directors, Messrs J and D Haigh.

#### DEFERRED TAXATION

The additional potential liability for Deferred Taxation not provided was:

Accelerated Capital Allowances:	
Balance at 1st September 2001	£ 6,389
Increase in Year	45
Balance at 31st August 2002	£ 6,434