

LOVESHAW EUROPE LIMITED

Report and Financial Statements

Year ended 31 December 2012

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LOVESHAW EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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LOVESHAW EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Hudson
E Ufland
O Barreto-Morley (resigned 31 March 2013)
K Green

SECRETARY

S&J Registrars

REGISTERED OFFICE

99 Gresham Street
London
EC2V 7NG

AUDITOR

Deloitte LLP
Reading, United Kingdom

LOVESHAW EUROPE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review was that of a supplier of end-of-line packaging machinery

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The directors consider the state of affairs of the company at the balance sheet date to be satisfactory. The directors believe that the company is sufficiently cash generating and profitable at present to be well placed to take advantage of the eventual economic upturn in the UK market, which is the company's major market.

RESULTS AND DIVIDENDS

The profit for the period after tax transferred to reserves was £144,499 (2011 profit of £136,191). The directors do not recommend the payment of a dividend.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in highly competitive markets which are a continuing risk to the company and it could result in it losing key customers to competitors.

KEY PERFORMANCE INDICATORS

The directors measure the performance of the company by using Key Performance Indicators with regard to gross profit percentage and overhead costs, thereby ensuring that operating profit is maximised.

Key performance indicator	2012	2011
Gross profit percentage	53.2%	52.6%
Operating profit percentage	9.6%	10.8%

The directors consider the above to be satisfactory.

FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The directors are very aware of the need to review all aspects of risk (and annually carry out a very detailed internal risk assessment analysis on all aspects of the business), which are likely to affect the financial stability of the company, whether it be from either the sales or the cost side of the business.

Given that UK or global recession is still a potential risk, management of Loveshaw Europe feels it vitally important to continue with the need to assess operating procedures and processes of the company.

Credit Risk

The company's principal financial assets are bank balances and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented on the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss risk which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk as it has exposure over a large number of customers.

Cash Flow Risk

As a general policy the directors aim to maintain a positive result, which will enable the company to be flexible in developing its product and market development strategy. This positive cash status has been maintained during 2012 and into 2013.

Liquidity Risk

The existing level of monies held within current accounts in the company's name mean that there is not currently a requirement for external financing, thereby minimising the risk in this area. It is not expected that this situation will change in the short term.

Overall, the directors of Loveshaw Europe Limited believe that their proactive sales activity and internal management will continue to provide very favourable results compared with the overall market.

LOVESHAW EUROPE LIMITED

DIRECTORS' REPORT

GOING CONCERN

The company's business activities together with the factors likely to affect its future development, performance and position are set out in the business review and the principal risks and uncertainties above. The company has substantial net assets and net current assets as set out in the balance sheet on page 8. Despite the current uncertain economic outlook, the company's forecasts show that the company will continue to generate a strong cashflow and profits. In addition the company has access to a group banking facility it consequently has sufficient cash resources to meet any reasonably foreseeable obligation. This facility is due for renewal for a further 12 months in July 2013 and the directors have no reason to believe that this will not be forthcoming. As a consequence the directors believe the company is well placed to manage its business risks successfully and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

DIRECTORS

The directors shown below have held office during the year and up to the date of signing, except as noted below.

G Hudson
E Ufland
O Barreto-Morley (resigned 31 March 2013)
K Green

CHARITABLE DONATIONS

The company did not make any charitable or political donations during the period.

EMPLOYMENT POLICIES

The company strives to be in the forefront in respect of employee relations and towards the health and safety of its staff. The company keeps its staff apprised of company developments by holding regular staff meetings, publication of staff communications and handbooks and by use of new technology.

Health and safety of staff, guests and the public at large is of paramount importance. The company maintains its facilities to stringent standards usually at a level well above government and industry standards. Systems of preventive and regular maintenance exist at all facilities. The company also ensures that products are sourced from suppliers maintaining similar standards of environmental and health and safety standards.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities 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 to that of other employees.

ENVIRONMENTAL POLICY

The company takes very seriously its responsibilities towards the environment. It constantly strives to minimise environmental damage including proper disposal of waste and taking all steps possible to reduce the effects of global warming. The company always meets, and often exceeds, minimum environmental standards as required by government and trade associations.

SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

LOVESHAW EUROPE LIMITED

DIRECTORS' REPORT

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP has expressed their willingness to continue in office as the auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, consisting of a stylized 'G' followed by a horizontal line.

G Hudson

Director

3 May 2013

LOVESHAW EUROPE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- 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 are sufficient to show and explain the company's transactions and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOVESHAW EUROPE LIMITED.

We have audited the financial statements of Loveshaw Europe Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 the auditor

As explained more fully in the Directors' Responsibilities Statement, 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 and express an opinion on 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2012 and of its profit 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.

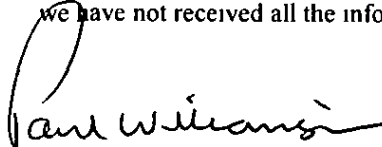
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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.


Paul Williamson BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
3 May 2013

LOVESHAW EUROPE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2012

	Note	Year ended 31 December 2012 £	Period from 12 October 2010 to 31 December 2011 £
TURNOVER	2	2,022,506	1,708,563
Cost of sales		(945,560)	(810,021)
Gross profit		<u>1,076,946</u>	<u>898,542</u>
Operating expense		(882,316)	(713,175)
OPERATING PROFIT	3	<u>194,630</u>	<u>185,367</u>
Interest receivable and similar income	5	-	180
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>194,630</u>	<u>185,547</u>
Tax on profit on ordinary activities	6	(50,131)	(49,356)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12, 13	<u><u>144,499</u></u>	<u><u>136,191</u></u>

All results derive from continuing operations

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current year and prior period as shown above. Accordingly, no statement of total recognised gains and losses is shown.

LOVESHAW EUROPE LIMITED

BALANCE SHEET 31 December 2012

	Note	31 December 2012 £	31 December 2011 £
FIXED ASSETS			
Tangible assets	7	22,000	23,248
CURRENT ASSETS			
Stocks	8	235,462	239,096
Debtors	9	699,711	531,454
Cash at bank and in hand		601	5,021
		935,774	775,571
CREDITORS: amounts falling due within one year	10	(394,098)	(379,642)
NET CURRENT ASSETS		541,676	395,929
NET ASSETS		563,676	419,177
CAPITAL AND RESERVES			
Share capital	11	1	1
Share premium	12	282,985	282,985
Profit and loss account	12	280,690	136,191
EQUITY SHAREHOLDER'S FUNDS	13	563,676	419,177

The financial statements of Loveshaw Europe Limited (registered number 07405243) were approved and authorised for issue by the Board of Directors on 3 May 2013

Signed on behalf of the Board of Directors



G Hudson

Director

3 May 2013

LOVESHAW EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2012

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The accounts have been prepared under the historical cost convention rules and in accordance with applicable Accounting Standards.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review and the principal risks and uncertainties above. The company has substantial net assets and net current assets as set out in the balance sheet on page 8. Despite the current uncertain economic outlook, the company's forecasts show that the company will continue to generate a strong cashflow and profits. In addition, the company has access to a group banking facility; it consequently has sufficient cash resources to meet any reasonably foreseeable obligation. This facility is due for renewal for a further 12 months in July 2013 and the directors have no reason to believe that this will not be forthcoming. As a consequence, the directors believe the company is well placed to manage its business risks successfully and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Cashflow statement

The company is a wholly owned subsidiary of Illinois Tool Works Inc and is included in the consolidated financial statements of Illinois Tool Works Inc, which are publicly available. Consequently, the company has taken advantage of the exemption of preparing a cash flow statement under the terms of FRS1 (revised 1996).

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost, net of depreciation and any provision for impairment.

Depreciation on fixed assets is provided at rates estimated to write off the cost, less residual value, of each asset evenly over its expected useful life, as follows:

Motor vehicles	10% - 33 1/3% per annum
Office furniture	20% per annum
Office equipment	20% per annum
Fixtures and fittings	20% per annum

Leasehold property is depreciated over the term of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Stocks include demonstration equipment, which is depreciated over 2-3 years.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

LOVESHAW EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2012

1 ACCOUNTING POLICIES (CONTINUED)

Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term even if payments are not made on such a basis

Pension costs

The members of the pension scheme belong to the defined benefit schemes of ITW Ltd, which is its parent company. Accordingly the details of this scheme are disclosed in the accounts of ITW Limited. Amounts charged to operating profit are the current service costs. They are included as part of staff costs.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the date of the transaction. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. These translation differences are dealt with in the profit and loss account.

2. TURNOVER

Turnover represents the invoiced value, exclusive of VAT, of sales arising from the company's principal activity. Turnover is recognised on the shipment of goods from the Loveshaw Europe warehouse. Its geographical distribution is as follows:

	Year ended 31 December 2012 £	Period from 12 October 2010 to 31 December 2011 £
United Kingdom	1,701,319	1,473,490
Rest of Europe	280,687	219,359
Other	40,500	15,714
	<u>2,022,506</u>	<u>1,708,563</u>

LOVESHAW EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2012

3 OPERATING PROFIT

	Year ended 31 December 2012 £	Period from 12 October 2010 to 31 December 2011 £
Operating profit is shown after charging		
Depreciation - owned assets	6,793	3,122
Foreign exchange loss	6,506	6,575
Operating lease rentals		
Buildings	21,850	18,208
Other	11,160	7,470

Audit fees are borne by another company and it is repaid by a management recharge. The audit fee for the current period is £8,895 (2011 £8,895).

4 STAFF COSTS

Particulars of employee costs (including executive directors) are as shown below

	Year ended 31 December 2012 £	Period from 12 October 2010 to 31 December 2011 £
Employee costs during the period amounted to		
Wages and salaries	448,531	370,313
Social security costs	46,868	37,741
Other pension costs	27,966	21,759
	<u>523,365</u>	<u>429,813</u>

The average monthly number of persons employed by the company during the period was as follows

	Year ended 31 December 2012 Number	Period from 12 October 2010 to 31 December 2011 Number
Sales, administration and distribution	<u>12</u>	<u>13</u>

LOVESHAW EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2012

4 STAFF COSTS (CONTINUED)

Director's remuneration and transactions

	Year ended 31 December 2012 £	Period from 12 October 2010 to 31 December 2011 £
Directors' emoluments excluding pension costs	92,114	80 345
Pension costs	16,252	12,411
	<u>108,366</u>	<u>92 756</u>

During the period, one director participated in the company defined benefit scheme

The directors' remuneration and transactions information above is in respect to the one exclusive director of the company. A further three directors are also directors of ITW Limited, a fellow group company. ITW Limited paid the directors £463,307 (2011 £375,669) in the period in which they were also directors of Loveshaw Europe Ltd. The directors' emoluments incurred in ITW Limited have not been apportioned between each fellow group company for which the directors acted. The emoluments of the highest paid were £184,747 (2011 £137,278) and the accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2012 was £18,730 (2011 £16,199).

5. INTEREST RECEIVABLE

	Year ended 31 December 2012 £	Period from 12 October 2010 to 31 December 2011 £
Interest income	-	180

LOVESHAW EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2012

6 TAXATION

	Year ended 31 December 2012 £	Period from 12 October 2010 to 31 December 2011 £
Analysis for the tax charge for the period		
The tax charge is made up as follows		
UK corporation tax of 24.5% (2011: 26.6%)	47,684	49,356
Adjustment in respect of prior years	2,447	-
Total current tax	<u>50,131</u>	<u>49,356</u>

The difference between the total current tax shown above and the amount calculated by applying the effective rate of UK corporation tax to the profit before tax is as follows

	Year ended 31 December 2012 £	Period from 12 October 2010 to 31 December 2011 £
Profit on ordinary activities before tax	<u>194,630</u>	<u>185,547</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.6%)	47,684	49,356
Adjustment in respect of prior years	2,447	-
Total current tax	<u>50,131</u>	<u>49,356</u>

7. TANGIBLE FIXED ASSETS

	Leasehold £	Motor vehicles £	Office furniture £	Office equipment £	Fixtures and fittings £	Total £
Cost						
At 1 January 2012	41,408	28,627	5,033	16,060	5,235	96,363
Additions	-	8,449	-	-	-	8,449
Disposals	-	(11,201)	-	-	-	(11,201)
At 31 December 2012	<u>41,408</u>	<u>25,875</u>	<u>5,033</u>	<u>16,060</u>	<u>5,235</u>	<u>93,611</u>
Accumulated depreciation						
At 1 January 2012	41,408	8,505	5,033	12,934	5,235	73,115
Charge for the year	-	6,111	-	683	-	6,793
Disposals	-	(8,298)	-	-	-	(8,298)
At 31 December 2012	<u>41,408</u>	<u>6,318</u>	<u>5,033</u>	<u>13,617</u>	<u>5,235</u>	<u>71,611</u>
Net book value						
At 31 December 2012	<u>-</u>	<u>19,557</u>	<u>-</u>	<u>2,443</u>	<u>-</u>	<u>22,000</u>
At 31 December 2011	<u>-</u>	<u>20,122</u>	<u>-</u>	<u>3,126</u>	<u>-</u>	<u>23,248</u>

LOVESHAW EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2012

8. STOCKS

	31 December 2012 £	31 December 2011 £
Finished goods	189,872	211,642
Demonstration stock	45,590	27,454
	<u>235,462</u>	<u>239,096</u>

There is no material difference between the balance sheet value of stock and their replacement cost

9. DEBTORS

	31 December 2012 £	31 December 2011 £
Trade debtors	377,379	341,378
Amounts owed by group undertakings	255,184	140,363
Prepayments and accrued income	58,061	30,022
Other debtors	9,087	19,691
	<u>699,711</u>	<u>531,454</u>

10. CREDITORS

Amounts falling due within one year

	31 December 2012 £	31 December 2011 £
Trade creditors	75,556	67,074
Amounts owed to group undertakings	20,260	72,597
Corporation tax	49,144	49,356
Other creditors		
- VAT	47,837	27,521
- Social security and PAYE	40,407	38,241
Accruals and deferred income	160,894	124,853
	<u>394,098</u>	<u>379,642</u>

11. CALLED UP SHARE CAPITAL

	31 December 2012 £	31 December 2011 £
Allotted, issued and fully paid 1 ordinary share of £1 each	<u>1</u>	<u>1</u>

LOVESHAW EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2012

12. RESERVES

The movement on reserves during the period was as follows

	Share Premium £	Profit and loss account £
At 1 January 2012	282,985	136,191
Profit for the year	-	144,499
At 31 December 2012	<u>282,985</u>	<u>280 690</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	Year ended 31 December 2012 £	Period from 12 October 2010 to 31 December 2011 £
Profit for the financial period	144,499	136,191
Shares issued in the period	-	282,986
Opening shareholder's funds	<u>419,177</u>	<u>-</u>
Closing shareholder's funds	<u>563,676</u>	<u>419,177</u>

The issue during the period from 12 October 2010 to 31 December 2011 of a £1 ordinary share to ITW Limited resulted in a share premium of £282,985

14. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year	2012 £	2011 £
Expiring within one year	<u>4,596</u>	<u>4,776</u>

Loveshaw Europe Ltd does not have any hire or lease obligations greater than a three month period, therefore the figure above does not represent an annual commitment but rather reflects the commitment up until expiry

LOVESHAW EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2012

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate holding company for the year ended to 31 December 2012 was Illinois Tool Works Inc, a company which is incorporated in the state of Delaware, USA

The immediate parent undertaking of the company is ITW Limited, a company incorporated in the UK

The only group in which the results of Loveshaw Europe Limited are consolidated is that headed by Illinois Tool Works Inc. The consolidated financial statements of this group are available to the public and may be obtained from Illinois Tool Works Inc, 3600 West Lake Avenue, Glenview, Illinois 60025, United States of America

16. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption under Financial Reporting Standard 8 'Related Party Disclosures', from disclosing related party transactions with other entities that are part of the Illinois Tool Works Inc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOVESHAW EUROPE LIMITED.

We have audited the financial statements of Loveshaw Europe Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 the auditor

As explained more fully in the Directors' Responsibilities Statement, 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 and express an opinion on 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2012 and of its profit 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 period 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.

Paul Williamson BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
April 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOVESHAW EUROPE LIMITED.

We have audited the financial statements of Loveshaw Europe Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 the auditor

As explained more fully in the Directors' Responsibilities Statement, 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 and express an opinion on 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2012 and of its profit 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 period 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.

Paul Williamson BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
April 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOVESHAW EUROPE LIMITED.

We have audited the financial statements of Loveshaw Europe Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 the auditor

As explained more fully in the Directors' Responsibilities Statement, 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 and express an opinion on 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2012 and of its profit 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 period 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.

Paul Williamson BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
April 2013