

Company Registration No. 02355294 (England and Wales)

THE LOFT SHOP GROUP LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Carpenter Box LLP

Chartered Accountants

Grafton Lodge

15 Grafton Road

Worthing

West Sussex

BN11 1QR

THE LOFT SHOP GROUP LIMITED

DIRECTORS AND ADVISERS

Directors	Mr P R Stedman
	Mr J Stedman (Appointed 21 August 2007)
	Ms M J Kay (Appointed 21 August 2007)
Secretary	Mr R Birchenough
Company number	02355294
Registered office	50-51 Lineside Industrial Estate Eldon Way Littlehampton West Sussex BN17 7HE
Registered auditors	Carpenter Box LLP Grafton Lodge 15 Grafton Road Worthing West Sussex BN11 1QR
Bankers	National Westminster Bank plc Corporate and Commercial Banking PO Box 4719 Worthing West Sussex BN11 9JR
Solicitors	Clarke Willmott Burlington House Botley Grange Business Park Southampton Hampshire SO30 2DF

THE LOFT SHOP GROUP LIMITED AND SUBSIDIARY COMPANIES CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Consolidated profit and loss account	4
Balance sheets	5
Consolidated cash flow statement	6
Notes to the consolidated cash flow statement	7
Notes to the financial statements	8 - 22

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007**

The directors present their report and financial statements for the year ended 31 December 2007.

Directors

The following directors have held office since 1 January 2007:

Mr P R Stedman

Mr J Stedman

(Appointed 21 August 2007)

Ms M J Kay

(Appointed 21 August 2007)

Mr D S Hunt

(Resigned 8 August 2007)

Principal activities and review of the business

The principal activity of the group continued to be that of the marketing and sale of building products.

The group's activities include a number of different product groups sold through different routes to market. The principle activity of The Loft Shop Group Limited continued to be that of the marketing, sale and distribution of building products.

During the year two Loft Shops were closed leaving a total at 23 including Stairplace.

Sales of products through the company's website which had been set up in 2005 grew substantially and continuing investment in this channel will develop growth still further.

The production of aluminium and stainless steel products in China was further developed during the year whilst the duplication of production tooling in the UK has covered any risk of delay or disruption from the Chinese plant.

Increasingly adverse market conditions in the building sector as the year progressed resulted in declining sales whilst pressure for competitive pricing affected gross margins. The declining value to the pound versus the euro (the group purchases a substantial volume of their goods in euros) towards the year end caused further pressure on margins.

The group sustained a loss before taxation of £197,122 (2006 - £39,955).

The company continued to develop the supply of timber goods from Forest Stewardship Council (FSC) certified sources.

Results and dividends

The consolidated profit and loss account for the year is set out on page 4.

Future developments

The Chinese production plant has been certified to ISO 9001:2000 and relevant products will be tested and certified to BS EN 1856:2003-1 allowing goods to be CE marked.

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007**

Risk exposure

The group has continued to monitor and control its cash position closely and remained within the overdraft facility throughout the year.

Currency risks with major foreign suppliers are covered by forward purchases of currencies at the most favourable rate against specific invoices and purchase orders.

Debtors risk is tightly controlled with all new accounts credit checked, primarily through Creditsafe.

Charitable donations	2007	2006
	£	£

During the year the group made the following payments:

Charitable donations	1,327	-
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Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Carpenter Box LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

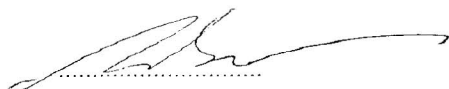
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding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

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

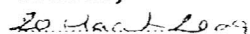
(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

By order of the board



Mr R Birchenough

Secretary



**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE LOFT SHOP GROUP LIMITED**

We have audited the group and parent company financial statements (the "financial statements") of The Loft Shop Group Limited for the year ended 31 December 2007 set out on pages 4 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

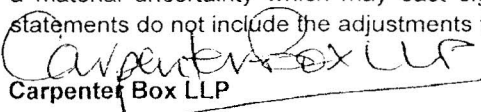
Opinion

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 and the group's affairs as at 31 December 2007 and of the group's loss for the year then ended and 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.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1.1 to the financial statements concerning the group's ability to continue as a going concern. The group has sustained a loss for the year of £197,112, has a profit and loss deficit and has sustained further losses in 2008 and is looking to restructure its finances. These conditions, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.


Carpenter Box LLP
Chartered Accountants
Registered Auditor

Grafton Lodge
15 Grafton Road
Worthing
West Sussex
Worthing
BN11 1QR

23 March 2009

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 £	2006 £
Turnover	2	8,463,932	8,668,801
Cost of sales		(5,354,144)	(5,400,072)
Gross profit		3,109,788	3,268,729
Administrative expenses		(3,290,349)	(3,298,584)
Other operating income		9,373	16,425
Operating loss	3	(171,188)	(13,430)
Other interest receivable and similar income		2,843	177
Interest payable and similar charges	4	(28,777)	(26,702)
Loss on ordinary activities before taxation	3	(197,122)	(39,955)
Tax on loss on ordinary activities	5	-	(7,328)
Loss on ordinary activities after taxation		(197,122)	(47,283)


The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES
BALANCE SHEETS
AS AT 31 DECEMBER 2007**

		Group 2007	2006	Company 2007	2006
	Notes	£	£	£	£
ASSETS					
Fixed assets					
Tangible assets	9	178,681	188,391	-	75,920
Investments	10	-	-	86,000	86,000
		<u>178,681</u>	<u>188,391</u>	<u>86,000</u>	<u>161,920</u>
Current assets					
Stocks	11	629,181	519,649	-	-
Debtors	12	669,149	859,249	1,760,004	1,850,729
Cash at bank and in hand		10,345	-	-	-
		<u>1,308,675</u>	<u>1,378,898</u>	<u>1,760,004</u>	<u>1,850,729</u>
		<u>1,487,356</u>	<u>1,567,289</u>	<u>1,846,004</u>	<u>2,012,649</u>
LIABILITIES					
Capital and reserves					
Called up share capital	17	200,000	200,000	200,000	200,000
Profit and loss account	18	(757,346)	(560,224)	(994,996)	(701,955)
	19	(557,346)	(360,224)	(794,996)	(501,955)
Creditors: amounts falling due within one year	13	1,513,052	1,441,329	2,146,250	2,042,354
Creditors: amounts falling due after more than one year	14	519,940	472,250	494,750	472,250
Provisions for liabilities	15	11,710	13,934	-	-
		<u>1,487,356</u>	<u>1,567,289</u>	<u>1,846,004</u>	<u>2,012,649</u>

Approved by the Board and authorised for issue on 20th March 2008



Mr P R Stedman
Director

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007		2006	
	£	£	£	£
Net cash outflow from operating activities		(75,573)		(60,015)
Returns on Investments and servicing of finance				
Interest received	2,843		177	
Interest paid	(5,031)		(4,029)	
Net cash outflow for returns on investments and servicing of finance		(2,188)		(3,852)
Taxation		18,661		4,834
Capital expenditure				
Payments to acquire tangible assets	(32,200)		(15,468)	
Receipts from sales of tangible assets	7,800		-	
Net cash outflow for capital expenditure		(24,400)		(15,468)
Net cash outflow before management of liquid resources and financing		(83,500)		(74,501)
Financing				
Capital element of hire purchase contracts	(2,099)		(6,527)	
Net cash outflow from financing		(2,099)		(6,527)
Decrease in cash in the year		(85,599)		(81,028)

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

1	Reconciliation of operating loss to net cash outflow from operating activities	2007	2006
		£	£
	Operating loss	(171,188)	(13,430)
	Depreciation of tangible assets	77,305	120,864
	Profit on disposal of tangible assets	(5,405)	-
	(Increase)/decrease in stocks	(109,532)	114,383
	Decrease/(increase) in debtors	164,111	(339,577)
	(Decrease)/Increase in creditors within one year	(28,640)	55,993
	Impairment write down on fixed assets	-	12,568
	(Decrease)/increase in provisions	(2,224)	(10,816)
	Net cash outflow from operating activities	(75,573)	(60,015)

2	Analysis of net debt	1 January 2007	Cash flow	Other non-cash changes	31 December 2007
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	-	10,345	-	10,345
	Bank overdrafts	(11,463)	(95,944)	-	(107,407)
		(11,463)	(85,599)	-	(97,062)
	Finance leases	-	(35,691)	-	(35,691)
	Debts falling due after one year	(472,250)	(22,500)	-	(494,750)
		(472,250)	(58,191)	-	(530,441)
	Net debt	(483,713)	(143,790)	-	(627,503)

3	Reconciliation of net cash flow to movement in net debt	2007	2006
		£	£
	Decrease in cash in the year	(85,599)	(81,028)
	Cash inflow from increase in debt	(58,191)	(13,166)
	Movement in net debt in the year	(143,790)	(94,194)
	Opening net debt	(483,713)	(389,519)
	Closing net debt	(627,503)	(483,713)

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The financial statements have been prepared on the going concern basis which assumes the continued support of the group's bankers. Despite further losses in 2008 the group has remained within the limits of the overdraft facility and the directors are not aware of any reason why support will not continue.

The group forecast for 2009 which incorporates sales price reviews together with cost reductions and the development of new products show that the directors believe the group will return to profitability in the foreseeable future.

If the going concern assumption proves to be inappropriate, adjustments will have to be made to adjust the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify fixed assets.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently.

1.2 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2007. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents amounts receivable for goods net of VAT and trade discounts and is recognised on despatch.

1.5 Goodwill

Goodwill on consolidation has been written off in equal annual instalments over its estimated useful economic life which was considered to be 20 years.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	10.00 - 33.33% per annum straight line
Fixtures, fittings and equipment	10.00 - 33.33% per annum straight line
Motor vehicles	20.00 - 33.33% per annum straight line

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007**

1 Accounting policies

(continued)

1.7 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over their useful lives (hire purchase) or the shorter of the lease term and their useful lives (finance lease). Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

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

1.9 Stock

Stock is valued at the lower of cost, including attributable overheads, and net realisable value, on a first in first out basis.

1.10 Pensions

The group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.11 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity.

Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below:

	2007 £	2006 £
Geographical segment		
UK	8,205,311	8,484,636
EC	257,162	184,165
Rest of the World	1,459	-
	<u>8,463,932</u>	<u>8,668,801</u>

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

3	Operating loss	2007	2006
		£	£
	Operating loss is stated after charging:		
	Depreciation of tangible assets	77,305	120,864
	Loss on foreign exchange transactions	6,102	-
	Operating lease rentals		
	- Plant and machinery	1,372	773
	- Other assets	545,728	553,700
	Auditors' remuneration (company £-; 2006: £-)	9,500	9,000
	and after crediting:		
	Rents receivable	9,373	16,425
	Profit on disposal of tangible assets	(5,405)	-
	Profit on foreign exchange transactions	-	(15,859)
		<u> </u>	<u> </u>
4	Interest payable	2007	2006
		£	£
	On bank loans and overdrafts	5,031	4,029
	Hire purchase interest	311	173
	Other interest	935	-
	Preference final proposed	22,500	22,500
		<u> </u>	<u> </u>
		<u>28,777</u>	<u>26,702</u>

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

5 Taxation	2007	2006
	£	£
Domestic current year tax		
U.K. corporation tax	-	7,328
Current tax charge	-	7,328
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(197,122)	(39,955)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2006 - 19.00%)	(39,424)	(7,991)
Effects of:		
Non deductible expenses	2,474	6,978
Depreciation and profit on disposal	14,380	22,964
Capital allowances	(651)	(15,023)
Group and brought forward loss relief	23,221	-
	39,424	14,919
Current tax charge	-	7,328

6 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows:

	2007	2006
	£	£
Holding company's loss for the financial year	(293,041)	(152,099)

7 Dividends

Dividends on non-equity shares:
Preference final proposed

	2007	2006
	£	£
	22,500	22,500
	22,500	22,500

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

8 Intangible fixed assets

Group

Cost

At 1 January 2007 & at 31 December 2007

Goodwill
£

311,000

Amortisation

At 1 January 2007 & at 31 December 2007

311,000

Net book value

At 31 December 2007

-

At 31 December 2006

-

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

9 Tangible fixed assets
Group

	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2007	227,234	702,394	69,556	999,184
Additions	5,504	53,491	10,995	69,990
Disposals	-	-	(23,895)	(23,895)
At 31 December 2007	232,738	755,885	56,656	1,045,279
Depreciation				
At 1 January 2007	182,474	588,386	39,933	810,793
On disposals	-	-	(21,500)	(21,500)
Charge for the year	15,864	47,895	13,546	77,305
At 31 December 2007	198,338	636,281	31,979	866,598
Net book value				
At 31 December 2007	34,400	119,604	24,677	178,681
At 31 December 2006	44,760	114,008	29,623	188,391

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
Net book values				
At 31 December 2007	-	37,790	-	37,790
Depreciation charge for the year				
31 December 2007	-	-	-	-

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

Tangible fixed assets (continued)
Company

	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2007	110,020	235,210	66,056	411,286
Disposals	(110,020)	(235,210)	(66,056)	(411,286)
At 31 December 2007	-	-	-	-
Depreciation				
At 1 January 2007	73,254	223,254	38,858	335,366
On disposals	(73,254)	(223,254)	(38,858)	(335,366)
At 31 December 2007	-	-	-	-
Net book value				
At 31 December 2007	-	-	-	-
At 31 December 2006	36,766	11,956	27,198	75,920

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

Fixed asset investments
Company

	Shares in group undertakings £
Cost	
At 1 January 2007 & at 31 December 2007	350,000
Provisions for diminution in value	
At 1 January 2007 & at 31 December 2007	264,000
Net book value	
At 31 December 2006 and 31 December 2007	86,000

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
The Loft Shop Limited	England and Wales	Ordinary	100
Stairplace Limited*	England and Wales	Ordinary	100
Chimney Cows Limited*	England and Wales	Ordinary	100
Preceda Shingles Limited*	England and Wales	Ordinary	100
RW Products Limited*	England and Wales	Ordinary	100
Loft Centre Products Limited*	England and Wales	Ordinary	100
The Loft Centre Limited	England and Wales	Ordinary	50

The principal activity of these undertakings for the last relevant financial year was as follows:

		Capital and reserves 2007 £	Profit for the year 2007 £
	Principal activity		
The Loft Shop Limited	Sales and marketing of building products	(1,634,197)	31,231
Stairplace Limited*	Sales and marketing of stairs and associated products	(207,024)	16,179
Chimney Cows Limited*	Sales and marketing of chimney cows and associated products	1,903,473	13,752
Preceda Shingles Limited*	Sales and marketing of shingles and associated products	32,630	(13,848)
RW Products Limited*	Sales and marketing of loft windows and associated products	71,313	48,605
Loft Centre Products Limited*	Dormant	2	-
The Loft Centre Limited	Dormant	2	-

*All held by The Loft Shop Limited

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007**

11 Stocks

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Finished goods and goods for resale	629,181	519,649	-	-

12 Debtors

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	460,356	602,030	43,525	129,084
Amounts owed by group undertakings	-	-	1,716,479	1,716,479
Corporation tax	2,526	28,515	-	5,166
Other debtors	32,524	26,602	-	-
Prepayments and accrued income	173,743	202,102	-	-
	669,149	859,249	1,760,004	1,850,729

Amounts falling due after more than one year and included in the debtors above are:

	2007	2006	2007	2006
	£	£	£	£
Amounts owed by group undertakings	-	-	273,665	273,665
	-	-	273,665	273,665

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

13 Creditors : amounts falling due within one year

	Group 2007 £	2006 £	Company 2007 £	2006 £
Bank loans and overdrafts	107,407	11,463	-	-
Net obligations under finance lease and hire purchase contracts	10,501	-	-	-
Trade creditors	974,914	1,026,004	-	39,353
Amounts owed to group undertakings	-	-	2,146,250	2,003,001
Corporation tax	-	7,328	-	-
Taxes and social security costs	282,254	298,725	-	-
Other creditors	-	740	-	-
Accruals and deferred income	137,976	97,069	-	-
	<u>1,513,052</u>	<u>1,441,329</u>	<u>2,146,250</u>	<u>2,042,354</u>

The company and group's bank borrowings are secured by an unscheduled mortgage debenture. There is also a composite guarantee with the its subsidiary company, The Loft Shop Limited, for all of the group's bank borrowings.

14 Creditors : amounts falling due after more than one year

	Group 2007 £	2006 £	Company 2007 £	2006 £
Net obligations under finance leases and hire purchase agreements	25,190	-	-	-
Other creditors	269,750	247,250	269,750	247,250
Preference shares classed as a financial liability	225,000	225,000	225,000	225,000
	<u>519,940</u>	<u>472,250</u>	<u>494,750</u>	<u>472,250</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	10,501	-	-	-
Repayable between one and five years	25,190	-	-	-
	<u>35,691</u>	<u>-</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	<u>(10,501)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>25,190</u>	<u>-</u>	<u>-</u>	<u>-</u>

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

15 Provisions for liabilities
Group

	Other £
Balance at 1 January 2007 & at 31 December 2007	13,934
Profit and loss account	(2,224)
	<hr/>
Balance at 31 December 2007	11,710
	<hr/>
Company	
	<hr/>
Balance at 31 December 2007	-
	<hr/>

Other provisions represent dilapidations provisions being the directors' best estimate of costs to meet the group's obligations in regard to dilapidations and alterations of leased premises. This estimate is made with reference to actual costs incurred when leases have expired in prior periods, the general condition of leased premises and the length of the remaining leases.

16 Pension costs

Defined contribution

	2007 £	2006 £
Contributions payable by the group for the year	19,370	19,218
	<hr/>	<hr/>

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007**

17 Share capital	2007 £	2006 £
Authorised		
1,500 Ordinary shares of £1 each	1,500	1,500
501 'A' Ordinary shares of £1 each	501	501
49,498 'B' Ordinary shares of £1 each	49,498	49,498
148,501 'C' Ordinary shares of £1 each	148,501	148,501
225,000 10% Preference shares of £1 each	225,000	225,000
	<u>425,000</u>	<u>425,000</u>
 Allotted, called up and fully paid		
200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>

The 'A', 'B' and 'C' ordinary shares carry cumulative preferential dividend rights dependent on the group achieving certain specified profits, calculated in accordance with the formulae specified in the company's articles of association. Any such dividends are only payable after any dividends due on preference shares are paid. The dividends on 'B' and 'C' are only payable after dividends due on 'A' ordinary shares are paid. The arrears of dividends in respect of 'A' ordinary shares as at 31 December 2007 were £94,924 (2006 - £94,924). There are currently no arrears of dividends for 'B' and 'C' ordinary shares.

No dividends are payable on the ordinary shares until the preference shares have been redeemed and the dividends in respect of all other share classes have been paid.

The preference shares are 10% cumulative redeemable shares. They are redeemable at par subject to cumulative reserves exceeding £250,000 after the redemption. They carry no voting rights unless the preference dividend falls into arrears in which case the holders receive one vote for every 10 shares held.

The accumulated arrears of preference dividends, shown in other creditors : amounts due after more than one year, total £269,750 (2006 - £247,250).

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

18 Statement of movements on profit and loss account
Group

**Profit and
loss account
£**

Balance at 1 January 2007	(560,224)
Retained loss for the year	(197,122)
	<u>(757,346)</u>
Balance at 31 December 2007	<u>(757,346)</u>

Company

**Profit and
loss account
£**

Balance at 1 January 2007	(701,955)
Retained loss for the year	(293,041)
	<u>(994,996)</u>
Balance at 31 December 2007	<u>(994,996)</u>

19 Reconciliation of movements in shareholders' funds
Group

**2007
£** **2006
£**

Loss for the financial year	(197,122)	(47,283)
Opening shareholders' funds	(360,224)	(312,941)
	<u>(557,346)</u>	<u>(360,224)</u>
Closing shareholders' funds	<u>(557,346)</u>	<u>(360,224)</u>

Company

**2007
£** **2006
£**

Loss for the financial year	(293,041)	(152,099)
Opening shareholders' funds	(501,955)	(349,856)
	<u>(794,996)</u>	<u>(501,955)</u>
Closing shareholders' funds	<u>(794,996)</u>	<u>(501,955)</u>

**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

20 Financial commitments

At 31 December 2007 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Expiry date:				
Within one year	76,500	29,250	3,414	16,313
Between two and five years	261,050	383,550	46,781	20,716
In over five years	161,750	111,000	-	-
	<u>499,300</u>	<u>523,800</u>	<u>50,195</u>	<u>37,029</u>

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Expiry date:				
Between two and five years	<u>115,000</u>	<u>115,000</u>	<u>-</u>	<u>-</u>

21 Directors' emoluments

	2007	2006
	£	£
Emoluments for qualifying services	266,666	278,531
Company pension contributions to money purchase schemes	1,551	2,813
	<u>268,217</u>	<u>281,344</u>

Directors' emoluments exclude benefits in kind valued at £31,443 (2006 - £32,206).

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2006 - 1).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	<u>207,648</u>	<u>222,267</u>
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**THE LOFT SHOP GROUP LIMITED
AND SUBSIDIARY COMPANIES**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

22 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2007 Number	2006 Number
Warehouse	5	5
Sales	36	38
Administration	16	14
Fitting	2	2
	<u>59</u>	<u>59</u>

Employment costs

	2007 £	2006 £
Wages and salaries	1,573,241	1,539,028
Social security costs	170,997	171,489
Other pension costs	19,370	19,218
	<u>1,763,608</u>	<u>1,729,735</u>

23 Control

In the directors' opinion the group and the company is controlled by Mr P R Stedman.

24 Related party transactions

Company

The company has taken advantage of the exemption in the Financial Reporting Standard 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.