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H-A Interiors Limited

Report and Financial Statements

Year Ended

31 December 2008

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BDO Stoy Hayward
Chartered Accountants

H-A Interiors Limited

**Annual report and financial statements
for the year ended 31 December 2008**

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Directors

P G Walker
W Eisenhardt

Secretary and registered office

T Allen, Station Road, Cramlington, Northumberland, NE23 8HN

Company number

4161031

Auditors

BDO Stoy Hayward LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5RU

H-A Interiors Limited

Report of the directors for the year ended 31 December 2008

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year.

Principal activities, review of business and future developments

The company's principal activity is that of the manufacture and distribution of home decoration products, including self adhesive borders and stickers. Products are marketed under the Readyroll, Fablon, Alkor Venilia and Yard Art brand names.

Despite the significant deterioration in trading conditions during the second half of 2008, the business has achieved a profit for the second year running. There was a 3% decrease in turnover for the financial year, and the profit on ordinary activities after taxation was £39k compared to a profit of £181k in 2007. The strategy of the company, to concentrate on higher value products, has maintained good margins with gross profit at 38%. This is close to 2007 levels despite an increase proportion of sales being made to Alkor-Venilia Group companies.

The deterioration in trading conditions was primarily in the UK, where sales were £5.7m which was 17% down on 2007. The UK now represents 51% of total turnover.

Following on from a 13% increase in sales to the rest of Europe in 2007, there was a further increase of 27% in 2008. This is further evidence of the strength of the Alkor-Venilia Group throughout all of Europe. Over 90% of our rest of Europe sales now go through Group companies, who are marketing our products very successfully.

Outside Europe, sales reduced by 24%. This is due to the Alkor-Venilia group strategy of selling through a single group export department based in Austria.

Key performance indicators

The key performance indicators used by the company in addition to the net income include:

- Customer service efficiency target based on the correct and timely fulfillment of orders which was exceeded by 3.7%.
- Working capital utilisation based on budgeted balances against net sales which was improved upon with the actual utilisation reduced by 5.3%.

Principal risks and uncertainties

The market for decorative products within Western Europe deteriorated significantly towards the end of 2008 and remains highly competitive. Countries particularly badly affected are UK, Spain and Eire. It is difficult to assess how the world recession will develop and equally hard to know how the DIY sector will be affected. There is no question that 2009 will be a very difficult year for H-A Interiors, although the company will benefit from having almost 50% of sales outside the UK. It is critical that the company continues to develop new and innovative products in order to protect H-A Interiors from the full effect of the downturn.

Longer term, to ensure the company returns to growth, it is necessary to increase market share in the World's growing economies. As a result of the group export strategy, H-A Interiors is now better represented in these areas.

The company's main exchange rate risks relate to transactions in Euros and US Dollars and there were significant currency fluctuations during 2008 which are continuing in 2009. Fortunately the company is able to buy and sell similar amounts in both these currencies, minimising the risk to acceptable levels.

H-A Interiors Limited

Report of the directors for the year ended 31 December 2008 (continued)

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements. Wherever possible, the company obtains credit insurance. If this is not possible, the company has a policy of minimising exposure whilst not adversely affecting turnover.

The company monitors cash flow as part of its routine control procedures. The Board considers cash flow projections on a monthly basis and ensures that appropriate facilities are available to be drawn upon as necessary. The directors monitor the overall level of borrowings and interest cost to limit any adverse effects on the financial performance of the company. There is an interest rate risk, as variable rates are applied to the various forms of financing. There is a policy to keep within the defined limits of the debtor finance facility, such that the risk arising from a significant change in interest rates would not have a material impact on cashflow. Based on recent interest rate reductions and the latest projections, these are not deemed to pose significant risk in the immediate future.

Research and development activities

The company's research and development laboratories investigate new production methods and materials to both improve the quality and performance of existing products and provide opportunities for the introduction of new products.

Directors

The directors of the company during the year were:

P G Walker
D Mueser (resigned 6 April 2009)

W Eisenhardt was appointed as a director on 6 April 2009.

The company has made qualifying third party indemnity provisions for the benefit of certain directors and officers.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable 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 year. 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; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

H-A Interiors Limited

Report of the directors for the year ended 31 December 2008 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

T Allen



Secretary

7 May 2009

H-A Interiors Limited

Independent auditor's report

To the shareholders of H-A Interiors Limited

We have audited the financial statements of H-A Interiors Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 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.

H-A Interiors Limited

Independent auditor's report (*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 December 2008 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.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
Leeds

Date: *8 May 2009*

H-A Interiors Limited

Profit and loss account for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	2	11,236	11,579
Cost of sales		6,953	6,934
Gross profit		4,283	4,645
Distribution costs		1,389	1,441
Administrative expenses		3,014	3,087
		(120)	117
Other operating income		260	222
Operating profit	3	140	339
Other interest receivable and similar income	6	49	19
Interest payable and similar charges	7	(150)	(177)
Profit on ordinary activities before and after taxation for the financial year		39	181

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 9 to 19 form part of these financial statements.

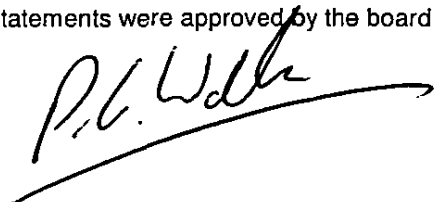
H-A Interiors Limited

Balance sheet at 31 December 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Intangible assets	9		771		867
Tangible assets	10		282		380
			<u>1,053</u>		<u>1,247</u>
Current assets					
Stocks	12	1,605		1,626	
Debtors	13	2,085		2,905	
Cash at bank and in hand		243		355	
		<u>3,933</u>		<u>4,886</u>	
Creditors: amounts falling due within one year	14	<u>3,900</u>		<u>5,030</u>	
Net current assets/(liabilities)			<u>33</u>		<u>(144)</u>
Total assets less current liabilities			<u>1,086</u>		<u>1,103</u>
Creditors: amounts falling due after more than one year	15		<u>28</u>		<u>84</u>
			<u>1,058</u>		<u>1,019</u>
Capital and reserves					
Called up share capital	17		2,600		2,600
Other reserves	18		3,925		3,925
Profit and loss account	18		(5,467)		(5,506)
Shareholders' funds	19		<u>1,058</u>		<u>1,019</u>

The financial statements were approved by the board of directors and authorised for issue on 7 May 2009.

P G Walker
Director



The notes on pages 9 to 19 form part of these financial statements.

H-A Interiors Limited

Cashflow statement for the year ended 31 December 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Net cash inflow from operating activities	23		209		504
Returns on investments and servicing of finance					
Interest received		49		19	
Interest paid: other loans		(150)		(177)	
Net cash outflow from returns on investments and servicing of finance			(101)		(158)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets			(164)		(212)
Cash (outflow)/inflow before use of financing			(56)		134
Financing					
New loans			-		140
Loans repaid			(56)		-
(Decrease)/increase in cash	24		(112)		274

The notes on pages 9 to 19 form part of these financial statements.

H-A Interiors Limited

Notes forming part of the financial statements for the year ended 31 December 2008

1 Accounting policies

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

The following principal accounting policies have been applied:

Consolidated financial statements

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 15 years.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers and is stated net of rebates and discounts.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Plant and machinery - 2 to 12.5 years

Stocks

Stocks are valued at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

H-A Interiors Limited

Notes forming part of the financial statements for the year ended 31 December 2008 (continued)

1 Accounting policies (continued)

Leased assets

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

2 Turnover

	2008 £'000	2007 £'000
Analysis by geographical market:		
United Kingdom	5,678	6,828
Rest of Europe	4,853	3,823
Rest of the world	705	928
	<u>11,236</u>	<u>11,579</u>

Turnover is wholly attributable to the principal activity of the company.

3 Operating profit

	2008 £'000	2007 £'000
This is arrived at after charging:		
Research and development - current year's expenditure	28	45
Depreciation of tangible fixed assets	262	172
Amortisation of positive goodwill	96	96
Hire of plant and machinery - operating leases	104	92
Hire of other assets - operating leases	180	140
Auditors' remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	15	14
Exchange differences	36	82
	<u> </u>	<u> </u>

H-A Interiors Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (continued)

4 Employees

Staff costs (including directors) consist of:

	2008 £'000	2007 £'000
Wages and salaries	2,592	2,708
Social security costs	243	294
Other pension costs	210	118
	<u>3,045</u>	<u>3,120</u>

The average number of employees (including directors) during the year was as follows:

	2008 Number	2007 Number
Production	73	71
Marketing and selling	26	29
Administration	17	16
	<u>116</u>	<u>116</u>

5 Directors' remuneration

	2008 £'000	2007 £'000
Directors' emoluments	97	154
Company contributions to money purchase pension schemes	12	5
	<u></u>	<u></u>

There was 1 director in the company's defined contribution pension scheme during the year (2007 - 2).

6 Other interest receivable and similar income

	2008 £'000	2007 £'000
Loans to group undertakings	47	17
Other interest	2	2
	<u>49</u>	<u>19</u>

H-A Interiors Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*continued*)

7 Interest payable and similar charges

	2008 £'000	2007 £'000
Other loans	3	7
Loans from group undertakings	107	116
Invoice discounting interest	40	54
	<u>150</u>	<u>177</u>

8 Taxation on profit on ordinary activities

	2008 £'000	2007 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to profit before tax.

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	<u>39</u>	<u>181</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28.50% (2007 - 30.00%)	11	54
Effect of:		
Expenses not deductible for tax purposes	29	31
Capital allowances for period in excess of depreciation	(100)	(159)
Short term timing differences	60	74
	<u>-</u>	<u>-</u>
Current tax charge for the year	-	-

H-A Interiors Limited

Notes forming part of the financial statements for the year ended 31 December 2008 *(continued)*

8 Taxation on profit on ordinary activities *(continued)*

Deferred taxation

The unrecognised deferred tax asset is set out below:

	2008 £'000	2007 £'000
Accelerated capital allowances	(2,487)	(2,769)
Sundry timing differences	(169)	(127)
Unutilised tax losses	(3,462)	(3,462)
	<u>(6,118)</u>	<u>(6,358)</u>

The deferred tax asset has not been recognised due to the uncertainty surrounding its future recovery against taxable profits.

9 Intangible fixed assets

	Purchased goodwill £'000
<i>Cost</i>	
At 1 January 2008 and 31 December 2008	1,447
	<u> </u>
<i>Amortisation</i>	
At 1 January 2008	580
Provided for the year	96
	<u> </u>
At 31 December 2008	676
	<u> </u>
<i>Net book value</i>	
At 31 December 2008	771
	<u> </u>
At 31 December 2007	867
	<u> </u>

H-A Interiors Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*continued*)

10 Tangible fixed assets

	Plant and machinery £'000
<i>Cost</i>	
At 1 January 2008	1,844
Additions	164
	<hr/>
At 31 December 2008	2,008
	<hr/>
<i>Depreciation</i>	
At 1 January 2008	1,464
Provided for the year	262
	<hr/>
At 31 December 2008	1,726
	<hr/>
<i>Net book value</i>	
At 31 December 2008	282
	<hr/>
At 31 December 2007	380
	<hr/>

11 Fixed asset investments

The principal subsidiary undertakings are as follows:

	Class of share capital held	Proportion of share capital held	Nature of business
Home Interiors Limited	Ordinary £1 Shares	100%	Non-trading
Decorative Direct Limited	Ordinary £1 Shares	100%	Non-trading

The total cost of investment in subsidiary undertakings is £2 (2007: £2). The aggregate share capital and reserves of both of the subsidiary undertakings is £1 (2007: £1). There was no profit or loss in either company in the current or comparative periods.

H-A Interiors Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 *(continued)*

12 Stocks

	2008 £'000	2007 £'000
Raw materials and consumables	258	396
Work in progress	47	42
Finished goods and goods for resale	1,300	1,188
	<u>1,605</u>	<u>1,626</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

13 Debtors

	2008 £'000	2007 £'000
Trade debtors	1,378	2,117
Amounts owed by group undertakings	577	731
Prepayments and accrued income	130	57
	<u>2,085</u>	<u>2,905</u>

All amounts shown under debtors fall due for payment within one year.

14 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank loans (secured)	56	56
Trade creditors	689	789
Amounts owed to group undertakings	1,141	1,857
Taxation and social security	108	129
Other creditors	64	82
Invoice discounting	368	832
Accruals and deferred income	1,474	1,285
	<u>3,900</u>	<u>5,030</u>

The invoice discounting facility is secured by a mortgage incorporating a fixed and floating charge over the assets of the company.

The bank loans are secured on the assets of the company.

H-A Interiors Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*continued*)

15 Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Bank loans (secured)	28	84
Maturity of debt:		
	Loans and overdrafts 2008 £'000	Loans and overdrafts 2007 £'000
In one year or less, or on demand	56	56
In more than one year but not more than two years	28	84

16 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £209,741 (2007 - £117,634). Since November 2007 the group has operated a group personal pension plan. Contributions amounting to £Nil (2007 - £17,808) were payable to the fund and are included in creditors.

17 Share capital

	Authorised 2008 £'000	2007 £'000	Allotted, called up and fully paid 2008 £'000	2007 £'000
2,600,000 Ordinary shares of £1 each	2,600	2,600	2,600	2,600

H-A Interiors Limited

Notes forming part of the financial statements for the year ended 31 December 2008 (continued)

18 Reserves

	Other reserves £'000	Profit and loss account £'000
At 1 January 2008	3,925	(5,506)
Profit for the year	-	39
	<u> </u>	<u> </u>
At 31 December 2008	<u>3,925</u>	<u>(5,467)</u>

The other reserves represent a capital contribution received by the company.

19 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
Profit for the year	39	181
Opening shareholders' funds	<u>1,019</u>	<u>838</u>
Closing shareholders' funds	<u>1,058</u>	<u>1,019</u>

20 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2008 £'000	Other 2008 £'000	Land and buildings 2007 £'000	Other 2007 £'000
Operating leases which expire:				
Within one year	35	10	140	2
In two to five years	<u>-</u>	<u>44</u>	<u>-</u>	<u>63</u>
	<u>35</u>	<u>54</u>	<u>140</u>	<u>65</u>

21 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Fortress Investment Group on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

H-A Interiors Limited

Notes forming part of the financial statements for the year ended 31 December 2008 *(continued)*

22 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of Alkor Venilia GmbH, incorporated in Germany, which is the immediate parent company.

The ultimate parent company is Fortress Investment Group, a company incorporated in the United States of America.

23 Reconciliation of operating profit to net cash inflow from operating activities

	2008 £'000	2007 £'000
Operating profit	140	339
Amortisation of intangible fixed assets	96	96
Depreciation of tangible fixed assets	262	172
Decrease/(increase) in stocks	21	(102)
Decrease/(increase) in debtors	820	(530)
(Decrease)/increase in creditors	(1,130)	529
	<hr/>	<hr/>
Net cash inflow from operating activities	209	504
	<hr/>	<hr/>

24 Reconciliation of net cash flow to movement in net funds

	2008 £'000	2007 £'000
(Decrease)/increase in cash	(112)	274
Cash inflow/(outflow) from changes in debt	56	(140)
	<hr/>	<hr/>
Movement in net funds resulting from cash flows	(56)	134
Opening net funds	215	81
	<hr/>	<hr/>
Closing net funds	159	215
	<hr/>	<hr/>

H-A Interiors Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*continued*)

25 Analysis of net funds

	At 1 January 2008 £'000	Cash flow £'000	Other non- cash items £'000	At 31 December 2008 £'000
Cash at bank and in hand	355	(112)	-	243
Debt due within one year	(56)	(56)	56	(56)
Debt due after one year	(84)	112	(56)	(28)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	215	(56)	-	159
	<u> </u>	<u> </u>	<u> </u>	<u> </u>