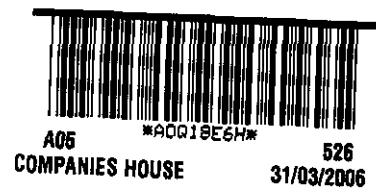


Courtaulds Home Furnishings Limited

Report and Accounts

30 June 2005



Registration number 60795

Courtaulds Home Furnishings Limited
Company Information

DIRECTORS

M Ellis
C H Wells (resigned 8 December 2005)
S M Llewellyn
J R Wilson (resigned 8 March 2006)
A Jagun (appointed 8 December 2005)
H K Handley (appointed 9 December 2005)

SECRETARY AND REGISTERED OFFICE

A Jagun
225 Bath Road
Slough
Berkshire
SL1 4AU

AUDITORS

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

Courtaulds Home Furnishings Limited

Directors' Report

The directors present their report and the accounts for the year ended 30 June 2005.

Review of the business

During the year the company has not traded and has not incurred any liabilities. The only transactions in the year arose on liquidation of the company's only subsidiary, S M Company Limited, resulting in a profit of £161,000, which was transferred to reserves (2004: £nil transferred to reserves).

Dividends

The directors do not recommend the payment of a dividend (2004: £nil).

Going concern

On 10 February 2005, Sara Lee Corporation announced that it proposed to divest itself of the businesses known as European Branded Apparel. These divestitures could include most of the business of Courtaulds Textiles (Holdings) Limited.

The directors are also aware that a disposal of the business could result in an accelerated pension funding requirement under Section 75 of the Pensions Act 1995 that, if triggered, may be in excess of the deficit calculated in the accounts of Courtaulds Textiles (Holdings) Limited.

At the date of signing these accounts, Sara Lee Corporation has submitted to the UK Pensions Regulator a formal Funding and Guarantee Agreement for clearance contingent upon a disposal taking place. The UK Pensions Regulator has not given final sign-off on these arrangements and the agreement has not been executed; accordingly, the details, timing and impact of any potential transactions are not known with any certainty.

The company has received confirmation from its ultimate UK parent undertaking, Sara Lee Investments, that it will provide financial support necessary to meet its obligations for a period represented by the earlier of the date of disposal or a period of 12 months from the date of signing these accounts. Due to the current financial position of the entity it is reliant on the ongoing support of Sara Lee Investments or a new parent undertaking to continue as a going concern.

The directors however believe that due to the potential impact of any disposal there is a fundamental uncertainty over the ability of the entity to continue as a going concern beyond the date of disposal. However the directors believe that due to the continued support of Sara Lee Investments and the absence of any formal sale agreement it remains appropriate to prepare the accounts on a going concern basis.

Directors and directors' interests

The directors who served during the year and subsequently are shown on page 1. As at the balance sheet date, no director held any beneficial interest in the shares of the company.

Auditors

During the year, PricewaterhouseCoopers LLP were appointed as auditors of the company. A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the next annual general meeting.

On behalf of the board




M Ellis
Director

27 March 2006

Courtaulds Home Furnishings Limited
Statement of Directors' Responsibilities

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the result for the year. After making enquiries, the directors consider that in preparing the accounts on pages 5 to 10, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They have a 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.



On behalf of the board

M Ellis
Director

27 March 2006

Independent Auditors' Report

Independent auditors' report to the members of Courtaulds Home Furnishings Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the directors' report is not consistent with the 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 or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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.

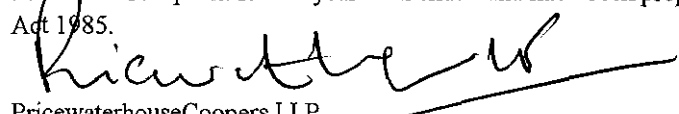
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning going concern due to the potential sale of the company and the impact of pensions legislation as a result of this disposal. Details of the circumstances relating to this fundamental uncertainty are described in note 13. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
27 March 2006

Courtaulds Home Furnishings Limited
Profit and Loss Account
For the year ended 30 June 2005

	Notes	2005 £ 000	2004 £ 000
Income from fixed asset investments	3	132	-
Exceptional item - profit on disposal of investments	4	29	-
Profit on ordinary activities before taxation		<u>161</u>	<u>-</u>
Taxation	5	-	-
Profit for the year	10	<u>161</u>	<u>-</u>

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in either year other than the result for that year.

There is no difference between the profit before taxation and the profit for the years stated above, and their historical costs equivalents.

Courtaulds Home Furnishings Limited
Balance Sheet
As at 30 June 2005

	Notes	2005 £ 000	2004 £ 000
Fixed assets			
Investments	6	-	300
Current assets			
Debtors		6,098	5,637
Creditors: amounts falling due within one year		<u>(993)</u>	<u>(993)</u>
Net current assets		5,105	4,644
Total assets less current liabilities		<u>5,105</u>	<u>4,944</u>
Capital and reserves			
Called up share capital	9	2,666	2,666
Share premium account	10	272	272
Profit and loss account	10	2,167	2,006
Shareholders' funds:			
Equity		4,761	4,600
Non-equity		344	344
		<u>5,105</u>	<u>4,944</u>

The accounts on pages 5 to 10 were approved by the board of directors on 27 March 2006 and signed on its behalf by:

M Ellis
Director

Courtaulds Home Furnishings Limited
Notes to the Accounts
At 30 June 2005

1 Accounting policies

Basis of Preparation

As disclosed in the Directors' Report and note 13 to the accounts Sara Lee Corporation's announcement to divest itself of the businesses known as European Branded Apparel could include most of the business of Courtaulds Textiles (Holdings) Limited. This could in certain circumstances result in accelerated pension funding requirements. In addition due to the current financial position of the entity it is reliant on the ongoing support of Sara Lee Investments or a new parent undertaking to continue as a going concern. Due to the uncertainties surrounding the impact of any potential disposal the directors believe there is a fundamental uncertainty over the ability of the entity to continue as a going concern beyond the date of disposal. The company has however received confirmation from its ultimate UK parent undertaking, Sara Lee Investments, that it will provide financial support necessary to meet its obligations for a period represented by the earlier of the date of disposal or a period of 12 months from the date of signing of these accounts and the directors therefore consider that it is appropriate that the going concern principle is applied in the preparation of these accounts.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts.

Investments held as fixed assets

Investments in subsidiary undertakings are shown at cost less provision for impairment.

Taxation

Corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided on timing differences, arising from the different treatment for financial statements and taxation purposes of events and transactions recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that it will arise. Deferred taxation balances are not discounted. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which deferred taxation assets can be recovered in future periods.

2 Directors' remuneration

None of the directors received any emoluments or accrued retirement benefits under defined contribution or defined benefit schemes in respect of their services to the company (2004: £nil).

The average number of employees during the year was nil (2004: nil).

Auditors' remuneration has been borne by other group companies.

Courtaulds Home Furnishings Limited
Notes to the Accounts
At 30 June 2005

3	Income from fixed asset investments	2005 £ 000	2004 £ 000
		132	-

In December 2004 the subsidiary undertaking, S M Company Limited, was liquidated and its remaining reserves distributed as a final dividend on liquidation.

4 Exceptional items

The gain on liquidation of investments relates to the liquidation of S M Company Limited. The investment was Euro denominated, and on repayment of the share capital an exchange gain of £29,000 was realised against the carrying value of the investment.

5 Taxation

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £ 000	2004 £ 000
Profit on ordinary activities before taxation	161	-
Profit on ordinary activities multiplied by standard rate of corporation tax of 30%	48	-
Effects of:		
Additional tax benefits / non-taxable income	(48)	-
Current tax credit for the year	-	-

6 Investments

	Investment in subsidiary undertaking £ 000
Shares at cost	
At 1 July 2004	417
Disposals	(417)
At 30 June 2005	-
Provision	
At 1 July 2004	(117)
Disposals	117
At 30 June 2005	-
Net book amount	
At 30 June 2005	-
At 30 June 2004	300

The investment related to the total ownership of S M Company Limited which was placed in liquidation during year ended 30 June 2003. The liquidation was finalised in December 2004.

Courtaulds Home Furnishings Limited
Notes to the Accounts
At 30 June 2005

7 Debtors	2005	2004
	£ 000	£ 000
Amounts owed by group undertakings	<u>6,098</u>	<u>5,637</u>

8 Creditors: amounts falling within one year	2005	2004
	£ 000	£ 000
Amounts owed to group undertakings	<u>993</u>	<u>993</u>

9 Share capital	2005	2004	2005	2004
	No.	No.	£ 000	£ 000
Authorised:				
Ordinary shares of £1 each	2,321,519	2,321,519	2,322	2,322
5% Cumulative preference shares of £1 each	356,163	356,163	356	356
			<u>2,678</u>	<u>2,678</u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	2,321,519	2,321,519	2,322	2,322
5% Cumulative preference shares of £1 each	344,163	344,163	344	344
			<u>2,666</u>	<u>2,666</u>

The preference shares are a non-equity interest and carry no voting rights. They are entitled to dividends half yearly provided that the directors consider that the profits of the company justify such a payment. On a winding up, the surplus assets of the company available for distribution among the members shall be applied first in repaying the capital paid up by preference shares. Unpaid preference dividends have been waived by the preference shareholders. The preference shares are not redeemable.

10 Reconciliation of movements in shareholders' funds	Share Premium	Profit and
	account	loss account
	£000	£000
At 1 July 2004	272	2,006
Profit for the year	-	161
At 30 June 2005	<u>272</u>	<u>2,167</u>

11 Cashflow statement

As described in note 12, the results of the company are included in the consolidated accounts of Sara Lee Corporation, which are publicly available. These accounts include a consolidated cash flow statement. The company has taken advantage of the exemption set out in FRS 1 Cash Flow Statements (Revised 1996) and has not presented a cash flow statement.

Courtaulds Home Furnishings Limited
Notes to the Accounts
At 30 June 2005

12 Ultimate parent undertaking

Courtaulds Home Furnishings Limited is wholly owned by Courtaulds Textiles (Holdings) Limited, registered in England and Wales. At the balance sheet date the ultimate controlling party was Sara Lee Corporation, incorporated in the United States of America.

The company has taken advantage of the exemption conferred by FRS 8 Related Party Disclosures not to disclose transactions with fellow group undertakings, 90% or more of whose voting rights are controlled by the group.

The largest group in which the results of the company are consolidated as at the balance sheet date is that headed by Sara Lee Corporation, a company registered in the United States of America. The smallest group in which they are consolidated is that headed by Sara Lee UK Holdings Limited, a company registered in England and Wales. Copies of the consolidated accounts of Sara Lee Corporation and Sara Lee UK Holdings Limited can be obtained from:

Sara Lee Corporation
Three First National Plaza
Chicago
Illinois 60602 4260
USA

Sara Lee UK Holdings Limited
225 Bath Road
Slough
Berkshire
SL1 4AU

13 Going concern

On 10 February 2005, Sara Lee Corporation announced that it proposed to divest itself of the businesses known as European Branded Apparel. These divestitures could include most of the business of Courtaulds Textiles (Holdings) Limited.

The directors are also aware that a disposal of the business could result in an accelerated pension funding requirement under Section 75 of the Pensions Act 1995 that, if triggered, may be in excess of the deficit calculated in the accounts of Courtaulds Textiles (Holdings) Limited.

At the date of signing these accounts, Sara Lee Corporation has submitted to the UK Pensions Regulator a formal Funding and Guarantee Agreement for clearance contingent upon a disposal taking place. On 9 March 2006, the Pensions Regulator issued a Determination Notice under Section 96 (2)(d) of the Pensions Act 2004 to issue a Clearance Statement under Sections 42 and 46 of the Pensions Act 2004 with respect to the arrangements contemplated by the Funding and Guarantee Agreement. Notwithstanding the clearance from the Pensions Regulator the agreement has not yet been executed; accordingly, the details, timing and impact of any potential transactions are not known with certainty.

The company has received confirmation from its ultimate UK parent undertaking, Sara Lee Investments, that it will provide financial support necessary to meet its obligations for a period represented by the earlier of the date of disposal or a period of 12 months from the date of signing these accounts. Due to the current financial position of the entity it is reliant on the ongoing support of Sara Lee Investments or a new parent undertaking to continue as a going concern.

The directors however believe that due to the potential impact of any disposal there is a fundamental uncertainty over the ability of the entity to continue as a going concern beyond the date of disposal. However the directors believe that due to the continued support of Sara Lee Investments and the absence of any formal sale agreement it remains appropriate to prepare the accounts on a going concern basis.