

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008  
FOR  
FOCAL POINT FIRES PLC**

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COMPANIES HOUSE

Scodie Deyong LLP  
Chartered Accountants  
Registered Auditors  
2nd Floor  
85 Frampton Street  
London  
NW8 8NQ

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**FOCAL POINT FIRES PLC**

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FOR THE YEAR ENDED 31 DECEMBER 2008**

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**FOCAL POINT FIRES PLC**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2008**

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**DIRECTORS:**

I B Mitchell Esq  
A Pryke Esq  
C J Richards Esq  
A Southall Esq  
M Moody Esq  
R Stokes Esq

**SECRETARY:**

A Pryke Esq

**REGISTERED OFFICE:**

2nd Floor  
85 Frampton Street  
London  
NW8 8NQ

**REGISTERED NUMBER:**

01726619 (England and Wales)

**AUDITORS:**

Scodie Deyong LLP  
Chartered Accountants  
Registered Auditors  
2nd Floor  
85 Frampton Street  
London  
NW8 8NQ

## FOCAL POINT FIRES PLC

### CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

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The pervasive weaknesses in the global financial system, which became apparent in 2007 continued to cause turmoil in the economy and triggered a dramatic rise in mortgage defaults throughout the first half of 2008. The subprime mortgage crisis and inability to access credit further depressed house prices causing a glut of homes onto the market which slowed the growth of new developments. This led not only to a sharp rise in unemployment in the building sector but also precipitated a significant change in consumer confidence which hit home related spending. The change in attitude sent ripples across all sectors; from high street, automobile and construction to DIY, resulting in an extremely challenging year for all sectors of the economy.

The extraordinary volatility experienced in the price of sterling, commodities, energy, shares and capital caused speculation and uncertainty throughout 2008 creating extraordinarily difficult trading conditions. Turnover was GBP 15.49 million against GBP 17.91 million in 2007. This was the result not only of the economic instability but unseasonal weather, Easter falling earlier and the continuing retrenchment of the consumer towards cheaper products. The weakness in sterling against the dollar had a dramatic effect on the company's results, bearing in mind a lot of our purchases come directly from China. The surge in the price of oil significantly increased the cost of raw materials beyond our control and impacted on gross margins by up to 5.6pc. With no obvious signs of recovery in the first quarter, cost saving initiatives were introduced aimed at reducing operating expenses, continuing margin and cost improvements, while maximising sales opportunities.

Amid the economic uncertainties, our ongoing commitment to research, design and development continued with significant investment in new product introduction. The successful increase to thirty four product lines into a major customer have formed a strong platform on which can be developed, further strengthening Focal Point Fires plc status as a preferential supplier to this customer, which is the largest DIY outlet in the UK. As envisaged, our eco-friendly patented catalytic flueless gas fires continued to gain market share in all channels. This was evidenced by the social media and political pressures demanding 'greener' more efficient products that are more economical to run and have less impact on the environment.

We continued to take major steps forward working in synergy with key strategic partners. Market share grew considerably in DIY outlets improving our offer to customers by introducing more new products and extending our product range, all to the detriment of our competitors. I am particularly confident that these key accounts will provide my company with the opportunity for continued growth in the immediate future.

Despite a year of tough trading, our unrelenting investment in new product development and the close relationships formed with our partners will ensure that we are suitably positioned to take full advantage when the market returns. However, we do not envisage this happening until such time as we see either a change of government or economic realities emanating from the governing party in power, so enabling the consumer and businesses to start purchasing, as the economy can only improve with slowly increasing consumer confidence.

We are now focused on emulating our successful strategy throughout Europe and this is starting to gain momentum. This is a medium to long term investment which requires nurturing, however, I am confident this will reward my company with results comparable of those seen in the UK DIY sector. With this in mind I continue to remain extremely positive about the long term performance of my company and believe we have fabricated the necessary foundations on which to build a successful future.



Ivor B Mitchell  
Executive Chairman

## **FOCAL POINT FIRES PLC**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008**

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

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the manufacture and sale of gas fires and electrical appliances.

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the financial statements.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2008.

#### **RESEARCH AND DEVELOPMENT**

The company continues to invest in the development of new products.

#### **DIRECTORS**

The directors during the year under review were:

I B Mitchell Esq  
A Pryke Esq  
C J Richards Esq  
A Southall Esq  
M Moody Esq  
R Stokes Esq

The beneficial interests of the directors holding office on 31 December 2008 in the issued share capital of the company were as follows:

	31.12.08	1.1.08
<b>Ordinary £1 shares</b>		
I B Mitchell Esq	38,000	38,000
A Pryke Esq	10,000	10,000
C J Richards Esq	2,000	2,000
A Southall Esq	-	-
M Moody Esq	-	-
R Stokes Esq	-	-

#### **COMPANY'S POLICY ON PAYMENT OF CREDITORS**

It is the company's policy to settle approved invoices from independent suppliers, by the end of the month following the month of approval, or in accordance with specific terms where these have been agreed at the time of determination of the terms of each transaction. The company takes on average 90 days to pay its suppliers.

#### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the year the company made charitable donations amounting to £600 (2007: £1,000).

## **FOCAL POINT FIRES PLC**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008**

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#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **AUDITORS**

The auditors, Scodie Deyong LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

#### **ON BEHALF OF THE BOARD:**



A Pryke Esq - Secretary

16 July 2009

## **REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF FOCAL POINT FIRES PLC**

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We have audited the financial statements of Focal Point Fires Plc for the year ended 31 December 2008 on pages seven to twenty one. 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 a Report of the Auditors 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out on page four.

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 Report of the Directors 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors and the Chairman's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

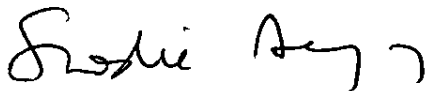
**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
FOCAL POINT FIRES PLC**

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**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.



Scodie Deyong LLP  
Chartered Accountants  
Registered Auditors  
2nd Floor  
85 Frampton Street  
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NW8 8NQ

16 July 2009



**FOCAL POINT FIRES PLC****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £	2007 £
<b>TURNOVER</b>	2	15,491,302	17,918,788
Cost of sales		9,774,938	10,298,064
<b>GROSS PROFIT</b>		5,716,364	7,620,724
Administrative expenses		5,522,378	7,946,482
		193,986	(325,758)
Other operating income		77,061	118,403
<b>OPERATING PROFIT/(LOSS)</b>	4	271,047	(207,355)
Interest receivable and similar income		12,655	19,788
		283,702	(187,567)
Interest payable and similar charges	5	334,023	198,981
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(50,321)	(386,548)
Tax on loss on ordinary activities	6	(59,804)	(55,213)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION</b>		9,483	(331,335)

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year.

**FOCAL POINT FIRES PLC**

**BALANCE SHEET  
31 DECEMBER 2008**

		2008		2007	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	7		883,385		947,335
Tangible assets	8		1,054,603		1,145,247
Investments	9		12,500		12,500
			<u>1,950,488</u>		<u>2,105,082</u>
<b>CURRENT ASSETS</b>					
Stocks	10	2,207,274		2,496,646	
Debtors	11	2,139,519		6,658,379	
Cash at bank and in hand		307,599		380,007	
		<u>4,654,392</u>		<u>9,535,032</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	12	5,427,030		10,342,575	
<b>NET CURRENT LIABILITIES</b>			<u>(772,638)</u>		<u>(807,543)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,177,850		1,297,539
<b>CREDITORS</b>					
Amounts falling due after more than one year	13		(31,738)		(98,480)
<b>PROVISIONS FOR LIABILITIES</b>	17		<u>(128,282)</u>		<u>(190,712)</u>
<b>NET ASSETS</b>			<u>1,017,830</u>		<u>1,008,347</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		50,000		50,000
Profit and loss account	19		967,830		958,347
<b>SHAREHOLDERS' FUNDS</b>	23		<u>1,017,830</u>		<u>1,008,347</u>

The financial statements were approved by the Board of Directors on 16 July 2009 and were signed on its behalf by:

  
I B Mitchell Esq - Director

C J Richards Esq - Director



The notes form part of these financial statements

**FOCAL POINT FIRES PLC**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

		2008		2007	
	Notes	£	£	£	£
<b>Net cash inflow/(outflow) from operating activities</b>	1		4,531,488		(1,735,269)
<b>Returns on investments and servicing of finance</b>	2		(321,368)		(179,193)
<b>Taxation</b>			119,186		1,730
<b>Capital expenditure</b>	2		(520,476)		(554,995)
			<u>3,808,830</u>		<u>(2,467,727)</u>
<b>Financing</b>	2		(3,462,200)		2,038,193
<b>Increase/(Decrease) in cash in the period</b>			<u>346,630</u>		<u>(429,534)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>	3				
Increase/(Decrease) in cash in the period		346,630		(429,534)	
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		<u>3,090,837</u>		<u>(2,038,193)</u>	
Change in net debt resulting from cash flows			3,437,467		(2,467,727)
New finance leases			-		(149,730)
<b>Movement in net debt in the period</b>			<u>3,437,467</u>		<u>(2,617,457)</u>
<b>Net debt at 1 January</b>			<u>(4,349,302)</u>		<u>(1,731,845)</u>
<b>Net debt at 31 December</b>			<u>(911,835)</u>		<u>(4,349,302)</u>

The notes form part of these financial statements

**FOCAL POINT FIRES PLC**

**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW)  
FROM OPERATING ACTIVITIES**

	2008	2007
	£	£
Operating profit/(loss)	271,047	(207,355)
Depreciation charges	657,717	629,300
Loss on disposal of fixed assets	17,355	23,599
Decrease in stocks	289,372	71,673
Decrease/(Increase) in debtors	4,771,035	(1,632,594)
Decrease in creditors	(1,475,038)	(619,892)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>4,531,488</b>	<b>(1,735,269)</b>

**2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2008	2007
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	12,655	19,788
Interest paid	(317,929)	(178,452)
Interest element of hire purchase payments	(16,094)	(20,529)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(321,368)</b>	<b>(179,193)</b>
<b>Capital expenditure</b>		
Purchase of intangible fixed assets	(372,840)	(488,958)
Purchase of tangible fixed assets	(159,736)	(130,032)
Sale of tangible fixed assets	12,100	63,995
<b>Net cash outflow for capital expenditure</b>	<b>(520,476)</b>	<b>(554,995)</b>
<b>Financing</b>		
Additional factor advances	-	2,221,557
Factor account repayments	(2,988,181)	-
Capital repayments in year	(102,658)	(183,364)
Amount withdrawn by directors	(371,361)	-
<b>Net cash (outflow)/inflow from financing</b>	<b>(3,462,200)</b>	<b>2,038,193</b>

The notes form part of these financial statements

**FOCAL POINT FIRES PLC****NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008****3. ANALYSIS OF CHANGES IN NET DEBT**

	At 1.1.08 £	Cash flow £	At 31.12.08 £
Net cash:			
Cash at bank and in hand	380,007	(72,408)	307,599
Bank overdraft	(794,443)	419,038	(375,405)
	<u>(414,436)</u>	<u>346,630</u>	<u>(67,806)</u>
Debt:			
Hire purchase	(198,835)	102,658	(96,177)
Debts falling due within one year	(3,736,031)	2,988,179	(747,852)
	<u>(3,934,866)</u>	<u>3,090,837</u>	<u>(844,029)</u>
Total	<u>(4,349,302)</u>	<u>3,437,467</u>	<u>(911,835)</u>

The notes form part of these financial statements

**1. ACCOUNTING POLICIES**

**Accounting convention**

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

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

**Goodwill**

Acquired goodwill is capitalised and retained at cost in the financial statements.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold property improvements	- evenly over the period of lease
Plant and machinery	- 25% on a reducing balance basis
Fixtures and fittings	- 25% on a reducing balance basis
Motor vehicles	- 25% on a reducing balance basis

**Stocks**

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

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Research and development**

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over four years on a straight line basis.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

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

**Group accounts**

The financial statements present information about the company as an individual undertaking and not about its group. The subsidiary undertaking has not commenced trading and is dormant at the balance sheet date. The company has therefore taken advantage of the exemptions provided by section 229 of the Companies Act 1985 not to prepare group accounts on the basis of immateriality.

## FOCAL POINT FIRES PLC

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2008

#### 1. ACCOUNTING POLICIES - continued

##### Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 2. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2008	2007
	£	£
United Kingdom	15,116,735	16,924,871
European Union	263,768	333,773
USA	110,799	660,144
	<u>15,491,302</u>	<u>17,918,788</u>

#### 3. STAFF COSTS

	2008	2007
	£	£
Wages and salaries	2,315,562	4,029,358
Social security costs	175,816	394,739
	<u>2,491,378</u>	<u>4,424,097</u>

The average monthly number of employees during the year was as follows:

	2008	2007
Production	66	74
Sales	5	11
Administration	15	18
	<u>86</u>	<u>103</u>

# **FOCAL POINT FIRES PLC**

## **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31 DECEMBER 2008**

### **4. OPERATING PROFIT/(LOSS)**

The operating profit (2007 - operating loss) is stated after charging/(crediting):

	2008	2007
	£	£
Other operating leases	163,722	485,320
Depreciation - owned assets	185,299	162,728
Depreciation - assets on hire purchase contracts	35,629	51,447
Loss on disposal of fixed assets	17,355	23,599
Development expenditure amortisation	436,790	415,126
Auditors' remuneration	24,000	25,000
Research and development	(307,871)	(426,342)
Hire of equipment	10,226	-
	<u>539,666</u>	<u>2,088,447</u>
Directors' emoluments		
	<u>539,666</u>	<u>2,088,447</u>

The number of directors to whom retirement benefits were accruing was as follows:

	1	1
Money purchase schemes	<u>1</u>	<u>1</u>

Information regarding the highest paid director is as follows:

	2008	2007
	£	£
Emoluments etc	<u>140,000</u>	<u>1,014,204</u>

### **5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2008	2007
	£	£
Bank interest	152,859	26,705
Factoring interest	165,070	151,747
Hire purchase	16,094	20,529
	<u>334,023</u>	<u>198,981</u>

### **6. TAXATION**

#### **Analysis of the tax credit**

The tax credit on the loss on ordinary activities for the year was as follows:

	2008	2007
	£	£
Current tax:		
UK corporation tax	2,626	(119,186)
Deferred tax	(62,430)	63,973
Tax on loss on ordinary activities	<u>(59,804)</u>	<u>(55,213)</u>



# **FOCAL POINT FIRES PLC**

## **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31 DECEMBER 2008**

### **6. TAXATION - continued**

#### **Factors affecting the tax credit**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2008 £	2007 £
Loss on ordinary activities before tax	<u>(50,321)</u>	<u>(386,548)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 42.100% (2007 - 23.166%)	(21,185)	(89,548)
Effects of:		
Non deductible expenses	1,295	1,346
Depreciation	276,899	151,251
Capital allowances	(256,361)	(178,823)
Other tax adjustments	<u>1,978</u>	<u>(3,412)</u>
Current tax credit	<u>2,626</u>	<u>(119,186)</u>

### **7. INTANGIBLE FIXED ASSETS**

	Goodwill £	Development expenditure £	Totals £
<b>COST</b>			
At 1 January 2008	3,500	1,712,745	1,716,245
Additions	-	372,840	372,840
Disposals	-	(304,198)	(304,198)
At 31 December 2008	<u>3,500</u>	<u>1,781,387</u>	<u>1,784,887</u>
<b>AMORTISATION</b>			
At 1 January 2008	-	768,910	768,910
Amortisation for year	-	436,790	436,790
Eliminated on disposal	-	(304,198)	(304,198)
At 31 December 2008	<u>-</u>	<u>901,502</u>	<u>901,502</u>
<b>NET BOOK VALUE</b>			
At 31 December 2008	<u>3,500</u>	<u>879,885</u>	<u>883,385</u>
At 31 December 2007	<u>3,500</u>	<u>943,835</u>	<u>947,335</u>

**FOCAL POINT FIRES PLC**
**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2008**
**8. TANGIBLE FIXED ASSETS**

	Short leasehold and improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>					
At 1 January 2008	945,941	420,798	344,256	189,873	1,900,868
Additions	5,000	79,417	71,819	3,500	159,736
Disposals	-	-	(27,095)	(53,745)	(80,840)
At 31 December 2008	950,941	500,215	388,980	139,628	1,979,764
<b>DEPRECIATION</b>					
At 1 January 2008	255,604	233,227	183,912	82,875	755,618
Charge for year	88,926	58,224	52,354	21,424	220,928
Eliminated on disposal	-	-	(23,233)	(28,152)	(51,385)
At 31 December 2008	344,530	291,451	213,033	76,147	925,161
<b>NET BOOK VALUE</b>					
At 31 December 2008	606,411	208,764	175,947	63,481	1,054,603
At 31 December 2007	690,337	187,571	160,344	106,998	1,145,250

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Short leasehold and improvements £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>				
At 1 January 2008	175,065	28,244	126,633	329,942
Additions	-	64,583	-	64,583
Disposals	-	-	(30,750)	(30,750)
Transfer to ownership	(49,600)	-	(41,000)	(90,600)
At 31 December 2008	125,465	92,827	54,883	273,175
<b>DEPRECIATION</b>				
At 1 January 2008	23,318	6,107	40,133	69,558
Charge for year	7,291	17,644	10,694	35,629
Eliminated on disposal	-	-	(13,443)	(13,443)
Transfer to ownership	(18,147)	-	(14,586)	(32,733)
At 31 December 2008	12,462	23,751	22,798	59,011
<b>NET BOOK VALUE</b>				
At 31 December 2008	113,003	69,076	32,085	214,164
At 31 December 2007	151,747	22,137	86,500	260,384

# **FOCAL POINT FIRES PLC**

## **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31 DECEMBER 2008**

### **9. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2008 and 31 December 2008	12,500
<b>NET BOOK VALUE</b>	
At 31 December 2008	12,500
At 31 December 2007	12,500

The company's investments at the balance sheet date in the share capital of companies include the following:

#### **British Fires PLC**

Nature of business: Dormant

	% holding	2008	2007
Class of shares:		£	£
Ordinary	100.00	12,500	12,500
Aggregate capital and reserves			

### **10. STOCKS**

	2008	2007
	£	£
Raw materials	2,207,274	2,496,646

### **11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008	2007
	£	£
Trade debtors	1,520,202	6,199,238
Directors' current accounts	371,361	-
Taxation	-	119,186
Prepayments	247,956	339,955
	2,139,519	6,658,379

**FOCAL POINT FIRES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008	2007
	£	£
Bank loans and overdrafts (see note 14)	1,123,257	4,530,474
Hire purchase contracts (see note 15)	64,439	100,355
Trade creditors	3,598,913	4,788,914
Sundry creditors	12,500	12,595
Taxation	2,626	-
Social security and other taxes	(1,731)	126,940
VAT	197,211	182,093
Accruals and deferred income	429,815	601,204
	<u>5,427,030</u>	<u>10,342,575</u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2008	2007
	£	£
Hire purchase contracts (see note 15)	<u>31,738</u>	<u>98,480</u>

**14. LOANS**

An analysis of the maturity of loans is given below:

	2008	2007
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	375,405	794,443
Factoring account	747,852	3,736,031
	<u>1,123,257</u>	<u>4,530,474</u>

**FOCAL POINT FIRES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES**

	Hire purchase contracts	
	2008	2007
	£	£
Gross obligations repayable:		
Within one year	76,051	116,511
Between one and five years	39,384	117,745
	<u>115,435</u>	<u>234,256</u>
Finance charges repayable:		
Within one year	11,612	16,156
Between one and five years	7,646	19,265
	<u>19,258</u>	<u>35,421</u>
Net obligations repayable:		
Within one year	64,439	100,355
Between one and five years	31,738	98,480
	<u>96,177</u>	<u>198,835</u>

The following operating lease payments are committed to be paid within one year:

	Land and buildings		Other operating leases	
	2008	2007	2008	2007
	£	£	£	£
Expiring:				
Within one year	12,000	-	-	-
Between one and five years	41,000	70,500	14,896	-
In more than five years	271,000	271,000	-	-
	<u>324,000</u>	<u>341,500</u>	<u>14,896</u>	<u>-</u>

# FOCAL POINT FIRES PLC

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2008

### 16. SECURED DEBTS

The following secured debts are included within creditors:

	2008	2007
	£	£
Bank overdrafts	375,405	794,443
Hire purchase contracts	96,177	198,835
Factoring account	747,852	3,736,031
	<u>1,219,434</u>	<u>4,729,309</u>

Bank indebtedness is secured by a right of set off against cash deposits held by the company, and a debenture deed comprising a fixed and floating charge over all other assets owned by the company. The factoring account is secured by a fixed charge over book debts owed to the company and by personal guarantees given by directors. The hire purchase liabilities are secured by a charge over the relevant assets.

### 17. PROVISIONS FOR LIABILITIES

	2008	2007
	£	£
Deferred tax	<u>128,282</u>	<u>190,712</u>
		Deferred tax
		£
Balance at 1 January 2008		190,712
Accelerated capital allowances		(62,430)
Balance at 31 December 2008		<u>128,282</u>

### 18. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2008	2007
			£	£
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>

### 19. RESERVES

	Profit and loss account
	£
At 1 January 2008	958,347
Profit for the year	9,483
At 31 December 2008	<u>967,830</u>

## FOCAL POINT FIRES PLC

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2008

#### 20. CONTINGENT LIABILITIES

At 31 December 2008 the company was involved in a trademark infringement case concerning their use of the 'Firecraft' name. The amount of damages payable has not yet been determined, although insurance cover is available for the majority thereof. The directors are of the opinion that the uninsured element would not be significant and therefore no provision has been made as at the balance sheet date.

#### 21. TRANSACTIONS WITH DIRECTORS

The following loans to directors subsisted during the years ended 31 December 2008 and 31 December 2007:

	2008 £	2007 £
<b>I B Mitchell Esq</b>		
Balance outstanding at start of year	-	-
Balance outstanding at end of year	280,294	-
Maximum balance outstanding during year	<u>280,294</u>	<u>-</u>
<b>A Pryke Esq</b>		
Balance outstanding at start of year	-	-
Balance outstanding at end of year	91,067	-
Maximum balance outstanding during year	<u>91,067</u>	<u>-</u>

The loan to directors was repaid on 30 June 2009.

#### 22. RELATED PARTY DISCLOSURES

In addition to the fixed charge as stated in note 16, the company's factor facilities were secured by a personal guarantee amounting to £250,000 and a charge over private residence given by I B Mitchell Esq and a personal guarantee amounting to £100,000 given by C J Richards Esq. This is considered a financing transaction.

The company regards British Fires Plc as a related party. The company owed £12,500 (2007: £12,500) as at the balance sheet date to British Fires Plc.

#### 23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit/(Loss) for the financial year	<u>9,483</u>	<u>(331,335)</u>
Net addition/(reduction) to shareholders' funds	9,483	(331,335)
Opening shareholders' funds	<u>1,008,347</u>	<u>1,339,682</u>
Closing shareholders' funds	<u>1,017,830</u>	<u>1,008,347</u>