

FURNITURE ORIGINS (UK) LIMITED

(Company number: 6378432)

ANNUAL REPORT

For the period from 21 September 2007 (date of incorporation) to 31 December 2008

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FURNITURE ORIGINS (UK) LIMITED

DIRECTORS' REPORT – 31 DECEMBER 2008

The directors present their report and the audited financial statements of the company for the period from 21 September 2007 (date of incorporation) to 31 December 2008.

Principal activities

The company's principal activity during the period was the distribution and sale of furniture.

Business review

Both the level of the business and the period end financial position were in-line with expectation. The company's core business is within the furniture sector which has remained positive in the period under review, with the current economic environment presenting both opportunities and challenges. The loss in the period is due to one of the major customers of the company becoming liquidated.

The results of the company show a loss of £1,822,640. During the period, the company has incurred exceptional costs of £1,818,880 being the provision for impairment of debtors, see note 4 for further details.

Future developments

Excluding the impact of a one-off debtor impairment during the period, the director expects the present level of activity to continue for the foreseeable future.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Risk management is carried out by the controlling shareholders. The controlling shareholders provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures to distributors and retailers, including outstanding receivables and committed transactions. Credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings and the utilisation of credit limits is regularly monitored.

Liquidity risk

Management monitors liquidity risk by maintaining sufficient cash, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining availability under committed credit lines.

Interest rate cash flow risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

Results and dividends

The company's loss for the period from 21 September 2007 (date of incorporation) to 31 December 2008 is £1,822,640.

During the period, no interim dividend relating to 2008 was declared. The loss for the period for the company of £1,822,640 was deducted from reserves.

Directors

The directors who held office during the period are given below:

Seth Jutan (appointed 12 November 2007)

Company Directors Limited (appointed and resigned 21 September 2007)

Harold Lerner (Company Secretary – appointed on 21 September 2007)

Statement of director's 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 period. Under the 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 those financial statements, the director is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements 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.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 him 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.

These financial statements are prepared on the going concern basis as OH Agency Limited has undertaken to provide continuing financial support for the foreseeable future and in any event for the next 12 months following the date of signing of their financial statements, so that company can pay its debts as and when they fall due.

Auditors and disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

FURNITURE ORIGINS (UK) LIMITED

DIRECTORS' REPORT – 31 DECEMBER 2008 (Continued)

Auditors

The auditors, PricewaterhouseCoopers LLP were appointed in the period and have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board



Seth Jutan
Director

20 October 2009.

Independent auditor's report to the members of Furniture Origins (UK) Limited

We have audited the financial statements of Furniture Origins (UK) Limited for the period ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we also 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 transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 31 December 2008 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 directors' report is consistent with the financial statements.

FURNITURE ORIGINS (UK) LIMITED

AUDITORS' REPORT – 31 DECEMBER 2008 (Continued)

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading
20 October 2009

FURNITURE ORIGINS (UK) LIMITED

Profit and Loss Account

From 21 September 2007 (date of incorporation) to 31 December 2008

Profit and loss account for the period from 21 September 2007 (date of incorporation) to 31 December 2008

Continuing operations	Note	2008 £
Turnover	3	3,888,175
Cost of sales		(3,578,208)
Gross profit		309,967
Administrative expenses		(2,205,018)
Selling & distribution expenses		(37,127)
Other operating income		109,538
Operating loss	4	(1,822,640)
Loss on ordinary activities before taxation		(1,822,640)
Tax on loss on ordinary activities	7	-
Loss for the financial period	12,13	(1,822,640)

There are no material differences between the loss on ordinary activities before taxation and the accumulated losses for the period stated above and their historical cost equivalents.

The company has no recognised gains or losses, other than the loss for the financial period, and therefore no separate statement for total recognised gains and losses has been presented.

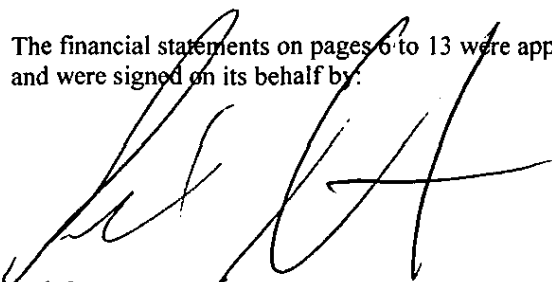
The notes on pages 8 to 13 form part of the financial statements.

FURNITURE ORIGINS (UK) LIMITED

Balance sheet as at 31 December 2008

	Note	2008 £
Current assets		
Stock	8	1,546,004
Debtors	9	1,385,606
Cash at bank and in hand		148,045
		3,079,655
Creditors – Amounts falling due within one year	10	(4,902,294)
Net current liabilities		(1,822,639)
Total assets less current liabilities and net liabilities		(1,822,639)
Capital and reserves		
Called up share capital	11	1
Profit and loss reserve (deficit)	12	(1,822,640)
Total shareholders' deficit	13	(1,822,639)

The financial statements on pages 6 to 13 were approved by the board of directors on 20 October 2009 and were signed on its behalf by:


Seth Jutan
Director

Notes to the financial statements for the period from 21 September 2007 (date of incorporation) to 31 December 2008

1 Accounting policies

These financial statements are prepared on the going concern basis as OH Agency Limited has undertaken to provide continuing financial support for the foreseeable future and in any event for the next 12 months following the date of signing of their financial statements, so that the company can pay its debts as and when they fall due. These financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

1.1 Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

1.2 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision for aged stocks is made on specific identification basis.

1.3 Trade debtors

Trade debtors are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debtor maybe impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within 'administrative expenses'. When a trade debtor maybe uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

1.4 Deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

FURNITURE ORIGINS (UK) LIMITED

Notes to the financial statements (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit and loss account, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

1.5 Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Turnover is presented net of value-added tax, returns, rebates and discounts.

The company recognises revenue when the amount of turnover can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1.6 Financial Risk Management

The company's activities expose it to a variety of financial risks: currency risk, credit risk and liquidity risk.

(a) Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises from commercial transactions such as purchases that are denominated in a currency that is not the entity's functional currency.

(b) Credit Risk

Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to distributors and retailers, including outstanding receivables and committed transactions. Credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings and the utilisation of credit limits is regularly monitored.

Cash and bank deposits are held with banks with high credit ratings assigned by international credit rating agencies.

(c) Liquidity Risk

Management monitors liquidity risk by maintaining sufficient cash, ensuring the availability of funding through an adequate amount of committed credit facilities.

FURNITURE ORIGINS (UK) LIMITED

Notes to the financial statements (Continued)

2 Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Origins Holdings ApS and is included in the consolidated financial statement of Origins Holdings ApS. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Origins Holdings ApS or investees of the Origins Holdings ApS group.

3 Segmental reporting

The company's activities consist solely of the distribution and sales of furniture in the United Kingdom.

4 Operating loss

	For the period from 21 September 2007 (date of incorporation) to 31 December 2008 £
Operating loss is stated after charging	
Wages and salaries	110,208
Social security costs	5,978
Staff Insurance	216
Staff costs	116,402
Net gain on foreign exchange	101,538
Provision for impairment of trade debtors *	1,818,880
Services provided by the company's auditor	
Fees payable for the audit	26,013

* Provision arose as debtor was liquidated during the financial period

5 Directors' emoluments

The directors of the company are being remunerated by OH Agency Limited, a fellow subsidiary held by the same ultimate holding company. It is not possible to apportion the proportion of the directors' work that was done for the company.

6 Employee information

The average monthly number of persons employed by the company (excluding directors) during the period was:

	For the period from 21 September 2007 (date of incorporation) to 31 December 2008
By activity	
Selling and distribution	6

None of the directors were remunerated for their services to the company.

7 Taxation on loss on ordinary activities

	2008 £
Current tax:	
Current tax on loss for the period	-
Total current tax	-
Deferred tax:	
Origination and reversal of timing differences	-
Total deferred tax	-

The tax assessed for the period is higher than the standard effective rate of corporation tax in the UK for the period ended 31 December 2008 of 28.5%. The differences are explained below:

	2008 £
Loss on ordinary activities before tax	(1,822,640)
Loss on ordinary activities multiplied by standard rate in the UK 28.8%	(524,920)
Effects of:	
Losses not recognised	509,286
Other timing differences	15,634
Current tax charge for the period	Nil

Factors affecting current and future tax charges:

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28.8% and will be taxed at 28% in the future.

A full provision has been made for deferred tax assets arising due to uncertainty of the timing of future taxable profit. The total amount unprovided at 31 December 2008 is £524,920

FURNITURE ORIGINS (UK) LIMITED

Notes to the financial statements (Continued)

8 Stock

	2008 £
Finished goods and goods held for resale	1,546,004

9 Debtors

	2008 £
Trade debtors	1,381,356
Prepayments and accrued income	4,250
	1,385,606

10 Creditors – amounts falling due within one year

	2008 £
Trade creditors	2,700
Amounts due to group undertakings	4,727,705
Accruals and deferred income	92,757
Other creditors	79,132
	4,902,294

All amounts due to group undertakings are unsecured, interest-free and repayable on demand.

11 Called up share capital

	2008 £
Authorised 100 ordinary shares of £1 each	100
Allotted and fully paid 1 ordinary share of £1 each	1

FURNITURE ORIGINS (UK) LIMITED

Notes to the financial statements (Continued)

12 Reserves

	Profit and loss reserve £
At date of incorporation	-
Loss for the financial period (note 13)	(1,822,640)
31 December 2008	(1,822,640)

13 Reconciliation of movements in shareholders' funds

	2008 £
Loss for the financial period	(1,822,640)
Net proceeds of issue of ordinary share capital (note 11)	1
Closing shareholders' funds (deficit)	(1,822,639)

14 Ultimate parent

The intermediate parent undertaking is Origins Holdings APS (incorporated in Denmark). The ultimate parent undertaking and controlling party is Seraphim Holdings Delaware LLC (incorporated in Delaware) which owns 56.40% of Origins Holdings APS. JBF Finance Limited (incorporated in Switzerland) holds 40.79% in Origins Holding APS and the remaining 2.81% is held by individuals. The parent of the smallest and largest group to consolidate these financial statements is Origins Holdings APS. Copies of the consolidated financial statements of Origins Holdings APS can be obtained from <http://www.cvr.dk/Site/Forms/CMS/DisplayPage.aspx?pageid=21> and are also publicly available at the registered office of Origin Holdings APS, c/o Kromann Reumert, Sundkrogsgade 5, DK-2100, Copenhagen.