EFG Office Furniture Limited

Report and Financial Statements

31 December 2010

Directors

R Setterberg	(resigned 01/10/2009)
T B Nilson	(resigned 23/02/2011)
T Wingerei	
C Howarth	
M Westdahl	(appointed 01/10/2009)
T Andren	(appointed 23/02/2011)

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY

Bankers

Danske Bank A/S
75 King William St
London EC4N 7DT

Registered office

Building 3 Clearwater
Lingley Mere Business Park
Warrington
Cheshire WA5 3UZ

Directors' report

The directors present their report and financial statements for the year ended 31 December 2010

Results and dividends

The loss for the year, after taxation, amounted to £280,000 (2009 – loss of £1,104,000) The directors do not recommend the payment of a dividend (2009 – £nil)

Principal activity and review of the business

EFG's principal activity is selling office furniture to both public and private sector businesses The company vision is to provide an inspiring, functional and sustainable workspace solution to all our customers We aim to be the preferred choice to clients and prospective clients in the market for office furniture

The uncertain economic outlook continued in 2010 with the UK Office Furniture market experiencing a 30% downturn EFG UK were able to maintain our turnover figures despite the poor performance of the market

We saw a slowdown in trading from some of our existing customers, but the strategic focus continued to develop local and national framework success in both public and private sectors

2010 saw raw material prices increase which impacted on our gross margin, reducing it slightly to 34 2%, however operational efficiencies helped reduce total losses by 75% to £280k

Our management team continue to look for supply chain efficiencies and opportunities to enhance our market position

The office furniture market remains aggressive with fierce competition on price to achieve volume The fragmented nature of the market means there is potential risk as a result of merger or acquisitions amongst our competitors, impacting on market share

During the current year the directors have reconsidered the classification of cash balances included in the group cash pooling arrangement As a result prior year amounts for cash and debtors have been restated Cash at bank and in hand was stated as £1,297,000 in the prior year and is now stated as £190,000 Amounts owed by parent undertaking within debtors was stated as £2,488,000 and are now stated as £3,595,000

Key performance indicators

	2010	*2009*
	£000	*£000*
Sales turnover	8,387	8,941
Gross margin	34 2%	35 9%

Directors

The directors who served during the year were as follows

T B Nilson
T Wingerei (Chairman)
C Howarth
M Westdahl

Directors' report

Employees

EFG employees receive equal opportunity for training and career development regardless of sex, race, religion or belief, sexual orientation or disability The sole criterion for selection and promotion is the individual's suitability for the position of employment offered The company supports the employment of disabled persons wherever possible

For many years the company has actively pursued a policy of encouraging participation by employees in the conduct of the organization The company aims to ensure that all employees are informed regularly on all matters of interest to them

Charitable donations

During the year the company made charitable donations of £1,224 (2009 – £400)

Environmental update

EFG is certified according to ISO14001 The company view on the environment is based on the following principles

- Support a precautionary approach to environmental challenges,
- Undertake initiatives to promote greater environmental responsibility, and
- Encourage the development and diffusion of environmentally friendly technologies

At EFG this means that all business operations consider risks from an environmental perspective We monitor global environmental issues and aim to take advantage of opportunities which will have a direct positive impact

All the materials we use come from suppliers who actively work to ensure that materials are sound

The company is committed to sourcing wood products from suppliers that demonstrate compliance with FSC

Packaging is reduced to a level that is sufficient to avoid damage to the products and meet durability requirements Where practical all packaging is recycled or reused

Our aim is the creation of quality, sustainable and, where viable, recyclable products in a climate-conscious way

Detailed environmental and CSR reports are available from the company headquarters

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Directors' report

On behalf of the Board

C Howarth
Director

14 September 2011

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report

to the members of EFG Office Furniture Limited

We have audited the financial statements of EFG Office Furniture Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of EFG Office Furniture Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Julian Yates (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Manchester

Date 15 September 2011

Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	2	8,387	8,941
Cost of sales		(5,515)	(5,732)
Gross profit		2,872	3,209
Distribution costs		(2,588)	(3,090)
Administrative expenses		(874)	(1,219)
		(590)	(1,100)
Other operating income	6	174	–
Operating loss	3	(416)	(1,100)
Profit on sale of fixed assets	6	141	
Interest receivable and similar income	7	–	2
Interest payable and similar charges	8	(5)	(6)
Loss on ordinary activities before taxation		(280)	(1,104)
Tax	9	–	–
Loss for the financial year		(280)	(1,104)

The results above are wholly derived from continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 2010

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £280,000 in the year ended 31 December 2010 (2009– loss of £1,104,000)

Balance sheet

at 31 December 2010

	Notes	2010 £000	(Restated) 2009 £000
Fixed assets			
Tangible fixed assets	10	279	364
Current assets			
Stocks	11	397	436
Debtors			
Cash pooling amounts due from group company	12	879	1,107
Other amounts due	12	2,809	2,488
		3,688	3,595
Cash at bank and in hand		202	190
Creditors: amounts falling due within one year	13	(1,999)	(1,602)
Net current assets		2,288	2,619
Total assets less current liabilities		2,567	2,983
Creditors: amounts falling due after more than one year	14	(21)	(59)
		2,546	2,924
Provisions for liabilities and charges	15	(408)	(506)
Net assets		2,138	2,418
Capital and reserves			
Called up share capital	16	3,464	3,464
Share premium account	17	6	6
Capital redemption reserve	17	175	175
Profit and loss account	17	(1,507)	(1,227)
Shareholders' funds	17	2,138	2,418

C Howarth
Director

14 September 2011

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules

Restatement of comparative amounts

During the current year the directors have reconsidered the classification of cash balances included in the group cash pooling arrangement As a result prior year amounts for cash and debtors have been restated Cash at bank and in hand was stated as £1,297,000 in the prior year and is now stated as £190,000 Amounts owed by parent undertaking within debtors was stated as £2,488,000 and are now stated as £3,595,000

Group financial statements

As 100% of the company's voting rights are controlled within the group headed by European Furniture Group AB The company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The group financial statements of European Furniture Group AB, within which this company is included, can be obtained from the address given in note 20

The financial statements have been prepared on a going concern basis, since the ultimate parent company, EFG European Furniture Group AB, has confirmed that it will continue to provide group support for the foreseeable future.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 3 and 4

The company has considerable cash resources and written confirmation of significant group support together with long-term contracts with a number of customers and long-term agreements with preferred suppliers As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 not to prepare a statement of cash flows

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business on transfer of risks and rewards to outside customers for goods supplied and for services provided

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses Such cost includes costs directly attributable to making the asset capable of operating as intended Borrowing costs attributable to assets under construction are recognised as an expense when incurred

Depreciation on land and buildings and plant and equipment is calculated to write down the cost of such fixed assets by equal annual instalments over their expected useful lives as follows

Land and buildings	–	2%
Plant and machinery	–	10% – 33%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Stock

Stock and work in progress is stated at the lower of cost and net realisable value

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of transaction Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leasing commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term Lease incentives are recognised over the shorter of the lease term and the date of the next rent review

Post retirement benefits

The company operates a stakeholder pension scheme

Holiday pay

Full provision has been made for all employees' holiday pay entitlement

Notes to the financial statements

at 31 December 2010

2 Turnover

The turnover and loss before tax is attributable to one activity, the distribution of office furniture

An analysis of turnover by geographical market is given below

	2010	*2009*
	£000	*£000*
United Kingdom	7,905	8,523
Europe	482	418
	8,387	8,941

3. Operating loss

This is stated after charging/(crediting)

		2010	*2009*
		£000	*£000*
Auditors' remuneration	– audit of these financial statements	23	21
Depreciation of owned assets		59	58
Depreciation of assets held under finance leases		40	40
Professional charges		20	16
Foreign exchange loss		15	51
Operating lease payments	– land and buildings	377	497
	– other	146	87

4. Directors' emoluments

Directors' emoluments, including benefits in kind, are as follows

	2010	*2009*
	£000	*£000*
Emoluments	126	132
Pension costs	4	4

One director is accruing benefits under the stakeholder pension scheme (2009 – one)

Notes to the financial statements

at 31 December 2010

5. Staff costs

	2010	*2009*
	£000	*£000*
Wages and salaries	1,383	1,779
Social security costs	137	165
Other pension costs	48	60
	1,568	2,004

The average monthly number of employees during the year, including directors, was as follows

	2010	*2009*
	No	*No*
Administration	5	7
Sales	33	37
Production	14	13
	52	57

6. Other operating income and profit on sale of fixed assets

	2010	*2009*
	£000	*£000*
Non recurring items	174	-
Profit on sale of fixed assets	141	-
	315	-

Profit on the sale of fixed assets arose on the sale of brands to the parent company This is subject to taxation at the company's normal rate of taxation

Notes to the financial statements

at 31 December 2010

7. Interest receivable and similar income

	2010 £000	2009 £000
Money market interest received	-	-
Bank interest	-	2
	-	2

8. Interest payable and similar charges

	2010 £000	2009 £000
Interest on inter-company creditor	-	-
Interest on finance lease creditor	5	5
Other interest	-	1
	5	6

9. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2010 £000	2009 £000
Current tax		
UK corporation tax on the loss for the year	-	-
Group relief	-	-
Foreign tax	-	-
Adjustment in respect of prior periods	-	-
Total current tax (note 9(b))	-	-
Deferred tax (note 15)		
Origination and reversal of timing differences	(107)	-
Impact of removal of IBAs	-	-
Impact on deferred tax of change in tax rate	107	-
Adjustment in respect of prior periods	-	-
Tax on loss on ordinary activities	-	-

Notes to the financial statements

at 31 December 2010

9. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2010 *£000*	*2009* *£000*
Loss on ordinary activities before tax	(280)	(1,104)
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2009 – 28%)	(78)	(309)
Effects of		
Other timing differences	-	(26)
Depreciation for year in excess of capital allowances	-	-
Capital allowances for the year in excess of depreciation	(24)	(12)
Movement in tax losses	86	335
Expenses not deductible for tax purposes	16	12
Current tax for the year (note 9(a))	-	-

(c) Factors that may affect future tax charges

Due to the existence of tax losses the company is not expecting to pay tax in the foreseeable future (note 15)

Notes to the financial statements

at 31 December 2010

10. Tangible fixed assets

	Land and buildings *£000*	*Plant and equipment* *£000*	*Motor vehicles* *£000*	*Total* *£000*
Cost				
At 1 January 2010	16	480	159	655
Additions	-	8	-	8
Disposals	-	(73)	-	(73)
At 31 December 2010	16	415	159	590
Accumulated depreciation				
At 1 January 2010	9	227	55	291
Provided in the year	3	56	40	99
Disposals	-	(68)	-	(68)
At 31 December 2010	12	215	95	322
Net book value				
At 31 December 2010	4	200	64	268
At 1 January 2010	7	253	104	364

The carrying amount of the company's motor vehicle includes an amount of £64,000 (2009 – £104,000) for assets held under finance leases

11. Stocks

	2010 *£000*	*2009* *£000*
Warehouse stocks for resale	310	339
Showroom display stocks	87	97
	397	436

Notes to the financial statements

at 31 December 2010

12. Debtors

	2010 £000	(Restated) 2009 £000
Trade debtors	2,111	1,667
Amounts owed by parent undertaking		
Cash pooling balances	879	1,107
Other amounts due	551	557
Other debtors	147	264
	3,688	3,595

Included in other amounts due within amounts owed by parent undertaking above is an amount of £251,806 (2009 – £388,388) which is due after more than one year

13. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Obligations under finance leases and hire purchase contracts	38	38
Trade creditors	1,351	790
Amounts owing to fellow group undertakings	45	45
Amounts owing to parent undertakings	184	434
Other taxes and social security costs	213	179
Pension contributions	7	7
Other creditors	161	109
	1,999	1,602

Notes to the financial statements

at 31 December 2010

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

	2010	*2009*
	£000	*£000*
Obligations under finance leases and hire purchase contracts	21	59
Amounts payable		
Within one year	38	38
In two to five years	21	59
After five years	-	-
	59	97

15. Provisions for liabilities and charges

	Deferred tax	*Other*	*Total*
	£000	*£000*	*£000*
At 1 January 2010	-	506	506
Provided for	-	41	41
Utilised in year	-	(139)	(139)
At 31 December 2010	-	408	408

The other provision is in respect of rent and rates payable on two showrooms following their closure in 2009 The provision is being utilised over the remaining period of the leases which expire between 2012 and 2014

Deferred tax

The unprovided for deferred tax can be analysed as follows

		2010		*2009*
	Provided	*Unprovided*	*Provided*	*Unprovided*
	£000	*£000*	*£000*	*£000*
Capital allowances in excess of depreciation	-	(95)	-	(123)
Short-term timing differences	-	(22)	-	(22)
Losses	-	(2,772)	-	(2,788)
	-	(2,889)	-	(2,933)

Deferred tax assets have not been recognised on the grounds that there is insufficient evidence that the assets will be recovered

Notes to the financial statements

at 31 December 2010

16. Issued share capital

Allotted, called up and fully paid	*No*	*2010* *£000*	*No*	*2009* *£000*
'A' Ordinary shares of £1 each	433	433	433	433
'B' Ordinary shares of £1 each	2,755	2,755	2,755	2,755
'C' Ordinary shares of 0 1p	276	276	276	276
		3,464		3,464

The rights of each class of share are set out below

Income	100 'C' ordinary shares and 1 'B' ordinary share held together rank pari passu with 1 'A' ordinary share
Voting	100 'C' ordinary shares and 1 'B' ordinary share hold one vote and together rank pari passu with 1 'A' ordinary share
Return of capital	100 'C' ordinary shares and 1'B' ordinary share held together rank pari passu with 1 'A' ordinary share

17. Reconciliation of shareholders' funds and movements on reserves

	Share capital *£000*	*Share premium account* *£000*	*Capital redemption reserve* *£000*	*Profit and loss account* *£000*	*Total share-holders' funds* *£000*
At 1 January 2009	3,464	6	175	(123)	3,522
Loss for the year before	-	-	-	(1,104)	(1,104)
At 1 January 2010	3,464	6	175	(1,227)	2,418
Loss for the year before	-	-	-	(280)	(280)
At 31 December 2010	3,464	6	175	(1,507)	2,138

Notes to the financial statements

at 31 December 2010

18. Other financial commitments

At 31 December 2010, the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings			*Other*
	2010	*2009*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*
Operating leases which expire				
Within 1 year	64	-	116	119
Between two and five years	154	266	92	138
In five years or more	175	175	-	-
	393	441	208	257

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term

19. Related party transactions

The company is exempt from the requirement of FRS 8 to disclose transactions with other group members There are no other related party transactions

20. Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is EFG European Furniture Group AB, which is incorporated in Sweden The largest and smallest group in which the results of EFG Office Furniture Limited are consolidated is that headed by EFG European Furniture Group AB, incorporated in Sweden The group financial statements are available from EFG European Furniture Group AB, Trehornavagen 2, PO Box 1017, SE-573 28, Tranas, Sweden

The ultimate holding company is EFG Holding AB