

Relyon (Holdings) Limited

Directors' report and financial statements

Year ended 30 June 2006

Registered number 54380



Relyon (Holdings) Limited

Year ended 30 June 2006

Directors' report and financial statements

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Relyon (Holdings) Limited

Year ended 30 June 2006

Directors' report

Relyon (Holdings) Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is PO Box 1, Wellington, Somerset, TA21 8NN, England.

The directors present their annual report and the audited financial statements for the year ended 30 June 2006.

Principal activity and business review

The Company is a wholly owned subsidiary of Relyon Group Limited, which in turn is a wholly owned subsidiary of Steinhoff UK Beds Limited.

The Company's principal activity is that of the provision of group services in the United Kingdom. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's income statement on page 8, the Company's profit before tax has risen to £3,191,000 (2005: £239,000).

The balance sheet on page 9 of the financial statements shows that the Company's financial position at the year end is stronger in net asset terms, compared with the prior year.

The product range is sold to all markets and the key performance indicators for the Company are sales, gross profit and overheads, all of which are shown in the accounts.

Dividend

The directors have declared final dividend of £1,860,000 (2005: *£nil*) which, taken together with the interim dividend paid of £1,380,000 (2005: £245,000) makes a total distribution of £3,240,000 (2005: £245,000).

Directors and directors' interests

The directors who held office during the year and subsequently were as follows:-

I M Topping

D R Shaw

None of the directors who held office at the end of the year had a beneficial interest in the ordinary share capital of the company or any other Steinhoff Group company within the UK.

No director had a financial interest in any contract to which the parent company or a subsidiary was a party during the financial year.

Relyon (Holdings) Limited

Year ended 30 June 2006

Directors' Report *(continued)*

Employees

The Company recognises the need to keep staff informed about its performance and progress and provide information on matters of concern to them. Consultative meetings are held between senior management and employees through employee forums, with elected representatives of staff and shop floor personnel.

The Company has continued to develop good practice regarding the development and contribution of employees and recognises the need to communicate regularly to ensure that all employees understand the considerable contribution that they can make to the Company's success.

The Company is committed to the principle and achievement of equal opportunities in employment irrespective of sex, religion, race or marital status. The Company's policy is to give full and fair consideration to disabled persons who apply for employment having regard to their particular abilities and aptitude. If an employee becomes disabled, arrangements are made wherever possible to continue employment either in the same or alternative position after appropriate training. Within the limitations of their aptitudes and skills, disabled persons enjoy the same opportunities for training and promotion that are available to all employees.

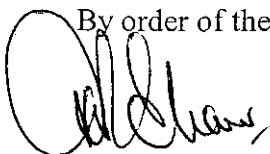
Auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- So far as each of the directors is aware, there is no relevant information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- Each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board



DR Shaw
Director

Relyon (Holdings) Limited

Year ended 30 June 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have elected to prepare financial statements for the company in accordance with International Financial Reporting Standards (IFRS). Company law requires the directors to prepare such financial statements in accordance with IFRS and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on a going concern basis unless it is not appropriate to presume that the company will continue in business.

The directors are responsible for the system of internal control, keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

Relyon (Holdings) Limited

Year ended 30 June 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RELYON (HOLDINGS) LIMITED

We have audited the financial statements (the "financial statements") of Relyon (Holdings) Ltd for the year ended 30 June 2006 which comprise an income statement, balance sheet, cash flow statement and the related notes 1 to 19. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 circumstances of the company, consistently applied and adequately disclosed.

Relyon (Holdings) Limited

Year ended 30 June 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RELYON (HOLDINGS) LIMITED *(continued)*

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, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the requirements of the Companies Act 1985, of the state of the individual company's affairs as at 30 June 2006, and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

7 August 2006

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

Date

Relyon (Holdings) Limited

Year ended 30 June 2006

Income statement

	<i>Note</i>	2006 £000	2005 £000
Revenue – continuing operations		772	546
Administrative expenses		<u>(819)</u>	<u>(501)</u>
Operating profit		(47)	45
Investment revenue	4	3,345	285
Finance costs	4	<u>(2)</u>	<u>(91)</u>
Profit before taxation	2	3,296	239
Tax on profit	5	<u>(14)</u>	<u>(7)</u>
Profit for the financial period		<u>3,282</u>	<u>232</u>

There were no recognised gains or losses other than those reported above and accordingly no statement of recognised income and expenses has been produced.

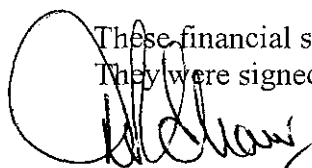
Relyon (Holdings) Limited

Year ended 30 June 2006

Balance sheet

	<i>Note</i>	2006 £000	2005 £000
Non-current assets			
Property, plant and equipment	7	12,201	12,200
Amounts owed by group undertakings		7,770	6,400
Investment in subsidiaries	8	10,475	10,475
		<u>30,446</u>	<u>29,075</u>
Current assets			
Current tax assets		32	131
Trade and other receivables	9	424	192
Cash and cash equivalents		106	101
Dividends receivable		1,860	-
		<u>2,422</u>	<u>424</u>
Total assets		<u>32,868</u>	<u>29,499</u>
Current liabilities			
Trade and other payables	10	83	155
Obligations under finance leases	11	7	7
Dividends payable		1,860	-
		<u>1,950</u>	<u>162</u>
Non-current liabilities			
Amounts owing to group undertakings		13,115	11,615
Deferred tax liabilities	12	2,243	2,197
Obligations under finance leases	11	10	17
		<u>15,368</u>	<u>13,829</u>
Net assets		<u>15,550</u>	<u>15,508</u>
EQUITY			
Share capital	13	3,725	3,725
Share premium	14	50	50
Merger reserve	14	6,650	6,650
Revaluation reserves	14	5,191	5,191
Retained earnings	14	(66)	(108)
Equity attributable to equity holders of the parent		<u>15,550</u>	<u>15,508</u>

These financial statements were approved by the board of directors and authorised for issue on
They were signed on its behalf by:



DR Shaw
Director

Date 3 August 2006

Relyon (Holdings) Limited

Year ended 30 June 2006

Cash flow statement

	<i>Note</i>	2006 £000	2005 £000
Net cash from operating activities	15	(10)	119
Investing activities			
Dividends received from associates		1,485	320
Purchases of property, plant and equipment		(111)	(59)
Net cash used in investing activities		1,374	261
Financing activities			
Interest paid		(2)	(91)
Dividends paid		(1,380)	(245)
Acquisition of subsidiary company		(100)	-
Net increase in borrowings		130	15
Repayments of obligations under finance leases		(7)	(7)
Net cash used in financing activities		(1,359)	(328)
Net increase in cash and cash equivalents		5	52
Cash and cash equivalents at beginning of year		101	49
Cash and cash equivalents at end of year		106	101

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes

1 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 18.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing and hire purchase commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

1 Significant accounting policies (continued)

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Operating profit

Operating profit is stated before investment revenue and finance costs.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

1 Significant accounting policies (continued)

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their deemed cost, being the fair value at the date of transition to IFRSs less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve.

Depreciation on buildings valued at deemed cost is charged to income. On the subsequent sale or retirement of a property, the attributable revaluation surplus remaining in the properties' revaluation reserve is transferred directly to accumulated profits.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Tangible assets

Freehold land and buildings	0.00%
Leasehold land and buildings	Length of lease
Plant and machinery	6.67% to 20.00%
Fixtures and fittings	6.67% to 33.33%
Motor vehicles	20.00% to 25.00%

Where the estimated residual value of freehold buildings exceeds their present carrying value, depreciation is not charged.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

The Group has elected to use fair value as deemed cost for land and buildings on transition to IFRSs. All other assets have been reviewed with regards to their useful economic lives and any residual values as at 1 July 2005 leading to some changes in accounting estimates from prior years. The effect of any changes are detailed in note 18 to the accounts.

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

1 Significant accounting policies (continued)

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Trade receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

At subsequent reporting dates, investments are carried at cost subject to annual impairment review.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

1 Significant accounting policies (continued)

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are measured at fair value.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the director's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Future developments

The following standards and interpretations have been issued but were not effective at 30 June 2006 and have not been applied in preparing these financial statements:

- Amendment to IAS 1 'Presentation of financial statements: Capital disclosures'
- Amendment to IAS 19 'Actuarial Gains and Losses, Group plans and disclosures'
- Amendment to IAS 39 'The Fair value option'
- Amendment to IAS 39 'Cash flow hedge accounting of Forecast intragroup transactions'
- Amendment to IAS 39 and IFRS 4 'Financial Guarantee contracts'
- Issue of IFRS 7 'Financial instruments: Disclosures'
- IFRIC 4 'Determining whether an arrangement contains a lease'

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's financial statements in the period of initial application.

2 Profit for the year

	2006	2005
Profit / (loss) for the year is stated after charging:-	£000	£000
Depreciation of property, plant and equipment	110	234
Property rentals	97	98
Auditors' remuneration for audit services	1	1

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

3 Staff costs

The company has no employees (2005: nil).

4 Investment revenue and finance costs

	2006 £000	2005 £000
Investment revenue:-		
Dividends received and receivable	3,345	285
	<u>3,345</u>	<u>285</u>
Finance costs:-		
Interest on bank loans and overdrafts	-	89
Finance charges on leases and hire purchase contracts	2	2
	<u>2</u>	<u>91</u>

5 Taxation

	2006 £000	2005 £000
<i>Analysis of charge in period</i>		
UK corporation tax:-		
Current tax on income for the period	(32)	(64)
UK deferred tax (see note 12):-		
Origination and reversal of timing differences	46	71
	<u>14</u>	<u>7</u>
Tax on profit on ordinary activities		

Factors affecting the tax charge for the current period

The current tax charge for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:-

Current tax reconciliation:-		
Profit on ordinary activities before tax	3,191	239
Current tax at 30% (2005: 30%)	957	72
Effects of:-		
Expenses not deductible for tax purposes	-	20
Capital allowances for period in excess of depreciation	(47)	(67)
Movement in short term timing differences	-	(3)
Non-taxable income	(942)	(86)
Other deferred tax movements	-	-
Adjustments to tax charge in respect of previous period	-	-
	<u>(32)</u>	<u>(64)</u>
Total current tax		

Factors that may affect future tax charges

The company is not currently aware of any factors which may materially affect the effective rate of tax going forward other than the existing reconciling items.

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

6 Directors' remuneration

The emoluments of Messrs Topping and Shaw were paid by Relyon Group Limited. It is not practicable to split their remuneration between their services to group companies. Details of their remuneration are included in the financial statements of Relyon Group Limited.

7 Property, plant and equipment

	Freehold land and buildings	Long leasehold land and buildings	Plant & machinery	Fixtures & fittings	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At 1 July 2005	11,400	740	244	982	13,366
Additions	20	-	-	91	111
Disposals	-	-	-	(48)	(48)
Transfers	-	-	(244)	244	-
At 30 June 2006	11,420	740	-	1,269	13,429
<i>Depreciation</i>					
At 1 July 2005	-	120	134	912	2,007
Charge for period	-	9	-	101	110
Disposals	-	-	-	(48)	(48)
Transfers	-	-	(134)	134	-
At 30 June 2006	-	129	-	1,099	1,228
<i>Net book value</i>					
At 30 June 2006	11,420	611	-	170	12,201
At 30 June 2005	11,400	620	110	70	12,200

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

7 Property, plant and equipment (continued)

	Freehold land and buildings	Long leasehold land and buildings	Plant & machinery	Fixtures & fittings	Total
	£000	£000	£000	£000	£000
Cost					
At 1 July 2004	11,389	740	224	954	13,307
Additions	11	-	20	28	59
At 30 June 2005	11,400	740	244	982	13,366
Depreciation					
At 1 July 2004	-	105	117	826	1,048
Charge for period	-	15	17	86	118
At 30 June 2005	-	120	134	912	1,166
Net book value					
At 30 June 2005	11,400	620	110	70	12,200
At 30 June 2004	11,389	635	107	128	12,259

Depreciation has not been charged on freehold buildings in the year ended 30 June 2006 (2005 £nil) on the grounds that the estimated residual value of the assets exceeds their present carrying value.

Assets held under finance leases and hire purchase contracts originally cost £39,600 (2005: £39,600). Accumulated depreciation at the year end amounted to £17,619 (2005: £11,311) resulting in a net book value of £21,981 (2005: £28,289).

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

8 Investments

	2006	2005
	£000	£000
Relyon Limited	6,000	6,000
Pritex Limited	4,375	4,375
Sprung Slumber Limited	-	100
Steinhoff UK Upholstery Limited	100	-
Total cost and NBV of investments	10,475	10,475

Principal activities:

Relyon Limited	Manufacture of divans, mattresses, sofa beds and nursery products and both the manufacturing and importation of bed frames and other bedroom furniture.
Pritex Limited	Manufacture of polyurethane foam and polyester fibre products.
Sprung Slumber Limited	Manufacture of divans, mattresses and the importation of bed frames.
Steinhoff UK Upholstery Limited	Manufacture of upholstered furniture.

The above shareholdings represent 100% of the issued share capital of the companies. The subsidiaries are incorporated in Great Britain and registered in England and Wales.

The investment in Sprung Slumber Limited has been provided for in full, by way of a charge to administration expenses on the income statement. The assets and liabilities of Sprung Slumber Limited are to be transferred into the books of Relyon Limited with effect from 1 July 2006 and as a result the investment is impaired.

9 Other financial assets

Trade and other receivables

	2006	2005
	£000	£000
Other Debtors	10	8
Prepayments and accrued income	243	44
Amounts owed by Group undertakings	171	140
Total debtors	424	192

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit Risk

The Company's principal financial assets are bank balances and cash and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk.

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

10 Trade and other payables

	2006	2005
	£000	£000
Trade creditors	29	44
Amounts owed to group undertakings	53	110
Accruals and deferred income	1	-
	<u>83</u>	<u>154</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases by the Company is 8 (2005: 7) days.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

11 Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts are analysed as follows:-

	2006	2005
	£000	£000
Amounts payable within one year	8	8
Less: finance charges allocated to future periods	(1)	(1)
	<u>7</u>	<u>7</u>
Amounts payable between two and five years	12	20
Less: finance charges allocated to future periods	(2)	(3)
	<u>10</u>	<u>17</u>

It is the Company's policy to lease certain of its plant and equipment under finance leases. The average lease term is 5 years. For the year ended 30 June 2006, the average effective borrowing rate was 13.3% (2005: 13.3%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

The directors consider that the carrying amount of lease obligations approximates their fair value.

The amounts outstanding under finance leases and hire purchase contracts are secured on the assets concerned.

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

11 Obligations under leases and hire purchase contracts (continued)

Annual commitments under non-cancellable operating leases

The Company is committed to make payments during the next year as follows:-

	Land and buildings 2006 £000	Land and buildings 2005 £000
Operating leases and rental agreements which expire:-		
• Within one year	-	-
• Between two and five years	64	64
• In over five years	30	30
	<u>94</u>	<u>94</u>

12 Deferred tax liabilities

	2006 £000	2005 £000
At 1 July 2005	2,197	2,127
Charged in period	46	70
At 30 June 2006	<u>2,243</u>	<u>2,197</u>

The elements of deferred taxation are as follows:-

	2006 £000	2005 £000
Accelerated capital allowances	536	490
Revaluation of properties	1,707	1,707
	<u>2,243</u>	<u>2,197</u>

13 Share capital

	2006 £000	2005 £000
Authorised: 4,000,000 (2005:4,000,000) ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>
Allotted, called up and fully paid: 3,725,000 (2005: 3,725,000) ordinary shares of £1 each	<u>3,725</u>	<u>3,725</u>

14 Reserves

	Share premium £000	Merger Reserve £000	Revaluation Reserve £000	Profit and loss account £000
At 1 July 2005	50	6,650	5,191	(108)
Profit for the financial period	-	-	-	3,282
Dividends paid and payable	-	-	-	(3,240)
At 30 June 2006	<u>50</u>	<u>6,650</u>	<u>5,191</u>	<u>(66)</u>

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

14 Reserves (continued)

	Share premium £000	Merger Reserve £000	Revaluation Reserve £000	Profit and loss account £000
At 1 July 2004	50	6,650	5,191	(94)
Profit for the financial period	-	-	-	231
Dividends paid and payable	-	-	-	(245)
At 30 June 2005	50	6,650	5,191	(108)

15 Notes to the cash flow statement

	2006 £000	2005 £000
Operating profit	(47)	45
Adjustments for:		
Depreciation of property, plant and equipment	110	118
Impairment of investment	100	-
Operating cash flows before movements in working capital	163	163
Increase in receivables	(232)	(35)
Decrease in payables	(71)	(9)
Cash generated by operations	(140)	119
Taxes received	130	-
Net cash from operating activities	(10)	119

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

16 Contingent liabilities

The company has entered into a composite cross guarantee with the other companies in the Steinhoff UK Beds Group to guarantee the Group's overdrafts. As at 30 June 2006 there was no (2005: £nil) exposure under this cross guarantee and the maximum potential liability is limited to £7,000,000 (2005: £7,000,000).

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

17 Related party transactions

	Year to 30 June 2006		As at 30 June 2006			
	Income £000	Expenditure £000	Current		Non-current	
			Amounts owing £000	Amounts owed £000	Amounts owing £000	Amounts owed £000
Own group	1,000	700	53	141	13,115	7,770
Other Steinhoff companies	10	-	-	30	-	-
Total	1,010	700	53	171	13,115	7,770

	Year to 30 June 2005		As at 30 June 2005			
	Income £000	Expenditure £000	Current		Non-current	
			Amounts owing £000	Amounts owed £000	Amounts owing £000	Amounts owed £000
Own group	1,612	1,321	110	140	11,615	6,400
Other Steinhoff companies	-	-	-	-	-	-
Total	1,612	1,321	110	140	11,615	6,400

'Other Steinhoff companies' include all subsidiaries and associated companies of Steinhoff International Holdings Limited, other than those companies included in the Steinhoff UK Beds Limited group.

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

18 Explanation of transition to IFRSs

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 30 June 2005 and the transition date to IFRSs was therefore 1 July 2004.

Reconciliation of equity at 1 July 2004

	Note	UK GAAP £000	Effect of transition to IFRSs £000	IFRSs £000
Non-current assets				
Property, plant and equipment	(a)	6,685	5,575	12,260
Amounts owed to group undertakings		7,250	-	7,250
Investment in subsidiaries		10,475	-	10,475
		<u>24,410</u>	<u>5,575</u>	<u>29,985</u>
Current assets				
Trade and other receivables		157	-	157
Current tax assets		67	-	67
Dividends receivable		350	-	350
Cash and cash equivalents		49	-	49
		<u>623</u>	<u>-</u>	<u>623</u>
Total assets		<u>25,033</u>	<u>5,575</u>	<u>30,608</u>
Current liabilities				
Trade and other payables		479	-	479
Obligations under finance leases		7	-	7
		<u>486</u>	<u>-</u>	<u>486</u>
Non-current liabilities				
Amounts owing to group undertakings		12,474	-	12,474
Deferred tax liabilities		454	1,672	2,127
		<u>12,928</u>	<u>1,672</u>	<u>14,601</u>
Net assets		<u>11,619</u>	<u>3,902</u>	<u>15,521</u>
EQUITY				
Share capital		3,725	-	3,725
Share premium		50	-	50
Merger reserve		6,650	-	6,650
Revaluation reserves		408	4,782	5,190
Retained earnings		786	(880)	(94)
Equity attributable to equity holders of the parent		<u>11,619</u>	<u>3,902</u>	<u>15,521</u>

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

18 Explanation of transition to IFRSs (continued)

Reconciliation of equity at 30 June 2005

	Note	UK GAAP £000	Effect of transition to IFRSs £000	IFRSs £000
Non-current assets				
Property, plant and equipment	(a)	6,510	5,690	12,200
Amounts owed by group undertakings		6,400	-	6,400
Investment in subsidiaries		10,475	-	10,475
		<u>23,385</u>	<u>5,690</u>	<u>29,075</u>
Current assets				
Current tax assets		131	-	131
Trade and other receivables		192	-	192
Dividends receivable	(b)	545	(545)	-
Cash and cash equivalents		101	-	101
		<u>969</u>	<u>(545)</u>	<u>424</u>
Total assets		<u>24,354</u>	<u>5,145</u>	<u>29,499</u>
Current liabilities				
Trade and other payables		155	-	155
Dividends payable	(c)	440	(440)	-
Obligations under finance leases		7	-	7
		<u>602</u>	<u>(440)</u>	<u>162</u>
Non-current liabilities				
Amounts owing to group undertakings		11,615	-	11,615
Deferred tax liabilities		490	1,707	2,197
Obligations under finance leases		17	-	17
		<u>12,122</u>	<u>1,707</u>	<u>13,829</u>
Net assets		<u>11,630</u>	<u>3,878</u>	<u>15,508</u>
EQUITY				
Share capital		3,725	-	3,725
Share premium		50	-	50
Merger reserve		6,650	-	6,650
Revaluation reserves		402	4,789	5,191
Retained earnings		803	(911)	(108)
Equity attributable to equity holders of the parent		<u>11,630</u>	<u>3,878</u>	<u>15,508</u>

Relyon (Holdings) Limited

Year ended 30 June 2006

Notes (continued)

18 Explanation of transition to IFRSs (continued)

Reconciliation of profit or loss for the year to 30 June 2005

	Note	UK GAAP £000	Effect of transition to IFRSs £000	IFRSs £000
Administrative expenses	(a)	(617)	116	(501)
Other operating income		546	-	546
Operating profit		(71)	116	45
Investment revenue		830	(545)	285
Finance costs		(91)	-	(91)
Profit / (loss) before taxation		668	(429)	239
Tax on profit / loss		28	(35)	(7)
Profit / (loss) for the financial period		696	(464)	232

- (a) The directors revalued freehold property to its fair value and recognised this as its deemed cost as at 1 July 2004 in line with local market values leading to an increase in asset value of £5,574,787.

Impairment reviews will be carried out annually on freehold property valuations and, as a result, the directors have decided that a nil rate of depreciation is relevant for all freehold land and buildings. Therefore all depreciation (£115,596) for the year ended 30 June 2005 has been reversed under IFRS.

- (b) Dividends of £545,000 previously stated as receivable in the year to 30 June 2005 were declared during the year ended 30 June 2006. Dividends must be recognised in the financial statements for the period in which they are approved, in accordance with IAS10 and therefore it was determined that these dividends should not be included in the year to 30 June 2005 and were restated as receivable in the year to 30 June 2006.
- (c) Dividends of £440,000 previously stated as payable in the year to 30 June 2005 were declared during the year ended 30 June 2006. Dividends must be recognised in the financial statements for the period in which they are approved, in accordance with IAS10 and therefore it was determined that these dividends should not be included in the year to 30 June 2005 and were restated as payable in the year to 30 June 2006.

19 Ultimate holding company and controlling party

The company is controlled by Relyon Group Limited, its immediate parent company. The ultimate controlling party is Steinhoff International Holdings Limited, the ultimate holding company. Steinhoff International Holdings Limited is a company incorporated in The Republic of South Africa.

The largest group in which the results of the company are consolidated is that headed by Steinhoff International Holdings Limited. The consolidated accounts of this company are available to the public and may be obtained from Steinhoff International Holdings Limited, 28, Sixth Street, Wynberg, Sandton 2090, Republic of South Africa, a company incorporated in The Republic of South Africa. The smallest group in which the results of the company are consolidated is headed by Steinhoff UK Beds Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of these consolidated accounts are not directly available to the public but may be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.