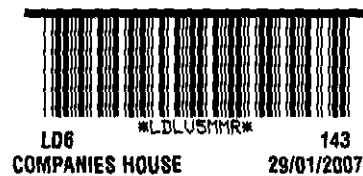


3085223

Conran Finance Limited

Report and Financial Statements

31 March 2006



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 2006.

Results and dividends

The profit and loss account is set out on page 6 and shows a profit before taxation for the year of £730,000 (2005 – £306,000). The directors do not recommend the payment of a dividend (2005 – £nil).

Principal activity

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

Review of the business, key performance indicators and future developments

The directors consider the result for the year to be satisfactory given the reduction in the level of financing provided to fellow subsidiary undertakings. The profit for the year is largely due to the exchange gain made on the company's foreign currency loans to its fellow subsidiary undertakings. The company does not hedge its financing as it is the policy of the parent undertaking that hedging is maintained at group level.

The directors consider profit before tax and foreign exchange on both operations and financing as the key performance indicator for the company. This has decreased from a profit of £320,000 in 2005 to a loss of £113,000 in 2006.

The directors expect the results to improve in the current financial year following the repayment of the company's bank financing facilities prior to the year end.

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.

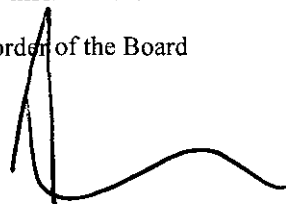
Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1.

Having made enquiries of fellow directors of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of the information.

By order of the Board



Secretary

22 September 2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 2006 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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, are properly prepared in accordance with the Companies Act 1985 and whether 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.

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 Conran Finance Limited (continued)

Opinion

In our opinion:

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

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

22 September 2006

Profit and loss account

for the year ended 31 March 2006

	Notes	2006 £000	2005 £000
Administrative expenses		(211)	(134)
Other operating income		1,135	–
Operating profit/(loss)	2	924	(134)
Interest receivable	4	1,832	2,469
Interest payable	5	(2,026)	(2,029)
		(194)	440
Profit on ordinary activities before taxation		730	306
Tax on profit on ordinary activities	6	(144)	(92)
Profit on ordinary activities after taxation		586	214
Profit for the financial year		586	214

Statement of total recognised gains and losses

for the year ended 31 March 2006

There are no recognised gains or losses other than the profit attributable to the shareholders of the company for the year of £586,000 (2005 – £214,000).

Balance sheet

at 31 March 2006

	Notes	2006 £000	2005 £000
Current assets			
Debtors	7	37,743	67,142
Cash at bank and in hand		13,400	–
		<u>51,143</u>	<u>67,142</u>
Creditors: amounts falling due within one year	8	(5,567)	(8,368)
		<u>45,576</u>	<u>58,774</u>
Net current assets			
Creditors: amounts falling due after more than one year	9	(45,451)	(59,235)
		<u>125</u>	<u>(461)</u>
Shareholders' funds/(deficit)			
Called up share capital	10	–	–
Profit and loss account	11	125	(461)
		<u>125</u>	<u>(461)</u>

Approved by the Board

Director

22 September 2006

Notes to the financial statements

at 31 March 2006

1. Accounting policies

Basis of preparation

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

Adoption of new UK accounting standards

The accounting policies adopted by the company are set out below and are consistent with those of the previous year, except for the adoption of FRS 21 'Events after the balance sheet date', and the presentation requirements of FRS 25 'Financial Instruments Disclosure and Presentation' and of FRS 28 'Corresponding amounts'.

No restatement has resulted from the adoption of these standards.

Statement of cash flow

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

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 profit/(loss)

Operating profit/(loss) is stated after charging:

	2006 £000	2005 £000
Auditors' remuneration – audit	2	2
– other services	1	1
(Gain)/loss on foreign exchange on operations	(1,135)	90
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 March 2006

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

	2006 £000	2005 £000
Bank interest receivable and similar income	53	—
Interest receivable from group undertakings	1,779	2,393
Net exchange gains on foreign currency borrowings	—	76
	<u>1,832</u>	<u>2,469</u>

5. Interest payable

	2006 £000	2005 £000
Bank interest payable and similar charges	370	678
Interest payable to group undertakings	1,364	1,351
Net exchange losses on foreign currency borrowings	292	—
	<u>2,026</u>	<u>2,029</u>

6. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2006 £000	2005 £000
Current tax:		
UK corporation tax	219	92
Tax overprovided in previous years	(75)	—
Total current tax (note 6(b))	<u>144</u>	<u>92</u>
Tax on profit on ordinary activities	<u>144</u>	<u>92</u>

There was no deferred tax in either financial year.

Notes to the financial statements

at 31 March 2006

6. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year varies from the standard rate of corporation tax in the UK of 30% (2005 – 30%). The differences are reconciled below:

	2006 £000	2005 £000
Profit on ordinary activities before tax	730	306
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK	219	92
Tax overprovided in previous years	(75)	–
Total current tax (note 6(a))	144	92

7. Debtors

	2006 £000	2005 £000
Amounts owed by group undertakings	37,743	66,951
Prepayments and accrued income	–	191
	37,743	67,142

Included in amounts owed by group undertakings are amounts totalling £37,710,000 (2005 – £66,225,000) which are due after more than one year.

8. Creditors: amounts falling due within one year

	2006 £000	2005 £000
Bank overdraft	5,485	7,859
Amounts owed to group undertakings	2	416
Amounts owed to group undertakings in respect of group relief	52	54
Accruals and deferred income	28	39
	5,567	8,368

Notes to the financial statements

at 31 March 2006

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

	2006 £000	2005 £000
Bank loans	–	15,829
Loan from parent undertaking	45,451	43,406
	<u>45,451</u>	<u>59,235</u>

The bank loans were repayable as follows:

	2006 £000	2005 £000
In one to two years	–	15,829

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 company, together with its parent undertaking and certain fellow subsidiary undertakings, became party to a Guarantee and Debenture on that date to the benefit of The Royal Bank of Scotland plc as security for both the bank loans and the group overdraft arrangement referred to in note 12.

The loans and group overdraft are secured by fixed and floating charges over certain of the assets of the fellow subsidiary undertakings also party to the Guarantee and Debenture and fixed charges over certain of the assets of the company's parent undertaking.

The bank loans were repaid in full during the year.

10. Share capital

	Authorised		Allotted, called up and fully paid	
	2006	2005	2006	2005
	£	£	£	£
Ordinary shares of £1 each	100	100	2	2

Notes to the financial statements

at 31 March 2006

7. Investments

	<i>£000</i>
Cost:	
1 April 2005 and 31 March 2006	264
Net book value:	
At 1 April 2005 and 31 March 2006	264

At the balance sheet date, the company owned the issued share capital of the following companies:

	<i>Percentage holding</i>	<i>Country of registration</i>	<i>Principal activity</i>
Conran and Partners Limited	84	England and Wales	Architecture and interior design, product design and graphic design
Staplehurst Properties Limited	100	England and Wales	Property development

8. Debtors

	<i>2005</i>	<i>2006 (as restated)</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by group undertakings	3	3
Amounts owed by group undertakings in respect of group relief	1	—
Other debtors	55	64
	<u>59</u>	<u>67</u>

9. Creditors: amounts falling due within one year

	<i>2005</i>	<i>2006 (as restated)</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	4	4
Amounts owed to group undertakings in respect of group relief	—	15
Accruals and deferred income	2	2
	<u>6</u>	<u>21</u>

Notes to the financial statements

at 31 March 2006

11. Reconciliation of shareholders' deficit and movements on reserves

	<i>Profit and loss account 2006 £000</i>	<i>Total share- holders' deficit 2006 £000</i>	<i>Total share- holders' deficit 2005 £000</i>
At 1 April	(461)	(461)	(675)
Profit after taxation	586	586	214
At 31 March	125	125	(461)

12. Contingent liability

The company, together with its ultimate parent undertaking and certain fellow subsidiary undertakings, is party to an Unlimited Inter Company Composte Guarantee dated 17 December 2004 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 £nil (2005 – £1,450,000).

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.