

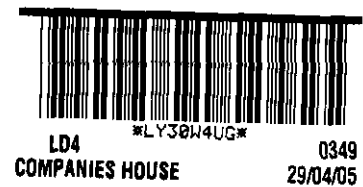
3085223

Conran Finance Limited

Report and Financial Statements

31 March 2004

 ERNST & YOUNG



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Conran Finance Limited

Registered No. 3085223

Directors

Sir Terence Conran (Chairman)
D Gunewardena

Secretary

M A Schuitemaker

Auditors

Ernst & Young LLP
1 More London
London SE1 2AF

Registered Office

22 Shad Thames
London SE1 2YU

Directors' report

The directors present their report and financial statements for the year ended 31 March 2004.

Results and dividends

The profit and loss account is set out on page 6 and shows a loss before taxation for the year of £254,000 (2003 – profit £1,276,000). The directors do not recommend the payment of a dividend (2003 – £nil).

Principal activity and review of the business

The company provides financing to fellow subsidiary undertakings of Conran Holdings Limited.

The directors consider the result for the year to be satisfactory.

Directors and their interests

The directors of the company during the year were as listed on page 1.

The directors have no interests in the shares of the company, other than by virtue of their interests in the shares of Conran Holdings Limited, the parent undertaking. The interests of the directors in the shares of Conran Holdings Limited and other group undertakings are disclosed in the financial statements of that company.

By order of the Board



Secretary

24 March 2005

Statement of directors' responsibilities in respect of the financial statements

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 are responsible for keeping proper accounting records which 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 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 Conran Finance Limited

We have audited the company's financial statements for the year ended 31 March 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 14. 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 Conran Finance Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and of its loss 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
London

24 MARCH 2005

Profit and loss account

for the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Administrative expenses		(2,227)	(418)
Operating loss	2	(2,227)	(418)
Interest receivable	4	4,174	3,905
Interest payable	5	(2,201)	(2,211)
		1,973	1,694
(Loss)/profit on ordinary activities before taxation		(254)	1,276
Tax on (loss)/profit on ordinary activities	6	251	(382)
(Loss)/profit on ordinary activities after taxation		(3)	894
(Recognised loss)/retained profit for the financial year		(3)	894

Statement of total recognised gains and losses

for the year ended 31 March 2004

There are no recognised gains or losses other than the loss attributable to the shareholders of the company for the year of £3,000 (2003 – profit £894,000).

Balance sheet

at 31 March 2004

	Notes	2004 £000	2003 £000
Current assets			
Debtors	7	65,147	59,715
Cash at bank and in hand		—	43
		<u>65,147</u>	<u>59,758</u>
Creditors: amounts falling due within one year	8	(5,057)	(3,861)
		<u>60,090</u>	<u>55,897</u>
Net current assets			
Creditors: amounts falling due after more than one year	9	(60,765)	(56,569)
		<u>(675)</u>	<u>(672)</u>
Total assets less current liabilities			
Shareholders' deficit			
Called up share capital	10	—	—
Profit and loss account	11	(675)	(672)
		<u>(675)</u>	<u>(672)</u>

ERNST & YOUNG

Approved by the Board

Director

24 March 2005

Notes to the financial statements

at 31 March 2004

1. Accounting policies

Fundamental accounting concept

The financial statements have been prepared under the going concern concept because the directors have been assured by the parent undertaking that its current intention is to provide access to adequate funds to meet the company's liabilities as they fall due.

Basis of preparation

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

Cash flow statement

The company is exempt under the terms of Financial Reporting Standard No. 1 (Revised) from publishing a cash flow statement.

Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the rates prevailing at the balance sheet date. Resulting exchange gains or losses are taken to the profit and loss account.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation 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 exception:

- 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.

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.

2. Operating loss

Operating loss is stated after charging:

	2004 £000	2003 £000
Auditors' remuneration – audit	2	2
– other services	1	2
Loss on foreign exchange	2,213	166
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Notes to the financial statements

at 31 March 2004

3. Directors' remuneration

The company has an agreement with Conran Limited, a fellow subsidiary undertaking, for the provision of the services of Sir Terence Conran as a director and Chairman, and D Gunewardena as a director. D Gunewardena is remunerated by that company.

No remuneration is payable directly to these directors nor are any pension contributions payable on their behalf.

4. Interest receivable

	2004 £000	2003 £000
Bank interest receivable	—	6
Interest receivable from group undertakings	2,513	2,628
Net exchange gains on foreign currency borrowings	1,661	1,271
	<u>4,174</u>	<u>3,905</u>

5. Interest payable

	2004 £000	2003 £000
Bank interest payable and similar charges	810	1,031
Interest payable to group undertakings	1,391	1,180
	<u>2,201</u>	<u>2,211</u>

6. Tax on (loss)/profit on ordinary activities

(a) Tax on (loss)/profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2004 £000	2003 £000
Current tax:		
UK corporation tax	(76)	382
Tax overprovided in previous years	(175)	—
Total current tax (note 6(b))	<u>(251)</u>	<u>382</u>
Tax on (loss)/profit on ordinary activities	<u>(251)</u>	<u>382</u>

There was no deferred tax in either financial year.

Notes to the financial statements

at 31 March 2004

6. Tax on (loss)/profit on ordinary activities (continued)

(b) Factors affecting current tax (credit)/charge

The tax assessed on the (loss)/profit on ordinary activities for the year varies from the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are reconciled below:

	2004 £000	2003 £000
(Loss)/profit on ordinary activities before tax	(254)	1,276
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK	(76)	383
Tax overprovided in previous years	(175)	–
Other short term timing differences	–	(1)
Total current tax (note 6(a))	(251)	382

7. Debtors

	2004 £000	2003 £000
Amounts owed by group undertakings	64,881	59,715
Amounts owed by group undertakings in respect of group relief	266	–
	65,147	59,715

Included in amounts owed by group undertakings are amounts totalling £64,482,000 (2003 – £59,715,000) which are due after more than one year.

8. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank overdraft	4,703	3,150
Amounts owed to group undertakings	340	286
Amounts owed to group undertakings in respect of group relief	–	357
Accruals and deferred income	14	68
	5,057	3,861

Notes to the financial statements

at 31 March 2004

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

	2004 £000	2003 £000
Bank loans	17,810	17,706
Loan from parent undertaking	42,955	38,863
	<u>60,765</u>	<u>56,569</u>

The bank loans are repayable as follows:

	2004 £000	2003 £000
In two to five years	8,727	8,676
After more than five years	9,083	9,030
	<u>17,810</u>	<u>17,706</u>

The loan from the company's parent undertaking is repayable out of the company's cash flow in line with the company's ability to make such payments and, as such, it is not meaningful to estimate segmental repayments.

The bank loans are secured over the assets of and by guarantees provided by certain fellow subsidiary undertakings.

Interest is payable on the bank loans at LIBOR plus a margin, which is calculated with reference to the amount of the loan drawn down and the financial strength of the guarantor undertakings. The margin at the balance sheet date was 1.3%.

10. Share capital

	Authorised		Allotted, called up and fully paid	
	2004	2003	2004	2003
	£	£	£	£
Ordinary shares of £1 each	100	100	2	2

Notes to the financial statements

at 31 March 2004

11. Reconciliation of shareholders' deficit and movements on reserves

	<i>Profit and loss account 2004 £000</i>	<i>Total share- holders' deficit 2004 £000</i>	<i>Total share- holders' deficit 2003 £000</i>
At 1 April	(672)	(672)	(1,566)
(Loss)/profit after taxation	(3)	(3)	894
At 31 March	<u>(675)</u>	<u>(675)</u>	<u>(672)</u>

12. Contingent liability

The company, together with its ultimate parent undertaking and certain fellow subsidiary undertakings, is party to an Auto Inclusion Cross Composite Guarantee dated 18 February 1999, 18 July 1999 and 29 May 2002 to National Westminster Bank PLC as security for a group overdraft arrangement between the company, its ultimate parent undertaking and those fellow subsidiary undertakings. As at the balance sheet date, the net overdraft under the Guarantee was £1,440,000 (2003 – £1,904,000).

13. Related party transactions

The ultimate controlling party is Sir Terence Conran.

No disclosure is made of transactions with group undertakings as permitted by Financial Reporting Standard No. 8.

There were no other material related party transactions.

14. Ultimate parent undertaking

The company is a subsidiary undertaking of Conran Holdings Limited, registered in England and Wales. The results of the company are consolidated into the financial statements of Conran Holdings Limited, the ultimate parent undertaking.