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Conran Collection Limited

Report and Financial Statements

31 March 2003

ERNST & YOUNG



Conran Collection Limited

Registered No. 3337128

Directors

Sir Terence Conran (Chairman)
D Gunewardena

Secretary

D Gunewardena

Auditors

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

Registered Office

22 Shad Thames
London SE1 2YU

Directors' report

The directors present their report and the financial statements for the year ended 31 March 2003.

Results and dividends

The profit and loss account is set out on page 6 and shows the loss before taxation for the year of £305,000 (2002 – £201,000). The directors do not recommend the payment of a dividend (2002 – £nil).

Principal activity and review of the business

The principal activity of the company is the operation of the Conran Shop in Conduit Street, London. The directors consider the results for the year to be satisfactory, in the context of a difficult economic environment.

Directors and their interests

The directors who held office 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 Shop Holdings Limited and Conran Holdings Limited, the intermediate and ultimate parent undertakings. The interests of the directors in the shares of these companies are disclosed in the financial statements of each of these companies.

On behalf of the Board

Director

29 October 2003

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 Collection Limited

We have audited the company's financial statements for the year ended 31 March 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, 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 Conran Collection 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 2003 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

29 OCTOBER 2003

Profit and loss account

for the year ended 31 March 2003

	Notes	2003 £000	2002 £000
Turnover	2	811	964
Cost of sales		(1,039)	(1,088)
Gross loss		(228)	(124)
Administrative expenses		(23)	(63)
Operating loss	3	(251)	(187)
Interest receivable	6	3	1
Interest payable	7	(57)	(15)
		(54)	(14)
Loss on ordinary activities before taxation		(305)	(201)
Tax on loss on ordinary activities	8	75	17
Loss on ordinary activities after taxation		(230)	(184)
Recognised loss for the financial year		(230)	(184)

Statement of total recognised gains and losses

for the year ended 31 March 2003

There are no recognised gains or losses other than the loss attributable to the shareholders of the company for the year of £230,000 (2002 – £184,000).

Balance sheet

at 31 March 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	9	474	554
Current assets			
Stocks	10	144	160
Debtors	11	79	66
Cash at bank and in hand		39	62
Creditors: amounts falling due within one year	12	262 (199)	288 (126)
Net current assets		63	162
Total assets less current liabilities		537	716
Creditors: amounts falling due after more than one year	13	(1,050)	(1,000)
Provision for deferred tax	14	(22)	(21)
		(535)	(305)
Shareholders' deficit			
Called up share capital	15	—	—
Capital reserve	16	1,092	1,092
Profit and loss account	16	(1,627)	(1,397)
		(535)	(305)

Approved by the Board

Director

29 October 2003

Notes to the financial statements

at 31 March 2003

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.

Turnover

Turnover comprises the value of sales of goods in the normal course of business excluding Value Added Tax.

Tangible fixed assets

Tangible fixed assets are included at cost, less accumulated depreciation.

Depreciation is charged on a straight line basis over the following periods:

Leasehold improvements	-	over the shorter of the period of the lease and 25 years
Fixtures, fittings and equipment	-	over 4 - 7 years

Stocks

Stocks consist of goods for resale and are valued at the lower of cost and net realisable value on a first-in, first-out basis.

Leases

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Cash flow statement

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

Pension costs

The Conran Shop Limited Money Purchase Plan is a defined contribution scheme administered by Prudential Financial Services Limited. The amount charged to the profit and loss account is the contribution payable in the year.

Taxation

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

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 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 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.

Notes to the financial statements

at 31 March 2003

2. Turnover

Turnover and operating loss are derived from retailing activities carried out within the UK.

3. Operating loss

Operating loss is stated after charging:

	2003 £000	2002 £000
Depreciation	80	79
Auditors' remuneration – audit	3	3
– other services	1	8
Operating leases – property	154	154
	<u>238</u>	<u>244</u>

4. 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.

5. Staff costs

Staff costs consist of:

	2003 £000	2002 £000
Wages and salaries	107	128
Social security	8	10
	<u>115</u>	<u>138</u>

The average full-time equivalent number of persons employed by the company during the year was 7 (2002 – 7).

6. Interest receivable

	2003 £000	2002 £000
Bank interest receivable	3	1
	<u>3</u>	<u>1</u>

Notes to the financial statements

at 31 March 2003

7. Interest payable

	2003 £000	2002 £000
Bank interest payable and similar charges	–	2
Interest payable to group undertakings	57	13
	<u>57</u>	<u>15</u>

8. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2003 £000	2002 £000
Current tax:		
UK corporation tax	(77)	(66)
Tax underprovided in previous years	1	36
Total current tax (note 8(b))	<u>(76)</u>	<u>(30)</u>
Deferred tax:		
Origination and reversal of timing differences	(2)	13
Tax underprovided in previous years	3	–
Total deferred tax (note 14)	<u>1</u>	<u>13</u>
Tax on loss on ordinary activities	<u>(75)</u>	<u>(17)</u>

(b) Factors affecting current tax credit

The tax assessed on the loss on ordinary activities for the year varies from the standard rate of corporation tax in the UK of 30% (2002 – 30%). The differences are reconciled below:

	2003 £000	2002 £000
Loss on ordinary activities before tax	(305)	(201)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK	(92)	(60)
Expenditure not deductible for tax purposes	11	10
Depreciation in excess of capital allowances/ (capital allowances for year in excess of depreciation)	2	(13)
Tax underprovided in previous years	1	36
Other short term timing differences	2	(3)
Total current tax (note 8(a))	<u>(76)</u>	<u>(30)</u>

Notes to the financial statements

at 31 March 2003

9. Tangible fixed assets

The net book value of tangible fixed assets comprises:

	<i>Leasehold improve- ments £000</i>	<i>Fixtures, fittings and equipment £000</i>	<i>Total £000</i>
Cost:			
At 1 April 2002	565	261	826
At 31 March 2003	565	261	826
Accumulated depreciation:			
At 1 April 2002	137	135	272
Provided during the year	38	42	80
At 31 March 2003	175	177	352
Net book value:			
At 31 March 2003	390	84	474
At 31 March 2002	428	126	554

10. Stocks

	<i>2003 £000</i>	<i>2002 £000</i>
Goods for resale	144	160

11. Debtors

	<i>2003 £000</i>	<i>2002 £000</i>
Amounts owed by group undertakings in respect of group relief	35	26
Prepayments and accrued income	44	40
	79	66

Notes to the financial statements

at 31 March 2003

12. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	59	16
Amounts owed to group undertakings	105	54
Amounts owed to group undertakings in respect of group relief	–	18
Other taxes and social security	8	19
Accruals and deferred income	27	19
	<u>199</u>	<u>126</u>

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

	2003 £000	2002 £000
Loan from immediate parent undertaking	1,050	1,000
	<u>1,050</u>	<u>1,000</u>

The loan from the company's immediate 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. In addition, the company will not be in a position to repay the major part of the loan until at least 12 months from the balance sheet date, and it is the immediate parent undertaking's current intention only to demand repayment when the company is able to meet such payments. Accordingly, the loan has been disclosed as due after more than one year.

14. Provision for deferred tax

The deferred tax included in the balance sheet is as follows:

	2003 £000	2002 £000
Accelerated capital allowances	22	21
Provision for deferred tax	<u>22</u>	<u>21</u>
	<u>£000</u>	<u>£000</u>
At 1 April	21	8
Deferred tax charge in profit and loss account	1	13
At 31 March	<u>22</u>	<u>21</u>

Notes to the financial statements

at 31 March 2003

15. Share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	1,000	1,000	2	2

16. Reconciliation of shareholders' deficit and movements on reserves

	<i>Capital reserve</i>	<i>Profit and loss account</i>	<i>Total share- holders' deficit</i>	<i>Total share- holders' deficit</i>
	<i>2003</i>	<i>2003</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 April	1,092	(1,397)	(305)	(1,213)
Loss after taxation	—	(230)	(230)	(184)
Capital contribution received	—	—	—	1,092
At 31 March	1,092	(1,627)	(535)	(305)

On 31 March 2002, the company's immediate parent undertaking, Conran Shop Holdings Limited, agreed to write down the loan owed by the company to £1,000,000. Under the terms of Financial Reporting Standard No. 4, this write down constituted a capital contribution by Conran Shop Holdings Limited to the company and, as such, the contribution was credited directly to a newly created capital reserve. The capital reserve forms part of the company's distributable reserves.

17. Guarantees and other financial commitments

(a) Pension commitments:

The company does not operate its own pension scheme. All employees are entitled to be members of the defined contribution pension scheme operated by The Conran Shop Limited. Details of the scheme are shown in the financial statements of that company. The pension costs charge for the year relating to this scheme was less than £1,000 in both financial years.

Notes to the financial statements

at 31 March 2003

17. Guarantees and other financial commitments (continued)

(b) Lease commitments:

The company leases certain land and buildings. The rents payable under these leases are subject to review at various intervals specified in the leases.

The current annual rentals under the foregoing leases are as follows:

	<i>Property</i>	<i>Property</i>
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
– after more than 5 years	154	154
	<u> </u>	<u> </u>

18. 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.

19. Ultimate parent undertaking

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

The ultimate parent undertaking is Conran Holdings Limited, registered in England and Wales.