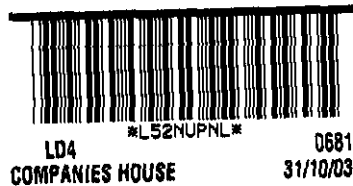


**ORCHARDLIGHT LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 28 DECEMBER 2002**  
**REGISTERED NUMBER: 3320875**



## **ORCHARDLIGHT LIMITED**

### **DIRECTORS' REPORT**

The directors have pleasure in submitting their report and the audited financial statements of the Company for the 52 weeks ended 28 December 2002.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Company is as an intermediate holding company.

#### **PROFITS AND DIVIDEND**

The result for the financial period as shown in the profit and loss account on page 4 amounted to £nil (2001: profit of £213,406,448). The directors recommend that no dividend be paid (2001: £213,406,448).

#### **DIRECTORS**

The directors of the Company who served through the period and subsequently were:

IPH Arnold  
J Hancock  
M Clifford-King  
G MacDonald

No director held any beneficial interest in the shares of the Company or any other Group company at any time during the period, with the exception of the following:

Beneficial interests of the directors, including family interests, in the share capital of the ultimate holding company, MFI Furniture Group Plc at 28 December 2002 and 29 December 2001 are disclosed in the accounts of that company with the exception of IPH Arnold whose interests are shown below:

	<u>At 28 December 2002</u>		<u>At 29 December 2001</u>	
	<u>Ordinary shares of 10p each</u>		<u>Ordinary shares of 10p each</u>	
	<u>Shares in issue</u>	<u>Share options</u>	<u>Shares in issue</u>	<u>Share options</u>
IPH Arnold	88,834	327,186	32,876	443,144

The options are exercisable at prices between 30p and 180p.

The Directors also held a beneficial interest in the MFI Sharesave scheme in common with all members of the scheme. At the year end, the scheme held 517,818 shares (2001: 9,960,802 shares).

The Directors also held a beneficial interest in the All Employee Share Incentive Plans in common with all members of the scheme. At the year end, the scheme held 1,324,429 shares (2001: nil shares).

Under the terms of the Senior Managers Co-Investment Plan, IPH Arnold beneficially held 2,290 commitment shares and 20,610 conditionally held shares with MFI Furniture Group Plc granting 34,350 matching shares. The Senior Managers Co-investment Plan offers 1 ½ matching shares for every share held in the plan by a senior manager, conditionally vesting after three years.

#### **AUDITORS**

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution proposing to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

## ORCHARDLIGHT LIMITED

### DIRECTORS' REPORT (Cont'd)

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company as at the end of the period 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



G M Hughes

Secretary

24 October 2003

Southon House  
333 The Hyde  
Edgware Road  
Colindale  
London NW9 6TD

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORCHARDLIGHT LIMITED**

We have audited the financial statements of Orchardlight Limited for the 52 week period ended 28 December 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 7. 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**

*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 United Kingdom legal and regulatory requirements and 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 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 for the above 52 week period and consider the implications for our report if we become aware of any apparent misstatements.

### **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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 28 December 2002 and of its result for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

*29 October 2003*

**ORCHARDLIGHT LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE 52 WEEKS ENDED 28 DECEMBER 2002**

	<b><u>52 weeks to 28 Dec 2002</u></b>	<b><u>52 weeks to 29 Dec 2001</u></b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
Income from fixed asset investments	-	213,406
<b>Profit on ordinary activities before and after taxation</b>	<b>-</b>	<b>213,406</b>
Dividends paid	-	(213,406)
<b>Retained profit for the financial year</b>	<b>-</b>	<b>-</b>

The results for the 52 week period ended 28 December 2002 and the prior period are derived from continuing operations.

There are no recognised gains or losses in the current and the previous period other than those included in the profit and loss account.

The notes on pages 6 and 8 form part of these financial statements.

**ORCHARDLIGHT LIMITED****BALANCE SHEET AT 28 DECEMBER 2002**

		<u>28 Dec 2002</u>		<u>29 Dec 2001</u>	
	<u>NOTE</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Fixed assets</b>					
Investments	3		771,052		757,602
<b>Current assets</b>					
Debtors: amounts falling due within one year	4	100,711		208,104	
<b>Creditors: amounts falling due within one year</b>	5	<u>(871,763)</u>		<u>(965,706)</u>	
<b>Net current liabilities</b>			<u>(771,052)</u>		<u>(757,602)</u>
<b>Net assets</b>			<u>-</u>		<u>-</u>
<b>Capital and reserves</b>					
Called up share capital	6		-		-
Profit and loss account			<u>-</u>		<u>-</u>
<b>Equity shareholders' funds</b>			<u>-</u>		<u>-</u>

Approved by the Board of Directors  
on 24 OCTOBER 2003

*IPH Arnold*

IPH Arnold  
Director

The notes on pages 6 and 8 form part of these financial statements.

# **ORCHARDLIGHT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE 52 WEEKS ENDED 28 DECEMBER 2002**

#### **1. ACCOUNTING POLICIES**

The accounting policies summarised below have all been applied consistently throughout the year and the preceding year.

##### **BASIS OF PREPARATION**

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

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and a consolidated cash flow statement is given in the financial statements of MFI Furniture Group Plc.

The financial statements have been drawn up on a going concern basis, as the parent company, MFI Furniture Group Plc, has indicated that it will provide the Company for the foreseeable future with the necessary financial resources to meet its liabilities as these fall due.

The financial statements include the undertakings for the 52 week period ended 28 December 2002, being the Saturday nearest to the Company's accounting reference date of 31 December. The undertakings for the prior year relate to the 52 week period ended 29 December 2001, being the Saturday nearest to the Company's accounting reference date of 31 December.

The Company is exempt from the requirement to prepare Group financial statements under s228 of the Companies Act 1985 since its results are included in the consolidated financial statements of its ultimate holding company, MFI Furniture Group Plc.

The financial statements present information about the Company as an individual undertaking and not as a Group.

##### **INVESTMENTS**

Investments are stated at cost less any provision for impairment.

##### **TRUE AND FAIR OVERRIDE FOR THE PRIOR YEAR**

During the 52 week period ended 29 December 2001 the trade and assets of three subsidiary undertakings – MFI Furniture Centres Limited, MFI Services Limited and MFI International Limited – were transferred to another subsidiary undertaking – MFI UK Limited (formerly Hygena Limited). The cost of the Company's investment in these undertakings reflected the underlying fair value of its net assets and goodwill at the time of their original acquisition. As a result of these transfers, the value of the Company's investments in these subsidiary undertakings fell below the amount at which they were stated in the Company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investments be written down accordingly and that the amounts be charged as a loss in the Company's profit and loss account. However, the directors considered that, as there had been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's profit and loss account for the year and it should instead be re-allocated to the Company's investment in MFI UK Limited. The effect of this departure is to increase the holding company's profit for the previous financial period by £204.1m, and increase the value of investments in the Company's balance sheet by £204.1m.

#### **2. REMUNERATION OF DIRECTORS AND AUDITORS' REMUNERATION**

No director received any emoluments from the Company during the period (2001: *£nil*).

The auditors' remuneration in both periods is borne by a fellow subsidiary undertaking, MFI UK Ltd.

**ORCHARDLIGHT LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****FOR THE 52 WEEKS ENDED 28 DECEMBER 2002****3. FIXED ASSET INVESTMENTS**

	<u>28 Dec 2002</u>	<u>29 Dec 2001</u>
	<u>£000</u>	<u>£000</u>
Shares in subsidiary undertakings – beginning of year	757,602	727,201
Additions in year	13,450	79,120
Dividend paid from pre-acquisition reserves	-	(48,719)
Shares in subsidiary undertakings – end of year	<u>771,052</u>	<u>757,602</u>

Investments comprise shares in Group companies. The subsidiaries at 28 December 2002 are listed below. All subsidiaries are wholly owned and incorporated in Great Britain, and registered in England and Wales. In the opinion of the directors the total value of shares in these companies is not less than the amount at which they are included in the balance sheet.

<u>Subsidiary</u>	<u>Principal activity</u>
MFI UK Limited	Manufacture and retail of kitchen and bedroom furniture
Howden Joinery Limited	Retail and trade kitchen furniture
MFI Card Services Limited	Finance
MFI Financial Services Limited	Finance
MFI Properties Limited	Property Management
Schreiber Furniture Holdings Limited	Management Services
Sofa Workshop Direct Holdings Limited	Manufacture and retail of sofas
Sofa Workshop Holdings Limited	Retail of sofas

**4. DEBTORS**

	<u>28 Dec 2002</u>	<u>29 Dec 2001</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Amounts owed by parent and fellow subsidiary undertakings	<u>100,711</u>	<u>208,104</u>

**5. CREDITORS**

	<u>28 Dec 2002</u>	<u>29 Dec 2001</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Amounts owed to parent and fellow subsidiary undertakings	<u>871,763</u>	<u>965,706</u>

**6. SHARE CAPITAL**

	<u>28 Dec 2002</u>	<u>29 Dec 2001</u>
	<u>£</u>	<u>£</u>
2 authorised, allotted, called up and fully paid ordinary shares of £1 each	<u>2</u>	<u>2</u>



**ORCHARDLIGHT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**FOR THE 52 WEEKS ENDED 28 DECEMBER 2002**

**7. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS**

The Company's immediate parent company and ultimate parent company and controlling party is MFI Furniture Group Plc incorporated in Great Britain and registered in England and Wales.

The largest and smallest Group in which the results of the Company are consolidated is that headed by MFI Furniture Group Plc. The consolidated accounts of this Group are available to the public and can be obtained from the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF14 3UZ.

The Company is exempt under FRS 8 from the requirement to disclose related party transactions within the Group headed by MFI Furniture Group Plc on the grounds that it is a wholly owned subsidiary.