

GODFREY SYRETT LIMITED

Report and Financial Statements

31 July 2005



REPORT AND FINANCIAL STATEMENTS 2005

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	4
Profit and loss account	5
Statement of total recognised gains and losses	5
Balance sheet	6
Notes to the accounts	7
Additional information	16

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W J Rusga (Chairman)
S F Riddell (Vice Chairman)
N Tweddle (Managing Director)
C G Conyers
Sir Simon Day
A B J Gardner (appointed 14/06/04)
D A Greenwell
M D Horne
P S Skelton
Lady Wakeham

SECRETARY

C G Conyers

REGISTERED OFFICE

Planet Place
Killingworth
Newcastle upon Tyne
NE12 6DY

BANKERS

Royal Bank of Scotland plc
31 Grey Street
Newcastle upon Tyne
NE1 6ES

SOLICITORS

Dickinson Dees
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

AUDITORS

Deloitte & Touche LLP
Newcastle upon Tyne

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2005.

ACTIVITIES

The principal activity of the company is the design and manufacture of furniture.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company has traded successfully during the year and the directors consider the company's future to be satisfactory.

The company intends pursuing its current policy of increased product diversification and marketing.

DIVIDENDS AND TRANSFERS TO RESERVES

The results for the year are shown in the profit and loss account on page 5.

During the year four interim dividends were paid, of £5.66, £5.66, £5.66 and £4.53 per share. A final dividend of £4.53 per share (2004 - £Nil) is proposed. Total dividend: 2005 - £26.04 per share (2004 - £22.28 per share). After dividends, retained profits of £262,567 (2004 - £531,618) have been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year, together with their interests in the ordinary share capital of the company's ultimate parent company, were as follows: -

	Godfrey Syrett (Holdings) Limited	
	At 31 July 2005	At 31 July 2004
	£1 Ordinary	or date of
	shares	appointment
	No.	£1 Ordinary
		shares
		No.
D A Greenwell	3,130	3,130
P S Skelton	-	-
Sir Simon Day	8,528	8,528
Lady Wakeham	4,713	4,713
C G Conyers	4,000	4,000
W J Rusga	2,941	2,941
S F Riddell	8,515	8,515
N Tweddle	-	-
M D Horne	-	-
A B J Gardner	-	-

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

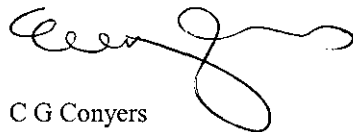
STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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.

Approved by the Board of Directors
and signed on behalf of the Board



C G Conyers

Secretary

Date: 24/5/06

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GODFREY SYRETT LIMITED

We have audited the financial statements of Godfrey Syrett Limited for the year ended 31 July 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out 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

As described in the statement of directors' responsibilities, the company's directors' are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

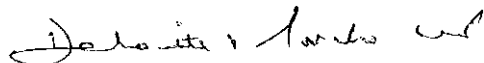
Basis of opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Newcastle upon Tyne

Date: 24 May 2006

PROFIT AND LOSS ACCOUNT
Year ended 31 July 2005

	Note	2005 £	2004 £
TURNOVER: continuing operations	2	19,924,313	19,138,683
Cost of sales		(13,437,705)	(12,464,816)
Gross Profit		<u>6,486,608</u>	<u>6,673,867</u>
Distribution costs		(3,252,075)	(3,324,765)
Administrative expenses		(1,407,777)	(1,363,454)
		<u>(4,659,852)</u>	<u>(4,688,219)</u>
OPERATING PROFIT: continuing operations		1,826,756	1,985,648
Interest receivable and similar income	3	<u>17,142</u>	<u>16,867</u>
		1,843,898	2,002,515
Interest payable and similar charges	4	<u>(4,387)</u>	<u>(3,537)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,839,511	1,998,978
Tax on profit on ordinary activities	8	<u>(574,512)</u>	<u>(609,700)</u>
PROFIT FOR THE FINANCIAL YEAR		1,264,999	1,389,278
Dividends paid and proposed	9	<u>(1,002,432)</u>	<u>(857,660)</u>
RETAINED PROFIT TRANSFERRED TO RESERVES	10	<u>262,567</u>	<u>531,618</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET
31 July 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	11	1,885,273	2,088,877
Investments	12	109,008	109,008
		<u>1,994,281</u>	<u>2,197,885</u>
CURRENT ASSETS			
Stocks	13	1,397,902	1,534,447
Debtors	14	4,376,009	3,566,118
Cash at bank and in hand		12,709	11,574
		<u>5,786,620</u>	<u>5,112,139</u>
CREDITORS: amounts falling due within one year	15	<u>(3,369,450)</u>	<u>(3,140,553)</u>
NET CURRENT ASSETS		<u>2,417,170</u>	<u>1,971,586</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,411,451</u>	<u>4,169,471</u>
CREDITORS: amounts falling due after more than one year			
Long term loans	16	(1,861,568)	(1,861,568)
PROVISIONS FOR LIABILITIES AND CHARGES	17	<u>(99,979)</u>	<u>(120,566)</u>
NET ASSETS		<u>2,449,904</u>	<u>2,187,337</u>
CAPITAL AND RESERVES			
Called up share capital	18	38,500	38,500
Profit and loss account	10	<u>2,411,404</u>	<u>2,148,837</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	19	<u>2,449,904</u>	<u>2,187,337</u>

These financial statements were approved by the Board of Directors on 24 May 2006

Signed on behalf of the Board of Directors



NOTES TO THE ACCOUNTS

Year ended 31 July 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. A summary of principal accounting policies adopted is set out below. All have been applied consistently throughout the year and prior year.

Accounting convention

The accounts have been prepared under the historical cost convention.

Basis of consolidation

The directors have taken advantage of the exemption conferred by Section 228 of the Companies Act 1985 from the requirement to prepare and deliver group accounts. In the opinion of the directors the company is eligible for this exemption on the grounds that it is a subsidiary undertaking. On the same basis no cashflow statement is presented.

Accordingly these financial statements present information about the company as an individual undertaking and not as a group. They are included in the consolidated financial statements of Godfrey Syrett (Holdings) Limited, a company registered in England and Wales (See note 22).

Turnover

Turnover represents goods delivered to outside customers, excluding value added tax.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on assets other than freehold land, on a reducing balance and straight line basis at the following annual rates in order to write off each asset over its estimated useful life:

Freehold buildings	2%
Plant and machinery	15%
Fixtures and fittings	between 15% and 50%
Motor vehicles	25%

Stocks

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

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

Pension costs represent contributions to defined contribution pension schemes. Pension costs are charged to the profit and loss account as they become payable to the pension schemes.

NOTES TO THE ACCOUNTS
Year ended 31 July 2005

1. ACCOUNTING POLICIES (continued)

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Leases

Operating lease rentals are charged to profit and loss in equal amounts over the lease term.

2. TURNOVER

	2005 £	2004 £
Geographical analysis of turnover by destination:		
United Kingdom	19,924,313	19,138,683

All turnover and pre-tax profits originate in the United Kingdom. All net assets are located in the United Kingdom.

The directors believe that all turnover is in one business segment.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £	2004 £
Bank interest	17,142	16,867

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank loan and overdraft	4,387	3,537

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £	2004 £
This is stated after charging/(crediting):		
Depreciation of tangible fixed assets owned	209,637	214,217
Loss/(profit) on disposal of tangible fixed assets	2,132	(1,590)
Rentals under operating leases:		
Other operating leases	149,282	154,867
Auditors' remuneration – company audit fees	16,750	16,350

NOTES TO THE ACCOUNTS
Year ended 31 July 2005

6. DIRECTORS' REMUNERATION

	2005 £	2004 £
Emoluments	409,236	585,336
Pension contributions	11,925	18,031
	<u>421,161</u>	<u>603,367</u>
Emoluments of highest paid director		
Emoluments	138,984	200,444
Pension contributions	5,700	3,225
	<u>144,684</u>	<u>203,669</u>

Two directors are members of the defined contribution pension scheme (2004 – three).

7. STAFF COSTS AND EMPLOYEES (INCLUDING DIRECTORS)

	2005 £	2004 £
Wages and salaries	5,268,244	5,368,547
Social security costs	583,492	528,762
Other pension costs	22,140	29,232
	<u>5,873,876</u>	<u>5,926,541</u>
 The average weekly number of employees during the year was:		
	No.	No.
Office and management	37	35
Production and sales	169	167
	<u>206</u>	<u>202</u>

NOTES TO THE ACCOUNTS
Year ended 31 July 2005

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in year

	2005	2004
	£	£
United Kingdom Corporation tax at 30% based on the profit for the year	595,778	575,371
Adjustments in respect of prior years	(679)	9
	<u>595,099</u>	<u>575,380</u>
Deferred tax		
Timing differences, origination and reversal	(20,965)	33,871
Adjustment in respect of prior years	378	449
	<u>574,512</u>	<u>609,700</u>

b) Factors affecting tax charge for the current year

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK – 30%

	2005	2004
	£	£
Profit on ordinary activities before tax	<u>1,839,511</u>	<u>1,998,978</u>
Tax at 30% thereon:	551,853	599,693
Effects of:		
Expenses not deductible for tax purposes	22,960	9,549
Capital allowances in excess of depreciation	13,222	(22,245)
Other deferred tax movements	7,743	(11,626)
Adjustment in respect of prior years	(679)	9
	<u>595,099</u>	<u>575,380</u>

9. DIVIDENDS PAID AND PROPOSED

	2005	2004
	£	£
Ordinary Shares		
Interims paid - £21.51 per ordinary share (2004 - £22.28)	828,096	857,660
Final proposed - £4.53 per ordinary share (2004 - £ Nil)	174,336	-
	<u>1,002,432</u>	<u>857,660</u>

NOTES TO THE ACCOUNTS
Year ended 31 July 2005

10. STATEMENT OF MOVEMENTS ON RESERVES

	Profit and loss account £
At 1 August 2004	2,148,837
Profit retained for the financial year	<u>262,567</u>
At 31 July 2005	<u><u>2,411,404</u></u>

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Fixtures and Fittings £	Motor vehicles £	Total £
Cost					
At 1 August 2004	1,170,517	1,781,619	544,838	190,545	3,687,519
Additions	10,991	15,782	-	-	26,773
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,770)</u>	<u>(65,770)</u>
At 31 July 2005	<u>1,181,508</u>	<u>1,797,401</u>	<u>544,838</u>	<u>124,775</u>	<u>3,648,522</u>
Accumulated depreciation					
At 1 August 2004	60,000	972,670	453,464	112,508	1,598,642
Charge for the year	12,000	149,913	30,632	17,092	209,637
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,030)</u>	<u>(45,030)</u>
At 31 July 2005	<u>72,000</u>	<u>1,122,583</u>	<u>484,096</u>	<u>84,570</u>	<u>1,763,249</u>
Net book value					
At 31 July 2005	<u>1,109,508</u>	<u>674,818</u>	<u>60,742</u>	<u>40,205</u>	<u>1,885,273</u>
At 31 July 2004	<u><u>1,110,517</u></u>	<u><u>808,949</u></u>	<u><u>91,374</u></u>	<u><u>78,037</u></u>	<u><u>2,088,877</u></u>

Included in freehold land and buildings is land at cost of £504,223 (2004 - £504,223) that is not depreciated.

NOTES TO THE ACCOUNTS
Year ended 31 July 2005

12. INVESTMENTS HELD AS FIXED ASSETS

	2005	2004
	£	£
Shares in subsidiaries at cost	109,008	109,008

The following are wholly owned subsidiaries of Godfrey Syrett Limited:

Company name	Activity
Peal Furniture (Durham) Limited	Dormant
Lodge Contracts (1984) Limited	Dormant
Vinyl Master (Northumbria) Limited	Dormant
Hillfield Securities (Wembley) Limited	Dormant
Peal Equipment Limited	Dormant
Herlacross Limited	Dormant
Martock Investments Limited	Dormant

All companies are registered in England and Wales.

13. STOCKS

	2005	2004
	£	£
Raw materials	741,662	825,407
Work in progress	148,639	161,006
Finished goods	507,601	548,034
	<u>1,397,902</u>	<u>1,534,447</u>

14. DEBTORS

	2005	2004
	£	£
Falling due within one year:		
Trade debtors	4,239,635	3,323,583
Other debtors	17,113	88,667
Prepayments	119,261	153,868
	<u>4,376,009</u>	<u>3,566,118</u>

Included within other debtors is £17,113 (2004 - £88,667) owed by the Godfrey Syrett (Holdings) Limited Pension Fund.

NOTES TO THE ACCOUNTS
Year ended 31 July 2005

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Bank overdrafts (note 15a)	137,710	476,614
Trade creditors	1,324,886	1,200,822
Other taxes and social security costs	641,252	442,306
Other creditors	74,609	83,710
Accruals and deferred income	876,912	655,679
Corporation tax	314,081	281,422
	<u>3,369,450</u>	<u>3,140,553</u>

- a) Bank overdrafts are secured by a fixed and floating charge on the group's assets.

16. LONG TERM LOANS

	2005	2004
	£	£
Amount owed to parent undertaking	35,527	35,527
Amount owed to subsidiary undertakings	1,826,041	1,826,041
	<u>1,861,568</u>	<u>1,861,568</u>

The long term loans are interest free and have no fixed repayment dates.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	2005	2004
	£	£
Movement in year		
At 1 August	120,566	86,246
Charge to profit and loss account	(20,587)	34,320
	<u>99,979</u>	<u>120,566</u>

The amount of deferred tax provided in the financial statements is as follows:

	Provided	Provided
	2005	2004
	£	£
Capital allowances in excess of depreciation	116,722	129,566
Short term timing differences	(16,743)	(9,000)
	<u>99,979</u>	<u>120,566</u>

NOTES TO THE ACCOUNTS
Year ended 31 July 2005

18. CALLED UP SHARE CAPITAL

	2005	2004
	£	£
Authorised		
40,000 Ordinary shares of £1 each	40,000	40,000
	<u> </u>	<u> </u>
Called up, allotted and fully paid		
38,500 Ordinary shares of £1 each	38,500	38,500
	<u> </u>	<u> </u>

19. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit for the financial year after taxation	1,264,999	1,389,278
Dividends paid and proposed	(1,002,432)	(857,660)
	<u> </u>	<u> </u>
Net addition to equity shareholders' funds	262,567	531,618
Opening equity shareholders' funds	2,187,337	1,655,719
	<u> </u>	<u> </u>
Closing equity shareholders' funds	2,449,904	2,187,337
	<u> </u>	<u> </u>

20. FINANCIAL COMMITMENTS

At 31 July 2005 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	Motor vehicles
	£	£
Leases which expire:		
Within one year	800	15,699
Within two to five years	-	126,689
	<u> </u>	<u> </u>
	800	142,388
	<u> </u>	<u> </u>

21. PENSION SCHEMES

The company operates a defined contribution pension scheme. The assets of the scheme are invested and held separately from those of the company. No contributions were made to the Scheme in 2004 and 2005 and there were no unfunded actuarial liabilities outstanding at the year-end.

In addition the group operates six other minor schemes where defined contributions are paid to insurance companies. The payments made were £22,140 in the year (2004: £29,232).

NOTES TO THE ACCOUNTS

Year ended 31 July 2005

22. PARENT UNDERTAKING

The parent company and ultimate controlling entity is Godfrey Syrett (Holdings) Limited, a company registered in England and Wales. Godfrey Syrett (Holdings) Limited is the smallest and largest group which includes the company and for which group accounts are prepared.

Copies of the group financial statements of Godfrey Syrett (Holdings) Limited may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

23. RELATED PARTY TRANSACTIONS

During the year the company incurred management charges from Genner Trust Limited, a company of which Lady Wakeham is a director, amounting to £129,867 (2004: £127,546). At the financial year-end £18,852 (2004: £ Nil) was due to Genner Trust Limited. This amount is included within creditors due within one year.

Included within other debtors is an amount of £17,113 (2004: £88,667) due from Godfrey Syrett (Holdings) Limited Pension Fund. Transactions during the year of £71,554 represent part repayment of the debtor; all transactions are at arm's length.

The company has taken advantage of the exemption available in Financial Reporting Standard No 8 "Related Party Disclosures", not to disclose transactions with entities that are part of the same group.