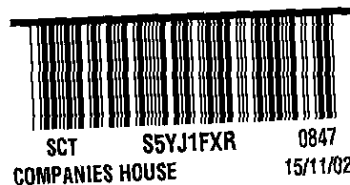


INHOUSE LIMITED
FINANCIAL STATEMENTS
31 JANUARY 2002

Company Registration Number SC106984



BAKER TILLY
Chartered Accountants & Registered Auditors
23 Queen Street
Edinburgh
EH2 1JX

INHOUSE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2002

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INHOUSE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	Mr W A Potter Mrs S A Potter
Company secretary	S A Potter
Registered office	28 Howe Street Edinburgh EH3 6TG
Auditors	Baker Tilly Chartered Accountants & Registered Auditors 23 Queen Street Edinburgh EH2 1JX
Bankers	National Westminster Plc 80 George Street Edinburgh
Solicitors	Maclay Murray Spens 3 Glenfinlas Street Edinburgh EH3 6AQ

INHOUSE LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31 JANUARY 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 January 2002.

Principal activities

The company's principal activity continued to be that of the retailing of contemporary furniture, lighting, fabrics and home accessories, much of which is imported.

The directors and their interests in shares of the parent company

The directors who served the company during the year together with their beneficial interests in the shares of the parent company were as follows:

	Ordinary in the parent company	
	At 31 January 2002	At 1 February 2001
Mr W A Potter	1,000	1,000
Mrs S A Potter	<u>1,000</u>	<u>1,000</u>

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

Auditors

A resolution to re-appoint Baker Tilly, formally HLB Kidsons, as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

INHOUSE LIMITED

THE DIRECTORS' REPORT *(continued)*

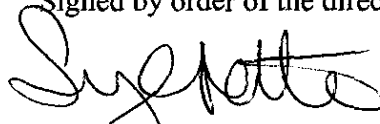
YEAR ENDED 31 JANUARY 2002

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:
28 Howe Street
Edinburgh
EH3 6TG

Signed by order of the directors



S A Potter
Company Secretary

Approved by the directors on 10/10/02

INHOUSE LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 JANUARY 2002

Independent auditors' report to the shareholders of Inhouse Limited

We have audited the financial statements on pages 6 to 12 of Inhouse Limited for the Year ended 31 January 2002. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000) under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 of our report if we become aware of any apparent misstatements within it.

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.

INHOUSE LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS (*CONTINUED*)

YEAR ENDED 31 JANUARY 2002

Opinion

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

Baker Tilly

23 Queen Street
Edinburgh
EH2 1JX

BAKER TILLY
Chartered Accountants
& Registered Auditors

13 November 2002
.....

INHOUSE LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 JANUARY 2002

	Note	2002 £	2001 £
Turnover		896,863	997,554
Direct costs		(453,174)	(560,909)
Gross profit		<u>443,689</u>	<u>436,645</u>
Administrative expenses		(439,741)	(395,186)
Operating profit	2	3,948	41,459
Interest payable		(917)	(1,574)
Profit on ordinary activities before taxation		<u>3,031</u>	<u>39,885</u>
Tax on profit on ordinary activities		4,367	(6,803)
Profit on ordinary activities after taxation		<u>7,398</u>	<u>33,082</u>
Dividends	4	-	(39,000)
Retained profit/(loss) for the financial year		<u>7,398</u>	<u>(5,918)</u>
Balance brought forward		23,001	28,919
Balance carried forward		<u>30,399</u>	<u>23,001</u>

INHOUSE LIMITED

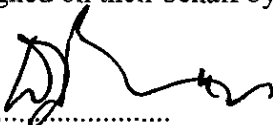
BALANCE SHEET

31 JANUARY 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	5	10,775	<u>21,170</u>
Current assets			
Stocks		238,855	243,289
Debtors	6	63,925	98,770
Cash at bank and in hand		2,985	5,533
		<u>305,765</u>	<u>347,592</u>
Creditors: amounts falling due within one year	8	<u>(283,002)</u>	<u>(340,289)</u>
Net current assets		22,763	7,303
Total assets less current liabilities		33,538	28,473
Creditors: amounts falling due after more than one year	9	<u>(2,139)</u>	<u>(4,472)</u>
		<u>31,399</u>	<u>24,001</u>
Capital and reserves			
Called-up equity share capital	15	1,000	1,000
Profit and loss account		30,399	23,001
Shareholders' funds		<u>31,399</u>	<u>24,001</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective March 2000).

These financial statements were approved by the directors on the 6.11.02, and are signed on their behalf by:



 Mr W A Potter


INHOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2002

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	- 20% Straight line
Motor Vehicles	- 20% Straight Line
Equipment	- 20% Straight Line

Stocks

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

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

INHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2002

2. Operating profit

Operating profit is stated after charging:

	2002	2001
	£	£
Depreciation	13,489	13,191
Auditors' fees	4,120	6,235
	<u> </u>	<u> </u>

3. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2002	2001
	£	£
Aggregate emoluments	61,621	60,805
	<u> </u>	<u> </u>

4. Dividends

No dividend has been recommended for the year ended 31 January 2002.

	2002	2001
	£	£
Proposed dividend on ordinary shares	-	39,000
	<u> </u>	<u> </u>

5. Tangible fixed assets

	Leasehold Property £	Motor Vehicles £	Equipment £	Total £
Cost				
At 1 February 2001	26,326	78,730	42,675	147,731
Additions	-	-	3,094	3,094
At 31 January 2002	<u>26,326</u>	<u>78,730</u>	<u>45,769</u>	<u>150,825</u>
Depreciation				
At 1 February 2001	26,326	61,540	38,695	126,561
Charge for the year	-	10,950	2,539	13,489
At 31 January 2002	<u>26,326</u>	<u>72,490</u>	<u>41,234</u>	<u>140,050</u>
Net book value				
At 31 January 2002	<u>-</u>	<u>6,240</u>	<u>4,535</u>	<u>10,775</u>
At 31 January 2001	<u>-</u>	<u>17,190</u>	<u>3,980</u>	<u>21,170</u>

INHOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2002

5. Tangible fixed assets (*continued*)

Hire purchase agreements

Included within the net book value of £10,775 is £6,240 (2001 - £8,320) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £2,080 (2001 - £2,080).

6. Debtors

	2002	2001
	£	£
Amounts owed by group undertakings	42,506	95,829
Other debtors	21,419	2,941
	<u>63,925</u>	<u>98,770</u>

7. Deferred taxation

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2002	2001
	£	£
Excess of taxation allowances over depreciation on fixed assets	5,228	-
	<u>5,228</u>	<u>-</u>

8. Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	23,629	3,617
Trade creditors	178,465	199,608
Corporation Tax	-	9,026
Other taxation and social security	46,264	69,245
Hire purchase agreements	2,333	2,334
Other creditors	32,311	56,459
	<u>283,002</u>	<u>340,289</u>

9. Creditors: amounts falling due after more than one year

	2002	2001
	£	£
Hire purchase agreements	2,139	4,472
	<u>2,139</u>	<u>4,472</u>

INHOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2002

10. Commitments under operating leases

At 31 January 2002 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2002	2001
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>6,000</u>	<u>6,000</u>

11. Contingencies

The company has given a guarantee in respect of the bank borrowings of the parent and fellow subsidiary companies. The net bank borrowings of these companies at the balance sheet date was £124,432 (2000:£105,500).

12. Transactions with the directors

At the year end the directors loan accounts remained unchanged at £5,845 and is included within other creditors. This loan is interest free and there are no specific terms of repayment.

13. Related party transactions

During the year, the company made purchases on behalf of Inhouse Contracts Limited, a company owned by the directors. The value of purchases was £98,635 (2001:£174,609). During the year the company incurred expenditure relating to overheads and salaries of £83,093 (2001:£81,201) on behalf of group companies this expenditure was then recharged accordingly. At the balance sheet date the company was due £62,861 (2001:£95,829) from group companies.

At the balance sheet date the company owed £9,907 (£40,000) in unpaid dividends to Inhouse Scotland Limited, this balance is included in other creditors.

14. Ultimate parent undertaking

The ultimate parent undertaking is Inhouse Scotland Limited a company incorporated in Scotland. 100% of the share capital of the ultimate parent undertaking is owned by the directors of Inhouse Limited.

15. Share capital

Authorised share capital:

	2002	2001
	£	£
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

INHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2002

15. Share capital (*continued*)

Allotted, called up and fully paid:

	2002	2001
	£	£
Ordinary share capital	<u>1,000</u>	<u>1,000</u>