

**Natuzzi United Kingdom Limited**

**Directors' report and financial  
statements**

**Registered number 4085911**

**31 December 2008**

FRIDAY



LD2

\*LRCGE188\*  
12/03/2010  
COMPANIES HOUSE

116

## **Contents**

Directors' report	1
Statement of directors' responsibilities with respect to the directors' report and the financial statements	2
Independent auditors' report to the members of Natuzzi United Kingdom Limited	3
Profit and loss account	5
Balance sheet	6
Notes	7

## Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2008

### Principal activity and review of business

The Company acts as the holding company of La Galleria Limited and Kingdom of Leather Limited

Following the transfer of the Kingdom of Leather business in 2006 to Natuzzi Services Limited and the cessation of trading in La Galleria Limited, a plan to put the company into liquidation was drawn up, although not implemented since then

As the directors intend to liquidate the company within 12 months of signing these accounts, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1

Since the year end the company has undergone an equity restructuring program to ensure that the company becomes solvent in advance of the planned liquidation. Following the restructuring and on the same date, the company issued 22,397,759 ordinary £1 shares in full settlement of £22,397,759 of intercompany loans payable to Natuzzi S p A

### Results and dividends

The results of the company's activities can be found on page 5 of the financial statements

The directors do not recommend the payment of a dividend (2007 £nil)

### Directors and their interests

The directors who held office during the period and since the period end were as follows

N Moore	(resigned 31 July 2008)
C Cavallo	(appointed 6 November 2008)
A M Burns	(appointed 6 November 2008)

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Auditors

Due to the planned liquidation of the company noted above, KPMG LLP will not be seeking reappointment as auditors

By order of the Board

A M Burns  
Director



Riverbridge House  
3065 Admirals Park  
Anchor Boulevard  
Crossways Business Park  
Dartford  
Kent  
DA2 6SL

Registered number 4085911

12th March 2010

## **Statement of directors' responsibilities with respect to the directors' report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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



## KPMG LLP

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

### **Independent auditors' report to the members of Natuzzi United Kingdom Limited**

We have audited the financial statements of Natuzzi United Kingdom Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein. These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements.

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 auditor's 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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.

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 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 auditor's report to the members of Natuzzi United Kingdom Limited (*continued*)**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended, and
- 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

KPMG LLP

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

12 March 2010

**Profit and loss account**  
*for the year ended 31 December 2008*

	<i>Note</i>	<b>2008 £000</b>	<b>2007 £000</b>
Administrative expenses		-	-
<b>Operating loss</b>		-	-
Interest payable and similar charges	5	(515)	(517)
<b>Loss on ordinary activities before taxation</b>	2	(515)	(517)
Tax on loss on ordinary activities	6	-	-
<b>Loss for the financial year</b>	11 12	(515)	(517)

A statement of total recognised gains and losses has not been included as part of these financial statements as the company made no gains or losses in the period other than disclosed above in the profit and loss account

A note on historical cost gains and losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis

The results stated above for 2008 and 2007 are all derived from discontinued operations as described in note 1

**Balance sheet**  
*at 31 December 2008*

	<i>Note</i>	<b>2008 £000</b>	<b>2007 £000</b>
<b>Current assets</b>			
Investments	7	-	-
Debtors	8	-	-
<b>Creditors: amounts falling due within one year</b>	9	<b>(11,102)</b>	<b>(10,587)</b>
<b>Net current liabilities</b>		<b>(11,102)</b>	<b>(10,587)</b>
<b>Capital and reserves</b>			
Called up share capital	10	78	78
Share premium	11	967	967
Profit and loss account	11	(12,147)	(11,632)
<b>Shareholders' deficit</b>	12	<b>(11,102)</b>	<b>(10,587)</b>

These financial statements were approved by the board of directors on  
 were signed on its behalf by

12th March 2010 and

**A M Burns**  
 Director





## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated accounts.

As 100% of the company's voting rights are controlled within the group headed by Natuzzi S.p.A., a company incorporated in Italy, the company has taken advantage of the exemption contained in FRS 8 and has therefore not included disclosure of transactions or balances which form part of the group. The consolidated financial statements of Natuzzi S.p.A., within which this company is included, can be obtained from the address given in note 14.

The financial statements have not been prepared on the going concern basis, as the directors do not believe it to be appropriate for the following reason. During the previous year the directors of the company and its ultimate parent undertaking, Natuzzi S.p.A. decided to put the company into liquidation and it remains their intention to do so in the next twelve months. Accordingly, these financial statements have been prepared on a break-up basis, the effects of which have been to record all balance sheet items as current assets and liabilities and to adjust their carrying value to their recoverable value.

#### ***Fixed asset investments***

The carrying value of investments is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### ***Taxation***

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Classification of financial instruments issued by the Company***

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### ***Dividends on shares presented within shareholders' funds***

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements. Dividend rights on the preferred ordinary shares are not considered to be at the discretion of the company.

### **2 Loss on ordinary activities before taxation**

In the current and preceding period the audit fee was borne by another group company Natuzzi Services Limited.

### **3 Remuneration of directors**

The directors' salaries are paid by another group company in the current and preceding period.

### **4 Staff numbers and costs**

The company had no employees other than the directors during the period.

## Notes (continued)

### 5 Interest payable and similar charges

	2008 £000	2007 £000
Finance costs on shares classified as liabilities	272	272
Interest payable on loans from group companies	243	245
	<u>515</u>	<u>517</u>

### 6 Taxation

#### Analysis of charge in period

	2008 £000	2007 £000
UK corporation tax	-	-
Tax on profit on ordinary activities	-	-

#### Factors affecting the tax charge for the current period

The current tax credit for the period is lower (2007: lower) than the standard rate of corporation tax in the UK (28.5% (2007: 30%)). The differences are explained below:

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(515)	(517)
Current tax at 28.5% (2007: 30%)	(147)	(155)
<i>Effects of</i>		
Expenses not deductible for tax purposes	147	155
Losses carried forward	-	-
Total current tax	-	-

Potential deferred tax assets of £28,722 (2007: £30,773) relating to tax losses carried forward have not been recognised in the financial statements. The deferred tax asset has not been recognized as a result of uncertainty over the timing of future profitability. Deferred tax assets have been calculated at 28% (2007: 30%).

## Notes (continued)

### 7 Investments

	Investment in subsidiary undertakings £000
<b>Cost</b>	
At 31 December 2007 and at 31 December 2008	8,668
<b>Provision for impairment</b>	
At 31 December 2007 and at 31 December 2008	(8,668)
<b>Net book value</b>	
At 31 December 2007 and at 31 December 2008	-

The companies in which Natuzzi United Kingdom Limited has an interest are as follows

Company	Country of incorporation	Class of share	Effective interest	Nature of business
Kingdom of Leather Limited	England and Wales	Ordinary	100%	*Furniture retail
La Galleria Limited	England and Wales	Ordinary	100%	*Furniture retail

\* The activities of the company's subsidiaries have been discontinued since the year ended 31 December 2006. These companies are due to be liquidated in the next 12 months.

### 8 Debtors

	2008 £000	2007 £000
Amounts due from subsidiary undertakings	563	563
Provision	(563)	(563)
	<u>-</u>	<u>-</u>

### 9 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to parent company	5,080	4,837
Shares classified as liabilities	3,935	3,935
Accrued dividends	2,087	1,815
	<u>11,102</u>	<u>10,587</u>

Included within shares classified as liabilities is £3,456,000 relating to share capital and £479,000 relating to share premium on preferred ordinary shares (See note 10)

**Notes (continued)**

**10 Called up share capital**

	2008 £	2007 £
<i>Authorised</i>		
76,655 ordinary shares of £1 each	76,655	76,655
108,986 3.907% convertible cumulative preferred ordinary shares of £1 each	108,986	108,986
3,596,774 8% cumulative redeemable preference shares of £1 each	3,596,774	3,596,774
2 deferred shares of £1 each	2	2
80,596 preferred ordinary shares of £0.01 each	806	806
	<u>3,783,223</u>	<u>3,783,223</u>
	2008 £000	2007 £000
<i>Allotted, called up and fully paid</i>		
76,655 Ordinary shares of £1 each	77	77
108,986 3.907% convertible cumulative preferred ordinary shares of £1 each	109	109
3,346,774 8% cumulative redeemable preference shares of £1 each	3,347	3,347
2 deferred shares of £1 each	-	-
80,596 preferred ordinary shares of £0.01 each	1	1
	<u>3,534</u>	<u>3,534</u>
Shares classified as liabilities	3,456	3,456
Shares classified in shareholders' funds	78	78
	<u>3,534</u>	<u>3,534</u>

***Convertible cumulative preferred ordinary shares***

The convertible cumulative preferred ordinary shares are convertible at the option of the holders, in the event of a change of control or certain other events, into ordinary shares on the basis of one ordinary share for one convertible cumulative preferred ordinary share. They carry the right to a dividend of 3.907% per annum payable half yearly in arrears on 30 June and 31 December. The shareholders are also entitled to a variable cumulative participating dividend of 12% of the group's adjusted profits as set out in the Articles of Association in respect of each financial year of the company ending on or after 30 June 2001.

The 3.907% dividends have not been paid but have been accrued in these financial statements.

The convertible cumulative preferred ordinary shares carry one vote per share. On a winding up of the company the holders of these shares have a right to receive, in preference to ordinary shareholders, £1 per share plus any accrued dividend.

***Preferred ordinary shares***

The preferred ordinary shares of £0.01 each rank pari passu with the existing preferred ordinary shares.

## Notes (continued)

### 10 Called up share capital (continued)

#### *Cumulative redeemable preference shares*

The cumulative redeemable preference shares carry the right to a dividend of 8% per annum payable half yearly in arrears on 30 June and 31 December. The repayments were structured as follows:

	Number of Shares
30 June 2002	750,000
30 June 2003	750,000
30 June 2004	596,774
30 June 2005	750,000
30 June 2006	500,000

There have been no repayments in respect of the preference share redemptions.

The cumulative redeemable preference shares are redeemable at their paid up value at the option of the company at any time. On a winding up of the company the holders of the cumulative redeemable preference shares have a right to receive, in preference to the ordinary shareholders, £1.00 per share plus any accrued dividend.

The cumulative redeemable preference shares carry no votes at meetings unless the dividends thereon or redemption thereof is six months or more in arrears, or on the occurrence of certain other events. In these events each holder will be entitled to one vote for each cumulative redeemable preference share held.

No dividends can be declared or paid on the ordinary shares or further dividends on the preferred ordinary shares without the consent of the preference shareholders or until all the preference shares have been redeemed.

After the redemption of the preference shares, the ordinary shares shall have the right to receive dividends equal to the amount of the preferred dividend and participating dividend on each preferred ordinary share.

#### *Deferred shares*

The deferred shares have no right to a dividend or to participate in the profits of the company, except on a sale, winding up of the company or other return of capital where the holders of the deferred shares are entitled to £455,968.

### 11 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At the beginning of the year	967	(11,632)
Loss for the year	-	(515)
	<hr/>	<hr/>
At the end of the year	967	(12,147)
	<hr/>	<hr/>

## Notes (continued)

### 12 Reconciliation of movement in shareholders' deficit

	2008 £000	2007 £000
Opening balance	(10,587)	(10,070)
Loss for the financial year	(515)	(517)
Shareholders' deficit carried forward	(11,102)	(10,587)

### 13 Commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2008 £000	2007 £000
Operating leases which expire In over five years	74	74

The expense of the operating lease is recharged to Natuzzi Services Limited a related company

Since the end of 2008 this lease has been transferred to Natuzzi Services Limited

### 14 Ultimate controlling party

The immediate parent undertaking is Natuzzi S p A, which is incorporated in Italy. Natuzzi S p A is also the ultimate parent undertaking and ultimate controlling party.

The smallest and largest group in which the results of the company are consolidated is that headed by Natuzzi S p A, a company incorporated in Italy and listed on the NYSE. The consolidated financial statements of Natuzzi S p A are available from Natuzzi S p A, Via Iazzitiello 47, 70029 Santeramo in Colle (BA), Italy.

### 15 Post balance sheet events

On the 25<sup>th</sup> November 2009 the UK group in which the company is a member underwent restructuring to ensure that the company became solvent prior to the proposed liquidation as stated in the director's report. Following the restructuring and on the same date, the company issued 22,397,759 ordinary £1 shares in full settlement of £22,397,759 of intercompany loans payable to Natuzzi S p A.