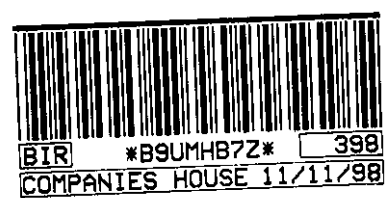


## **Ian Walker Furniture Limited**

### **Directors' report and financial statements**

For the year ended 5 April 1998

Registered number 1633725



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 5 April 1998.

### **Principal activity**

The principal activity of the company continues to be the manufacture of furniture.

### **Business review**

Turnover and profits have shown strong growth during the year, increasing by 22% and 131% respectively. This reflects the company's strategy of improving its product range through continual development and the introduction of new designs.

The board is confident that this strategy will see further growth in 1999 and beyond.

### **Results and dividends**

The profit for the year after taxation amounted to £1,536,100 (1997: £691,766). The directors recommend dividends of £1,536,100 (1997: £691,766).

### **Year 2000**

The year 2000 potentially has wide-ranging financial and operational consequences. The company has carried out reviews to identify areas where year 2000 compliance is necessary. Where problems have been identified, rectification work will be carried out in order to minimise the level of year 2000 risk to which the company is exposed.

The company has undertaken an extensive review of the implications of the year 2000 for the standard financial and operational systems. The board has authorised expenditure on a new financial system which is year 2000 compliant. All other systems are considered to be year 2000 compliant.

### **Directors and directors' interests**

The directors serving during the year were:

Mr IR Walker  
Mrs JA Walker  
Mr GR Walker  
Mr CR Watts  
Mr IM Donnelly  
Mr R Bennett

In accordance with the Articles of Association, none of the directors retire.

None of the directors have any beneficial interest in the share capital of the company. The interests of the directors in the share capital of the parent undertakings are shown in the financial statements of those companies.

### **Employees**

The group continues to pursue a policy of meeting with representatives of various sections of employees at which relevant information and developments are discussed. Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

### **Charitable and political donations**

Payments of a charitable nature made during the year amounted to £26,887 (1997: £15,750).

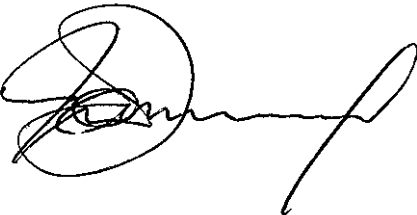
**Notes** *(continued)*

**Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

**IM Donnelly**  
*Secretary*

A handwritten signature in black ink, appearing to be 'IM Donnelly', written over a large, faint circular stamp or watermark.

Saltbrook Trading Estate  
Saltbrook Road  
Halesowen  
West Midlands  
B63 2QJ

28 September 1998

## **Statement of 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 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, 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



2 Cornwall Street  
Birmingham  
B3 2DL

## **Report of the auditors to the members of Ian Walker Furniture Limited**

We have audited the financial statements on pages 5 to 14.

### ***Respective responsibilities of directors and auditors***

As described on page 3, the company's directors are responsible for the preparation of 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 5 April 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to be 'KPMG' followed by a stylized flourish.

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*

28 September 1998

**Profit and loss account**  
*for the year ended 5 April 1998*

	<i>Note</i>	1998 £	1997 £
<b>Turnover</b>	2	31,275,597	25,685,721
Cost of sales		(23,126,361)	(19,607,518)
		<hr/>	<hr/>
<b>Gross profit</b>		8,149,236	6,078,203
Distribution costs		(2,747,193)	(2,317,723)
Administrative expenses		(3,052,196)	(2,656,901)
		<hr/>	<hr/>
<b>Operating profit</b>		2,349,847	1,103,579
Interest payable and similar charges	3	(116,822)	(134,813)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	4	2,233,025	968,766
Tax on profit on ordinary activities	7	(696,925)	(277,000)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		1,536,100	691,766
Dividends	8	(1,536,100)	(691,766)
		<hr/>	<hr/>
<b>Result for the financial year</b>	17	-	-
		<hr/> <hr/>	<hr/> <hr/>

Turnover and operating profit derive from continuing operations.

There are no recognised gains or losses in either the current or preceding year other than those described in the profit and loss account.

All of the company's operations are classified as continuing.

**Balance sheet**  
*at 5 April 1998*

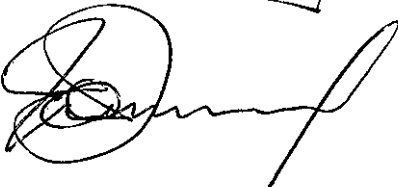
	Notes	1998 £	£	1997 £	£
<b>Fixed assets</b>					
Tangible assets	9	868,727		730,048	
Investments	10	6		6	
			868,733		730,054
<b>Current assets</b>					
Stocks	11	1,165,378		1,366,595	
Debtors	12	5,305,050		5,493,815	
Cash at bank and in hand		987,918		460	
		7,458,346		6,860,870	
<b>Creditors: Amounts falling due within one year</b>	13	(7,387,660)		(6,574,434)	
<b>Net current assets</b>			70,686		286,436
<b>Total assets less current liabilities</b>			939,419		1,016,490
<b>Creditors: Amounts falling due after more than one year</b>	14	(13,692)		(84,763)	
Provision for liabilities and charges	15	(24,000)		(30,000)	
<b>Net assets</b>			901,727		901,727
<b>Capital and reserves</b>					
Called up share capital	16	165,000		165,000	
Profit and loss account	17	736,727		736,727	
<b>Equity shareholders' funds</b>	18	901,727		901,727	

These financial statements were approved by the board of directors on 28 September 1998 and were signed on its behalf by:

IR Walker



IM Donnelly  
Directors





## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

#### ***Basis of accounting***

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.

#### ***Depreciation***

Depreciation is calculated to write off the cost, less estimated residual value, of tangible fixed assets on a straight line basis over their estimated useful lives as follows:

Plant, machinery and equipment	-	10%
Motor vehicles	-	25%

Short leasehold properties are amortised over the remaining term of the lease.

#### ***Stocks***

Stocks of raw materials have been valued at the lower of cost and net realisable value. Stocks of finished goods, which have been produced to specific orders, have been valued at cost including overheads where applicable.

#### ***Deferred taxation***

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is possible that an actual liability will crystallise.

#### ***Leases***

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 over its estimated useful life or the term of the lease, whichever is the shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### ***Foreign currencies***

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Exchange differences arising on these transactions are included in profit on ordinary activities. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate, and the gains and losses on translation are included in the profit and loss account.

#### ***Cash flow statement***

The company has taken advantage of the exemption from preparing a cash flow statement in accordance with Financial Reporting Standard No 1 (Revised) as it is a wholly owned subsidiary undertaking and the parent undertaking publishes consolidated financial statements which include a consolidated cash flow statement.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pension costs*

The company makes pension contributions into certain employees' (including directors) individual money purchase pension schemes. The cost of these contributions are charged to the profit and loss account as incurred.

#### *Related party transactions*

The company has taken advantage of the exemption provided in Financial Reporting Standard No 8 for certain subsidiary undertakings not to disclose related party transactions with the rest of the group.

### 2 Turnover

Turnover relates wholly to the United Kingdom and represents the amount derived from the provision of goods within the company's ordinary activities stated net of value added tax.

### 3 Interest payable

	1998	1997
	£	£
Bank overdraft	17,001	20,539
Finance charges in respect of debt factoring	135,121	99,274
Finance leases	(35,300)	15,000
	<hr/> 116,822	<hr/> 134,813
	<hr/> <hr/>	<hr/> <hr/>

### 4 Profit on ordinary activities before taxation

	1998	1997
	£	£

#### *Profit on ordinary activities before taxation is stated*

#### *after charging*

Operating leases:		
Hire of plant and vehicles	54,126	68,673
Rent payable	382,019	359,741
Depreciation of tangible fixed assets:		
Owned assets	233,601	160,690
Held under finance leases	22,076	48,359
Charitable donations	26,887	15,750
Loss on sale of tangible fixed assets	-	668
Auditors' remuneration:		
Audit fees	10,500	10,000
Non-audit fees	2,000	2,000

#### *after crediting*

Profit on sale of tangible fixed assets	2,787	-
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 5 Directors' remuneration

	1998 £	1997 £
Directors' emoluments (excluding pension contributions)	489,245	349,990
Amounts paid to third parties in respect of directors' services	131,545	97,867
Directors' money purchase pensions	41,500	43,062
	<hr/>	<hr/>
Total directors' emoluments in respect of services as directors of the company	662,290	490,919
	<hr/>	<hr/>
Highest paid director:		
Total remuneration excluding pension contribution	145,934	105,797
Money purchase pension contributions	25,000	29,262
	<hr/>	<hr/>
	170,934	135,059
	<hr/>	<hr/>
	<b>Number</b>	
Number of directors who are members of money purchase pension schemes	3	3
	<hr/>	<hr/>

### 6 Staff numbers and costs

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

	Number of employees	
	1998	1997
Production	453	416
Selling and distribution	1	1
Office and administration	47	45
	<hr/>	<hr/>
	501	462
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	7,436,016	6,033,942
Social security costs	610,446	559,588
Other pension costs	52,090	47,862
	<hr/>	<hr/>
	8,098,552	6,641,392
	<hr/>	<hr/>

## Notes (continued)

### 7 Tax on profit on ordinary activities

	1998 £	1997 £
Tax charge based on the profit for the year:		
Corporation tax at 31% (1997: 33%)	700,000	270,000
Adjustment in respect of prior year	2,925	-
Deferred tax	(6,000)	7,000
	<u>696,925</u>	<u>277,000</u>

### 8 Dividends

	1998 £	1997 £
Interim dividends paid	700,000	-
Final dividend proposed	836,100	691,766
	<u>1,536,100</u>	<u>691,766</u>

### 9 Tangible fixed assets

	Improvements to leasehold property £	Plant, machinery, equipment and motor vehicles £	Total £
<b>Cost</b>			
At beginning of year	250,269	2,241,210	2,491,479
Additions	83,605	340,247	423,852
Disposals	-	(131,512)	(131,512)
	<u>333,874</u>	<u>2,449,945</u>	<u>2,783,819</u>
<b>Depreciation</b>			
At beginning of year	162,953	1,598,478	1,761,431
Charge for the year	13,653	242,024	255,677
Disposals	-	(102,016)	(102,016)
	<u>176,606</u>	<u>1,738,486</u>	<u>1,915,092</u>
<b>Net book value</b>			
At 5 April 1998	<u>157,268</u>	<u>711,459</u>	<u>868,727</u>
At 31 March 1997	<u>87,316</u>	<u>642,732</u>	<u>730,048</u>

## Notes (continued)

### 9 Tangible fixed assets (continued)

The net book value of plant, machinery, equipment and motor vehicles includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	1998 £	1997 £
Cost	84,100	210,257
Accumulated depreciation	57,468	135,266
Depreciation charged in year	22,076	48,359

### 10 Fixed asset investments

	1998 £	1997 £
<i>Shares at cost</i>		
Shares in group companies	6	6

The company owned all of the ordinary share capital of the following subsidiary undertakings throughout the year:

Company	Principal activity
Monogram Furniture Limited	Dormant
NuTrend (1990) Limited	Dormant
William Barrett (1990) Limited	Dormant

All the above companies are registered in England.

In accordance with provisions of the Companies Act 1985, consolidated financial statements for the company and its subsidiaries have not been prepared as the company itself is a wholly owned subsidiary of a company incorporated in Great Britain. Therefore, the financial statements present information about the undertaking as an individual undertaking and not about its group.

### 11 Stocks

	1998 £	1997 £
Raw materials	897,188	1,127,789
Work in progress	215,237	192,936
Finished products	52,953	45,870
	1,165,378	1,366,595

## Notes (continued)

### ■ 2 Debtors

	1998	1997
	£	£
Trade debtors	4,953,070	4,862,370
Amounts owed by group undertakings	291,007	515,891
Prepayments and accrued income	60,973	115,554
	<hr/>	<hr/>
	5,305,050	5,493,815
	<hr/>	<hr/>

### ■ 3 Creditors: Amounts falling due within one year

	1998	1997
	£	£
Bank overdraft (secured)	29,176	37,731
Amounts advanced on the sale of trade debtors (secured)	-	356,953
Obligations under finance leases (secured)	18,220	43,272
Trade creditors	4,335,221	4,071,059
Amounts owed to group undertakings	6	6
Corporation tax	457,725	270,000
Proposed dividend	836,100	691,766
Other taxes and social security	858,951	804,004
Accruals	852,261	299,643
	<hr/>	<hr/>
	7,387,660	6,574,434
	<hr/>	<hr/>

The bank overdraft is secured by a fixed and floating charge over the assets of the company excluding trade debtors.

Amounts advanced on the sale of trade debtors are secured on the company's debtor book.

Obligations under finance leases are secured on the assets to which they relate.

### ■ 4 Creditors: Amounts falling due after more than one year

	1998	1997
	£	£
Obligations under finance leases (secured - see note 13)	13,692	84,763
	<hr/>	<hr/>

### ■ 5 Provision for liabilities and charges

#### *Deferred taxation*

	1998	1997
	£	£
At beginning of year	30,000	-
Acquired with subsidiary purchase	-	30,000
Transfer to profit and loss account	(6,000)	-
	<hr/>	<hr/>
	24,000	30,000
	<hr/>	<hr/>

## Notes (continued)

### ■5 Provision for liabilities and charges (continued)

The amount provided for deferred taxation represent the full potential liability, calculated on the liability method, at a corporation tax rate of 31% (1997: 33%) and are in respect of the difference between accumulated depreciation and capital allowances.

### ■6 Called up share capital

	1998	1997
<i>Authorised, allotted, called up and fully paid:</i>		
165,000 ordinary shares of £1 each	165,000	165,000
	<u>          </u>	<u>          </u>

### ■7 Profit and loss account

	£
Balance at 31 March 1997	736,727
Result for the financial year	-
	<u>          </u>
Balance at 5 April 1998	736,727
	<u>          </u>

### ■8 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit on ordinary activities after taxation	1,536,100	691,766
Dividends	(1,536,100)	(691,766)
Opening shareholders' funds	901,727	901,727
	<u>          </u>	<u>          </u>
Closing shareholders' funds	901,727	901,727
	<u>          </u>	<u>          </u>

### ■9 Commitments

At 5 April 1998, the company had capital commitments of £Nil (1997: £Nil).

### ■20 Commitments

#### (a) Leasing commitments

At 5 April 1998, the company had annual commitments under non-cancellable operating leases as follows:

	1998 Land and buildings £	Other £	1997 Land and buildings £	Other £
Operating leases which expire:				
Within one year	37,652	12,681	44,502	60,075
Within two to five years	96,401	26,376	94,331	28,173
In more than five years	237,172	-	171,958	14,087
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	371,225	39,057	310,791	102,335
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## **Notes (continued)**

### **20 Commitments (continued)**

#### ***b) Guarantees and other financial commitments***

At 5 April 1998, the company had contractual liabilities for outstanding documentary letters of credit totalling £63,621 (1997: £240,000) and obligations to purchase forward currency contracts with a value of £1,500,000 (1997: £Nil).

### **21 Parent undertakings**

The company is a wholly owned subsidiary undertaking of Civilmatters Limited. Civilmatters Limited is itself a subsidiary undertaking of Primrosetar Limited. Both companies are incorporated in Great Britain.

The largest group in which results of the company are consolidated is that headed by Primrosetar Limited. The smallest group in which results of the company are consolidated is that headed by Civilmatters Limited.

Copies of all of the parent undertaking's financial statements are available from:

Saltbrook Trading Estate  
Saltbrook Road  
Halesowen  
West Midlands  
B63 2QJ

### **22 Ultimate controlling party**

The company is ultimately controlled by Mr IR Walker.

### **23 Related party transactions**

During the year, IR Walker (director) lent the group £800,000 which was repaid with interest of £6,250.