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KLS FURNITURE STORES LTD**REPORT OF THE DIRECTOR**

The Director submits this report together with the accounts of the Company for the year ended 31/05/2002.

Financial Results

Net Profit for the year before taxation	41,265
Less Taxation Provision	7,933

Profit for the year increasing reserves	£ 33,332
	=====

Principal Activities and Business Review

During the year the Company achieved a significant increase in the level of turnover and the margins achieved as a result of the previous years change in direction, the gaining of experience and substantial marketing. It is anticipated that these levels will be maintained in the immediate future.

Directors and Shareholders

The interest of the Directors in the Ordinary Shares of the Company are as follows:-

	<u>31/05/2002</u>	<u>31/05/2001</u>
Mr Mohammed Saeed	1	1

Auditors

It is the Director's opinion that no audit is necessary and that the Company is exempt from the audit provisions on the grounds that KLS Furniture Stores Limited is a Small Company.

In preparing this report, the Director has taken advantage of special provisions of Part VII of the Companies Act 1985 relating to Small Companies.



DIRECTOR

18/09/2002



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COMPANIES HOUSE

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20/09/02

KLS FURNITURE STORES LIMITED
BATTINSON ROAD MILL
WILLIAMSON STREET
HALIFAX
HX1 5PR

TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31/05/2002

	<u>Notes</u>	<u>Y/E 31/05/2002</u>	<u>Y/E 31/05/2001</u>
<u>SALES</u>		393,695	170,473
Less: Cost of Sales		296,448	145,968
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<u>GROSS PROFIT</u>		97,247	24,505
Less: Distribution Expenses	30,276		1,288
Administrative Costs	22,871	53,147	4,493
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<u>Operating Profit</u>		44,100	18,724
Interest Payable	2,835		2,313
Less Interest Received	-		313
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Net Interest		2,835	2,000
		-----	-----
<u>Profit on Ordinary Activities before Taxation</u>		41,265	16,724
Less Taxation Provision	2	7,933	2,548
		-----	-----
<u>Profit on Ordinary Activities after Taxation</u>		33,332	14,176
Less: Dividend Paid		-	27,000
		-----	-----
<u>Retained Profit for the Year</u>		£ 33,332	£ (12,824)
		=====	=====

KLS FURNITURE STORES LTD

BALANCE SHEET AS AT 31/05/2002

	<u>Notes</u>	<u>31/05/2002</u>	<u>31/05/2001</u>
<u>CURRENT ASSETS</u>			
Stock		139,207	67,411
Debtors	3	26,428	22,828
Cash and Bank Balances		11,851	4,118
		-----	-----
		177,486	94,357
<u>CREDITORS</u> – amounts falling due within one year	4	126,518	82,141
		-----	-----
<u>NET CURRENT ASSETS</u>		50,968	12,216
Provision for charges – Taxation		7,933	2,513
		-----	-----
		£ 43,035	£ 9,703
		=====	=====
<u>FINANCED BY</u>			
<u>SHAREHOLDERS FUNDS</u>			
Called up Share Capital	5	1	1
Profit & Loss Account	6	43,034	9,702
		-----	-----
		£ 43,035	£ 9,703
		=====	=====

STATEMENT BY THE DIRECTOR

For the year ended 31/05/2002 the Company was entitled to exemption under section 249A (1) of the Companies Act 1985.

No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 249B (2).

The director acknowledges his responsibility for:

- i) Ensuring the Company keeps accounting records which comply with section 221; and
- ii) Preparing accounts 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 its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

The accounts are prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small companies.



DIRECTOR

18/09/02

KLS FURNITURE STORES LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31/05/2002

1) Accounting Policies

a) Basis of Accounting

The accounts are prepared under the historical cost convention.

b) Stock

Stock is valued at the lower of cost and net realizable value.

c) Taxation

Taxation is provided for at the rate in force during the accounting period except where no liability is expected to arise.

	<u>31/05/2002</u>	<u>31/05/2001</u>
	£	£
2) <u>Taxation Provision</u>		
Charge for Year	7,933	2,513
Interest on Late Payment		35
	-----	-----
	7,933	2,548
	=====	=====
3) <u>Debtors</u>		
Trade Debtors	20,070	8,037
Prepayments	-	14,791
Other Taxes / Social Security	2,935	-
Italian Furniture Co. Ltd	3,423	-
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	26,428	22,828
	=====	=====
4) <u>Creditors</u> – Amounts falling due within 1 year		
Trade Creditors	15,844	8,635
Accruals	800	750
Bank Overdraft	91,658	11,624
Taxation	2,513	-
Other Taxes / Social Security	-	9,025
Directors Current Account	167	167
Loans Given	15,536	51,940
	-----	-----
	126,518	82,141
	=====	=====
5. <u>Share Capital</u>		
Authorized – Shares of £1 each	100	100
Issued and fully paid up shares of £1 each	1	1
6. <u>Profit and Loss Account</u>		
Balance b/f	9,702	22,526
Retained profit for the year	33,332	(12,824)
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Balance c/f	43,034	9,702
	=====	=====

7. The Director accepts that it is his responsibility for the preparation of the financial statements.