HOMEFORM GROUP LIMITED (Formerly HF GROUP ACQUISITIONCO LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

29 MARCH 2009

COMPANY REGISTRATION NUMBER: 06132417

HOMEFORM GROUP LIMITED (Formerly HF GROUP ACQUISITIONCO LIMITED)
REPORT OF THE DIRECTORS

The Directors present their report and audited financial statements for the 52 weeks ended 29 March 2009.

1 PRINCIPAL ACTIVITY

The principal activity of the Company comprises the manufacture, retail and installation of fully-fitted home improvement products - kitchens, bathrooms and bedrooms.

2 RESULTS AND DIVIDENDS

The Company changed its name on 19 September 2008 from HF Group Acquisitionco Limited.

The trading results for the period and the Company's financial position at the end of the period are shown in the attached financial statements and are discussed further in the business review below.

The Directors do not recommend payment of a dividend.

3 BUSINESS REVIEW

Financial performance

Turnover in the 52 week period of trading was £148.2 million (2008 - £164.2 million). The loss before tax was £12.3 million (2008 - £26.5 million) although this was after deducting exceptional costs of £2.5 million (2008 - £5.7 million) and goodwill amortisation of £0.2 million (2008 - £12.5 million).

The underlying trading EBITDA loss for the period was:	2009	2008
	£m	£m
Operating loss before goodwill amortisation and exceptional items	(7.2)	(7.2)
Depreciation/Loss on disposal	3.2	3.0
EBITDA loss	(4.0)	(4.2)

During the period, turnover fell by 10% as a result of the UK economic recession. However, despite this reduction in turnover, through increased operational efficiencies and cost cutting, the Company's EBITDA loss was reduced to £4.0m compared with £4.2m in the prior year.

The Company is confident that once volumes return as the UK comes out of recession, the business will be well placed to become profitable.

At the end of the period, the Company was trading out of 151 showrooms (2008 - 151), of which approximately half were concessions, mainly Homebase. In addition, the Company trades through direct sales.

Strategy

The Company's strategy is to offer a fully project managed service to its customers in the design and installation of kitchens, bedrooms and bathrooms through its four brands - Moben, Kitchens Direct, Sharps and Dolphin. Our brands operate in the most affluent customer segments of the marketplace. As we are a multi-channel retailer with a design-led fully fitted proposition, it is not easily replicated by our competitors.

Turnover

Turnover in the 52 week period of trading was £148.2 million (2008 - £164.2 million). The UK economy's decline into recession during the period impacted volumes, in common with the rest of the industry.

Gross profit

Gross margin for the period equated to 41.0% (2008 - 42.5%). Whilst improvements were made through operational efficiencies during the course of the year, the fall in volumes together with adverse movements on the Euro affected margin adversely.

Operating costs

The majority of the Company's operating costs are in the installation of its products and the operation of the showroom network, together with advertising and other selling costs.

Research and development

The Company continues to invest in product offering to provide the widest and most innovative range possible. In addition, the Company continues to refurbish its existing showroom estate and acquire new sites or concession opportunities where strategically of value. By year end, the Company had 42 such new/refurbished sites in operation with further planned during 2009/10.

3 BUSINESS REVIEW (Continued)

Exceptional items
The exceptional operating costs relate largely to restructuring and redundancy costs incurred in driving through operational efficiencies during the year.

Capital expenditure
The major expenditure during the period has been in connection with the investment in new or refurbished showrooms and concessions.

Environmental policy
Management's policy is to continually improve in this area by minimising levels of emissions and waste wherever possible.

Summary of key performance indicators
The directors use a number of key performance indicators in the management of the business, focusing on:-

- Appointment and order levels and values
- Individual showroom performance
- Gross margins
- Overhead cost levels
- Cash and working capital management
- Capital expenditure impact

Future outlook
The Company operates in a challenging market in terms of competition from both national retailers and smaller independent retailers which is dependent upon the activity levels of the housing sector as well as levels of the consumers' disposable income. With the severe recession within the UK economy, this has adversely impacted upon our business and that of our competitors. This has resulted in the downfall of MFI and other smaller independent businesses. Our investment in both product and showroom offering, together with increased efficiencies in the supply and fit of our products is expected to enable us to build on our market position and to maximise our returns when the market recovers.

Principal risks and uncertainties
The management of the business and the nature of the Company's strategy are subject to a number of risks.

Economic risk
The success of the business is reliant upon consumer spending. An economic downturn, resulting in a reduction of consumer spending power will have a direct impact upon the income achieved by the Company.

Management constantly evaluate and review marketing and pricing strategies and keep operational costs under control.

Proportion of fixed overheads and variable revenues
A large proportion of the Company's costs are fixed or semi-fixed. There is the risk that significant changes in revenue may lead to the inability to cover such costs.

Management closely monitor all costs constantly, taking remedial actions where considered necessary.

Competition
The market in which the Company operates is highly competitive. As a result there is constant pressure on margins to remain competitive.

Management constantly monitor competitive prices and review our strategy accordingly.

Product obsolescence
The Company operates in a market which is subject both to technological advances and changes in consumer fashions.

Management are committed to the ongoing, continual development of product range to ensure the widest choice of product is available to the consumer.

4 FINANCIAL RISK MANAGEMENT

The Company uses various financial instruments which comprise borrowings, some cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

The existence of these financial instruments exposes the Company to a number of financial risks, which are described in more detail below. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

Interest rate risk

The Company finances its operations through a mixture of working capital and borrowings from Sun Capital Partners. These borrowings are split between an amount at a fixed rate of interest and an amount where the rate is linked to US prime rates.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Company's parent has confirmed that it is their current intention not to require repayment of the shareholder loans provided to the Company during the next 12 months unless the Board of the Company determines in its reasonable opinion that the Company would retain adequate cash resources for its short term funding purposes after such repayment.

Credit risk

The Company's principal financial assets are cash and debtors. The credit risk associated with cash is limited as the counterparty is the Company's principal banker. The principal credit risk therefore arises from trade debtors.

In order to manage this risk, customers are required to pay an initial deposit on order followed by full payment at the time of delivery of the goods, prior to installation. Sales funded by finance are subject to credit reference checks by the finance company prior to being approved.

Foreign currency risk

All sales and the majority of the Company's purchasing transactions are in sterling apart from a proportion of Euro and US$ purchases. The Company does not hedge these currency exposures.

5 DIRECTORS

Directors who served during the period were as follows:

J A C Vicente
T J Kowalski

6 CHARITABLE AND POLITICAL DONATIONS

There were no political or charitable donations during the period.

7 EMPLOYEES

The Company places considerable value on the involvement of its employees and informs them, through the Company magazine, regular Executive director forums and other updates, on matters affecting them as employees and on the various factors affecting the performance of the Company. The Company recognises a union representing certain employees.

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

8 DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom 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;
- 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 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.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the website and accordingly the auditors accept no responsibility for the information published.

Information published on the website is accessible in many countries and legislation in the UK concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

9 PAYMENT OF SUPPLIERS

It is the policy of the Company to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payments are normally made in accordance with these terms and conditions, provided that they have also been complied with by the supplier. At 29 March 2009, the Company's trade creditors represented 37 days of purchases (2008 - 32 days).

10 DIRECTORS' LIABILITY INSURANCE

The Company maintains a policy for the benefit of the directors.

11 AUDITORS

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed re-appointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company removes notice under section 488(1) of the Companies Act 2006.

By Order of the Board

J A VICENTE
CHIEF EXECUTIVE OFFICER

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HOMEFORM GROUP LIMITED

We have audited the financial statements of HomeForm Group Limited for the 52 weeks ended 29 March 2009, which comprise the profit and loss account, the balance sheet, cash flow statement and the related notes 1 to 27. 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 Report of the Directors and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and 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 the Report of the Directors 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 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.

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 29 March 2009 and of its loss for the period 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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditor
Chartered Accountant
Manchester
27 August 2009

HOMEFORM GROUP LIMITED (Formerly HF GROUP ACQUISITIONCO LIMITED)
PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED TO 29 MARCH 2009

	Notes	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
Turnover	2	148,244	164,212
Cost of sales		(87,402)	(94,471)
Gross profit		60,842	69,741
Other operating expenses (net)	3	(70,768)	(95,096)
Operating loss before goodwill amortisation and exceptional items		(7,207)	(7,193)
Goodwill amortisation	12	(240)	(12,451)
Exceptional items	4	(2,479)	(5,711)
Operating loss	5	(9,926)	(25,355)
Profit on disposal of tangible fixed assets	6	-	980
Bank interest receivable	8	108	120
Interest payable and similar charges	8	(2,480)	(2,252)
Loss on ordinary activities before taxation		(12,298)	(26,507)
Taxation on loss on ordinary activities	11	-	-
Loss on ordinary activities after taxation	20	(12,298)	(26,507)

The results for the period relate to continuing activities.

There were no recognised gains and losses other than the loss for the current period. Accordingly, a statement of total recognised gains and losses has not been presented.

HOMEFORM GROUP LIMITED (Formerly HF GROUP ACQUISITIONCO LIMITED)
BALANCE SHEET AS AT 29 MARCH 2009

	Notes	29 March 2009 £000	30 March 2008 £000 Restated
Fixed assets			
Intangible assets	12	-	-
Tangible assets	13	9,382	7,572
		9,382	7,572
Current assets			
Stocks	14	5,956	5,849
Debtors	15	12,265	17,046
Cash at bank and in hand		10,251	11,433
		28,472	34,328
Creditors - amounts falling due within one year	16	(54,530)	(48,169)
Net current liabilities		(26,058)	(13,841)
Total assets less current liabilities		(16,676)	(6,269)
Creditors - amounts falling due after more than one year	17	(18,716)	(17,694)
Provisions for liabilities and charges	18	(3,413)	(2,544)
Total net liabilities		(38,805)	(26,507)
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account	20	(38,805)	(26,507)
Equity shareholders' deficit	21	(38,805)	(26,507)

The restatement in the prior year is detailed in note 16.

The financial statements were approved by the board of directors on 27th August, 2009 and signed on its behalf by:

TJ KOWALSKI
CHIEF FINANCIAL OFFICER

HOMEFORM GROUP LIMITED (Formerly HF GROUP ACQUISITIONCO LIMITED)
CASH FLOW STATEMENT
FOR THE 52 WEEKS ENDED 29 MARCH 2009

	Notes	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
Net cash (outflow)/inflow from operating activities		(5,316)	1,775
Servicing of finance and returns on investments			
Interest received		108	120
Net cash inflow from servicing of finance and returns on investments		108	120
Taxation			
Corporation tax		-	-
Tax paid		-	-
Capital expenditure			
Payments for tangible fixed assets		(5,368)	(3,463)
Proceeds from the sale of tangible fixed assets		81	7,415
Net cash (outflow)/inflow for capital expenditure		(5,287)	3,952
Acquisitions and disposals			
Purchase of business (net of cash acquired)		-	(22,739)
Net cash outflow for acquisitions and disposals		-	(22,739)
Net cash outflow before financing		(10,495)	(16,892)
Financing			
Issue of ordinary share capital		-	-
Increase in loans	24	9,313	28,325
Net cash inflow from financing	24	9,313	28,325
(Decrease)/increase in cash	24	(1,182)	11,433

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

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

The financial statements have been prepared on a going concern basis, notwithstanding the loss for the period, which the directors believe is appropriate for the following reasons:-

The directors have prepared working capital forecasts for the period ending 12 months from the date of the approval of these accounts. The working capital forecasts assume the current level of funding will remain available from the company's parent company throughout the 12 months from the date of this report and the parent company has confirmed in writing that the current level of funding will remain available to the company throughout this period.

Further, the working capital forecasts reflect current trading conditions and after taking account of known seasonal factors, do not reflect any significant worsening in current trading conditions which could arise from a worsening of the continuing economic downturn. The directors are satisfied that the forecast level of trading performance and cash flows is achievable and that the company will therefore be able to continue to operate for the foreseeable future.

Accounting year end
The Company's year end is the Sunday nearest to the end of March each financial year.

Goodwill
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. The directors consider the useful economic life to be one year. Provision is made for any impairment.

Tangible fixed assets
All assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets over the expected useful economic lives of the assets concerned, at the following rates:

Freehold properties	50 years
Short leasehold improvements	Term of lease
Fixtures, fittings, plant and machinery	2 to 10 years

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:-

Raw materials, consumables and goods for resale	Purchase cost on a first in, first out basis
Work in progress and finished goods	Cost of direct materials and labour plus attributable overheads based on normal levels of activity

Cash
Cash consists of cash at bank and in hand net of outstanding bank overdrafts.

Taxation
Corporation tax is provided on the assessable profits of the Company at the appropriate rates in force. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1 ACCOUNTING POLICIES (CONTINUED)

Provisions
A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Foreign currencies
Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Operating lease commitments
The cost of operating leases is charged to the profit and loss account as incurred.

Pension costs
The Company contributes to defined contribution schemes for some employees. The costs of the contributions are charged to the profit and loss account on the basis of contributions payable in respect of the accounting period.

Turnover
Turnover represents amounts receivable for goods and services in the normal course of business, net of trade discounts, VAT and other sales-related taxes. The element of turnover relating to materials is recognised at the point at which the delivery of goods to the customer is completed and the element relating to the installation is recognised upon completion of the installation.

The Company receives finance commission income from companies providing finance for certain of the Company's customers. Finance commission income is recognised at the outset of the finance arrangements based on the expected life of the finance arrangements.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Loans and overdrafts
Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2 SEGMENTAL INFORMATION

The whole of the Company's turnover is derived from activities within the United Kingdom.

Analysis of turnover and operating profit by class of business has not been disclosed as the Directors believe that publication of such information would be seriously prejudicial to the interests of the Company.

3 OTHER OPERATING EXPENSES

	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
Sales and marketing costs	57,574	63,398
Administrative costs	10,475	13,536
Exceptional costs	2,479	5,711
Goodwill amortisation	240	12,451
	70,768	95,096

4 EXCEPTIONAL ITEMS

	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
Restructuring and redundancy costs	1,639	5,711
Fixed asset impairments	273	-
Onerous lease provision	567	-
	2,479	5,711

The company underwent further restructuring during the period as the operations were streamlined at Head Office and in response to the general economic recession.

5 OPERATING LOSS

	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
Operating loss is stated after charging the following:		
Depreciation - owned assets	3,361	2,867
Operating lease rentals – leasehold property	10,019	10,486
– plant and machinery	1,189	961
Amortisation of goodwill	240	12,451
Loss on disposal of fixed assets	116	83
Loss on disposal of fixed assets - within exceptional operating costs	-	316

6 PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS

The Company sold the freehold of its head office during the previous year under a sale and leaseback arrangement over 15 years, realising a profit of £980,000.

7 AUDITORS' REMUNERATION

	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
Audit of the financial statements	78	85
Other fees to auditors - taxation services	47	16

Taxation services consisted of general advisory work.

8 INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
PIK loan interest payable	969	1,400
Loan interest payable	1,511	852
	2,480	2,252
Bank interest receivable	(108)	(120)
Net interest payable	2,372	2,132

9 STAFF COSTS

	52 weeks ended 29 March 2009 Number	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 Number
The average number of persons employed by the Company was:		
Production and installation	569	596
Sales and distribution	746	859
Administration	135	192
	1,450	1,647
Employee costs were as follows:	£000	£000
Wages and salaries	27,678	29,860
Social security costs	2,605	2,804
Other pension costs	149	193
	30,432	32,857

10 DIRECTORS' REMUNERATION

	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
Remuneration		
The remuneration of the directors was as follows:		
Emoluments	440	323
Company contributions to pension schemes	49	25
	489	348

In the prior year, T Kowalski was only a Director with effect from 11 February 2008.

In addition to the above, during the year, the Directors acquired 3,857 B ordinary shares in the Company's UK parent company, HF Group Holdings (UK) Limited.

Pensions

The number of directors who were members of the Company's defined contribution pension schemes during the period was 2 (2008 - 2).

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
Emoluments	245	277
Company contributions to pension schemes	30	23
	275	300

11 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
The tax charge comprises:		
Current tax		
Corporation tax at 28% (2008 - 30.0%) - current period	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
	-	-
	-	-

11 TAXATION ON LOSS ON ORDINARY ACTIVITIES (Continued)

The tax credit for the period is lower than the standard rate of U.K. corporation tax. The differences are explained as follows:

	£000	£000
Loss on ordinary activities before tax	(12,298)	(26,507)
Expected tax on losses at 28% (2008 - 30%)	(3,443)	(7,953)
Capital gains sheltered by losses	-	199
Capital allowances less than/(in excess of) depreciation	321	(68)
Losses not recognised within deferred tax	3,097	6,373
Other short term timing differences	(42)	762
Expenses not deductible for taxation purposes	67	687
	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to losses carried forward, as there is insufficient evidence that the asset will be recovered in the foreseeable future. The amount of asset not recognised is £33.3 million. The asset would be recovered if the Company were to make sufficient future taxable profits.

12 INTANGIBLE ASSETS

	Goodwill £000
COST	
At 30 March 2008	12,451
Additions	240
At 29 March 2009	12,691
AMORTISATION	
At 30 March 2008	12,451
Charge for the period	240
At 29 March 2009	12,691
NET BOOK AMOUNT	
At 29 March 2009	-
At 30 March 2008	-

During the period, the Company re-assessed the provision for dilapidations required on its leasehold property estate as at the date of acquisition and the Directors calculated that a further provision was required. The impact of this was to create further goodwill which has been written off in the period.

13 TANGIBLE FIXED ASSETS

	Land and buildings - short leasehold improvements	Fixtures, fittings, plant and machinery	Total
	£000	£000	£000
COST			
At 30 March 2008	410	8,802	9,212
Additions	-	5,368	5,368
Disposals	(33)	(2,599)	(2,632)
At 29 March 2009	377	11,571	11,948
DEPRECIATION			
At 30 March 2008	92	1,548	1,640
Charge	33	3,328	3,361
Disposals	(13)	(2,422)	(2,435)
At 29 March 2009	112	2,454	2,566
NET BOOK AMOUNT			
At 29 March 2009	265	9,117	9,382
At 30 March 2008	318	7,254	7,572

14 STOCKS

	29 March 2009	30 March 2008
	£000	£000
Raw materials and consumables	5,757	5,673
Work in progress	199	176
	5,956	5,849

15 DEBTORS

	29 March 2009	30 March 2008
	£000	£000
Trade debtors	4,621	7,357
Other debtors	1,330	1,100
Prepayments and accrued income	6,314	8,589
	12,265	17,046

16 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	29 March 2009 £000	30 March 2008 £000 Restated
Loans from group undertakings	20,253	12,000
Interest accrued on loans	943	853
Trade creditors	15,804	15,932
Taxation and social security	8,696	4,508
Other creditors	491	1,315
Accruals and deferred income	8,343	13,561
	54,530	48,169

The Company has re-stated the prior year's £16.3m Loans from Group undertakings and £1.2m interest accrued on loans between amounts due in less than and more than one year following a review of the terms of the various agreements.

Loans from group undertakings represents unsecured loans from the immediate parent company of £20.3m at a fixed interest rate of 8%.

The Company's parent has confirmed that it is their current intention not to require repayment of the shareholder loans provided to the Company during the next 12 months unless the Board of the Company determines in its reasonable opinion that the Company would retain adequate cash resources for its short term trading purposes after such repayment.

17 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	29 March 2009 £000	30 March 2008 £000 Restated
Loans from group undertakings	16,325	16,325
Interest accrued on loans	2,128	1,158
Other creditors	263	211
	18,716	17,694

Loans from group undertakings represents Payment in Kind notes held by the immediate parent company, to the value of £16.325m, which attracts a variable interest rate linked to the Bank of Montreal rates.

The Company has re-stated the prior year's Loans from Group undertakings between amounts due in less than and more than one year following a review of the terms of the various agreements.

18 PROVISIONS FOR LIABILITIES AND CHARGES

	£000 Warranty	£000 Property	£000 Total
At 30 March 2008	2,053	491	2,544
Charge for the period	5,264	874	6,138
Utilised during the period	(5,248)	(21)	(5,269)
At 29 March 2009	2,069	1,344	3,413

The Company provides for potential warranty and remedial claims on installations. Warranties are given for either one or five years from the date of completion of the installation.

The Company makes provisions in respect of properties, including dilapidations, where there may exist a liability at the end of lease to perform remedial works on those properties. The Company also provides for occupancy costs in respect of loss making showrooms.

19 CALLED UP SHARE CAPITAL

	29 March 2009 £000	30 March 2008 £000
Authorised		
Equity - 100 ordinary shares of £1 each	-	-
Allotted, issued and fully paid		
At 30 March 2008 - 100 ordinary shares of £1 each	-	
At 29 March 2009 - 100 ordinary shares of £1 each	-	

20 RESERVES

	Profit and loss account £000
At 30 March 2008	(26,507)
Retained loss for the period	(12,298)
At 29 March 2009	(38,805)

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	£000
At 30 March 2008	(26,507)
Retained loss for the period	(12,298)
At 30 March 2008	(38,805)

22 OPERATING LEASE COMMITMENTS

	Land and buildings 29 March 2009 £000	Plant and machinery 29 March 2009 £000	Land and buildings 30 March 2008 £000	Plant and machinery 30 March 2008 £000
Leases expiring within:				
One year	247	447	238	141
Two to five years	1,096	512	858	727
More than five years	5,046	4	5,378	-
	6,389	963	6,474	868

23 COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounted to £0.2 million.
The Company has also granted a full fixed and floating security over its assets to Barclays Bank plc.

24 NOTES TO THE CASH FLOW STATEMENT

A - Reconciliation of operating loss to net cash inflow from operating activities

	52 weeks ended 29 March 2009 £000	Period from 1 March 2007 (trading from 5 April 2007) to 30 March 2008 £000
Net cash inflow from operating activities		
Operating loss	(9,926)	(25,355)
Depreciation	3,361	2,867
Goodwill amortisation	240	12,451
Loss on disposal	116	399
Increase in stocks	(107)	(623)
Decrease/(Increase) in debtors	4,781	(12,781)
Decrease/(increase) in creditors	(3,781)	24,817
Net cash inflow from operating activities	(5,316)	1,775

B - Analysis and reconciliation of net debt

	At 30 March 2008 £000	Cash flow £000	At 29 March 2009 £000
Cash at bank and in hand	11,433	(1,182)	10,251
Debt due within one year	(12,853)	(8,343)	(21,196)
Debt due after more than one year	(17,483)	(970)	(18,453)
	(30,336)	(9,313)	(39,649)
Net debt	(18,903)	(10,495)	(29,398)

C - Change in net debt resulting from cash flows

	£000
Increase in cash in the period	(1,182)
Cash inflow from increase in debt financing	(9,313)
Change in net debt resulting from cash flows and movement in net debt	(10,495)
Net debt at 30 March 2008	(18,903)
Net debt as at 29 March 2009	(29,398)

25 ULTIMATE PARENT UNDERTAKING

The immediate parent company is HF Group UK 3 Limited, a company incorporated in England. HF Group Lux S.a.r.l, a company incorporated in Luxembourg is the largest group to consolidate these financial statements. The ultimate parent company is Sun Capital Partners IV, LP, a limited partnership, based in Delaware, United States.

26 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of HF Group Lux S.a.r.l, the Company has taken advantage of the exemption within FRS 8 and has not disclosed transactions with group undertakings.

27 POST BALANCE SHEET EVENTS

The Company received confirmation from it's parent company that it is their current intention not to require repayment of their funds over the next 12 months unless the Board of the Company determines, in its reasonable opinion, that the Company would retain adequate cash resources for its short term trading purposes after such repayment.

On a pro-forma basis this would have had the following effect on the Balance Sheet as at the end of the period:-

	As at 29 March 2009	Adjustment	As at 29 March 2009
	Per accounts		Pro-forma
	£000	£000	£000
Fixed assets	9,382	-	9,382
Current assets	28,472	-	28,472
Creditors - amounts falling due within one year	(54,530)	21,196	(33,334)
Net current liabilities	(26,058)	21,196	(4,862)
Creditors - amounts falling due after more than one year	(18,716)	(21,196)	(39,912)
Provisions for liabilities and charges	(3,413)	-	(3,413)
Total net liabilities	(38,805)	-	(38,805)
Capital and reserves			
Called up share capital	-	-	-
Profit and loss account	(38,805)	-	(38,805)
Equity shareholders' deficit	(38,805)	-	(38,805)

HOMEFORM GROUP LIMITED (Formerly HF GROUP ACQUISITIONCO LIMITED)
FURTHER INFORMATION

Registered office
Cornbrook
2 Brindley Road
Old Trafford
Manchester
M16 9HQ

Solicitors
Halliwells LLP
3 Hardman Square
Spinningfields
Manchester
M3 3EB

Principal bankers
Barclays
6th Floor
1 Marsden Street
Manchester
M2 1HW

Auditors
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB