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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 31/05/2001.

Financial Results

Net Profit for the year before taxation		16,724
Less Taxation provision	2,548	
Dividends Paid	27,000	29,548

Loss for the year decreasing reserves		£ (12,824)
		=====

A dividend of £ 27,000 was paid in the period (30/04/2001).

Principal Activities and Business Review

During the year the Company changed its direction from selling low cost furniture seconds to importing furniture from the Far East for distribution. As a result sales increased significantly, although margins were low. It is expected that the full benefits of this change will be reflected in the next and following years as margins improve with experience of the markets.

Directors and Shareholders

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

	<u>31/05/2001</u>	<u>31/05/2000</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

22/10/2001

Page 1



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

TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31/05/2001

	Notes	Y/E 31/05/2001	Y/E 31/05/2000
<u>SALES</u>		170,473	53,815
Less: Cost of Sales		145,968	20,718
		-----	-----
<u>GROSS PROFIT</u>		24,505	33,097
Less: Distribution Expenses	1,288	-	-
Administrative Costs	4,493	5,781	5,052
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<u>Operating Profit</u>		18,724	28,045
Interest Payable	2,313	1	1
Interest Received	313	-	-
	-----	-----	-----
Net Interest		2,000	-
		-----	-----
<u>Profit on Ordinary Activities before Taxation</u>		16,724	28,044
Less Taxation Provision	2	2,548	5,518
		-----	-----
<u>Profit on Ordinary Activities after Taxation</u>		14,176	22,526
Less: Dividend Paid		27,000	-
		-----	-----
<u>Retained Profit for the Year</u>		£ (12,824)	£ 22,526
		=====	=====

KLS FURNITURE STORES LTD

BALANCE SHEET AS AT 31/05/2001

	NOTES	31/05/2001	31/05/2000
<u>CURRENT ASSETS</u>			
Stock		67,411	600
Debtors	3	22,828	-
Cash and Bank Balances		4,118	51,380
		-----	-----
		94,357	51,980
<u>CREDITORS</u> - amounts falling due within one year	4	82,141	23,935
		-----	-----
<u>NET CURRENT ASSETS</u>		12,216	28,045
Provision for charges - Taxation		2,513	5,518
		-----	-----
		£ 9,703	£ 22,527
		=====	=====
<u>FINANCED BY</u>			
<u>SHAREHOLDERS FUNDS</u>			
Called up Share Capital	5	1	1
Profit & Loss Account	6	9,702	22,526
		-----	-----
		£ 9,703	£ 22,527
		=====	=====

STATEMENT BY THE DIRECTOR

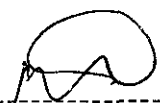
For the year ended 31/05/2001 the Company was entitled to exemption under section 249A (1) of the Companies Act 1985.

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.

-----  31/05/2001
DIRECTOR

KLS FURNITURE STORES LTD

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31/05/2001

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>31/05/2001</u>	<u>31/05/2000</u>
	£	£
2) <u>Taxation Provision</u>		
Charge for Year	2,513	5,518
Interest on Late Payment	35	
	-----	-----
	2,548	5,518
	=====	=====
3) <u>Debtors</u>		
Trade Debtors	8,037	-
Prepayments	14,791	-
	-----	-----
	22,828	-
	=====	=====
4) <u>Creditors</u> – Amounts falling due within 1 year		
Trade Creditors	8,635	2,503
Accruals	750	600
Bank Overdraft	11,624	-
Other Taxes / Social Security	9,025	620
Directors Current Account	167	3,726
Loans Given	51,940	16,486
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	82,141	23,935
	=====	=====
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	22,526	-
Retained profit for the year	(12,824)	22,526
	-----	-----
Balance c/f	9,702	22,526
	=====	=====

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