

FOR SIGNATURE

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00344280

GEORGE WORLEY LIMITED

FINANCIAL STATEMENTS

6th January 1995

MACINTYRE HUDSON
Chartered Accountants



REGISTERED OFFICE

Erco1 Buildings
London Road
High Wycombe
Bucks HP13 7AE

COMPANY REGISTRATION NUMBER

344280

DIRECTORS

E.R. Tadros B.A. (Chairman)
T.W. Dean
G.R. Goodwin F.C.A.

SECRETARY

G.R. Goodwin F.C.A.

AUDITORS

MacIntyre Hudson
31 Castle Street
High Wycombe
Bucks HP13 6RU

BANKERS

Lloyds Bank plc
13 High Street
High Wycombe
Bucks HP11 2BD

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 6th January 1995.

PRINCIPAL ACTIVITY

The principal activity of the company is that of carriers of furniture on behalf of the Ercol Group.

RESULTS FOR THE YEAR

The results for the year are set out on page 5 of the financial statements attached to this report.

REVIEW OF THE BUSINESS

During the year the company's turnover fell slightly from £661,917 to £636,623. The directors consider the state of affairs of the company to be satisfactory.

DIVIDENDS

The directors do not recommend a dividend for the year under review (1994 - £NIL).

FIXED ASSETS

Changes in tangible fixed assets during the year are set out in note 9 to the financial statements. In the opinion of the Directors the market values of the company's leasehold properties are in excess of their book values.

DIRECTORS

The Directors who have held office during the year were as follows:

E.R. Tadros B.A. (Chairman)
M.F. Evans B.A., F.C.A. (retired as a Director on 31st March 1994)
T.W. Dean
G.R. Goodwin F.C.A.

The Directors had no direct interest in the shares of the company at any time during the year. The interests of the Directors in the ultimate parent company, Ercol (Holdings) Limited are disclosed in the financial statements of that company.

REPORT OF THE DIRECTORS (continued)
Year ended 6th January 1995

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution to re-appoint MacIntyre Hudson as auditors will be put to the Annual General Meeting.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'G.R. Goodwin', written in a cursive style.

G.R. Goodwin
Secretary

23rd May 1995

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 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 judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- comply with applicable accounting standards.

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.

AUDITORS' REPORT TO THE SHAREHOLDERS OF GEORGE WORLEY LIMITED.

We have audited the financial statements on pages 5 to 11.

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.

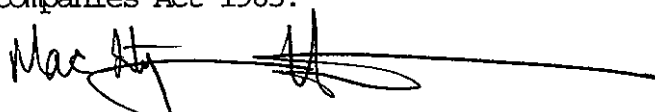
BASIS OF OPINION

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 judgments 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 6th January 1995 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MacIntyre Hudson
Chartered Accountants
Registered Auditor

31 Castle Street
High Wycombe
Bucks

23rd May 1995

PROFIT AND LOSS ACCOUNT
Year ended 6th January 1995

	Notes	1995 £	1994 £
TURNOVER	1	636,623	661,917
Distribution costs		(129,192)	(135,037)
Administration expenses		(528,926)	(527,687)
TRADING LOSS		(21,495)	(807)
Interest receivable	5	156	383
Interest payable	6	(193)	(639)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(21,532)	(1,063)
Taxation	7	(7,239)	(1,307)
PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(14,293)	244
Dividends	8	-	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	14	£(14,293)	£ 244

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

A statement of movement on reserves appears as note 14 to the financial statements

The company had no recognised gains or losses other than the loss for the period.

BALANCE SHEET
At 6th January 1995

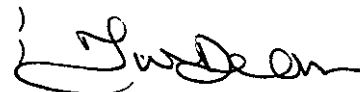
	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible assets	9	139,137	179,052
CURRENT ASSETS			
Debtors	10	224,616	219,216
Cash and bank balances		13,050	4,074
		<u>237,666</u>	<u>223,290</u>
CREDITORS : amounts falling due within one year	11	<u>41,980</u>	<u>45,126</u>
NET CURRENT ASSETS		<u>195,686</u>	<u>178,164</u>
		334,823	357,216
PROVISION FOR LIABILITIES AND CHARGES			
	12	<u>24,000</u>	<u>32,100</u>
		<u>£310,823</u>	<u>£325,116</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,222	1,222
Revaluation reserve	14	18,044	18,391
Profit and loss account	14	<u>291,557</u>	<u>305,503</u>
Shareholders' funds (all equity interests)	15	<u>£310,823</u>	<u>£325,116</u>

E.R. Tadros



Directors

T.W. Dean



Approved by the Board on 23rd May 1995

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies which are adopted in the preparation of the financial statements are set out below.

a) BASIS OF ACCOUNTING

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

b) TURNOVER

Turnover represents net invoiced sales of services to the company's customers in the normal course of business, exclusive of value added tax.

c) TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write off each asset evenly over its expected useful life, as follows:

Long leasehold land and buildings	-	over the length of the lease
Plant and machinery	-	over 5 years
Motor vehicles	-	over 5 years
Fixtures and fittings	-	over 5 years

d) LEASED ASSETS

Assets acquired under finance lease agreements or hire purchase agreements with similar characteristics are capitalised and liabilities are set up for the capital portions of the instalments. The interest portions of the instalments are charged to the profit and loss account in the periods in which they fall due.

e) DEFERRED TAXATION

Provision is made on the liability method for all taxation deferred in respect of short term timing differences. Provision is also made in respect of all long term timing differences which, in the opinion of the Directors, are likely to reverse in the foreseeable future.

f) PENSIONS

The company's pension plan for employees is a defined contributions scheme. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Consequently the annual instalments charged to the profit and loss account are fixed under the terms of the scheme and the company has no potential liability other than for the payment of those instalments.

The company's pension plan for certain invited salaried employees is a defined benefit scheme. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Consequently the company's contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over their working lives with the group. The contributions are determined by qualified actuaries and take account of any current surplus or the funding of any current deficiency which are eliminated over the balance of the members' working lifetimes.

g) CASHFLOW STATEMENT

The company is exempted from producing a cashflow statement as its ultimate parent company is preparing a group cashflow statement in its group accounts.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 6th January 1995

	1995 £	1994 £
1. TURNOVER		
All sales are made to Ercol Furniture Limited.	<u>£636,623</u>	<u>£661,917</u>
2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	39,915	43,250
Vehicle leasing	4,402	4,831
Auditors' remuneration: for audit services	2,800	2,750
for other services	<u>800</u>	<u>1,240</u>
3. STAFF COSTS		
Staff costs for the year were as follows:		
Wages and salaries	317,171	309,828
Social security costs	30,565	29,966
Other pension costs	<u>10,355</u>	<u>9,324</u>
	<u>£358,091</u>	<u>£349,118</u>
		Number
The average weekly number of employees during the year was as follows:	<u>20</u>	<u>21</u>
4. DIRECTORS' REMUNERATION		
	£	£
Amounts paid to third parties for services of directors	<u>£9,000</u>	<u>£9,000</u>
5. INTEREST RECEIVABLE		
Bank deposit	<u>£156</u>	<u>£383</u>
6. INTEREST PAYABLE		
On overdraft repayable within five years:		
Bank interest not by instalments	193	174
Finance lease interest	-	465
	<u>£193</u>	<u>£639</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 6th January 1995

	1995 £	1994 £
7. TAX ON PROFIT ON ORDINARY ACTIVITIES		
U.K. Corporation Tax at 25% (1994 - 25%) on the profits for the year	870	2,650
Transfer from deferred tax	(8,100)	(3,950)
Over provision for previous years	(9)	(7)
	<u>£(7,239)</u>	<u>£(1,307)</u>

8. DIVIDENDS

Paid NIL per share (1994 NIL per share)	<u>£NIL</u>	<u>£NIL</u>
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9. FIXED ASSETS

	Long Leasehold Property £	Vehicles £	Plant & Machinery £	Furniture & Equipment £	Total £
COST OR VALUATION					
At 7th January 1994	154,943	261,265	2,715	2,070	420,993
Disposals	-	(2,150)	-	-	(2,150)
At 6th January 1995	<u>154,943</u>	<u>259,115</u>	<u>2,715</u>	<u>2,070</u>	<u>418,843</u>
At cost	86,693	259,115	2,715	2,070	350,593
At Valuation - 1965	68,250	-	-	-	68,250
	<u>154,943</u>	<u>259,115</u>	<u>2,715</u>	<u>2,070</u>	<u>418,843</u>
DEPRECIATION					
At 7th January 1994	47,201	190,176	2,715	1,849	241,941
Charge for year	2,031	37,663	-	221	39,915
On disposals	-	(2,150)	-	-	(2,150)
At 6th January 1995	<u>49,232</u>	<u>225,689</u>	<u>2,715</u>	<u>2,070</u>	<u>279,706</u>
NET BOOK VALUE					
At 6th January 1995	<u>£105,711</u>	<u>£33,426</u>	<u>£ -</u>	<u>£ -</u>	<u>£139,137</u>
At 7th January 1994	<u>£107,742</u>	<u>£71,089</u>	<u>£ -</u>	<u>£ 221</u>	<u>£179,052</u>

The historical cost of Long Leasehold Property included above at a valuation of £68,250 was £40,038 and the aggregate depreciation thereon would have been £11,729 (1994-£11,324) based on that cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 6th January 1995

	1995 £	1994 £
10. DEBTORS		
Amounts due from parent undertaking	204,385	191,227
Prepayments	20,231	27,989
	<u>£224,616</u>	<u>£219,216</u>
11. CREDITORS: amounts falling due within one year		
Trade creditors	9,347	12,705
Corporation tax	870	2,543
Accruals	31,763	29,878
	<u>£41,980</u>	<u>£45,126</u>
12. PROVISION FOR LIABILITIES AND CHARGES		
DEFERRED TAXATION		
At 7th January 1994	32,100	
Transfer to profit and loss account	(8,100)	
	<u>£24,000</u>	
At 6th January 1995		
The provision relates to accelerated capital allowances.		
13. CALLED UP SHARE CAPITAL		
Authorised		
2,000 ordinary shares of £1 each	<u>£2,000</u>	<u>£2,000</u>
Allotted, issued and fully paid		
1,222 ordinary shares of £1 each	<u>£1,222</u>	<u>£1,222</u>
14. RESERVES		
	Revaluation Reserve £	Profit & Loss Account £
At 7th January 1994	18,391	305,503
Loss for the year	-	(14,293)
Release of revaluation reserve realised by depreciation	(347)	347
	<u>£18,044</u>	<u>£291,557</u>
At 6th January 1995		

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 6th January 1995

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS	1995 £	1994 £
Profit/(loss) for the financial year	(14,293)	244
Shareholder's funds at 7th January 1994	325,116	324,872
	<u> </u>	<u> </u>
Shareholder's funds at 6th January 1995	<u>£310,823</u>	<u>£325,116</u>

16. PARENT UNDERTAKING

The ultimate parent undertaking is Ercol (Holdings) Limited, incorporated in England.

17. CAPITAL COMMITMENTS

Contracted for but not provided in the financial statements	£ -	£10,977
	<u> </u>	<u> </u>

18. PENSION COMMITMENTS

The company contributes to one defined benefit scheme (scheme 1) and one defined contribution pension scheme (scheme 2) operated by the Ercol Group, the assets of which are held separately from those of the company in independently administered funds.

The details of the company's contributions to the schemes are tabulated below:

	Scheme 1	Scheme 2
Pension costs:		
1995	£4,572	£5,783
	<u> </u>	<u> </u>
1994	£3,403	£5,921
	<u> </u>	<u> </u>

The following information on the Ercol Group Scheme 1 is reproduced from the accounts of Ercol Furniture Ltd.

The company's Actuary performed a valuation of Scheme 1 on 1st January 1995 and the salient information is as follows:

There is a deficit of £1,559,000 assuming an investment return of 8.5% p.a., salary increases of 7.0% p.a., a future service contribution rate of 13.3% of salaries and the average remaining service lifetime is 10 years. The actuary has therefore calculated an additional charge of £466,000 in the year, £218,000 of which is attributable to the strain of the redundancy exercise. This amount has been provided in full.