

5404942

Pennybridge Limited

Report and Financial Statements

Year Ended

31 December 2007



BDO

BDO Stoy Hayward
Chartered Accountants

Pennybridge Limited

Annual report and financial statements for the year ended 31 December 2007

Contents

Page

1	Report of the directors
4	Report of the independent auditors
6	Consolidated Profit and loss account
7	Consolidated Balance sheet
8	Company balance sheet
9	Consolidated cash flow statement
10	Notes forming part of the financial statements

Directors

J C Kay
M L Widders

Secretary and registered office

M L Widders, Number One, the Bee Hive, Shadsworth Business Park, Blackburn, BB1 2QS

Company number

5404942

Auditors

BDO Stoy Hayward LLP, Commercial Buildings, 11-15 Cross Street, Manchester, M2 1WE

Pennybridge Limited

Report of the directors for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007

Results and dividends

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

Principal activities, trading review and future developments

The principal activity of the group is the design and distribution of home furnishings

Review of the business and future developments

Trading during 2007 has shown steady progress over 2006, but has still been challenging in the light of continued difficult market conditions and the Administration of the group's main supplier Premier Decorative Products Limited on 2 November 2006

New supply sources have now been secured for all the group's products and the directors are confident of the trading prospects for 2008

The focus for 2008 is maintaining and increasing sales volumes by ensuring service to customers, whilst reducing costs and focusing on profitable lines of business

Principal risks and uncertainties

The principal uncertainty associated with the business is the level of sales and gross margins achieved

The directors monitor performance through the production of a detailed annual budget, then comparing performance against this budget. This will be revisited throughout the year to identify deviations and enable remedial actions to be identified if necessary

Key performance indicators

Additionally the directors monitor key performance indicators to ensure they are within acceptable parameters, these include

- Sales volumes and average sales prices per roll
- Gross profit percentage by product and customer
- Levels of spend on distribution and administration costs
- Cash generated from operating activities

Charitable and political contributions

During the year the group made charitable contributions of £2,986 (2006 - £2,600). There were no political contributions

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

Pennybridge Limited

Report of the directors for the year ended 31 December 2007 (Continued)

Employee involvement

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees. This is achieved through formal and informal meetings. Employees' representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Policy and practice on the payment of creditors

The group has a policy of determining terms of payment with its suppliers when agreeing the terms of transactions and of ensuring suppliers are made aware of them.

The number of average days purchases of the group represented by trade creditors at 31 December 2007 was 24 (2006- 24).

Directors

The directors of the company during the year were

J C Kay
M L Widders

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company or its immediate and ultimate parent undertaking.

According to the register of directors' interest, no rights to subscribe for shares in or debentures of the company or its immediate and ultimate parent undertaking were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

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 group and company and of the profit or loss of the group 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pennybridge Limited

Report of the directors for the year ended 31 December 2007 (*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



M L Widders
Secretary

Date 26 October 2008

Pennybridge Limited

Report of the independent auditors

To the shareholders of Pennybridge Limited

We have audited the financial statements of Pennybridge Limited for the year ended 31 December 2007 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. We also report to you if, in our opinion, the directors' report is not consistent with those 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 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 group and 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.

Pennybridge Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007,
- 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
*Chartered Accountants
and Registered Auditors*
Manchester

Date 

Pennybridge Limited

Consolidated profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover	2	13,649	22,881
Cost of sales		10,060	18,419
Gross profit		3,589	4,462
Distribution costs		2,295	2,944
Administrative expenses		3,675	3,699
Group operating loss	3	(2,381)	(2,181)
Interest payable and similar charges	6	(720)	(692)
Loss on ordinary activities before and after taxation for the financial year/period		(3,101)	(2,873)

All amounts relate to continuing activities

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

The notes on pages 10 to 21 form part of these financial statements

Pennybridge Limited

Consolidated balance sheet at 31 December 2007

	Note	2007	2007	2006	2006
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	9		846		846
Tangible assets	10		714		1,279
			<u>1,560</u>		<u>2,125</u>
Current assets					
Stocks	12	2,549		3,444	
Debtors	13	2,862		4,566	
Cash at bank and in hand		95		500	
		<u>5,506</u>		<u>8,510</u>	
Creditors amounts falling due within one year	14	<u>8,429</u>		<u>10,397</u>	
Net current liabilities			<u>(2,923)</u>		<u>(1,887)</u>
Total assets less current liabilities			<u>(1,363)</u>		<u>238</u>
Creditors amounts falling due after more than one year					
Preference shares	15	5,000		5,000	
Other	15	4,300		2,800	
		<u></u>	<u>9,300</u>	<u></u>	<u>7,800</u>
			<u>(10,663)</u>		<u>(7,562)</u>
Capital and reserves					
Profit and loss account	18		<u>(10,663)</u>		<u>(7,562)</u>
Shareholders' funds	19		<u>(10,663)</u>		<u>(7,562)</u>

The financial statements were approved by the board of directors and authorised for issue on [date] 26 October 2008



M L Widders
Director

The notes on pages 10 to 21 form part of these financial statements

Pennybridge Limited

Company balance sheet at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Fixed asset investment	11	-	-
		<hr/>	<hr/>
Current assets			
Total assets less current liabilities		-	-
		<hr/>	<hr/>
Capital and reserves			
		<hr/>	<hr/>
Shareholders' funds	19	-	-
		<hr/>	<hr/>

The financial statements were approved by the board of directors and authorised for issue on [date] 28 October 2008



M L Widders
Director

The notes on pages 10 to 21 form part of these financial statements

Pennybridge Limited

Consolidated cash flow statement for the year 31 December 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Net cash (outflow)/inflow from operating activities	23		(257)		(981)
Returns on investments and servicing of finance					
Interest paid		(414)		(376)	
Interest paid hire purchase		(6)		(16)	
Net cash outflow from returns on investments and serving of finance			(420)		(392)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(13)		(27)	
Payments to acquire intangible fixed assets		(50)		-	
Net cash outflow from capital expenditure and financial investment			(63)		(27)
Acquisitions and disposals					
Payments to acquire trade and assets		-		-	
Cash acquired with trade and assets		-		-	
Net cash outflow from acquisitions and disposals			-		-
Cash outflow before financing			(740)		(1,400)
Financing					
Capital element of finance leases repaid			(323)		(474)
Advance of loan from related undertaking			1,500		2,300
Increase/(decrease) in cash	24		437		426

The notes on pages 10 to 21 form part of these financial statements

Pennybridge Limited

Notes forming part of the financial statements for the year ended 31 December 2007

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

Going concern

At 31 December 2007, the group had net liabilities of £10.7m and had made a loss in the period of £3.1m. The directors have prepared projections that demonstrate the group can continue trading for the foreseeable future having regards to ongoing support from its investors and expectations of improving profitability. For these reasons, the accounts have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the results of Pennybridge Limited and all of its subsidiary undertakings as at 31 December 2007 using the merger method of accounting following a group reconstruction.

The investments in the subsidiary undertakings are recorded in the Company's balance sheet at the nominal value of the shares issued.

In the consolidated financial statements, the merged subsidiary undertakings are treated as if they had always been members of the Group. The financial statements reflect the position that would have arisen as if the Company and the subsidiary undertakings had been combined throughout the relevant periods.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax.

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, machinery and motor vehicles - 3 – 25 years

Intangible assets

Purchased intangible fixed assets are capitalised within fixed assets at cost and are amortised evenly over their expected useful lives. It is calculated at the following rate:

Intellectual property licenses - 20 years

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Significant estimating techniques are used by the directors in the valuation of net realisable value.

Pennybridge Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

1 Accounting policies (*Continued*)

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

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 group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet dates. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

All other differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

Pennybridge Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

1 Accounting policies (Continued)

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

Related party disclosure

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosures', not to disclose transactions with members or investees of the group headed by Pennybridge Limited 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

2 Turnover

	2007 £'000	2006 £'000
Analysis by geographical market		
United Kingdom	11,779	15,616
North America	419	1,739
Rest of the world	1,451	5,526
	<u>13,649</u>	<u>22,881</u>

Turnover is wholly attributable to the principal activity of the group and originated wholly in the United Kingdom

3 Operating loss

	2007 £'000	2006 £'000
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	156	148
Loss on disposal of fixed assets	163	-
Impairment of tangible fixed assets	259	-
Amortisation of other intangible fixed assets	50	50
Hire of plant and machinery – operating leases	74	111
Auditors' remuneration		
Group – audit services	12	16
Group – non audit services	-	1
Exchange differences	25	166
	<u></u>	<u></u>

Included in the group audit fee is an amount of £nil (2006 - £nil) in respect of the company

Pennybridge Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

4 Employees

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Staff costs (including directors) consist of				
Wages and salaries	1,333	1,541	-	-
Social security costs	141	159	-	-
Other pension costs	59	65	-	-
	<u>1,533</u>	<u>1,765</u>	<u>-</u>	<u>-</u>

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

	Group 2007 Number	Group 2006 Number	Company 2007 Number	Company 2006 Number
Distribution	1	1	-	-
Sales	11	13	-	-
Administration	29	37	-	-
Production	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>45</u>	<u>51</u>	<u>-</u>	<u>-</u>

5 Directors' remuneration

	2007 £'000	2006 £'000
Emoluments	112	109
Company contributions to money purchase pension schemes	<u>8</u>	<u>8</u>

There was 1 director in the Group's defined contribution pension scheme during the year (2006 – 1)

6 Interest payable and similar charges

	2007 £'000	2006 £'000
Bank loans and overdrafts	414	376
Finance leases and hire purchase contracts	6	16
Preference share dividends	<u>300</u>	<u>300</u>
	<u>720</u>	<u>692</u>

Pennybridge Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

7 Taxation on loss on ordinary activities

	2007 £'000	2006 £'000
<i>UK corporation tax</i>		
Current tax on loss for the year	-	-

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(3,101)	(2,873)

	2007 £'000	2006 £'000
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	(930)	(862)
Effect of		
Expenses not deductible for tax purposes	75	101
Capital allowances for period in excess of depreciation	131	-
Utilisation of tax losses	-	(11)
Group relief surrendered before payment	724	747
Short term timing differences	-	-
Unrelieved tax losses and other deductions	-	25
	-	-

8 Profit for the financial year

The company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a loss after tax of £nil (2006 - £nil) which is dealt with in the financial statements of the parent company.

Pennybridge Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

9 Intangible assets

	Intellectual property licenses £'000
Group	
<i>Cost</i>	
At 1 January 2007	946
Additions	50
	<hr/>
At 31 December 2007	996
	<hr/>
<i>Amortisation</i>	
At 1 January 2007	100
Provided for the year	50
	<hr/>
At 31 December 2007	150
	<hr/>
<i>Net book value</i>	
At 31 December 2007	846
	<hr/>
At 31 December 2006	846
	<hr/>

10 Tangible assets

	Plant and machinery £'000
Group	
<i>Cost</i>	
At 1 January 2007	1,573
Additions	13
Disposals	(179)
	<hr/>
At 31 December 2007	1,407
	<hr/>
<i>Depreciation</i>	
At 1 January 2007	294
Provided for the year	156
Impairment for the year	259
Disposals	(16)
	<hr/>
At 31 December 2007	693
	<hr/>
<i>Net book value</i>	
At 31 December 2007	714
	<hr/>
At 31 December 2006	1,279
	<hr/>

Pennybridge Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

10 Tangible assets (continued)

The net book value of tangible fixed assets includes an amount of £nil (2006 - £430,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £nil (2006 - £63,000)

11 Fixed asset investments

Company	Group undertakings £'000
---------	-----------------------------

Cost

At 1 January 2007 and 31 December 2007

-

Subsidiary undertakings

The principal undertakings in which the company's interest at the year end is 20% or more as follows

	Country of Incorporation Or registration	Class of share capital held	Proportion of share capital held	Nature of business
CWV Limited	England and Wales	Ordinary	100%	Design and distribution of home furnishings
CWV Group LLC	United States	Ordinary	100%	*Dormant
Crown Wallpapers Limited	England and Wales	Ordinary	100%	*Dormant
CWVA Limited	England and Wales	Ordinary	100%	*Dormant
John Wilman Ltd	England and Wales	Ordinary	100%	*Dormant

The results of all of the above undertakings are included in the consolidated accounts

* Interest held by subsidiary undertaking

12 Stocks

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Finished goods and goods for resale	2,549	3,444	-	-

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

Pennybridge Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

13 Debtors

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Trade debtors	2,752	3,887	-	-
Prepayments and accrued income	110	185	-	-
Other debtors	-	494	-	-
	<u>2,862</u>	<u>4,566</u>	<u>-</u>	<u>-</u>

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

14 Creditors amounts falling due within one year

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Bank overdraft (secured)	6,301	7,143	-	-
Trade creditors	551	755	-	-
Amounts owed to related undertakings	-	564	-	-
Taxation and social security	45	62	-	-
Obligations under finance lease and hire purchase contracts	-	323	-	-
Other creditors	1,532	1,550	-	-
	<u>8,429</u>	<u>10,397</u>	<u>-</u>	<u>-</u>

The bank overdraft is secured by way of a fixed and floating charge over the assets of the group

Included in other creditors are arrears of fixed cumulative dividends of £786,000 which comprises £186,000 in respect of 2005, £300,000 in respect of 2006 and £300,000 in respect of 2007

Pennybridge Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

15 Creditors amounts falling due after more than one year

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Preference shares (see note 17)	5,000	5,000	-	-
Other				
Amounts owed to related undertakings	4,300	2,800	-	-
Obligations under finance lease and hire purchase contracts	-	-	-	-
	<u>4,300</u>	<u>2,800</u>	<u>-</u>	<u>-</u>

Maturity of debt

Group

	Loans and Overdrafts £'000	Loans and Overdrafts £'000	Finance Leases £'000	Finance Leases £'000
In one year or less, or on demand	6,301	7,143	-	323
In more than one year but no more than two years	5,000	5,000	-	-

16 Provisions for liabilities

Group and company

Deferred taxation

There is no provision for deferred taxation. The amounts not provided are set out below

	2007 £'000	2006 £'000
Accelerated capital allowances	86	217
Sundry timing differences	(16)	(16)
	<u>70</u>	<u>201</u>
Utilised tax losses	(752)	(752)
	<u>(682)</u>	<u>(551)</u>

A deferred tax asset has not been recognised in accordance with generally accepted practice as it is not considered appropriate to recognise an asset

Pennybridge Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

17 Share capital	Authorised		Allotted, called up and full paid	
	2007 £	2006 £	2007 £	2006 £
Ordinary shares of £1 each	1,000	1,000	1	1
Redeemable preference shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000
	<u>5,001,000</u>	<u>5,001,000</u>		

In accordance with FRS25, 'Financial instruments, disclosures and presentation' the preference shares represent liabilities and are included within creditors

The preference shares are redeemable at the earlier of a sale, listing or the administration or liquidation of the company or 1 November 2009. They carry a fixed cumulative dividend of 6% per annum, which under FRS25, is included in the profit and loss account as interest

18 Reserves

Group	Profit and loss account £'000
At 1 January 2007	(7,562)
Loss for the year	(3,101)
At 31 December 2007	<u>(10,663)</u>

19 Reconciliation of movements in shareholders' funds

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Loss for the year	(3,101)	(2,873)	-	-
Opening shareholders' funds	<u>(7,562)</u>	<u>(4,689)</u>	<u>-</u>	<u>-</u>
Closing shareholders' funds	<u>(10,663)</u>	<u>(7,562)</u>	<u>-</u>	<u>-</u>

Pennybridge Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

20 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £59,000 (2006 - £63,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

21 Commitments under operating leases

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

	2007 Other £'000	2006 Other £'000
Operating leases which expire		
Within one year	45	75
In two to five years	46	56
	<u>91</u>	<u>131</u>

22 Related party disclosures

Related party transactions and balances

During the period the group made purchases totalling £nil (2006 - £14,375,000) from Premier Decorative Products Limited. The balance owed to Premier Decorative Products Limited by the group at 31 December 2007 was £nil (2006 - £564,000).

At 31 December 2007 a loan of £4,300,000 (2006 - £2,800,000) was due to Guild Ventures Limited. The loan is interest free and whilst no fixed repayment period has been agreed, is repayable after more than one year.

During the period the group paid rent of £159,000 (2006 - £196,000) to Northern Trust Company Limited.

The ultimate holding company of Premier Decorative Products Limited, Northern Trust Company Limited and Guild Ventures Limited is Wordon Limited, being the same as that of Pennybridge Limited.

23 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2007 £'000	2006 £'000
Operating loss	(2,381)	(2,181)
Amortisation of intangible fixed assets	50	50
Depreciation of tangible fixed assets	156	148
Impairment of fixed assets	259	-
Loss on disposal of fixed assets	163	-
Decrease in stocks	895	854
(Increase)/decrease in debtors	1,704	(59)
Increase/(decrease) in creditors	(1,103)	207
Net cash (outflow)/inflow from operating activities	<u>(257)</u>	<u>(981)</u>

Pennybridge Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

24 Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 £'000
Increase/(decrease) in cash	437	426
Cash inflow from changes in debt	(1,177)	(1,826)
Movement in net debt resulting from cash flows	(740)	(1,400)
Opening net (debt)/funds	(14,766)	(13,366)
Closing net debt	(15,506)	(14,766)

25 Analysis of net debt

	At 1 January 2007 £'000	Cash flow £'000	At 31 December 2007 £'000
Cash at bank and in hand	500	(405)	95
Bank overdraft	(7,143)	842	(6,301)
		437	
Debt due within one year	(2,800)	(1,500)	(4,300)
Debt due after one year	(5,000)	-	(5,000)
Finance leases	(323)	323	-
		(1,177)	
Total	(14,766)	(740)	(15,506)

26 Ultimate parent company and parent undertaking of larger group

At 31 December 2007, the company's ultimate controlling party is Wordon Limited, a company incorporated in the Isle of Man and wholly owned by the family interests of Mr TJ Hemmings. Wordon Limited does not prepare consolidated accounts.