HOMEFORM GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

28 MARCH 2010

COMPANY REGISTRATION NUMBER 06132417

HOMEFORM GROUP LIMITED
REPORT OF THE DIRECTORS

The Directors present their report and audited financial statements for the 52 weeks ended 28 March 2010

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 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 £151 2 million (2009 - £148 2 million) The loss before tax was £6 0 million (2009 - £12 3 million) although this was after deducting exceptional costs of £0 5 million (2009 - £2 5 million) and goodwill amortisation of £nil (2009 - £0 2 million)

The underlying trading EBITDA profit/(loss) for the period was	2010	2009
	£m	£m
Operating loss before goodwill amortisation and exceptional items	(3 2)	(7 2)
Management fees	0 8	0 6
Depreciation/Loss on disposal	3 4	3 2
EBITDA profit/(loss)	1 0	(3 4)

During the period, turnover rose by 2% despite the impact of the UK recession Through increased operational efficiencies and cost cutting, the Company's EBITDA was a profit of £1 0 million compared with a loss of £3 4 million in the prior year

The Company is confident that as the UK economy improves and further cost savings and efficiencies are implemented, the business will be well placed to realise improved results

At the end of the period, the Company was trading out of 166 showrooms (2009 - 151), of which approximately half were concessions with a number of partners including Homebase, Next, BHS, Laura Ashley, Focus and Easy Living 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 £151 2 million (2009 - £148 2 million) The UK economic recession continued to impact volumes throughout the period in common with the rest of the industry

Gross profit

Gross margin for the period equated to 44 1% (2009 - 41 0%) with the improvement being made largely through operational efficiencies together with some volume recovery

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

3 BUSINESS REVIEW (Continued)

Exceptional items
The exceptional operating costs relate largely to restructuring and redundancy costs incurred in driving through operational efficiencies in response to the recession 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 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 continue 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 speculative 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 before or 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

C J Pavlosky (Appointed 28 May 2010)
J A C Vicente (Resigned 4 June 2010)
T J Kowalski (Resigned 28 May 2010)

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

HOMEFORM GROUP LIMITED
REPORT OF THE DIRECTORS (Continued)

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 adequate 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 2006 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 28 March 2010, the Company's trade creditors represented 47 days of purchases (2009 - 37 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

C J Pavlosky

C J PAVLOSKY
CHIEF EXECUTIVE OFFICER

Independent auditor's report to the members of Homeform Group Limited

We have audited the financial statements of Homeform Group Limited for the 52 week period ended 28 March 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 27 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Directors' Responsibilities statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 March 2010 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Joanne Kearns
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

19. July 2010

HOMEFORM GROUP LIMITED
PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 28 MARCH 2010

	Notes	52 weeks ended 28 March 2010 £000	52 weeks ended 29 March 2009 £000
Turnover	2	151,233	148,244
Cost of sales		(84,527)	(87,402)
Gross profit		66,706	60,842
Other operating expenses (net)	3	(70,427)	(70,768)
EBITDA		**995**	**(3,422)**
Management fees		(755)	(581)
Depreciation/Loss on disposal		(3,417)	(3,204)
Goodwill amortisation		-	(240)
Exceptional items		(544)	(2,479)
Operating loss after goodwill amortisation and exceptional items		(3,721)	(9,926)
Operating loss	5	(3,721)	(9,926)
Bank interest receivable	7	14	133
Interest payable and similar charges	7	(2,338)	(2,505)
Loss on ordinary activities before taxation		(6,045)	(12,298)
Taxation on loss on ordinary activities	10	-	-
Loss on ordinary activities after taxation	20	(6,045)	(12,298)

The results for the period relate to continuing activities

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

HOMEFORM GROUP LIMITED
BALANCE SHEET AS AT 28 MARCH 2010

	Notes	28 March 2010 £000	29 March 2009 £000
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	8,238	9,382
		8,238	9,382
Current assets			
Stocks	13	8,170	5,956
Debtors	14	13,489	12,284
Cash at bank and in hand		6,931	10,251
		28,590	28,491
Creditors - amounts falling due within one year	15	(59,238)	(54,549)
Net current liabilities		(30,648)	(26,058)
Total assets less current liabilities		(22,410)	(16,676)
Creditors - amounts falling due after more than one year	16	(19,254)	(18,716)
Provisions for liabilities	18	(3,186)	(3,413)
Total net liabilities		(44,850)	(38,805)
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account	20	(44,850)	(38,805)
Shareholders' deficit	21	(44,850)	(38,805)

The financial statements were approved by the board of directors on 19/7/10 and signed on its behalf by

C. J. Pavlosky

C J PAVLOSKY
CHIEF EXECUTIVE OFFICER

Company No 06132417

HOMEFORM GROUP LIMITED
CASH FLOW STATEMENT
FOR THE 52 WEEKS ENDED 28 MARCH 2010

	Notes	52 weeks ended 28 March 2010 £000	52 weeks ended 29 March 2009 £000
Net cash outflow from operating activities	24	(1,228)	(5,316)
Servicing of finance and returns on investments			
Interest received		14	108
Net cash inflow from servicing of finance and returns on investments		14	108
Taxation			
Corporation tax		-	-
Tax paid		-	-
Capital expenditure			
Payments for tangible fixed assets		(2,139)	(5,368)
Proceeds from the sale of tangible fixed assets		33	81
Net cash outflow for capital expenditure		(2,106)	(5,287)
Net cash outflow before financing		(3,320)	(10,495)
Financing			
Increase in loans		-	9,313
Net cash inflow from financing		-	9,313
Decrease in cash	24	(3,320)	(1,182)

HOMEFORM GROUP LIMITED
NOTES TO THE ACCOUNTS – 28 MARCH 2010

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

Going concern
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 that an appropriate level of funding will be made available from the company's parent company throughout the 12 months from the date of this report The parent company has confirmed in writing that the level of funding referred to above 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 tangible fixed 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 28 March 2010 £000	52 weeks ended 29 March 2009 £000
Sales and marketing costs	57,737	57,574
Administrative costs	12,146	10,475
Exceptional costs	544	2,479
Goodwill amortisation	-	240
	70,427	70,768

4 EXCEPTIONAL ITEMS

	52 weeks ended 28 March 2010 £000	52 weeks ended 29 March 2009 £000
Restructuring and redundancy costs	958	1,639
Fixed asset impairments	(167)	273
Onerous lease provision	(247)	567
	544	2,479

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 28 March 2010 £000	52 weeks ended 29 March 2009 £000
Operating loss is stated after charging the following		
Depreciation - owned assets	3,244	3,361
Operating lease rentals – leasehold property	10,355	10,019
– plant and machinery	841	1,189
Amortisation of goodwill	-	240
Loss on disposal of fixed assets	6	116

6 AUDITORS' REMUNERATION

	52 weeks ended 28 March 2010 £000	52 weeks ended 29 March 2009 £000
Audit of the financial statements	78	78
Other fees to auditors - taxation services	8	47

Taxation services consisted of general advisory work

7 INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 28 March 2010 £000	52 weeks ended 29 March 2009 £000
PIK note interest payable to HF Group UK 3 Limited	530	969
Loan interest payable to HF Group UK 3 Limited	1,617	1,511
Other interest	191	25
	2,338	2,505
Bank interest receivable	(14)	(133)
Net interest payable	2,324	2,372

8 STAFF COSTS

	52 weeks ended 28 March 2010 Number	52 weeks ended 29 March 2009 Number
The average number of persons employed by the Company was		
Production and installation	482	569
Sales and distribution	737	746
Administration	130	135
	1,349	1,450
Employee costs were as follows	£000	£000
Wages and salaries	25,706	27,678
Social security costs	2,403	2,605
Other pension costs	222	149
	28,331	30,432

9 DIRECTORS' REMUNERATION

	52 weeks ended 28 March 2010 £000	52 weeks ended 29 March 2009 £000
Remuneration		
The remuneration of the directors was as follows		
Emoluments	541	440
Company contributions to pension schemes	49	49
	590	489

Pensions

The number of directors who were members of the Company's defined contribution pension schemes during the period was 2 (2009 - 2)

Highest paid director

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

	52 weeks ended 28 March 2010 £000	52 weeks ended 29 March 2009 £000
Emoluments	349	245
Company contributions to pension schemes	30	30
	379	275

10 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	52 weeks ended 28 March 2010 £000	52 weeks ended 29 March 2009 £000
The tax charge comprises		
Current tax		
Corporation tax at 28% - current period	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
	-	-
	-	-

10 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

	52 weeks ended 28 March 2010 £000	52 weeks ended 29 March 2009 £000
Loss on ordinary activities before tax	(6,045)	(12,298)
Expected tax on losses at 28% (2009 - 28%)	(1,693)	(3,443)
Capital allowances less than/(in excess of) depreciation	306	321
Increase in tax losses	729	3,097
Other short term timing differences	(20)	(42)
Interest not deductible for taxation purposes	601	-
Expenses not deductible for taxation purposes	77	67
	-	-

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 £9 2 million (2009 £9 3 million) The asset would be recovered if the Company were to make sufficient future taxable profits

11 INTANGIBLE ASSETS

	Goodwill £000
COST	
At 29 March 2009 and 28 March 2010	12,691
AMORTISATION	
At 29 March 2009 and 28 March 2010	12,691
NET BOOK AMOUNT	
At 28 March 2010	-
At 29 March 2009	-

HOMEFORM GROUP LIMITED
NOTES TO THE ACCOUNTS – 28 MARCH 2010

12 TANGIBLE FIXED ASSETS

	Land and buildings - short leasehold improvements	Fixtures fittings plant and machinery	Total
	£000	£000	£000
COST			
At 29 March 2009	377	11,571	11,948
Additions	-	2,139	2,139
Disposals	(40)	(575)	(615)
At 28 March 2010	337	13,135	13,472
DEPRECIATION			
At 29 March 2009	112	2,454	2,566
Charge	32	3,379	3,411
Reversal of impairment recognised in prior year	-	(167)	(167)
Disposals	(40)	(536)	(576)
At 28 March 2010	104	5,130	5,234
NET BOOK AMOUNT			
At 28 March 2010	233	8,005	8,238
At 29 March 2009	265	9,117	9,382

13 STOCKS

	28 March 2010	29 March 2009
	£000	£000
Raw materials and consumables	7,927	5,757
Work in progress	243	199
	8,170	5,956

14 DEBTORS

	28 March 2010	29 March 2009
	£000	£000
Trade debtors	5,016	4,621
Other debtors	962	1,330
Amount owing from parent undertaking	67	19
Prepayments and accrued income	7,444	6,314
	13,489	12,284

15 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 March 2010 £000	29 March 2009 £000
Loans from group undertakings - HF Group UK 3 Limited (Note 17)	20,272	20,272
Interest accrued on loans from group undertakings - HF Group UK 3 Limited	2,560	943
Trade creditors	20,065	15,804
Taxation and social security	6,959	8,696
Other creditors	408	491
Accruals and deferred income	8,974	8,343
	59,238	54,549

16 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	28 March 2010 £000	29 March 2009 £000
Loans from group undertakings - HF Group UK 3 Limited (Note 17)	16,325	16,325
Interest accrued on loans from group undertakings - HF Group UK 3 Limited	2,658	2,128
Other creditors	271	263
	19,254	18,716

17 DEBT ANALYSIS

Borrowings due within one year -	28 March 2010 £000	29 March 2009 £000
Loans from group undertakings - HF Group UK 3 Limited (Note 15)	20,272	20,272
Interest accrued on loans from group undertakings - HF Group UK 3 Limited	2,560	943
	22,832	21,215

Borrowings due after more than one year -	£000	£000
Loans from group undertakings - HF Group UK 3 Limited (Note 16)	16,325	16,325
Interest accrued on loans from group undertakings - HF Group UK 3 Limited	2,658	2,128
	18,983	18,453

Loans from group undertakings due within one year represents secured loans from the immediate parent company at a fixed interest rate of 8%

Loans from group undertakings due after more than one year represents secured Payment in Kind notes held by the immediate parent company which attract a variable interest rate linked to the Bank of Montreal rates

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

18 PROVISIONS FOR LIABILITIES

	Warranty £000	Property £000	Total £000
At 29 March 2009	2,069	1,344	3,413
Charge/(credit) for the period	4,682	(216)	4,466
Utilised during the period	(4,662)	(31)	(4,693)
At 28 March 2010	2,089	1,097	3,186

The Company provides for potential warranty and remedial claims on installations Warranties are given for up to fifteen years on certain elements of the installation 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

	28 March 2010 £000	29 March 2009 £000
Authorised		
Equity - 100 ordinary shares of £1 each	-	-
Allotted and issued		
At 29 March 2009 - 100 ordinary shares of £1 each	-	
At 28 March 2010 - 100 ordinary shares of £1 each	-	

20 RESERVES

	Profit and loss account £000
At 29 March 2009	(38,805)
Retained loss for the period	(6,045)
At 28 March 2010	(44,850)

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	£000
At 29 March 2009	(38,805)
Retained loss for the period	(6,045)
At 28 March 2010	(44,850)

22 OPERATING LEASE COMMITMENTS

	Land and buildings 28 March 2010 £000	Plant and machinery 28 March 2010 £000	Land and buildings 29 March 2009 £000	Plant and machinery 29 March 2009 £000
Leases expiring within				
One year	87	228	247	447
Two to five years	1,570	560	1,096	512
More than five years	4,824	-	5,046	4
	6,481	788	6,389	963

23 COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounted to £0 1 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 28 March 2010 £000	52 weeks ended 29 March 2009 £000
Net cash outflow from operating activities		
Operating loss	(3,721)	(9,926)
Depreciation	3,244	3,361
Goodwill amortisation	-	240
Loss on disposal	6	116
Increase in stocks	(2,214)	(107)
(Increase)/decrease in debtors	(1,224)	4,781
Increase/(decrease) in creditors	2,681	(3,781)
Net cash outflow from operating activities	(1,228)	(5,316)

B - Analysis and reconciliation of net debt

	At 29 March 2009 £000	Cash flow £000	Non-cash movements £000	At 28 March 2010 £000
Cash at bank and in hand	10,251	(3,320)	-	6,931
Debt due within one year	(21,215)	-	(1,617)	(22,832)
Debt due after more than one year	(18,453)	-	(530)	(18,983)
	(39,668)	-	(2,147)	(41,815)
Net debt	(29,417)	(3,320)	(2,147)	(34,884)

C - Change in net debt resulting from cash flows

	£000
Decrease in cash in the period	(3,320)
Other non-cash movements	(2,147)
Change in net debt resulting from cash flows and movement in net debt	(5,467)
Net debt at 29 March 2009	(29,417)
Net debt as at 28 March 2010	(34,884)

25 ULTIMATE CONTROLLING PARTY

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 controlling party 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

HOMEFORM GROUP LIMITED
NOTES TO THE ACCOUNTS – 28 MARCH 2010

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 the loans 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 28 March 2010	Adjustment	As at 28 March 2010
	Per accounts		Pro-forma
	£000	£000	£000
Fixed assets	8,238	-	8,238
Current assets	28,590	-	28,590
Creditors - amounts falling due within one year	(59,238)	22,832	(36,406)
Net current liabilities	(30,648)	22,832	(7,816)
Creditors - amounts falling due after more than one year	(19,254)	(22,832)	(42,086)
Provisions for liabilities	(3,186)	-	(3,186)
Total net liabilities	(44,850)	-	(44,850)
Capital and reserves			
Called up share capital	-	-	-
Profit and loss account	(44,850)	-	(44,850)
Shareholders' deficit	(44,850)	-	(44,850)

The Company has received a further £6 1 million via its parent company since year end

HOMEFORM GROUP LIMITED
FURTHER INFORMATION

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