

**Dawson Home Group Limited (formerly known as  
Dorma Group Limited)**

**Directors' report and financial  
statements**

**Registered number 00011136  
29 December 2007**

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## **Directors' report**

The directors present their directors' report and financial statements for the year ended 29 December 2007

### **Principal activities**

The company has been engaged during the year in textile designing, distributing and retailing

### **Business review**

Sales for the year were £44,868,000 compared to £48,513,000 for the year to 30 December 2006

The financial performance of the business was disappointing in the first half of the year. The merchandise delivered for the spring summer season did not meet expectations. This resulted in a large amount of inventory being cleared at discounted prices, thus compounding the lower sales levels with reduced margins. 2007 saw the launch of the new internet site, however this went live later than expected and combined with a lower uptake from catalogue activity impacted sales.

The second half of the year saw a marked improvement, with the autumn winter ranges performing well. The Mail Order business performed poorly due to changes in market positioning of certain of the major catalogues. A number of underperforming retail stores were closed which reduced overheads and improved profit contribution.

Looking to 2008 the business is well placed from the initiatives taken to build on the recent progress. A number of other under performing retail stores are planned for closure during the year which will improve the profitability of that channel. With lower levels of clearance inventory expected the wholesale business is expected to perform significantly better. On the Mail Order side this has been restructured to the changing market conditions and the new internet site is showing encouraging signs of growth.

In August the business moved from the site in Swinton to new modern premises in Ardwick with custom built showroom facilities.

On 29 July 2008 the company announced the sale of the Dorma trademark and associated rights to Dunelm Group plc for a consideration of £5 million. As a result the company will exit from the Dorma Branded business by January 2011 and will incur cash exit costs estimated at £3.3m. As the Dorma Branded business is currently unprofitable, this should improve the future profitability of the Group. The company will retain the profitable Private Label bed linen business and has entered into a trading agreement to supply Dunelm with bed linen products for an initial period of four years with certain minimum guarantees.

On 19 August 2008 the company changed its name from Dorma Group Limited to Dawson Home Group Limited.

### **Fixed assets**

The changes which have taken place during the year are set out in note 10 to the financial statements.

### **Results and dividends**

The loss for the year after taxation is £3,051,000 (2006 £3,403,000 loss). The directors do not recommend the payment of a dividend.

### **Directors and directors' interests**

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

M G Hartley  
D G Cooper  
A D Bartmess

### **Political and charitable contributions**

£1,295 was paid out to UK charities in the year (2006 £366). No political donations were made during the year.

## **Directors' report** *(continued)*

### **Employees**

For the year ended 29 December 2007 the company complied with the employment policies of the Dawson International Group which are set out in that company's directors' report

It is the company's policy to offer equal opportunity to disabled persons applying for vacancies and provide them with the same opportunities for employment, training, career development and promotion that are available to all employees within the limitations of their aptitude and abilities

### **Payment of suppliers**

It is company policy to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier. At the year end there were 48 days (2006 42 days) purchases in trade creditors

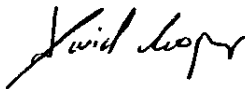
### **Disclosure of information to auditors**

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 Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board



**D G Cooper**  
*Director*

28 October 2008

Building Five  
Universal Square  
Devonshire Street  
Ardwick  
Manchester M12 6JH

## **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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## KPMG Audit Plc

St James' Square  
Manchester  
M2 6DS  
United Kingdom

### **Independent auditors' report to the members of Dawson Home Group Limited (formerly known as Dorma Group Limited)**

We have audited the financial statements of Dawson Home Group Limited (formerly known as Dorma Group Limited) for the year ended 29 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Shareholder's Funds 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 Dawson Home Group Limited (formerly known as Dorma Group 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 29 December 2007 and of its loss 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 Audit Plc  
Chartered Accountants  
Registered Auditor

30 October 2008

**Profit and loss account**  
*for the year ended 29 December 2007*

	<i>Note</i>	<b>2007 £000</b>	<b>2006 £000</b>
<b>Turnover</b>	<b>2</b>	<b>44,868</b>	<b>48,513</b>
Cost of sales		<b>(31,387)</b>	<b>(34,311)</b>
<b>Gross profit</b>		<b>13,481</b>	<b>14,202</b>
Distribution costs - including reorganisation costs of £124,000 (2006 £941,000)		<b>(12,870)</b>	<b>(14,283)</b>
Administrative expenses - including reorganisation costs of £356,000 (2006 £72,000)		<b>(3,226)</b>	<b>(3,037)</b>
Other operating income		<b>27</b>	<b>26</b>
<b>Operating loss</b>	<b>3</b>	<b>(2,588)</b>	<b>(3,092)</b>
Loss on disposal of fixed assets		<b>(118)</b>	<b>-</b>
Interest receivable and similar income	<b>6</b>	<b>20</b>	<b>42</b>
Interest payable and similar charges	<b>7</b>	<b>(365)</b>	<b>(353)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(3,051)</b>	<b>(3,403)</b>
Tax on loss on ordinary activities	<b>8</b>	<b>-</b>	<b>-</b>
<b>Loss on ordinary activities after taxation for the financial year</b>	<b>16</b>	<b>(3,051)</b>	<b>(3,403)</b>

All results derive from continuing operations

The notes on pages 9 to 18 form part of these financial statements

There were no other gains or losses other than the loss for the year and the profit for the preceding year  
 Accordingly a statement of total recognised gains and losses has not been prepared



**Balance sheet**  
*at 29 December 2007*

	<i>Note</i>	<b>2007 £000</b>	<b>2007 £000</b>	<b>2006 £000</b>	<b>2006 £000</b>
<b>Fixed assets</b>					
Tangible assets	9		1,203		1,362
<b>Current assets</b>					
Stocks	10	10,662		9,975	
Debtors	11	12,362		10,530	
Cash at bank and in hand		15		15	
		<u>23,039</u>		<u>20,520</u>	
<b>Creditors</b> amounts falling due within one year	12	<u>(16,476)</u>		<u>(11,148)</u>	
<b>Net current assets</b>			6,563		9,372
<b>Total assets less current liabilities</b>			7,766		10,734
<b>Provisions for liabilities and charges</b>	13		<u>(142)</u>		<u>(59)</u>
<b>Net assets</b>			<u>7,624</u>		<u>10,675</u>
<b>Capital and reserves</b>					
Called up equity share capital	14		33,766		33,766
Capital reserve	15		746		746
Profit and loss account	16		<u>(26,888)</u>		<u>(23,837)</u>
<b>Equity shareholder's funds</b>			<u>7,624</u>		<u>10,675</u>

These financial statements were approved by the board of directors on 28 October 2008 and were signed on its behalf by



**D G Cooper**  
Director



**A D Bartmess**  
Director

The notes on pages 9 to 18 form part of these financial statements

**Reconciliation of movements in shareholder's funds**  
*for the year ended 29 December 2007*

	2007 £000	2006 £000
<b>Loss for the financial year</b>	<b>(3,051)</b>	<b>(3,403)</b>
Net reduction in shareholder's funds	(3,051)	(3,403)
Opening shareholder's funds	10,675	14,078
<b>Closing shareholder's funds</b>	<b>7,624</b>	<b>10,675</b>

## 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

Confirmation has been received from the company's ultimate parent undertaking Dawson International Plc that it will continue to provide financial assistance for the foreseeable future to enable the company to meet its financial obligations as and when they fall due. The financial statements have therefore been prepared on a going concern basis

#### *Cash flow statements*

Under FRS 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 financial statements

#### *Related party transactions*

As the company is a wholly owned subsidiary of Dawson International plc, 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 Dawson International plc, within which this company is included, can be obtained from the address given in note 20

#### *Foreign currencies*

Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the year end. Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Profits and losses on exchange in the normal course of trading and realised exchange differences arising on the conversion of foreign currency borrowings are included in the profit and loss account

#### *Grants*

Investment and development grants receivable are credited to a deferred credit account which is released to profit and loss account on a straight line basis over the estimated useful lives of the assets to which the grant relates

Revenue based grants are credited against related expenditure

#### *Taxation*

The charge for taxation is based on the loss 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

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost, less accumulated depreciation and, where appropriate, provision for estimated losses on disposal

Depreciation is provided to write off the cost of the assets by equal instalments over their expected useful lives

The rate used is

Plant and machinery - 5% to 25%, Showroom Fixtures - 10 5%

## Notes (continued)

### 1 Accounting policies (continued)

#### *Stocks*

Stocks are stated 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 are taken as production cost, which includes an appropriate proportion of attributable overheads.

#### *Research and development expenditure*

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

#### *Operating lease rentals*

Rentals on operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Turnover*

All turnover and profit figures relate to external transactions only and turnover represents the value of goods and services supplied net of returns.

#### *Post-retirement benefits*

The company participates in the Dawson International plc defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

### 2 Analysis of turnover

The turnover arises from the principal activity of textile designing, distributing and retailing to third parties.

The analysis of turnover by geographical destination is

	2007 £000	2006 £000
United Kingdom	44,272	47,699
U S A	1	-
Europe	565	688
Africa, Asia and Australia	30	126
	<u>44,868</u>	<u>48,513</u>

## Notes (continued)

### 3 Operating loss

	2007 £000	2006 £000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation on owned assets	421	441
Impairment	-	59
Hire of plant and machinery	27	229
Hire of land and buildings	391	340
Reorganisation costs	480	1,013
Exchange losses	-	33
Royalties and licensing income	(162)	(280)
	<hr/>	<hr/>
<i>Auditor's remuneration</i>		
	2007 £000	2006 £000
Audit of these financial statements	45	53
	<hr/>	<hr/>

Amounts receivable by the company's auditor in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Dawson International plc

### 4 Remuneration of directors

The directors' emoluments are borne by Dawson International plc and are disclosed in the consolidated financial statements of Dawson International plc

## Notes (continued)

### 5 Staff numbers and costs

The average number employed by the company during the year were

	Number of employees	
	2007	2006
Distribution	536	640
Administration	40	67
	<u>576</u>	<u>707</u>

The costs incurred in respect of these employees were

	2007 £000	2006 £000
Wages and salaries	6,438	7,597
Social security costs	483	587
Other pension costs (note 20)	124	167
	<u>7,045</u>	<u>8,351</u>

### 6 Interest receivable and similar income

	2007 £000	2006 £000
Other interest	<u>20</u>	<u>42</u>

### 7 Interest payable and similar charges

	2007 £000	2006 £000
Bank overdraft and other borrowings	<u>365</u>	<u>353</u>

## Notes (continued)

### 8 Tax on loss on ordinary activities

No charge to corporation tax for the year ended 29 December 2007 (2006 *£nil*) has been provided due to the incidence of losses

#### Analysis of charge in period

	2007 £000	2007 £000	2006 £000	2006 £000
<i>UK corporation tax</i>				
Current tax –group relief receipt	-		-	
Tax on loss on ordinary activities		-		-

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

The current tax charge for the period is higher (2006 *higher*) than the standard rate of corporation tax in the UK (30%, 2006 30%) The differences are explained below

	2007 £000	2006 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(3,051)	(3,403)
Current tax at 30% (2006 30%)	(915)	(1,021)
<i>Effects of</i>		
Expenses not deductible for tax purposes	30	12
Fixed asset timing differences	165	257
Increase in losses carried forward	720	742
Short term timing differences	-	10
Total current tax charge (see above)	-	-

#### Factors that may affect future tax charges

UK corporation tax rate will decrease from 30% to 28% effective from 1 April 2008 The unrecognised deferred tax asset as at 29 December 2007 has been calculated using the tax rate of 28% (2006 30%) applicable when the entity recovers the carrying amount of the asset

## Notes (continued)

### 9 Tangible assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
<i>Cost</i>			
At beginning of year	3,146	3,979	7,125
Additions	64	313	377
Disposals	(1,299)	(1,328)	(2,627)
At end of year	1,911	2,964	4,875
<i>Depreciation</i>			
At beginning of year	2,264	3,499	5,763
Charge for the year	236	185	421
Impairment losses	(3)	-	(3)
Disposals	(1,278)	(1,231)	(2,509)
At end of year	1,219	2,453	3,672
<i>Net book value</i>			
At 29 December 2007	692	511	1,203
At 30 December 2006	882	480	1,362

### 10 Stocks

	2007 £000	2006 £000
Raw materials and consumables	14	-
Work in progress	-	204
Finished goods and goods for resale	10,648	9,771
	10,662	9,975



**Notes (continued)**

**11 Debtors**

	2007 £000	2006 £000
Trade debtors	6,597	4,498
Amounts owed by group undertakings	5,441	5,447
Tax Recoverable	15	10
Other debtors	8	14
Prepayments and accrued income	301	561
	<u>12,362</u>	<u>10,530</u>

**12 Creditors amounts falling due within one year**

	2007 £000	2006 £000
Bank loans and overdraft	7,974	4,872
Trade creditors	4,881	4,938
Amounts owed to group undertakings	2,221	-
Other taxation and social security	847	931
Other creditors	61	13
Accruals and deferred income	59	32
Other employee benefits	433	362
	<u>16,476</u>	<u>11,148</u>

Included within bank loans and overdraft is funding amounting to £7,292,000 (2006 £3,112,000) which is secured on the stock and debtor ledgers of the company

## Notes (continued)

### 13 Provisions for liabilities and charges

	2007 £000	2006 £000
<i>Reorganisation</i>		
At beginning of year	59	61
Provided	480	627
Utilised	(397)	(629)
	<hr/>	<hr/>
At end of year	142	59
	<hr/>	<hr/>

Of the reorganisation provision at the year end £75k is in relation to redundancies due to the site move and £67k is in relation to store closures. The expected timing of these payments is during the first quarter of 2008.

#### *Deferred tax*

No provision has been made for deferred tax.

The unprovided deferred taxation asset, potentially recoverable against future profits of the company calculated at 28% is as follows:

	2007 £000	2006 £000
Capital allowances	4,460	4,614
Other timing differences less losses brought forward	3,629	3,168
	<hr/>	<hr/>
	8,089	7,782
	<hr/>	<hr/>
In addition there is unrecovered ACT of	8,076	8,076
	<hr/>	<hr/>

### 14 Equity share capital

	Authorised 2007 £000	2006 £000	Called up, allotted and fully paid 2007 £000	2006 £000
Equity share capital				
Ordinary shares of £1 each	34,000	34,000	33,766	33,766
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes** *(continued)*

**15 Capital reserve**

	2007 £000	2006 £000
At beginning and end of year	746	746

**16 Profit and loss account**

	2007 £000
At 1 January 2007	(23,837)
Loss for the year	(3,051)
At 29 December 2007	(26,888)

**17 Future capital expenditure**

	2007 £000	2006 £000
Contracted but not provided for	40	136

**18 Contingent liabilities and financial obligations**

Operating lease rentals

The committed amounts payable during next year are as follows

	2007 £000	2006 £000
Land and buildings – building leases expiring		
Within one year	27	-
Within two to five years	331	82
Over five years	-	14
	358	96

## Notes (continued)

### 18 Contingent liabilities and financial obligations (continued)

	2007 £000	2006 £000
Plant and machinery – operating leases expiring		
Within one year	25	25
Within two to five years	50	80
	<hr/> 75	<hr/> 105
	<hr/> <hr/>	<hr/> <hr/>

### 19 Ultimate parent company

The ultimate parent company and controlling interest was Dawson International plc, a company incorporated in Scotland. The largest group in which the results of the company are consolidated is that headed by Dawson International plc, incorporated in Scotland. No other group financial statements include the results of the company. The consolidated financial statements for this company can be obtained from its registered office at Lochleven Mills, Kinross KY13 8GL, Scotland.

### 20 Pensions

From 1 April 2005 the company became a participating employer of the Dawson International plc Defined Contribution Pension Scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £124,000 (2006 £167,000).

### 21 Subsequent events

On 29 July 2008 the company announced the sale of the Dorma trademark and associated rights to Dunelm Group plc for a consideration of £5 million. As a result the company will exit from the Dorma Branded business by January 2011 and will incur cash exit costs estimated at £3.3m. As the Dorma Branded business is currently unprofitable, this should improve the future profitability of the Group. The company will retain the profitable Private Label bed linen business and has entered into a trading agreement to supply Dunelm with bed linen products for an initial period of four years with certain minimum guarantees.

On 19 August 2008 the company changed its name from Dorma Group Limited to Dawson Home Group Limited.