

The Rug Company (Holdings) Limited

Report and Financial Statements

Period Ended

1 April 2012

Company Number 6541563



The Rug Company (Holdings) Limited

**Report and financial statements
for the period ended 1 April 2012**

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Directors

C Curry
R Harding
S Rose
R C Sharp
S M Sharp

Secretary and registered office

S M Sharp, 119B Portland Road, London, W11 4LN

Company number

6541563

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

The Rug Company (Holdings) Limited

Report of the directors for the period ended 1 April 2012

The directors present their report together with the audited financial statements for the period ended 1 April 2012

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the period

During the period dividends in respect of the period ended 1 April 2012 of £1,606,506 were paid. In the prior period, dividends in respect of the period ended 3 April 2011 of £856,581 were paid.

Principal activities

The principal activity of the group is the design and sale of handmade rugs, through group-owned showrooms in the UK, USA and Malta and franchised stores throughout Europe, the Middle East and North America.

Trading review

Despite the continuing difficult trading conditions in the period the group increased turnover levels through existing locations. Further new group-owned showrooms were opened in Dallas and Malta, and a concession in Harrods, London. As direct turnover increased as a proportion of group turnover and due to supply chain efficiency programmes, the overall group gross margin improved to 64% from 63%. Additionally the group continued its investment in marketing, infrastructure, production and personnel to support its further expansion plans.

Overall the underlying operating profit margin of the group (excluding foreign exchange movements) increased to 18% (3 April 2011 - 16%).

Key performance indicators

The Board drives business performance through the setting of clearly defined and measured key performance indicators (KPIs), taking appropriate action where required to enhance the financial results of the business.

The key areas of focus are:

- Year on year turnover growth of the core portfolio,
- Delivery of additional outlets for product distribution, and
- Lead times for customer orders.

In addition we monitor head office overheads as a percentage of turnover with the target of continually improving the cost efficiency of the business.

Future developments

The group is continuing its investment plan to improve operational efficiency and customer service. Further new sites, both owned and franchised, are being pursued to enlarge the distribution of group products. During the period leases were signed for new showrooms in both New York and London, which are due to open in mid 2012.

The Rug Company (Holdings) Limited

Report of the directors for the period ended 1 April 2012 (continued)

Principal risks and uncertainties

The main financial risks arising from the group's activities are credit risk, interest rate risk and foreign exchange rate risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The group's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made.

The group's policy in respect of interest rate risk is to maintain a mixture of longer term and readily accessible bank deposit accounts to ensure the group has sufficient funds for operations. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate. The group maintains cash deposits in each of the trading currencies to ensure an appropriate level of internal hedging against foreign exchange rate risk.

Employee involvement

Within the bounds of commercial confidentiality, information is disseminated to all members of staff about matters that affect the progress of the group and are of interest and concern to them as employees.

Equal opportunities

The group is committed to equal opportunities, from recruitment and selection, through training and development, appraisal and promotion, to retirement. It is our policy to promote an environment free from discrimination, harassment and intimidation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. All decisions relating to employment practices will be objective, free from bias and solely based upon work criteria and individual merit.

Disabled persons

Disabled persons are employed by the group when they appear to be suited to a particular position. The aptitude and abilities of disabled persons are more easily met in certain aspects of the group's business and every effort is made to ensure that they are given full and fair consideration. 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.

Policy and practice on the payment of suppliers

It is the group's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract, and no agreement is reached in advance of raising an order, the policy is that any valid invoice will be paid in full. The group is sympathetic to, and pays particular attention to, the cash flow needs of its smaller suppliers. Trade creditor days of the group as at 1 April 2012, calculated in accordance with the Companies Act 2006, were 22 (3 April 2011 - 25). This represents the ratio, expressed in days, between the amounts invoiced to the group in the period by its suppliers and the amounts due at the period end to trade creditors falling due within one year.

Charitable and political donations

During the period the group made charitable contributions of £20,764 (3 April 2011 - £6,000). The group supports a healthcare programme promoting the health and well-being of the weavers employed by our suppliers. There were no political contributions.

The Rug Company (Holdings) Limited

Report of the directors for the period ended 1 April 2012 (continued)

Directors

The directors of the company during the period were

C Curry
R Harding
S Rose
R C Sharp
S M Sharp

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company 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 group and company and of the profit or loss of the group and 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

R C Sharp
Director
19 June 2012



The Rug Company (Holdings) Limited

Independent auditor's report

TO THE MEMBERS OF THE RUG COMPANY (HOLDINGS) LIMITED

We have audited the financial statements of The Rug Company (Holdings) Limited for the period ended 1 April 2012 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses and reconciliation of movements in shareholders' funds, the consolidated and company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 1 April 2012 and of the group's 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

The Rug Company (Holdings) Limited

Independent auditor's report (*continued*)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Donald Williams, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

19 June 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

The Rug Company (Holdings) Limited

Consolidated profit and loss account for the period ended 1 April 2012

	Note	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £
Turnover	2, 3	17,727,759	13,313,456
Cost of sales		(6,379,388)	(4,904,003)
Gross profit		11,348,371	8,409,453
Administrative expenses		(8,157,777)	(6,410,434)
Operating profit	6	3,190,594	1,999,019
Interest receivable		10,223	12,611
Interest payable	7	(262)	(611)
Profit on ordinary activities before taxation		3,200,555	2,011,019
Taxation on profit from ordinary activities	8	(939,157)	(581,418)
Profit on ordinary activities after taxation	18	2,261,398	1,429,601

All amounts relate to continuing activities

The notes on pages 11 to 26 form part of these financial statements

The Rug Company (Holdings) Limited

Consolidated statement of total recognised gains and losses, and reconciliation of movements in shareholders' funds for the period ended 1 April 2012

	Note	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £
Statement of total recognised gains and losses			
Profit for the financial period		2,261,398	1,429,601
Foreign exchange movements on reserves	18	(7,457)	(18,667)
Share based payment reserve	18	2,086	2,028
Total recognised gains and losses in the period		2,256,027	1,412,962
Reconciliation of movements in shareholders' funds			
Profit for the period		2,261,398	1,429,601
Dividends	9, 18	(1,606,506)	(856,581)
Foreign exchange movements on reserves	18	(7,457)	(18,667)
Share based payments	18	2,086	2,028
Issue of shares	17	788	-
Opening shareholders' funds		650,309	556,381
		4,330,445	3,774,064
Closing shareholders' funds		4,980,754	4,330,445

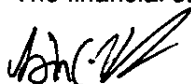
The notes on pages 11 to 26 form part of these financial statements

The Rug Company (Holdings) Limited

Consolidated balance sheet at 1 April 2012

	Note	1 April 2012 £	1 April 2012 £	3 April 2011 £	3 April 2011 £
Fixed assets					
Intangible assets	10	53,615		-	
Tangible assets	11	1,545,684		1,198,314	
			1,599,299		1,198,314
Current assets					
Stocks	13	4,511,075		2,547,824	
Debtors	14	1,343,944		1,348,792	
Cash at bank and in hand		1,717,424		2,670,679	
		7,572,443		6,567,295	
Creditors: amounts falling due within one year	15	(4,135,696)		(3,407,106)	
Net current assets			3,436,747		3,160,189
Total assets less current liabilities			5,036,046		4,358,503
Provisions for deferred taxation	16	(55,292)		(28,058)	
			(55,292)		(28,058)
			4,980,754		4,330,445
Capital and reserves					
Called up share capital	17		7,706		666,852
Capital reserve	18		659,934		-
Merger reserve	18		(661,937)		(661,937)
Profit and loss account	18		4,975,051		4,325,530
Shareholders' funds			4,980,754		4,330,445

The financial statements were approved by the Board of Directors and authorised for issue on 19 June 2012



R Harding
Director

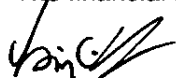
The notes on pages 11 to 26 form part of these financial statements

The Rug Company (Holdings) Limited

Company balance sheet at 1 April 2012

Company number 6541563	Note	1 April 2012 £	1 April 2012 £	3 April 2011 £	3 April 2011 £
Fixed assets					
Investments	12		673,127		669,727
Current assets					
Debtors	14	-		253	
Creditors' amounts falling due within one year	15	(273)		-	
Net current (liabilities)/assets			(273)		253
Total assets less current liabilities			672,854		669,980
Capital and reserves					
Called up share capital	17		7,706		666,852
Capital reserve	18		659,934		-
Profit and loss account	18		5,214		3,128
Shareholders' funds			672,854		669,980

The financial statements were approved by the Board of Directors and authorised for issue on 19 June 2012



R Harding
Director

The notes on pages 11 to 26 form part of these financial statements

The Rug Company (Holdings) Limited

Consolidated cash flow statement for the period ended 1 April 2012

	Note	52 weeks ended 1 April 2012 £	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £	53 weeks ended 3 April 2011 £
Net cash inflow from operating activities	21		2,047,280		2,096,457
Returns on investments and servicing of finance					
Interest received		10,223		12,611	
Interest paid	7	(262)		(611)	
Net cash inflow from returns on investments and servicing of finance			9,961		12,000
Taxation					
Corporation tax paid			(578,992)		(425,758)
Capital expenditure and financial investment					
Purchase of intangible fixed assets	10	(58,489)		-	
Purchase of tangible fixed assets	11	(775,971)		(456,162)	
Sale of tangible fixed assets		6,046		2,430	
			(828,414)		(453,732)
			649,835		1,228,967
Dividends paid	9		(1,606,506)		(856,581)
Cash (outflow)/inflow before use of liquid resources and financing			(956,671)		372,386
Financing					
Proceeds from issue of shares	17	788		-	
Bank loan repayments	23	-		(321,266)	
Net cash inflow/(outflow) from financing			788		(321,266)
(Decrease)/Increase in cash	22,23		(955,883)		51,120

The notes on pages 11 to 26 form part of these financial statements

The Rug Company (Holdings) Limited

Notes forming part of the financial statements for the period ended 1 April 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Basis of consolidation

The consolidated financial statements incorporate the results of The Rug Company (Holdings) Limited and all of its subsidiary undertakings as at 1 April 2012 using the merger method of accounting

Merger accounting

Where merger accounting is used, the investment is recorded in the company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid

In the group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to reserves.

On 1 April 2008, the company acquired, in return for the issue of new ordinary share capital, the entire share capital of The Rug Company Limited and The Rug Company, Limited (New York). This acquisition has been accounted for as a merger in line with the reporting requirements of Financial Reporting Standard 6 Acquisitions and Mergers.

Income recognition

Turnover represents recognised sales to external customers less value added tax or local taxes on sales. Income is recognised when the risks and rewards of owning the goods have passed to the customer and the group is entitled to receive consideration, which is generally on delivery. Customer deposits are held as a liability until this has occurred.

Segmental analysis

A segment is a distinguishable component of the group that is engaged in providing products (business segment) or in providing products in a particular territory (geographical segment) which is subject to risks and rewards that are different from other segments.

The group operates in 2 main segments: direct owned retail operations and the sale of goods to franchise operators. These are used in the segmental analysis disclosures.

Fixed assets

All fixed assets are initially recorded at cost.

Amortisation

Amortisation is provided to write off the cost, less estimated residual values, of all intangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Domain names - over 3 years

The Rug Company (Holdings) Limited

Notes forming part of the financial statements for the period ended 1 April 2012 (*continued*)

1 Accounting policies (*continued*)

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Leasehold property	-	over the shorter of the life of the lease or 10 years
Fixtures and fittings	-	over 5 years
Motor vehicles	-	over 4 years
Office equipment	-	over 3 years
Software	-	over 3 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on an estimated selling price less additional costs to completion.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the period and the balance sheet is translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of the foreign subsidiary undertakings are taken to reserves.

Leased assets

Annual rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Incentives received to enter into operating lease arrangements are released to the profit and loss account over the periods to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Financial assets

Financial assets are measured initially and subsequently at amortised cost.

Financial liabilities and equity

Financial liabilities are measured initially at the amount of the net proceeds, being the fair value of proceeds received on issue after deduction of issue costs.

The Rug Company (Holdings) Limited

Notes forming part of the financial statements for the period ended 1 April 2012 (continued)

1 Accounting policies (continued)

Share based payments

Where share options over equity instruments are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other non market vesting conditions (if any) are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Dividends

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises within the United Kingdom, the United States of America and Malta.

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (*continued*)

3 Segmental analysis

	Group 52 weeks ended 1 April 2012 £	Group 53 weeks ended 3 April 2011 £
<i>Analysis by geographical market</i>		
By destination		
Turnover		
United Kingdom	7,708,677	5,549,027
United States of America	7,813,630	6,111,540
Rest of EU	877,755	689,002
Russia	401,032	162,464
North America (excluding United States of America)	310,837	364,233
Rest of World	615,828	437,190
	<u>17,727,759</u>	<u>13,313,456</u>

Analysis by class of business

Turnover		
Retail	15,522,478	11,660,568
Franchise	2,205,281	1,652,888
	<u>17,727,759</u>	<u>13,313,456</u>

4 Employees

	Group 52 weeks ended 1 April 2012 £	Group 52 weeks ended 3 April 2011 £
Staff costs consist of		
Wages and salaries	3,268,772	2,754,170
Social security costs	355,224	306,533
Other pension costs	(104)	1,423
	<u>3,623,892</u>	<u>3,062,126</u>

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (*continued*)

4 Employees (*continued*)

	Group 52 weeks ended 1 April 2012 Number	Group 53 weeks ended 3 April 2011 Number
The average number of employees during the period was as follows		
Selling	31	22
Management and administration	22	22
Warehouse and delivery	21	16
	<u>74</u>	<u>60</u>

The Rug Company (Holdings) Limited did not employ any staff or incur any staff costs for the period ended 1 April 2012 or the period ended 3 April 2011

5 Directors

	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £
Directors' remuneration consists of		
Emoluments	496,308	475,250
Amounts paid to third parties for directors services	66,250	62,915
	<u>562,558</u>	<u>538,165</u>
<i>Highest paid director</i>		
Emoluments	<u>186,808</u>	<u>165,250</u>

All costs were borne by the company's subsidiary, The Rug Company Limited. The amounts paid to third parties for directors services were paid to Piper PE LLP, a shareholder in the parent company. No amounts were due to Piper PE LLP at the period end (3 April 2011 - £Nil).

There were 2 (3 April 2011 - 2) directors in the group's defined contribution pension scheme during the period. The directors received dividends in aggregate of £1,051,278 (3 April 2011 - £576,303).

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (*continued*)

6 Operating profit

	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £
This has been arrived at after charging/(crediting)		
Amortisation of owned fixed assets	4,874	-
Depreciation of owned fixed assets	427,407	261,719
(Gain) on disposal of fixed assets	(4,217)	(1,959)
Auditors' remuneration		
- Audit fees	27,000	25,000
- Other services – Fees payable to group's auditors and its associates for audit of the group's subsidiaries pursuant to legislation	5,272	1,929
- Other services relating to tax	56,492	26,193
Loss on foreign currency translation	23,347	123,526
Operating leases - land and buildings	1,096,183	1,017,609
Share based payments	2,086	2,028

Auditors' remuneration was borne by the company's subsidiaries

7 Interest payable

	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £
Interest on corporation tax	262	-
Bank loans and overdrafts	-	611
	262	611

8 Taxation on profit from ordinary activities

	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £
<i>Current tax</i>		
UK corporation tax on profits of the period	736,026	568,593
Overseas corporation tax on profits of the period	69,347	6,928
Under/(Over) provision in prior years	1,257	(2,869)
	806,630	572,652
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 16)	132,527	8,766
Taxation on profit on ordinary activities	939,157	581,418

The Rug Company (Holdings) Limited

Notes forming part of the financial statements for the period ended 1 April 2012 (continued)

8 Taxation on profit from ordinary activities (continued)

The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:

	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £
Profit on ordinary activities before tax	3,200,555	2,011,019
Profit on ordinary activities at the effective standard rate of corporation tax in the UK of 26% (3 April 2011 - 28%)	832,144	563,085
Effects of		
Timing differences on expenses deducted for tax purposes	38,411	34,029
Expenses not deductible for tax purposes	1,846	3,253
Different tax rates on subsidiaries operating in other jurisdictions	39,451	3,784
Capital allowances for period in excess of depreciation	(45,048)	(30,303)
Losses utilised in the period	(85,242)	-
Unutilised losses carried forward	25,067	-
Foreign exchange differences	(1,256)	1,673
Under/(Over) provision in prior years	1,257	(2,869)
Current tax charge for period	806,630	572,652

9 Dividends

	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £
Ordinary shares		
Dividends proposed and paid for the period	1,606,506	856,581

£2.25 per ordinary A £1 share and £2.49 per ordinary B £1 share (3 April 2011 - £1.125 per ordinary A share and £1.365 per ordinary B share) (note 18)

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (*continued*)

10 Intangible assets

	Domain name £
<i>Cost</i>	
At 4 April 2011	-
Additions	58,489
At 1 April 2012	58,489
<i>Depreciation</i>	
At 4 April 2011	-
Charge for the period	4,874
At 1 April 2012	4,874
<i>Net book value</i>	
At 1 April 2012	53,615
At 3 April 2011	-

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (*continued*)

11 Tangible assets

	Leasehold property £	Fixtures and fittings £	Office equipment and software £	Motor Vehicles £	Total £
<i>Cost</i>					
At 4 April 2011	1,056,554	436,321	350,995	130,232	1,974,102
Additions	603,140	78,957	67,908	25,966	775,971
Disposals	-	-	(5,594)	(11,445)	(17,039)
Foreign exchange movements	152	841	142	149	1,284
At 1 April 2012	1,659,846	516,119	413,451	144,902	2,734,318
<i>Depreciation</i>					
At 4 April 2011	363,874	154,841	207,778	49,295	775,788
Charge for the period	213,041	87,000	100,402	26,964	427,407
Released on disposals	-	-	(3,765)	(11,445)	(15,210)
Foreign exchange movements	345	165	110	29	649
At 1 April 2012	577,260	242,006	304,525	64,843	1,188,634
<i>Net book value</i>					
At 1 April 2012	1,082,586	274,113	108,926	80,059	1,545,684
At 3 April 2011	692,680	281,480	143,217	80,937	1,198,314

12 Investments

	£
<i>Cost</i>	
At 4 April 2011	669,727
Additions	3,400
At 1 April 2012	673,127

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (continued)

12 Investments (continued)

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the period end is 10% or more are as follows

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
The Rug Company Limited	UK	100%	Retail & wholesale of rugs
The Rug Company Limited	Malta	100%	Retail of rugs
The Rug Company, Limited (New York)	USA	100%	Retail of rugs
The Rug Company, Limited (CA)*	USA	100%	Retail of rugs
The Rug Company, Inc (FL)*	USA	100%	Retail of rugs
The Rug Company, Limited (IL) *	USA	100%	Retail of rugs
The Rug Company Handmade Limited (TX) *	USA	100%	Retail of rugs
The Rug Trading Company, Limited (CA)*	USA	100%	Letting of property

* Held by a subsidiary undertaking

13 Stocks

	Group 1 April 2012 £	Group 3 April 2011 £
Finished goods and goods for resale	4,511,075	2,547,824

The replacement cost for the above was £4,524,594 (3 April 2011 - £2,575,870)

14 Debtors

	Group 1 April 2012 £	Group 3 April 2011 £	Company 1 April 2012 £	Company 3 April 2011 £
Trade debtors	621,188	498,077	-	-
Other debtors	243,775	162,331	-	253
Prepayments and accrued income	444,617	516,823	-	-
Deferred taxation (note 16)	34,364	139,900	-	-
Corporation tax	-	31,661	-	-
	1,343,944	1,348,792	-	253

All amounts shown under debtors fall due for payment within one year

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (*continued*)

15 Creditors: amounts falling due within one year

	Group 1 April 2012 £	Group 3 April 2011 £	Company 1 April 2012 £	Company 3 April 2011 £
Trade creditors	669,935	564,595	-	-
Corporation tax	503,688	308,480	-	-
Other taxation and social security	146,045	81,590	-	-
Customer deposits	1,823,293	1,821,758	-	-
Other creditors	34,201	28,041	273	-
Accruals and deferred income	958,534	602,642	-	-
	<u>4,135,696</u>	<u>3,407,106</u>	<u>273</u>	<u>-</u>

16 Provisions for deferred taxation

Group	Deferred tax liabilities £	Deferred tax assets £	Total £
At 4 April 2011	(28,058)	139,900	111,842
(Charged)/released to profit and loss account (note 8)	(27,234)	(105,293)	(132,527)
Foreign exchange movements	-	(243)	(243)
	<u>(55,292)</u>	<u>34,364</u>	<u>(20,928)</u>
Balance at 1 April 2012			
		Group 1 April 2012 £	Group 3 April 2011 £
<i>Deferred taxation</i>			
Accelerated capital allowances		(203,820)	(110,299)
Losses available for future relief		33,097	129,290
Sundry timing differences		149,795	92,851
		<u>(20,928)</u>	<u>111,842</u>
Deferred tax (liability)/asset			

The company has no deferred tax

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (continued)

17 Share capital

	1 April 2012 Number	1 April 2012 £	3 April 2011 Number	3 April 2011 £
Authorised				
Ordinary 'A' shares of 1p (£1) each	222,200	2,222	222,200	222,200
Ordinary 'B' shares of 1p (£1) each	48,200	482	444,400	444,400
Ordinary 'B1' shares of 0 5p each	396,200	1,981	-	-
Ordinary 'B2' shares of 0 5p each	396,200	1,981	-	-
Ordinary 'C' shares of 1p (£1) each	28,826	288	28,826	28,826
Ordinary 'D' shares of 1p (1p) each	25,222	252	25,222	252
Ordinary 'E' shares of 1p (£1) each	78,809	788	-	-
		7,994		695,678
	1 April 2012 Number	1 April 2012 £	3 April 2011 Number	3 April 2011 £
Allotted, called up fully paid				
Ordinary 'A' shares of 1p (£1) each	222,200	2,222	222,200	222,200
Ordinary 'B' shares of 1p (£1) each	48,200	482	444,400	444,400
Ordinary 'B1' shares of 0 5p each	396,200	1,981	-	-
Ordinary 'B2' shares of 0 5p each	396,200	1,981	-	-
Ordinary 'C' shares of 1p (£1) each	-	-	-	-
Ordinary 'D' shares of 1p (1p) each	25,222	252	25,222	252
Ordinary 'E' shares of 1p (£1) each	78,809	788	-	-
		7,706		666,852

On 29 September 2009 25,222 'D' Ordinary shares were issued for £252 22 cash consideration

On 30 March 2012 the nominal value of 'A', 'B' and 'C' ordinary shares was reduced from £1 each to 1p each. The resulting reduction in capital of £659,934 was transferred to a capital reserve.

On 30 March 2012 396,200 'B' ordinary shares of 1p each were converted into 396,200 'B1' ordinary shares of 0 5p each and 396,200 'B2' ordinary shares of 0 5p each.

On 30 March 2012 78,809 'E' ordinary shares of 1p each were issued for £788 09 cash consideration.

The 'C' and 'B2' Ordinary shares have no voting rights.

The shares rank pari passu in all respects, other than

On a return of assets on liquidation or otherwise, to the extent that there are assets available, the 'E' shareholders receive the amount paid up on their shares. Following that an initial payment of £54 0054 is made to each 'A' ordinary share, followed by equal payments of up to £54 004 per share to each 'B', 'B1' and 'C' ordinary shares, followed by equal payments of up to £11 6415 per share to each 'A', 'B', 'B1', 'C' and 'D' ordinary shares, finally the balance shall be distributed pro-rata to the 'A', 'B', 'B2', 'C' and 'D' ordinary shares.

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (continued)

17 Share capital (continued)

Share options

On 29 September 2009 the company established an EMI scheme for certain of its employees. In total 12 employees were awarded options. The contractual life of each option is 10 years. Options are exercisable on change of control of the company or at the director's discretion. The options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations.

Options over shares in the company were awarded to certain employees as follows

	'B' Ordinary Shares	'C' Ordinary Shares
Share price at grant date	£2.50	£2.50
Weighted average exercise price	£9.90	£54.0054
Expected volatility	50%	50%
Option life (years)	10	10
Expected life (years)	3.5	3.5
Risk free rate	2.35%	2.35%
Expected dividend yield	Nil	Nil
Weighted average fair value per option	£0.4329	£0.0013

The expected volatility is based on historical volatility of similar shares in this type of industry as estimated by the Directors. The expected life is the average expected period to exercise at the date of grant. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

On 30 March 2012 the existing options over the 'C' ordinary shares were cancelled and new options issued as follows

	'C' Ordinary Shares
Share price at grant date	£3.42
Weighted average exercise price	£36.00
Expected volatility	50%
Option life (years)	10
Expected life (years)	3
Risk free rate	0.49%
Expected dividend yield	Nil
Weighted average fair value per option	£0.0021

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (continued)

17 Share capital (continued)

A reconciliation of option movements over the period to 1 April 2012 is shown below

	2012 'B' shares number	2012 Weighted average exercise price	2012 'C' shares number	2012 Weighted average exercise price
Outstanding at 3 April 2011	11,846	£7.28	14,413	£54.0054
Cancelled	-	-	(14,413)	£54.0054
Issued	-	-	14,413	£36.00
Lapsed	-	-	-	-
Outstanding at 1 April 2012	11,846	£7.28	14,413	£36.00
Exercisable at 1 April 2012	-	-	-	-

18 Reserves

Group	Capital Reserve £	Merger Reserve £	Profit and loss account £
At 4 April 2011	-	(661,937)	4,325,530
Profit for period	-	-	2,261,398
Dividends (note 9)	-	-	(1,606,506)
Foreign exchange movements	-	-	(7,457)
Share based payments	-	-	2,086
Reduction in share capital (note 17)	659,934	-	-
At 1 April 2012	659,934	(661,937)	4,975,051
Company		Capital Reserve £	Profit and loss Account £
At 4 April 2011		-	3,128
Share based payments		-	2,086
Dividend income		-	1,606,506
Dividends (note 9)		-	(1,606,506)
Reduction in share capital (note 17)		659,934	-
At 1 April 2012		659,934	5,214

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (continued)

19 Commitments under operating leases

As at 1 April 2012, the group had annual commitments under non-cancellable operating leases as set out below

	1 April 2012 Land and buildings £	3 April 2011 Land and Buildings £
Operating leases which expire		
In less than one year	62,000	-
In two to five years	432,229	364,612
Over five years	869,083	558,531
	<u>1,363,312</u>	<u>923,143</u>

20 Related party transactions

During the period, the group entered into the following arrangements in which RC & SM Sharp (directors and shareholders of the company) had an interest

The Rug Company Ltd (UK and Malta) rented properties in the UK and Malta from the pension fund whose beneficiaries are RC & SM Sharp for £52,000 (3 April 2011 - £52,000) As at 1 April 2012 £8,338 (3 April 2011 - £66 owed to pension fund) was owed to the company by the pension fund

As at 1 April 2012 RC & SM Sharp owed a group subsidiary £Nil (3 April 2011 - £460)

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by The Rug Company (Holdings) Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

21 Reconciliation of operating profit to net cash inflow from operating activities

	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £
Operating profit	3,190,594	1,999,019
Amortisation	4,874	-
Depreciation	427,407	261,719
(Gain) on disposal of fixed assets	(4,217)	(1,959)
Share based payments	2,086	2,028
(Increase) in stock	(1,958,904)	(529,993)
(Increase) in debtors	(165,682)	(479,785)
Increase in creditors	563,849	740,806
Foreign exchange movements	(12,727)	104,622
	<u>2,047,280</u>	<u>2,096,457</u>
Net cash inflow from operating activities		

The Rug Company (Holdings) Limited

Notes forming part of the financial statements
for the period ended 1 April 2012 (*continued*)

22 Reconciliation of net cash inflow to movement in net funds

	52 weeks ended 1 April 2012 £	53 weeks ended 3 April 2011 £
(Decrease)/Increase in cash in the period	(955,883)	51,120
Cash outflow from decrease in debt	-	321,266
Change in net funds resulting from cash flows	(955,883)	372,386
Foreign exchange movements	2,628	(50,307)
Opening net funds	2,670,679	2,348,600
Closing net funds	1,717,424	2,670,679

23 Analysis of net funds

	At 4 April 2011 £	Cash flow £	Other non-cash Changes £	At 1 April 2012 £
Cash in hand and at bank	2,670,679	(955,883)	2,628	1,717,424

Other non-cash changes relate to foreign exchange movements on opening cash

24 Statutory profit and loss account for The Rug Company (Holdings) Limited

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in the financial statements. The Company received and paid dividends in the period of £1,606,506 (2011 - £856,581). The retained profit for the company was £Nil (2011 - £Nil).

Disclosure notes for this period are not presented as the directors do not believe they would provide meaningful information to users of the financial statements.

No directors' emoluments were paid for the period by the company.

In the directors' opinion, there is no single ultimate controlling party.