

ORCHARDLIGHT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 30 DECEMBER 2000
REGISTERED NUMBER: 3320875



ORCHARDLIGHT LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and audited financial statements for the 52 weeks ended 30 December 2000.

PRINCIPAL ACTIVITY

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

PROFITS AND DIVIDEND

The result for the financial period is shown in the profit and loss account on page 4.

The directors recommend a dividend of £40,000,000 (1999: £nil) resulting in a retained profit for the financial period of £nil (1999: £nil).

DIRECTORS

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

I P H Arnold

H N M Thomson

No director held any beneficial interest in the shares of the Company at any time during the period. The directors' shareholdings in MFI Furniture Group Plc, the ultimate holding company, are shown below.

	<u>At 30 December 2000</u>		<u>At 1 January 2000</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>
I P H Arnold	50,000	313,834	50,000	313,834
H N M Thomson	12,800	311,634	12,800	311,634

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

AUDITOR

In accordance with the provisions of section 385 of the Companies Act 1985, a resolution proposing the re-appointment of KPMG Audit Plc as auditor will be proposed at the forthcoming Annual General Meeting.

ORCHARDLIGHT LIMITED

DIRECTORS' REPORT (Cont'd)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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;
- 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 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.

By Order of the Board



G M Hughes
Secretary

15 JUNE 2001

REPORT OF THE AUDITOR, KPMG AUDIT PLC

TO THE MEMBERS OF ORCHARDLIGHT LIMITED

We have audited the financial statements set out on pages 4 to 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

BASIS OF OPINION

We conducted our audit in accordance with 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 30 December 2000 and of its results for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

15 June 2001

ORCHARDLIGHT LIMITED

PROFIT AND LOSS ACCOUNT

	<u>2000</u>	<u>1999</u>
	<u>52 weeks</u>	<u>36 weeks</u>
	<u>£000</u>	<u>£000</u>
Amounts written back to fixed asset investment	40,000	-
Profit for the financial period	40,000	-
Dividends payable	(40,000)	-
Retained profit for the financial period	-	-

The results for the 52 week period ended 30 December 2000 and the prior period derive 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 7 form part of these financial statements.

ORCHARDLIGHT LIMITED**BALANCE SHEET AT 30 DECEMBER 2000**

	<u>NOTE</u>	<u>30 December 2000</u>		<u>1 January 2000</u>	
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed assets					
Investments	4		727,201		687,201
Current assets					
Debtors	5	22,606		22,606	
Creditors					
Amounts falling due within one year	6	(749,807)		(709,807)	
Net current liabilities			(727,201)		(687,201)
Net assets					
Capital and reserves					
Called up share capital	7		-		-
Profit and loss account			-		-
Equity shareholders' funds					

Approved by the Board of Directors

Ian P H Arnold

15 JUNE 2001

I P H Arnold
Director

The notes on pages 6 and 7 form part of these financial statements.

ORCHARDLIGHT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

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.

BASIS OF PREPARATION

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 Company is exempt from the requirement to prepare Group financial statements under S228 of the Companies Act 1985 since it is included in the consolidated financial statements of its ultimate holding company, MFI Furniture Group Plc.

INVESTMENTS

Investments are stated at cost less any provision for impairment.

2. STAFF NUMBERS AND COSTS

The Company had no employees during the period and staff costs amounted to £nil (1999: £nil)

3. REMUNERATION OF DIRECTORS

No director received any emoluments from the Company during the period (1999: £nil)

4. FIXED ASSET INVESTMENTS

	<u>30 Dec 2000</u>	<u>1 Jan 2000</u>
	<u>£'000</u>	<u>£'000</u>
Shares in subsidiary undertakings at cost	<u>727,201</u>	<u>687,201</u>

Investments comprise shares in Group companies. The subsidiaries at 30 December 2000 are listed below. All subsidiaries are wholly owned (ordinary shares) 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.

ORCHARDLIGHT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	<u>Principal Activity</u>
MFI Furniture Centres Limited	Retail and Trade
Howden Joinery Limited	Retail and Trade
MFI International Limited	Retail and Trade
Hygena Limited	Manufacturing
MFI Financial Services Limited	Finance
MFI Properties Limited	Property Management
MFI Services Limited	Management Services
Schreiber Furniture Holdings Limited	Management Services

5. DEBTORS

	<u>30 Dec 2000</u>	<u>1 Jan 2000</u>
	<u>£'000</u>	<u>£'000</u>
Amounts owed by parent and fellow subsidiary undertakings	<u>22,606</u>	<u>22,606</u>

6. CREDITORS

AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>30 Dec 2000</u>	<u>1 Jan 2000</u>
	<u>£'000</u>	<u>£'000</u>
Amounts owed to parent and fellow subsidiary undertakings	<u>749,807</u>	<u>709,807</u>

7. SHARE CAPITAL

	<u>30 Dec 2000</u>	<u>1 Jan 2000</u>
	<u>£</u>	<u>£</u>
Authorised, allotted and fully paid ordinary shares of £1 each	<u>2</u>	<u>2</u>

8. ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The Company's parent and ultimate parent 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, CF4 3UZ.

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