

FAUPEL HOME FURNISHINGS LTD

REPORT AND FINANCIAL STATEMENTS TO 31ST MARCH 2007



Registered No. 283009

FAUPEL HOME FURNISHINGS LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007

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FAUPEL HOME FURNISHINGS LTD

Report of the directors

The directors submit their report and the audited financial statements for the year ended 31st March 2007

1 PRINCIPAL ACTIVITIES

The Company's principal activities during the year were the design, importing and distribution of household textiles

2. BUSINESS REVIEW

Results and Dividends

For the year ended 31st March 2007, turnover amounted to £15,639,000 (2006 £15,785,000) and the profit before taxation amounted to £642,000 (2006 Loss £377,000) A dividend has not been paid by the Company during the year (2006 £ nil) and the directors are not recommending the payment of a final dividend

Principal risks and uncertainties

The directors have considered the Company's position and consider the principal risks to be those related to the strength of the UK economy and spending on the high street for the range of products that the Company supplies Whilst there were weak trading periods in the early spring of 2007, the autumn period has proven to be much more resilient and the directors are confident that the Company's assumptions for sales going forward are realistic The directors also note the slowly increasing interest rate but feel that the Company's relatively low priced product ranges are unlikely to be significantly affected by a tightening credit market The directors are also aware of the risk to the business from the Company's reliance on a relatively small supplier base in the Far East and, whilst these relationships are extremely strong, the Company is dependent upon those relationships remaining positive To that end, the directors pay regular visits to China and the supply base is constantly evolving to take advantage of new opportunities

Key performance indicators

The directors note the Company's strong ability to manage its cost base and consider key performance indicators to revolve around sales and margin The directors track this daily and have regular monthly and quarterly meetings with the Company's day-to-day management team in order to assess forward looking trends

FAUPEL HOME FURNISHINGS LTD

Report of the directors (continued)

2. BUSINESS REVIEW (continued)

Future developments

The Company is a significant supplier to the home furnishings sector and has a very strong customer base. The directors are looking to develop additional new product lines in order to maximise these sales relationships and to take further advantage of the proven and efficient distribution facility that has been developed over the past three years.

3 DIRECTORS

The directors who held office during the year, and their beneficial interests in the shares of Faupel Limited, were as follows:

L P Mead (Chairman)
K Mead

4. DIRECTORS INTERESTS

The directors held no beneficial interest in the share capital of the Company.

The interests of L P Mead and K Mead in the share capital of the ultimate parent company are disclosed in that company's financial statements (see note 16).

FAUPEL HOME FURNISHINGS LTD

Report of the directors (continued)

5 DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director 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 and to establish that the Company's auditors are aware of that information

6 AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board



L P Mead
Group Chief Executive

First Floor
319 Kingston Road
Leatherhead
Surrey KT22 7TU

18 October 2007

FAUPEL HOME FURNISHINGS LTD

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 judgments 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 disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Faupel Home Furnishings Limited

We have audited the financial statements of Faupel Home Furnishings Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 consider the implications for our report if we become aware of any apparent misstatements within it.

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 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.

Independent auditors' report to the members of Faupel Home Furnishings Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 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

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

22 October 2007

St James' Square
Manchester
M2 6DS

FAUPEL HOME FURNISHINGS LTD

Profit and Loss Account for the year ended 31st March 2007

	Notes	2007 £'000	2006 £'000
Turnover	2	15,639	15,785
Cost of sales		(10,937)	(11,605)
Gross profit		4,702	4,180
Distribution costs		(2,794)	(3,027)
Administrative expenses		(951)	(1,116)
Operating profit		957	37
Interest payable and similar charges	4	(315)	(414)
Profit/(loss) on ordinary activities before taxation	3	642	(377)
Taxation on profit/(loss) on ordinary activities	6	6	-
Profit/(loss) for the financial year		648	(377)

The notes on pages 9 to 17 form part of these financial statements

Statement of total recognised gains and losses for the year ended 31 March 2007

During the current and previous years, there were no other gains and losses other than the above profit for the year, which were derived wholly from continuing operations. Therefore no separate statement of total recognised gains and losses has been prepared.

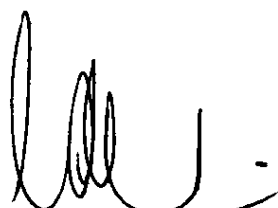
FAUPEL HOME FURNISHINGS LTD

Balance Sheet as at 31st March 2007

	Notes	2007 £'000	2006 £'000
Current assets			
Stocks	7	3,031	1,891
Debtors	8	2,804	2,673
Cash at bank		73	391
		-----	-----
		5,908	4,955
Creditors:			
Amounts falling due within one year	9	(5,321)	(5,016)
		-----	-----
Net assets/(liabilities)		587	(61)
		-----	-----
Capital and reserves			
Share capital	10	5	5
Profit and loss account	11	582	(66)
		-----	-----
Shareholder's funds		587	(61)
		-----	-----

The notes on pages 9 to 17 form part of these financial statements

The financial statements on pages 7 to 17 were approved by the Board on and were signed on its behalf by



L P Mead
Director

18 October 2007

FAUPEL HOME FURNISHINGS LTD

Notes to the financial statements for the year ended 31st March 2007

1. ACCOUNTING POLICIES

The principal accounting policies that have been adopted in the preparation of the financial statements are given below

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

a) Basis of preparation

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

Under Financial Reporting Standard (FRS) 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Faupel Brothers Limited, 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 (or investees of the Group qualifying as related parties) The consolidated financial statements of Faupel Limited, within which this Company is included, can be obtained from First Floor, 319 Kingston Road, Leatherhead, Surrey KT22 7TU

FAUPEL HOME FURNISHINGS LTD

Notes to the Financial Statements for the year ended 31st March 2007

1. ACCOUNTING POLICIES (continued)

b) Stock

Stock is valued at the lower of cost and net realisable value. The cost of bringing each item to its present location and condition is calculated by reference to the purchase price plus an attributable proportion of clearance, duty and processing costs.

Net realisable value means estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

c) Taxation

The charge for taxation is based on the profit 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 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.

d) Turnover

Turnover is the total amount receivable by the Company for goods supplied and commissions earned, excluding value added tax and after deduction of discounts. Turnover is recognised when the goods leave the Group's warehouses or when commission income is received.

e) Operating leases

The costs of operating leases are charged to the profit and loss account on a straight line basis over the life of the leases.

f) Contributions to pension funds

The Company operates a defined contribution pension scheme under which contributions by employees and the Company are administered by trustees in funds independent from the Company's assets. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

FAUPEL HOME FURNISHINGS LTD

Notes to the Financial Statements for the year ended 31st March 2007

1 ACCOUNTING POLICIES (continued)

g) *Classification of financial instruments issued by the Company*

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

2. ANALYSIS OF TURNOVER

Turnover is attributable to the design, importation and distribution of household textile products

An analysis of turnover by geographical destination is given below

	2007 £'000	2006 £'000
UK	14,318	14,122
Other EC	1,321	1,663
	-----	-----
	15,639	15,785
	-----	-----

FAUPEL HOME FURNISHINGS LTD

Notes to the Financial Statements for the year ended 31st March 2007

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after charging

	2007 £'000	2006 £'000
Operating lease payments		
- land and buildings	179	205
- other assets	57	64
	-----	-----
Auditors' remuneration	2007 £'000	2006 £'000
Audit of these financial statements	13	13
	-----	-----

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
Finance charge made by holding company	315	414
	-----	-----

5 DIRECTORS AND EMPLOYEES

The average number of employees (including directors) during the year was 75 (2006 77)

	2007 £'000	2006 £'000
The aggregate payroll cost of directors and employees was as follows		
Wages and salaries	1,472	1,697
Social Security costs	133	155
Other pension costs (see note 15)	52	89
	-----	-----
	1,657	1,941
	-----	-----

FAUPEL HOME FURNISHINGS LTD

Notes to the Financial Statements for the year ended 31st March 2007

5. DIRECTORS AND EMPLOYEES (continued)

Remuneration of directors

The directors were not paid for their services to the Company for the year (2006 £nil)

	No of directors	
	2007	2006
Retirement benefits are accruing to the following number of directors under money purchase schemes	1	1
	-----	-----

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows	2007 £'000	2006 £'000
United Kingdom corporation tax	(6)	-
	-----	-----
Current tax reconciliation	2007 £'000	2006 £'000
Profit/(Loss) before tax	642	(377)
	-----	-----
Tax at standard rate of 30% on Profit/(Loss) for the year (2006 30%)	193	(113)
<i>Effects of</i>		
Costs disallowed for tax purposes	4	7
Short term timing differences	13	(72)
Utilisation of tax losses	(152)	-
Group relief claimed	(58)	-
Unrelieved tax losses arising in the year	-	178
Adjustment to tax charge in respect to prior periods	(6)	-
	-----	-----
Current tax (credit)/charge	(6)	-
	-----	-----

FAUPEL HOME FURNISHINGS LTD

Notes to the Financial Statements for the year ended 31st March 2007

7. STOCKS

	2007 £'000	2006 £'000
Goods held for resale	3,031	1,891
	-----	-----

8 DEBTORS

	2007 £'000	2006 £'000
Trade debtors	2,787	2,607
Prepayments and other debtors	17	66
	-----	-----
	2,804	2,673
	-----	-----

All amounts included above are receivable within one year of the balance sheet date

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Trade creditors	1,160	1,729
Amounts owed to parent undertakings	4,096	3,208
Corporation tax	-	6
Accruals and deferred income	65	73
	-----	-----
	5,321	5,016
	-----	-----

10. CALLED UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised 5,000 Ordinary shares of £1 each	5	5
	-----	-----
Allotted, called up and fully paid 5,000 Ordinary shares of £1 each	5	5
	-----	-----

FAUPEL HOME FURNISHINGS LTD

Notes to the Financial Statements for the year ended 31st March 2007

11. PROFIT AND LOSS ACCOUNT

	£'000
At 1st April 2006	(66)
Retained profit for the financial year	648

At 31st March 2007	582

Purchased goodwill written off to profit and loss account amounted to £15,000 as at 31st March 2007 (2006 £15,000)

12. DEFERRED TAXATION

	£'000	
Deferred tax provision at the start and end of the year	-	

The elements of deferred taxation are		
	2007	2006
	£'000	£'000
Unutilised tax losses carried forward	-	(178)
Short term timing differences	(51)	(38)
	-----	-----
Deferred tax asset	(51)	(216)
	-----	-----

The deferred tax asset has not been recognised as there is uncertainty that future taxable profits will be generated against which the asset can be recovered

FAUPEL HOME FURNISHINGS LTD

Notes to the Financial Statements for the year ended 31st March 2007

13 FINANCIAL COMMITMENTS

Operating leases

The commitment for the annual rental payments under operating leases are as follows

	2007 £'000	2006 £'000
Land and buildings		
Expiring - within one year	-	-
- between one and five years	205	205
	-----	-----
	205	205
	-----	-----
Other		
Expiring - within one year	21	16
- between one and five years	33	53
	-----	-----
	54	69
	-----	-----

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2007 £'000	2006 £'000
Profit/(Loss) for the financial year	648	(377)
	-----	-----
Retained profit/(loss) for the financial year	648	(377)
Opening shareholder's funds	(61)	316
	-----	-----
Closing shareholder's funds	587	(61)
	-----	-----

15 PENSION SCHEME

The Company operates within a defined contribution scheme operated by the parent company. The pension cost for the period represents contributions payable to the scheme and amounted to £52,000 (2006 £89,000). There was an outstanding contribution of £3,000 at the end of the year (2006 £9,000).

FAUPEL HOME FURNISHINGS LTD

Notes to the Financial Statements for the year ended 31st March 2007

16 PARENT UNDERTAKINGS

The Company's parent undertakings are as follows

Immediate parent company	Faupel Brothers Limited*
Intermediate parent company	Faupel Limited*
Ultimate parent company	Max Money Resources Limited

Faupel Brothers Limited and Faupel Limited are registered in England and Wales whilst Max Money Resources Limited is registered in the British Virgin Isles

* The results of Faupel Home Furnishings Limited are consolidated within the financial statements of both the immediate and intermediate parent company, copies of these accounts can be obtained from the address in note 1

17 FIXED AND FLOATING CHARGES

There is a fixed and floating charge over all the assets of the company which is held by Burdale Financial Limited