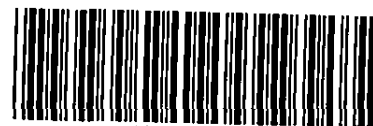


A.S. Creation (UK) Limited
Directors' report and financial
statements
Registered number 03339492
31 December 2008

TUESDAY



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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of A.S. Creation (UK) Limited	4
Profit and loss account	6
Balance sheet	7
Notes	8

Directors' report

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

Principal activities

The principal activity of the company during the year was that of the import and wholesale distribution of wallcoverings and fabrics.

Business review

A.S. Creation (UK) Limited experienced an increase in turnover of 12.1% in 2008. The rise in sales was in line with expectations for the year.

The growth in the business is due to two key reasons.

Firstly, the wallpaper collections launched in 2008 performed well in the UK market. In addition, the business also benefitted from wallcoverings becoming a fashionable product and thereby receiving a renewed interest from consumers.

In the current economic climate pressures at retail level are considered a risk to the company. Although to date UK wallcovering retailers have not been greatly affected by the economic downturn, we are acutely aware this situation could change very rapidly within our own customer base. We are managing this risk by ensuring all areas of our business remain competitive and costs are kept to a minimum in order to maximise future results.

In the light of the overall market performance, the directors are satisfied with the result for the year and the financial position of the company at the year end, as disclosed in the attached financial statements.

Donations

The company made no political or charitable donations during the year (2007: *£nil*).

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

J Kamper
S D Wilson

Directors' report *(continued)*

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 each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



S D Wilson
Director

3 Temple Square
Liverpool
Merseyside
L2 5BA

Statement of directors' responsibilities in respect of 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 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditors' report to the members of A.S. Creation (UK) Limited

We have audited the financial statements of A.S. Creation (UK) 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.

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 3.

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 auditors' report to the members of A.S. Creation (UK) 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 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26th March 2009

Profit and loss account

for the year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	2	1,870,854	1,668,865
Cost of sales		(1,372,874)	(1,235,231)
Gross profit		497,980	433,634
Distribution costs		(58,286)	(72,001)
Administrative expenses		(544,126)	(548,519)
Other operating income	3	223,377	220,628
Operating Profit	4	118,945	33,742
Interest receivable	5	2,837	3,613
Profit on ordinary activities before taxation		121,782	37,355
Tax on Profit on ordinary activities	8	37,986	-
Profit for the financial year		159,768	37,355

All of the activities of the company are classed as continuing. The company has no recognised gains or losses other than the profit for the period as set out above, therefore no separate statement of gains or losses has been prepared.


Balance sheet

As at 31 December 2008

		2008	2007
		£	£
Fixed assets			
Tangible assets	9	29,420	18,654
Current assets			
Stocks	10	-	17,869
Debtors	11	327,312	320,750
Deferred tax asset	8	37,986	-
Cash at bank and in hand		96,651	140,170
		<u>461,949</u>	<u>478,789</u>
Creditors: amounts falling due within one year	12	<u>(542,630)</u>	<u>(708,472)</u>
Net current liabilities		<u>(80,681)</u>	<u>(229,683)</u>
Total liabilities		<u>(51,261)</u>	<u>(211,029)</u>
Capital and reserves			
Called up share capital	14	100,000	100,000
Profit and loss account	15	(151,261)	(311,029)
Shareholders' deficit	16	<u>(51,261)</u>	<u>(211,029)</u>

These financial statements were approved by the board of directors on 6th March 2009 and were signed on its behalf by:


J Kamper
Director


S D Wilson
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 financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company's parent, A.S. Création Tapeten AG, has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

As the Company is a wholly owned subsidiary of A.S. Création Tapeten AG, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of A.S. Création Tapeten AG, within which this Company is included, can be obtained from the address given in note 17.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Motor Vehicles	-	33% per annum of cost
Office equipment	-	50% per annum of cost

Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the period.

Notes (continued)

2 Turnover

The turnover is attributable to the import and wholesale distribution of wall-coverings and fabrics.

	2008 £	2007 £
United Kingdom	1,867,523	1,663,208
Western Europe excluding UK	3,331	5,657
	<u>1,870,854</u>	<u>1,668,865</u>

3 Other operating income

The other operating income of £223,377 (2007: £220,628) represents income earned for services provided to group undertakings.

4 Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging:

	2008 £	2007 £
Depreciation of owned fixed assets	21,438	19,367
Auditors' remuneration		
- audit of these financial statements	8,850	9,000
- taxation	2,750	2,625
- other services	-	2,200
Hire of other assets- rentals payable under operating leases	<u>16,180</u>	<u>15,280</u>

Notes (continued)

5 Interest receivable

	2008 £	2007 £
Bank interest receivable	2,837	3,613

6 Staff numbers and costs

The average number of persons of equivalent full time employed by the company (including directors) during the year amounted to:

	Number of employees	
	2008	2007
Administrative staff	4.5	4.5
Sales staff	5	5
	9.5	9.5

The aggregate payroll costs of these persons were as follows:

	2008 £	2007 £
Wages and salaries	289,396	264,888
Social security costs	33,702	33,521
	323,098	298,409

7 Remuneration of directors

	2008 £	2007 £
Directors' emoluments	73,146	64,363

Notes (continued)

8 Tax on profit on ordinary activities

	2008	2007
	£	£
UK corporation tax		
Current tax on income for the period	-	-
Deferred tax		
Origination and reversal of timing differences	(37,986)	-
Total current tax charge	(37,986)	-

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

	2008	2007
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	121,782	37,355
Current tax at 28.5% (2007: 30 %)	34,708	11,207
Effects of:		
Expenses not deductible for tax purposes	1,042	1,632
Depreciation for the year in excess of capital allowances	-	5,987
Capital allowances for the year in excess of depreciation	(846)	-
Other timing differences	4,178	(3,085)
Movement in tax losses	(38,455)	(15,741)
Effect on movement in deferred tax balances due to hybrid rate	(627)	-
Total current tax charge (see above)	-	-

Tax losses carried forward total £83,115 (2007: £ 206,321) subject to the agreement of HM Revenue and Customs.

Deferred Tax Provision

	Deferred taxation £
At beginning of period	-
Adjustment in respect of prior periods	-
Credit to the profit and loss for the period	(37,986)
At end of period	(37,986)

Notes (continued)

8 Tax on profit on ordinary activities (continued)

Deferred Tax	2008		2007	
	£ Provided	£ Unprovided	£ Provided	£ Unprovided
Accelerated capital allowances	(10,009)	-	-	(14,813)
Short term timing differences	(4,705)	-	-	(526)
Losses	(23,272)	-	-	(57,770)
	<u>(37,986)</u>	<u>-</u>	<u>-</u>	<u>(73,109)</u>

The UK corporation tax rate has been reduced from 30% to 28% with effect from 1 April 2008.

9 Tangible fixed assets

	Office equipment £	Motor vehicles £	Total £
Cost			
At beginning of year	22,851	71,523	94,374
Additions	3,556	28,653	32,209
Disposals	(2,380)	(29,018)	(31,398)
At end of year	<u>24,027</u>	<u>71,158</u>	<u>95,185</u>
Depreciation			
At beginning of year	17,784	57,936	75,720
Charge for year	4,293	17,145	21,438
Disposals	(2,380)	(29,013)	(31,393)
At end of year	<u>19,697</u>	<u>46,068</u>	<u>65,765</u>
Net book value			
At 31 December 2008	<u>4,330</u>	<u>25,090</u>	<u>29,420</u>
At 31 December 2007	<u>5,067</u>	<u>13,587</u>	<u>18,654</u>

10 Stocks

	2008 £	2007 £
Fabric samples and books	-	17,869

Notes (continued)

11 Debtors

	2008 £	2007 £
Trade debtors	297,463	261,096
Other debtors	22,911	39,506
Prepayments	6,938	20,148
	<u>327,312</u>	<u>320,750</u>

Of the amounts included within other debtors at 31 December 2008, £15,031 (2007: £19,831) is due after more than one year.

12 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	6,592	6,546
Amounts owed to group undertakings	405,964	586,534
Social security and other taxes	82,694	78,391
Accruals and deferred income	47,380	37,001
	<u>542,630</u>	<u>708,472</u>

13 Commitments

At 31 December 2008 and 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows:

	2008		2007	
	Land & buildings £	Other £	Land & buildings £	Other £
Operating leases which expire:				
Within one year	<u>1,390</u>	<u>-</u>	<u>1,290</u>	<u>-</u>

14 Called up share capital

	2008 £	2007 £
<i>Authorised</i>		
200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
<i>Allocated, called up and fully paid</i>		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Notes (continued)

15 Profit and loss account

	2008 £	2007 £
At beginning of year	(311,029)	(348,384)
Profit for the year	159,768	37,355
	<hr/>	<hr/>
At end of year	(151,261)	(311,029)
	<hr/>	<hr/>

16 Reconciliation of movement in shareholders' funds

	2008 £	2007 £
Profit for the financial year	159,768	37,355
	<hr/>	<hr/>
Net reduction of shareholders' equity deficit	159,768	37,355
Opening shareholders' equity deficit	(211,029)	(248,384)
	<hr/>	<hr/>
Closing shareholders' deficit	(51,261)	(211,029)
	<hr/>	<hr/>

17 Ultimate parent company and related party transactions

The Company is a subsidiary undertaking of A.S. Création Tapeten AG which is the ultimate parent company incorporated in Germany.

The largest and smallest group in which the results of the Company are consolidated is that headed by A.S. Création Tapeten AG, incorporated in Germany. No other group financial statements include the results of the Company. The consolidated financial statements of this group is available to the public and may be obtained from: Suedstrasse 47, D-51645 Gummersbach-Derschlag.

Amounts owed to group undertakings as at 31 December 2008 are as follows:

	2008 £	2007 £
A.S. Création Tapeten AG	405,561	569,261
Indes Wohntextil GmbH	403	17,032
Fuggerhaus Stoffe GmbH	-	241
	<hr/>	<hr/>
	405,964	586,534
	<hr/>	<hr/>