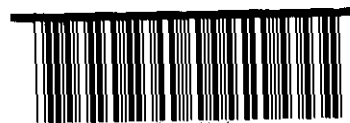


Maris Interiors Limited

Report and Financial Statements

31 December 2002



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REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M A Howard
J N Smith
A R Groom
G V Malkin
S Vaughan
M F Harris
D G Nock

SECRETARY

J N Smith

REGISTERED OFFICE

Redfields Business Park
Church Crookham
Fleet
Hampshire
GU52 0RD

Telephone: 01252 304 600
Website: www.maris-interiors.co.uk

BANKERS

Barclays Bank
Napier Court
Napier Road
Reading
RG1 9FD

SOLICITORS

DLA
3 Noble Street
London
EC2V 7EE

AUDITORS

Deloitte & Touche
Chartered Accountants
Reading

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

ACTIVITIES

The principal activities of the company throughout the year were those of interior design consultants, contractors and furniture supplier.

The directors consider the trading performance of the company to have been satisfactory in what have been tough market conditions.

Following a rationalisation programme, starting before the management buy-out of the company and continuing throughout 2002 to reduce and control the overheads, the company now has a more solid platform to ensure the continuing future success of the business.

A solid order book has resulted in a good trading start to 2003.

RESULTS AND DIVIDENDS

Details of the results for the year are shown in the profit and loss account and related notes.

Dividends amounting to £500,000 (2001: £500,000) were declared in the year, details of which are disclosed in note 8 to the financial statements.

DIRECTORS

The directors who served during the year are as follows:

M A Howard	
J N Smith	
A R Groom	(appointed 2 January 2002)
A J Holder	(resigned 2 September 2002)
G V Malkin	(appointed 2 January 2002)
S Vaughan	(appointed 2 January 2002)
G Graville	(resigned 26 April 2002)
M F Harris	(appointed 2 January 2002)
D G Nock	(appointed 26 April 2002)

None of the directors had shareholdings which are required to be disclosed under Schedule 7 of the Companies Act 1985. Beneficial shareholdings in the company's ultimate parent company are disclosed in the financial statements of that company, Maris Interiors Holdings Limited.

AUDITORS

On 31 July 2002 Arthur Andersen resigned as auditors of the company and Deloitte & Touche were appointed by the directors to fill the casual vacancy arising. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 6 June 2003
and signed on behalf of the Board



J N Smith

Company Secretary

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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 MEMBERS OF MARIS INTERIORS LIMITED

We have audited the financial statements of Maris Interiors Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 18. 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 the 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.

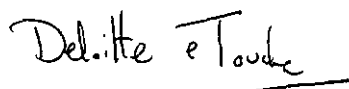
BASIS OF AUDIT OPINION

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.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Registered Auditors and Chartered Accountants

Reading

10 June 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £000	2001 £000
TURNOVER		28,148	50,393
Cost of sales		(18,661)	(33,638)
GROSS PROFIT		9,487	16,755
Sales and distribution costs		(2,209)	(3,118)
Administrative expenses		(7,520)	(10,615)
Other operating income		339	254
OPERATING PROFIT		97	3,276
Profit on sale of freehold property	2	-	340
Loss on disposal of subsidiary undertaking	2	-	(223)
Loss on disposal of fixed assets	2	-	(124)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		97	3,269
Interest receivable		377	496
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		474	3,765
Tax on profit on ordinary activities	7	(167)	(1,184)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX BEING PROFIT FOR THE YEAR		307	2,581
Dividends paid	8	(500)	(500)
RETAINED (LOSS) PROFIT FOR THE YEAR	14	(193)	2,081

All amounts derive from continuing activities.

The accompanying notes are an integral part of this profit and loss account.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2002

	2002 £000	2001 £000
Profit for the financial year	307	2,581
Surplus arising on revaluation of fixed assets	385	-
Total recognised gains and losses in the year	692	2,581
Total recognised gains and losses since last annual report	692	2,581

The accompanying notes are an integral part of this statement of total recognised gains and losses.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 December 2002

	2002 £000	2001 £000
Profit on ordinary activities before taxation	474	3,765
Realisation of property valuation gains of previous years	-	133
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>474</u>	<u>3,898</u>
HISTORICAL COST (LOSS) PROFIT FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS	<u>(193)</u>	<u>2,264</u>

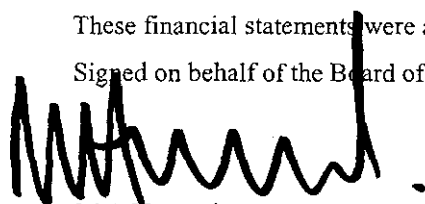
The accompanying notes are an integral part of this note of historical cost profits and losses.

BALANCE SHEET
31 December 2002

	Note	2002 £000	2001 £000
FIXED ASSETS			
Tangible assets	9	1,197	1,055
Investments in subsidiaries	10	-	-
		<u>1,197</u>	<u>1,055</u>
CURRENT ASSETS			
Debtors	11	9,786	9,207
Cash at bank and in hand		11,121	10,312
		<u>20,907</u>	<u>19,519</u>
CREDITORS: amounts falling due within one year	12	<u>(10,691)</u>	<u>(9,353)</u>
NET CURRENT ASSETS		<u>10,216</u>	<u>10,166</u>
NET ASSETS		<u>11,413</u>	<u>11,221</u>
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Share premium account	14	35	35
Capital redemption reserve	14	10	10
Revaluation reserve	14	450	65
Profit and loss account	14	10,818	11,011
EQUITY SHAREHOLDERS' FUNDS	15	<u>11,413</u>	<u>11,221</u>

These financial statements were approved by the Board of Directors on 6 June 2003

Signed on behalf of the Board of Directors



M A Howard
Director



J N Smith
Director

The accompanying notes are an integral part of this balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002**1. ACCOUNTING POLICIES**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

These financial statements present information about the company as an individual undertaking and not about its group. The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Maris Interiors Holdings Limited which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from preparing a cashflow statement as required by FRS1 (Revised).

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, over the expected useful life of each asset as follows:

Freehold property	30 years – straightline
Motor vehicles	33% per annum – straight line
Fixtures and fittings	33% per annum – straight line

Individual freehold and leasehold properties are revalued at least every five years with the surplus or deficit on book value being transferred to the revaluation reserve, unless a deficit (or its reversal) is expected to be permanent, in which case it is charged (or credited) to the profit and loss account. Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal of a revalued fixed asset, any related balance in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Investments

Fixed asset investments are shown at cost less any amounts written off. Provisions are made for impairment.

Long term contracts

Turnover less progress payments is recorded as “amounts recoverable on contracts” within debtors. Progress payments in excess of the value of work carried out on individual contracts are included in creditors as “amounts invoiced on account in excess of work in progress”. Profit is taken on long term contracts by reference to an assessment of the outcome and the proportion of work completed.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes and net of trade discounts) of goods and services in the normal course of business.

2. EXCEPTIONAL ITEMS REPORTED AFTER OPERATING PROFIT

During the prior year the company sold its subsidiary undertaking Virtus Contracts Limited. The shares were sold for £2. In addition a loan of £223,000 due from Virtus Contracts Limited was written off in consideration of the sale.

In February 2001 the company disposed of one of its freehold properties for £850,000, realising a gain of £340,000. This building was shown as held for resale in the previous year. The building had previously been revalued in 1997, the gain based on historical cost would have been £473,000.

During the course of the prior year the company refurbished its premises resulting in a significant disposal of fixed assets (mainly fixtures and fittings) for which no consideration was received.

The net effect on the taxation charge in the prior year of these exceptional items was a tax credit of £2,000.

3. SEGMENT INFORMATION

All results for the year were generated from a single class of business conducted wholly within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before taxation is stated after charging (crediting):

	2002 £000	2001 £000
Depreciation on owned assets	254	275
Impairment of fixed assets	-	157
(Profit)/loss on sale of fixed assets	(6)	3
Auditors' remuneration:		
- audit services	31	33
- non-audit services	19	80
Operating lease – other	706	791
	<u>706</u>	<u>791</u>

5. DIRECTORS' EMOLUMENTS

The remuneration of the directors was as follows:

	2002 £000	2001 £000
Emoluments	1,109	1,391
Compensation for loss of office	-	122
	<u>1,109</u>	<u>1,513</u>

None of the directors were members of money purchase schemes in either year.

Highest paid director

	2002 £000	2001 £000
Emoluments	208	378
	<u>208</u>	<u>378</u>

6. STAFF COSTS

	2002 £000	2001 £000
Wages and salaries	6,150	8,997
Social security costs	725	1,027
	<u>6,875</u>	<u>10,024</u>

The average monthly number of persons employed by the company during the year was 127 (2001:157).

The company does not run a pension plan, nor does it contribute into employees' pension plans. The company makes provision for employees to make deductions from their salary directly into approved stakeholder pension plans.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £000	2001 £000
UK corporation tax		
- current year	120	1,184
- under provision in respect of previous year	47	-
	<u>167</u>	<u>1,184</u>

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax is 30%. The actual tax charge for the current and the previous year exceeds the standard rate for the reasons set out in the following reconciliation.

	2002 £000	2001 £000
Profit on ordinary activities before tax	474	3,766
Tax on profit on ordinary activities at standard rate	142	1,130
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	54	37
Depreciation in excess of capital allowances	19	101
Adjustments to tax charge in respect of prior periods	50	-
Group relief not paid for	(145)	(100)
Other timing differences	-	16
Total actual amount of current tax	<u>120</u>	<u>1,184</u>

At 31 December 2002 there was no material deferred tax balance (2001: nil).

8. DIVIDENDS

	2002 £000	2001 £000
Final dividend paid of 250.28p (2001: 250.28p) per ordinary share	<u>500</u>	<u>500</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

9. TANGIBLE FIXED ASSETS

	Freehold property £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2002	800	82	1,039	1,921
Additions	-	-	52	52
Disposals	-	(82)	(15)	(97)
Revaluation	225	-	-	225
At 31 December 2002	1,025	-	1,076	2,101
Depreciation				
At 1 January 2002	128	38	700	866
Charge for the year	32	6	216	254
Disposals	-	(44)	(12)	(56)
Adjustment on revaluation	(160)	-	-	(160)
At 31 December 2002	-	-	904	904
Net book value				
At 31 December 2002	1,025	-	172	1,197
At 31 December 2001	672	44	339	1,055

Freehold land amounting to £250,000 (2001: £175,000) has not been depreciated.

The freehold properties were valued independently by Atkinson Richards, as at 31 December 2002, on the basis of existing use value in respect of properties occupied by the company and on the basis of open market value in respect of investment properties, both bases being in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. As a result of the revaluation process the directors revised their estimate of the remaining useful economic life from fifteen to twenty years in line with the recommendations in the report. This has no effect on the current year results.

Had the freehold properties not been revalued they would have been carried at a net book value based on historical cost of £575,000 (2001: £607,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

10. FIXED ASSET INVESTMENTS

	2002	2001
	£	£
Investment in subsidiaries	296	296

The investment in subsidiaries represents 100% of the ordinary share capital of each of the following companies, all of which are registered in England and Wales: Maris Interiors City Limited, Maris Trustees Limited, Maris Regions Limited, Furniture Solutions Limited, Maris Midtown & Docklands Limited, Maris West End Limited, Maris Works Limited, Maris Synergy Limited, Maris Projects Limited and Maris Advance Finance Limited.

Maris Trustees Limited is a trustee of the Maris Discretionary Trust. This holds 440,800 (44.08%) of the ordinary shares of Maris Interiors Holdings Limited, the company's ultimate parent. The shares are not traded on any market.

11. DEBTORS

	2002	2001
	£000	£000
Trade debtors	3,275	4,023
Amounts recoverable on contracts	640	771
Amounts owed by group undertakings	5,442	4,188
Other debtors and prepayments	422	218
Called-up share capital unpaid	7	7
	<u>9,786</u>	<u>9,207</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£000	£000
Amounts invoiced on account in excess of work in progress	3,347	2,948
Trade creditors	5,395	3,562
Corporation tax	211	612
Other taxes and social security	626	809
Other creditors and accruals	1,112	1,422
	<u>10,691</u>	<u>9,353</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

13. CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
Authorised		
200,000 ordinary shares of 50p each	100	100
Issued, called-up and fully paid		
185,000 ordinary shares of 50p each	93	93
Issued, called-up and unpaid		
14,777 ordinary shares of 50p each	7	7
	<u>100</u>	<u>100</u>

14. RESERVES

	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At beginning of year	35	10	65	11,011	11,121
Loss transferred for the year	-	-	-	(193)	(193)
Property revaluation	-	-	385	-	385
At end of year	<u>35</u>	<u>10</u>	<u>450</u>	<u>10,818</u>	<u>11,313</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
Opening shareholders' funds	11,221	9,140
Profit for the year	307	2,581
Dividends	(500)	(500)
Increase in revaluation reserve	385	-
Closing shareholders' funds	<u>11,413</u>	<u>11,221</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

16. COMMITMENTS AND CONTINGENCIES

Operating leases

The company has the following annual commitments under non-cancellable operating leases:

	2002		2001	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiry date				
- within one year	5	42	10	77
- between two and five years	170	141	204	254
- after five years	125	-	170	-
	<u>300</u>	<u>183</u>	<u>384</u>	<u>331</u>

17. RELATED PARTIES

The company has taken advantage of the exemption available to it under FRS8, Related Party Transactions, and has not disclosed transactions with fellow group companies.

18. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is Maris Group Limited, a company registered in England and Wales. The smallest and largest group in which the company's results are consolidated is that headed by the company's ultimate parent company, Maris Interiors Holdings Limited, a company registered in England and Wales. Its consolidated financial statements are available to the public from Companies House.