

**PARAMOUNT OFFICE INTERIORS
LIMITED**

Report and Financial Statements

31 December 2003

**Deloitte & Touche LLP
Cardiff**



REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N B Roberts BA (Managing Director)

L Davies (non-executive Director) (appointed 1 September 2003)

SECRETARY

T S D Jones

REGISTERED OFFICE

3 Links Court

Fortran Road

St Mellons

Cardiff

CF3 0LT

BANKERS

Barclays Bank Plc

SOLICITORS

Hugh James

AUDITORS

Deloitte & Touche LLP

Chartered Accountants

Cardiff

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

ACTIVITIES

The company's principal activity is the supply of furniture and equipment, together with providing a design service, space planning, fitting out and project management facilities.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The trading and financial position of the company is considered to be satisfactory. The company continues to develop and expand its existing activities.

DIVIDENDS

Dividends totalling £40,000 (2002 - £60,000) were paid during the year.

DIRECTORS AND THEIR INTERESTS

The current directors are as shown on page 1. N B Roberts BA served throughout the year. His beneficial interests, as defined by the Companies Act 1985, at the beginning and the end of the financial year were as follows:

	Ordinary shares of £1 each	
	31 December	1 January
	2003 No.	2003 No.
N B Roberts BA	24,600	24,600

L Davies had no interests in the share capital of the company.

AUDITORS

Deloitte & Touche LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

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

N B Roberts BA
Director



Date 25 October 2004

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; 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 PARAMOUNT OFFICE INTERIORS LIMITED

We have audited the financial statements of Paramount Office Interiors Limited for the year ended 31 December 2003 which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet, the cash flow statement and the related notes 1 to 22. 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cardiff
Date 26 October 2004

PARAMOUNT OFFICE INTERIORS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2003

	Note	2003 £	2002 £
TURNOVER: continuing operations	2	7,695,492	6,614,492
Cost of sales		(5,981,706)	(5,114,086)
Gross profit		<u>1,713,786</u>	<u>1,500,406</u>
Distribution costs		59,452	50,511
Administrative expenses		<u>1,299,321</u>	<u>1,104,872</u>
		<u>1,358,773</u>	<u>1,155,383</u>
OPERATING PROFIT: continuing operations	4	355,013	345,023
Interest receivable and similar income		10,363	9,530
Interest payable and similar charges	5	(15,494)	(23,089)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>349,882</u>	<u>331,464</u>
Tax on profit on ordinary activities	6	(83,105)	(70,061)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>266,777</u>	<u>261,403</u>
Dividends	7	(40,000)	(60,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>226,777</u>	<u>201,403</u>

There are no recognised gains and losses for the current or prior financial year other than as stated above.

PARAMOUNT OFFICE INTERIORS LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year ended 31 December 2003

	2003 £	2002 £
Reported profit on ordinary activities before taxation	349,882	331,464
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>1,400</u>	<u>1,400</u>
Historical cost profit on ordinary activities before taxation	<u>351,282</u>	<u>332,864</u>
Historical cost profit for the period retained, after taxation and dividends	<u>228,177</u>	<u>202,803</u>

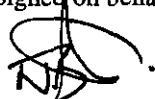
PARAMOUNT OFFICE INTERIORS LIMITED

BALANCE SHEET

31 December 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	8	598,687	310,841
CURRENT ASSETS			
Stocks and work-in-progress	9	80,639	699,722
Debtors	10	1,231,269	1,894,603
Cash at bank and in hand		297,479	771,998
		1,609,387	3,366,323
CREDITORS: amounts falling due within one year	11	(1,391,127)	(2,932,490)
NET CURRENT ASSETS		218,260	433,833
TOTAL ASSETS LESS CURRENT LIABILITIES		816,947	744,674
CREDITORS: amounts falling due after more than one year	12	(58,246)	(228,882)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(19,857)	(3,725)
		738,844	512,067
CAPITAL AND RESERVES			
Called up share capital	15	24,600	24,600
Revaluation reserve	16	67,083	68,483
Capital redemption reserve	16	24,600	24,600
Profit and loss account	16	622,561	394,384
TOTAL EQUITY SHAREHOLDER'S FUNDS	16	738,844	512,067

These financial statements were approved by the Board of Directors on 25 October 2004
Signed on behalf of the Board of Directors



N B Roberts BA
Director

PARAMOUNT OFFICE INTERIORS LIMITED

CASH FLOW STATEMENT Year ended 31 December 2003

	Note	2003 £	2002 £
Net cash inflow/(outflow) from operating activities	18	1,095,637	(356,755)
Returns on investments and servicing of finance			
Interest received		10,363	9,530
Interest paid		(15,494)	(23,089)
Net cash outflow from returns on investments and servicing of finance		(5,131)	(13,559)
Taxation		(75,165)	(60,359)
Capital expenditure			
Payments to acquire tangible fixed assets		(325,151)	(18,007)
Receipts from sale of fixed assets		-	2,000
Net cash outflow from capital expenditure		(325,151)	(16,007)
Equity dividends paid		(40,000)	(60,000)
Cash inflow/(outflow) before financing		650,190	(506,680)
Financing			
New borrowings		-	526,004
Repayment of borrowings		(582,349)	(46,379)
Net cash (outflow)/inflow from financing		(582,349)	479,625
Increase/(decrease) in cash in the year	19,20	67,841	(27,055)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold property.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Motor vehicles	20% per annum
Fixtures, fittings and office equipment	20% per annum
Freehold land and buildings	2% per annum
Leasehold improvements	Over the period of the lease

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes suppliers' invoice price, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant selling and distribution costs.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or at 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 that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Pension costs

The pension costs of defined contribution pension schemes represent the amount of contributions payable to the pension scheme in respect of the accounting period.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

The turnover, which arises in the United Kingdom, is attributable to the company's principal activity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £	2002 £
Directors' emoluments		
Emoluments (excluding pension contributions)	66,300	54,000
Company contributions to money purchase and similar pension schemes in respect of directors' services	10,800	4,900
	No.	No.
The number of directors who		
Are members of a defined contribution pension scheme	1	1
Average number of persons employed		
Sales	7	8
Distribution	2	2
Administration	19	14
Discount	7	-
	35	24
	£	£
Staff costs during the year (including directors)		
Wages and salaries	858,052	694,686
Social security costs	93,911	69,289
Pension costs	21,662	16,960
	973,625	780,935

4. OPERATING PROFIT

	2003 £	2002 £
Operating profit is after charging		
Depreciation: owned assets	37,305	30,842
Rentals under operating leases		
Other operating leases	13,262	13,455
Auditors' remuneration	11,165	12,265
And after crediting		
Profit on disposal: owned assets	-	1,067

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £	2002 £
Bank loans and overdrafts	15,494	23,089

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 30%	66,973	67,729
Deferred tax charge	16,132	2,332
	83,105	70,061

The difference between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	£	£
Profit on ordinary activities before tax	349,882	331,464
Tax on profit on ordinary activities before tax at 30%	(104,965)	(99,439)
Factors affecting charge for the year		
Expenses not deductible for tax purposes	(10,313)	(8,103)
Capital allowances in excess of depreciation	22,092	346
Credit in respect of prior year over-provision	-	8,748
Marginal rate relief	32,182	30,719
Prior period adjustments	(234)	-
Movement in short-term timing differences	(5,735)	-
Current tax charge for year	(66,973)	(67,729)

7. DIVIDENDS

	2003 £	2002 £
Ordinary shares		
Interim paid - £1.63 per ordinary share (2002 - £2.44)	40,000	60,000

PARAMOUNT OFFICE INTERIORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

8. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Fixtures, fittings & office equipment £	Motor vehicles £	Freehold land & buildings £	Total £
Cost or valuation					
At 1 January 2003	-	137,759	16,855	252,679	407,293
Additions	233,863	65,858	19,555	5,875	325,151
At 31 December 2003	233,863	203,617	36,410	258,554	732,444
Accumulated depreciation					
At 1 January 2003	-	79,592	3,371	13,489	96,452
Charge for the year	-	25,856	5,866	5,583	37,305
At 31 December 2003	-	105,448	9,237	19,072	133,757
Net book value					
At 31 December 2003	233,863	98,169	27,173	239,482	598,687
At 31 December 2002	-	58,167	13,484	239,190	310,841
Comparable amounts determined according to the historical cost convention.					
Cost	233,863	203,617	36,410	182,679	656,569
Accumulated depreciation	-	(105,448)	(9,237)	(10,280)	(124,965)
Net book value					
At 31 December 2003	233,863	98,169	27,173	172,399	531,604
At 31 December 2002	-	58,167	13,484	170,709	242,360

The company's freehold land and buildings at Concorde Drive, Clevedon, were valued at open market value with existing use by Ingram Evans Care, Chartered Surveyors, in 2001. The surplus arising on revaluation was taken to a revaluation reserve.

9. STOCKS AND WORK-IN-PROGRESS

	2003 £	2002 £
Short-term work-in-progress	80,639	699,722

PARAMOUNT OFFICE INTERIORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2003

10. DEBTORS

	2003 £	2002 £
Trade debtors	1,078,841	1,859,553
Prepayments and accrued income	58,637	23,886
Other debtors	92,037	11,164
Corporation tax	1,754	-
	<u>1,231,269</u>	<u>1,894,603</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Bank loan and overdraft	-	542,360
Mortgage loan	168,446	580,159
Trade creditors	752,820	1,278,648
Corporation tax	68,727	76,477
Other taxes and social security	128,907	122,527
Other creditors	19,695	32,737
Accruals and deferred income	252,532	299,582
	<u>1,391,127</u>	<u>2,932,490</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Mortgage loan	<u>58,246</u>	<u>228,882</u>
Amounts payable wholly or partly after five years:		
Mortgage loan	<u>-</u>	<u>70,265</u>

The bank loan and overdraft are secured by a fixed and floating charge on the assets of the company. Interest is charged on the mortgage loan at 3% above the prevailing bank base rate over the period of five years.

13. BORROWINGS

	2003 £	2002 £
Analysis of loan repayments:		
Bank loan and overdraft		
Within one year or on demand	168,446	1,122,519
Between one and two years	47,500	57,119
Between two and five years	10,746	101,497
After five years	-	70,265
	<u>226,692</u>	<u>1,351,400</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 January 2003 £	Charge £	Applied £	Balance at 31 December 2003 £
Deferred taxation	3,725	16,132	-	19,857

The amounts of deferred taxation provided in the financial statements are as follows:

	2003 £	2002 £
Capital allowances in excess of depreciation	25,817	3,725
Short-term timing differences	(5,960)	-
	<u>19,857</u>	<u>3,725</u>

15. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid		
24,600 ordinary shares of £1 each	<u>24,600</u>	<u>24,600</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Ordinary share capital £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total equity shareholder's funds £
Balance at 1 January 2003	24,600	24,600	68,483	394,384	512,067
Transfer of amount equivalent to additional depreciation on revalued assets	-	-	(1,400)	1,400	-
Profit for the year	-	-	-	266,777	266,777
Dividends	-	-	-	(40,000)	(40,000)
Balance at 31 December 2003	<u>24,600</u>	<u>24,600</u>	<u>67,083</u>	<u>622,561</u>	<u>738,844</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

17. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 December 2003, the company was committed to making the following payments during the next year in respect of operating leases:

	Other operating leases £
Leases which expire:	
Within one year	-
Between two and five years	12,992
	<u>12,992</u>

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	355,013	345,023
Depreciation	37,305	30,842
Profit on disposal of fixed assets	-	(1,067)
Decrease/(increase) in stocks	619,083	(600,568)
Decrease/(increase) in debtors	665,088	(1,158,671)
(Decrease)/increase in creditors	(580,852)	1,027,686
	<u>1,095,637</u>	<u>(356,755)</u>
Net cash inflow/(outflow) from operating activities	<u>1,095,637</u>	<u>(356,755)</u>

19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2003 £	2002 £
Increase/(decrease) in cash in the year	67,841	(27,055)
Net cash outflow/(inflow) from increase in funds/(debt)	582,349	(479,625)
	<u>650,190</u>	<u>(506,680)</u>
Change in net funds/(debt)	650,190	(506,680)
Net debt at 1 January	(579,403)	(72,723)
	<u>70,787</u>	<u>(579,403)</u>
Net funds/(debt) at 31 December	<u>70,787</u>	<u>(579,403)</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003

20. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1 January 2003 £	Cash flows £	Other non- cash changes £	At 31 December 2003 £
Cash at bank and in hand	771,998	(474,519)	-	297,479
Overdraft	(542,360)	542,360	-	-
	<u>229,638</u>	<u>67,841</u>	<u>-</u>	<u>297,479</u>
Debt due within one year	(580,159)	411,713	-	(168,446)
Debt due after one year	(228,882)	170,636	-	(58,246)
	<u>(579,403)</u>	<u>650,190</u>	<u>-</u>	<u>70,787</u>

21. RELATED PARTY TRANSACTIONS

The company has been charged £29,308 (2002 - £nil) in respect of property rentals where a director, Mr N B Roberts BA, has an interest in the properties concerned.

22. ULTIMATE CONTROLLING PARTY

N B Roberts BA and his wife are the ultimate controlling parties.