

KLEENEZE ENTERPRISES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 28th APRIL 2005

REGISTERED NUMBER 1977831



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KLEENEZE ENTERPRISES LIMITED

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KLEENEZE ENTERPRISES LIMITED

DIRECTORS AND ADVISERS

DIRECTORS

S L Fowler
W P Rollason

SECRETARY

D C Davey

REGISTERED OFFICE

Farepak House
Westmead Drive
Westlea
Swindon SN5 7YZ

AUDITORS

Ernst & Young LLP
1 More London Place
London SE1 2AF

KLEENEZE ENTERPRISES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 28th APRIL 2005

The directors present their report and audited financial statements of the Company for the year ended 28th April 2005.

Principal activity

The Company did not trade during the year.

Review of the business

The results for the year are detailed in the profit and loss account on page 8. Display Marketing Group Limited is a holding company and the principal subsidiary is Kleeneze Enterprises Limited.

The directors aim to maintain the current management policies of the Company.

Dividend

The directors do not propose a dividend for the year ended 28th April 2005 (2004: £nil).

Post balance sheet event

The ultimate parent company Kleeneze plc was renamed European Home Retail plc on 28th September 2005.

Directors and directors' interests

The directors of the Company during the year and after the year-end are as follows:

S L Fowler (appointed 1st January 2006)
C J S Hulland (resigned 31st December 2005)
W P Rollason

None of the directors had any interests in the shares of the Company. During the year, W P Rollason and C J S Hulland were directors of the ultimate parent company, European Home Retail plc (formerly Kleeneze plc), and their interests in the shares of that company are detailed in its financial statements.

Since the year end, options over the 5p Ordinary shares of European Home Retail plc (formerly Kleeneze plc) have been granted under the share option schemes to the following director:

Name	Date of grant	Exercise dates	Exercise price £	Number of shares
S L Fowler	(1) 16/01/2006	16/01/2009 to 15/01/2016	0.880	329,545
	(2) 16/01/2006	16/01/2009 to 15/01/2016	0.880	34,091

(1) The European Home Retail plc (formerly Kleeneze plc) 1996 Discretionary Share Option Scheme

(2) The European Home Retail plc (formerly Kleeneze plc) Executive Share Option Scheme

The exercise of options granted under (1) and (2) above is subject to certain performance criteria.

KLEENEZE ENTERPRISES LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 28th APRIL 2005

Auditors

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

By order of the Board



W P Rollason

Director

20 February 2006

KLEENEZE ENTERPRISES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 28th APRIL 2005

Company law requires the directors to prepare financial statements for each financial year which 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 those 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 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

KLEENEZE ENTERPRISES LIMITED

FOR THE YEAR ENDED 28th APRIL 2005

We have audited the Company's financial statements for the year ended 28th April 2005, which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the Company 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 United Kingdom Auditing Standards 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 judgements 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

KLEENEZE ENTERPRISES LIMITED (continued)

FOR THE YEAR ENDED 28th APRIL 2005

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 28th April 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
1 More London Place
London

24 February 2006

KLEENEZE ENTERPRISES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 28th APRIL 2005

	Note	Year ended 28 th April 2005 £'000	Year ended 30 th April 2004 £'000
Turnover	2	-	3,148
Cost of sales		-	(2,995)
Gross profit		-	153
Administrative expenses	3	634	(2,637)
Operating profit/(loss)	3	634	(2,484)
Non operating items			
Non operating losses on closure of business	4	-	(6,458)
Profit/(loss) on ordinary activities before interest and tax		634	(8,942)
Net interest receivable/(payable)	7	99	(1,159)
Profit/(loss) on ordinary activities before taxation		733	(10,101)
Tax credit on loss on ordinary activities	8	536	1,911
Retained profit/(loss)	14	1,269	(8,190)

All of the above represents discontinued operations.

There were no recognised gains or losses other than the retained profit of the Company of £1,269,000 for the year ended 28th April 2005 (2004: £8,190,000 loss).

KLEENEZE ENTERPRISES LIMITED

BALANCE SHEET AT 28th APRIL 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible fixed assets	9	1,000	1,006
			1,006
Current assets			
Debtors: amounts falling due within one year	10	26,725	25,671
Debtors: amounts falling due after more than one year	10	662	662
Total debtors		27,387	26,333
Cash at bank and in hand		-	5
Creditors: amounts falling due within one year	11	27,387 (41,439)	26,338 (41,665)
Net current liabilities		(14,052)	(15,327)
Total assets less current liabilities		(13,052)	(14,321)
Creditors: amounts falling due after more than one year	12	(1,290)	(1,290)
Net liabilities		(14,342)	(15,611)
Capital and reserves			
Called up share capital	13	21	21
Profit and loss account	14	(14,363)	(15,632)
Equity shareholders' deficit	14	(14,342)	(15,611)

Approved by the Board on 20 February 2006



W P Rollason
Director

KLEENEZE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28th APRIL 2005

1. **Accounting policies**

The financial statements of the Company have been prepared under the historical cost convention and in accordance with applicable accounting standards. European Home Retail plc (formerly Kleeneze plc) has confirmed that it will continue to support the Company to enable it to meet its liabilities as they fall due and accordingly the going concern basis has been adopted for the financial statements.

The following accounting policies have been applied consistently throughout the year:

Cash flow statement

The Company has not prepared a cash flow statement as permitted under Financial Reporting Standard 1 as it is a wholly owned subsidiary of European Home Retail plc (formerly Kleeneze plc), and its results are included in the consolidated financial statements of European Home Retail plc (formerly Kleeneze plc), which are publicly available.

Turnover

Turnover represents sales to customers at invoiced amounts less value added tax.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing commitments

Rentals paid under operating leases are charged to the profit and loss accounts on a straight-line basis over the term of the lease.

KLEENEZE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 28th APRIL 2005

1. **Accounting policies (continued)**

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual value, of all tangible fixed assets over their expected useful lives on a straight-line basis.

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.

2. **Turnover**

The Company's turnover, all of which occurred in the course of the Company's principal activity, arose in the United Kingdom and the Republic of Ireland. The Company did not trade during the current financial year.

3. **Operating profit/(loss)**

	2005 £'000	2004 £'000
Operating profit/(loss) is stated after charging/(crediting):		
Operating lease rentals on:		
Land and buildings	-	320
Plant and machinery	-	82
Auditors' remuneration - audit fees	-	4
Recharge of Wilmott settlement to parent undertaking	(650)	-
Depreciation - assets owned by the Company	-	120
Loss on disposal of tangible fixed assets	6	6

The auditor's remuneration for the year ended 28th April 2005 was borne by European Home Retail plc (formerly Kleeneze plc), the ultimate parent undertaking.

4. **Non operating losses on closure of business**

	2005 £'000	2004 £'000
Losses on closure of business	-	(6,458)

During the previous financial year, the losses on closure included staff redundancy costs together with the costs of terminating lease contracts. In addition, other costs were incurred in respect of the business and assets which were not transferred as part of the closure.

KLEENEZE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 28th APRIL 2005

5. Remuneration of directors

W P Rollason and C J S Hulland were directors of the ultimate parent company and fellow subsidiary companies during the year. Their emoluments are paid by the ultimate parent company. No charges have been borne by the Company in respect of the services of any of these directors.

Details of the emoluments of the other directors are as follows:

	2005 £	2004 £
Emoluments, excluding pension contributions	-	139,853
Company contributions paid to money purchase pension schemes	-	2,989
Compensation for loss of office included above	-	76,043
The amounts in respect of the highest paid director were:		
Emoluments, excluding pension contributions	-	59,908
Company contributions to money purchase pension schemes	-	638

6. Staff numbers and costs

	2005 Number	2004 Number
The average number of persons employed by the Company, including directors, during the year is analysed below:		
Selling and distribution	-	35
Administration	-	8
	-	43
		£'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	-	667
Social security costs	-	70
Other pension costs	-	1
	-	738

KLEENEZE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 28th APRIL 2005

7. Net interest (receivable)/payable and similar (income)/charges

	2005	2004
	£'000	£'000
Loan interest payable to fellow subsidiary undertaking	-	1,205
Other interest receivable	(99)	(46)
	(99)	1,159

8. Tax

(a) Analysis of credit in year:	2005	2004
	£'000	£'000
The charge/(credit) based on the results for the year was:		
UK corporation tax charge/(credit)	26	(1,569)
Adjustments in respect of previous years	(562)	(342)
Total current tax credit (note 8b)	(536)	(1,911)

(b) Factors affecting current tax charge

The tax charge for the year is less than (2004: more than) the standard rate of UK corporation tax at 30% (2004: 30%). The differences are explained below:

	2005	2004
	£'000	£'000
Profit/(loss) on ordinary activities before tax	733	(10,101)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	220	(3,030)
Losses brought forward	-	1,327
Expenses not deductible for tax purposes	(191)	236
Depreciation not deductible for tax purposes	-	75
Prior year adjustment	(562)	(342)
Deferred tax not provided	(3)	(177)
Total current tax (note 8a)	(536)	(1,911)

KLEENEZE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 28th APRIL 2005

9. Tangible fixed assets

	Long leasehold building £'000	Plant, equipment and motor vehicles £'000	Total £'000
Cost:			
At 1 st May 2004	1,078	14	1,092
Disposals	-	(14)	(14)
At 28th April 2005	1,078	-	1,078
Depreciation:			
At 1 st May 2004	78	8	86
Disposals	-	(8)	(8)
At 28th April 2005	78	-	78
Net book value:			
At 28th April 2005	1,000	-	1,000
At 30 th April 2004	1,000	6	1,006

10. Debtors

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Trade debtors	18	-
Amount owed by group undertakings	26,533	24,064
Other debtors	34	45
Corporation tax	126	1,562
VAT	14	-
	26,725	25,671
Amounts falling due after more than one year:		
Amounts owed by group undertakings	662	662
	27,387	26,333

Amounts owed by group undertakings due after one year:

The Company provided a loan of £662,000 to a fellow subsidiary undertaking (2004: £662,000). The loan is repayable upon one years notice. No interest is charged on the loan and there are no formal repayment terms.

KLEENEZE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 28th APRIL 2005

11. **Creditors:** amounts falling due within one year

	2005	2004
	£'000	£'000
Bank overdraft	-	2
Trade creditors	-	8
Amounts owed to group undertakings	41,439	41,428
Accruals and deferred income	-	227
	41,439	41,665

The Company's overdraft facility is secured by a mortgage debenture over the fixed property and short term assets of the Company.

12. **Creditors:** amounts falling due after more than one year

The balance of £1,290,000 (2004: 1,290,000) represents a long term loan provided to the Company by a fellow subsidiary undertaking. No interest is charged on the loan and there are no formal repayment terms.

13. **Called up share capital**

	2005		2004	
	Number	£'000	Number	£'000
Authorised:				
Ordinary shares of 10p each	500,000	50	500,000	50
Issued called up and fully paid				
Ordinary shares of 10p each	210,000	21	210,000	21

14. **Reconciliation of movements in shareholders' deficit**

	Share capital £'000	Profit and loss £'000	Total shareholders' deficit £'000
Balance at 30 th April 2004	21	(15,632)	(15,611)
Retained profit for the year	-	1,269	1,269
Balance at 28th April 2005	21	(14,363)	(14,342)

KLEENEZE ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 28th APRIL 2005

15. **Commitments**

At 28th April 2005 and 30th April 2004 the Company had commitments under non-cancellable operating leases as follows:

	2005	2004
	£'000	£'000
Operating leases:		
Expiring within one year	-	41
	-	41

The operating leases relate wholly to plant and machinery.

16. **Related parties**

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the European Home Retail plc (formerly Kleeneze plc) group, the ultimate parent company, or investees of the European Home Retail plc (formerly Kleeneze plc) group.

17. **Parent company**

The Company's immediate parent company is Display Marketing Group Limited. The ultimate parent company is European Home Retail plc (formerly Kleeneze plc). European Home Retail plc (formerly Kleeneze plc) is the parent of both the largest and smallest group of which Kleeneze Enterprises Limited is a member and for which group financial statements are prepared. Group financial statements can be obtained from the registered office at Farepak House, Westmead Drive, Westlea, Swindon, SN5 7YZ.

18. **Contingent liabilities**

The Company has given guarantees to National Westminster Bank Plc and Bank of Scotland on behalf of the ultimate parent company, European Home Retail plc (formerly Kleeneze plc), and certain fellow subsidiaries in connection with all monies from time to time owing to either bank. The facility with Bank of Scotland is secured by a mortgage debenture over all the Company's fixed property and short-term assets.

The Company is also part of a VAT group which includes the immediate parent company and fellow subsidiary companies. Being part of the group, the Company is jointly and severally liable for the VAT liability of that VAT group. The amount of VAT due at 28th April 2005 was £236,000 (2004: £764,000).

19. **Post balance sheet event**

The ultimate parent company Kleeneze plc was renamed European Home Retail plc on 28th September 2005.