



Preliminary Results for the year ended
29 July 2007

The UK's only specialist National leather sofa Retailer

Highlights – year ended 29 July 2007



- Excellent performance in an increasingly challenging market
- Total sales orders up 21% and positive like for likes
- Store development programme accelerated - 13 new openings
- New store openings continuing strongly in first half of new financial year - 9 in first quarter
- Proposed final dividend of 8.85 pence per share - 12.5 pence for year which is an increase of 37%
- Commencing share buy back programme

Strong business model with clear differentiation

- Specialist niche leather sofa retailer
- Value proposition / product offer
- Proactive approach to promotions
- Increasing investment in nationwide advertising campaign
- Low cost and flexible Far East product sourcing
- Low cost business model
- Experienced management team
- Modern store format in excellent locations
- Strong store roll-out opportunity

Financial Review

Highlights – financial

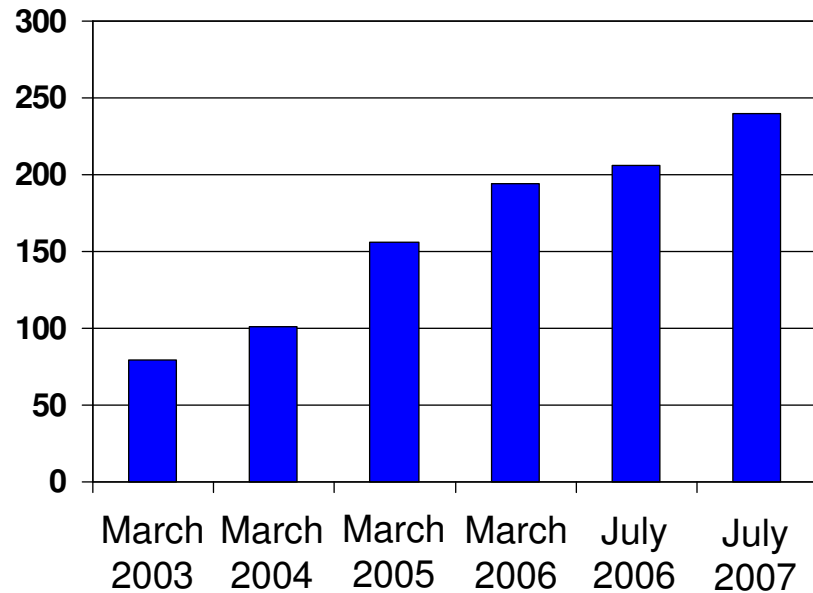


- Turnover - £240m Up 17%
- Gross margin - 44.6% Up 200bps
- Profit before tax and exceptional items - £18.5m Up 18%
- Earnings per share
 - Basic before exceptional items - 26 pence Up 26%
- Dividend per share Up 37%
 - Interim - 3.65 pence
 - Final proposed - 8.85 pence
- Net cash at year end - £25.5m Up £14.4m
- Share buyback scheme to be introduced

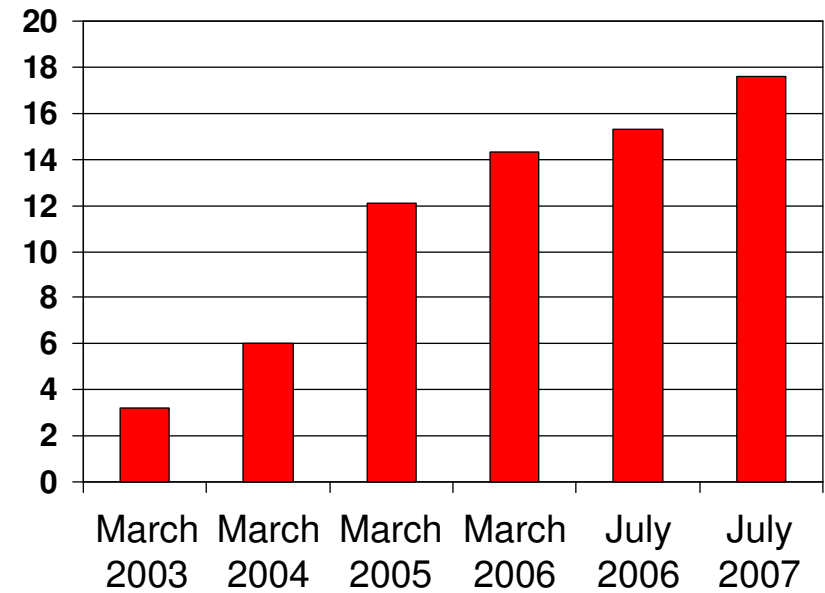
Consistent financial growth



Sales



Operating profit before exceptionals



Income statement – year ended July

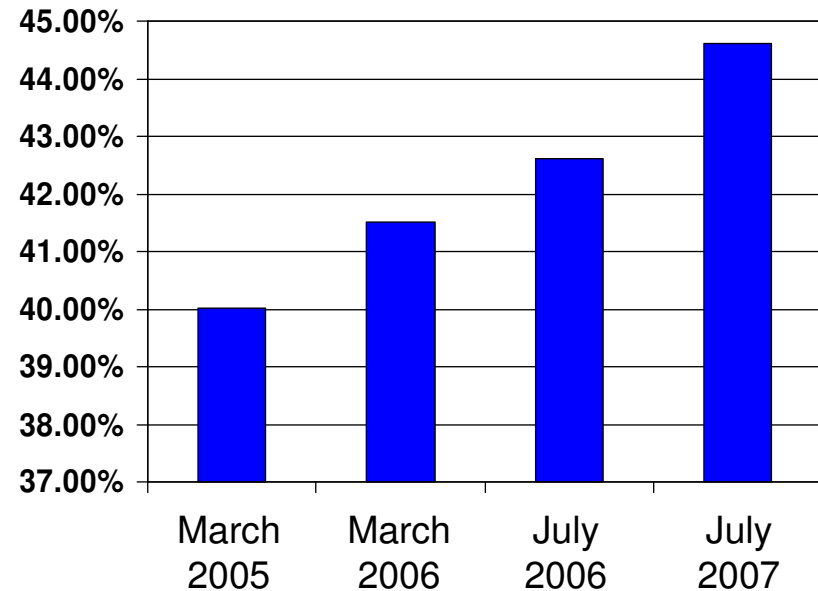
	2007 £m	2006 £m
Turnover	<u>240.0</u>	<u>205.6</u>
Gross profit	107.0	87.6
	44.6%	42.6%
Operating costs	<u>(89.4)</u>	<u>(72.3)</u>
Operating profit before exceptionals	17.6	15.3
Interest	<u>0.9</u>	<u>0.4</u>
Profit pre-tax and exceptionals	18.5	15.7
Exceptional items	<u>(2.5)</u>	<u>(5.3)</u>
Pre tax profit	16.0	10.3
Tax	<u>(4.6)</u>	<u>(3.6)</u>
Post tax	<u>11.4</u>	<u>6.7</u>
EPS before exceptionals	26.0p	20.6p
Effective tax rate	29.0%	35.1%

Continuing gross margin improvement



Gross margin %

- Steady improvement
- Current year is average of:
 - H1: 45.2%
 - H2: 44.1%
- Improvements in furniture purchasing cost in last year



Operating Cash Flow – year ended July

	2007 £m	2006 £m
Operating profit before exceptional items	17.6	15.3
Exceptional items	-	(0.3)
Depreciation / asset write off	2.0	1.9
Trade payables	4.4	(4.4)
Customer deposits	7.1	0.5
Movement in other working capital	<u>2.7</u>	<u>7.9</u>
Cash generated from operations	33.8	20.9
Interest	0.9	0.4
Tax paid	(4.0)	(4.6)
Dividends	(5.5)	(1.0)
ESOP share purchase	(2.2)	-
Capital expenditure (net)	(8.6)	(10.3)
	<hr/>	<hr/>
	14.4	5.4

29 July 2007: Net cash of £25.5m including customer deposits £16.1m – own cash £9.4m

30 July 2006: Net cash of £11.1m including customer deposits £9.0m – own cash £2.1m

- Announcement of 3 initiatives:
 - Increased dividend by reducing cover to 2 times (£0.7m)
 - Termination of hedge (£5.9m)
 - Share buyback programme (£6m)

- Proposed final dividend of 8.85 pence
- Full year proposed dividend 12.5 pence - 37% increase
- Basis of proposed final dividend
 - Based on cover of 2 times post tax profit before exceptional items
 - Adjusted effective tax rate of 32%
- Payable on 23 November to shareholders on register at 5 October

- Hedge contract as at 29 July had £7.4m negative mark to market value resulting in £2.5m exceptional charge in the year
- Contract was due to expire in July 2008 but terminated early in August 2007 because:
 - Significant deficit to current spot rate (7.5%)
 - Significant cash balances at year end in excess of market expectation
- Cost of termination was £5.9m – lower than mark to market year end value due mainly to dollar spot rate at termination
- Opportunity to reduce purchase costs by £5.7m and provide for:
 - Freight cost increases of circa £2m
 - Additional £0.4m non cash charge for share incentive schemes
 - Flexibility for additional advertising and marketing activity
- New hedge policy:
 - Qualifying instruments only
 - Rolling 12 month forward

Share buyback programme



- Company authorised to buyback up to 10% of share capital
- EPS enhancing
- Will buy up to £6m in first year
- Nature of buyback programme to be decided

Operating review

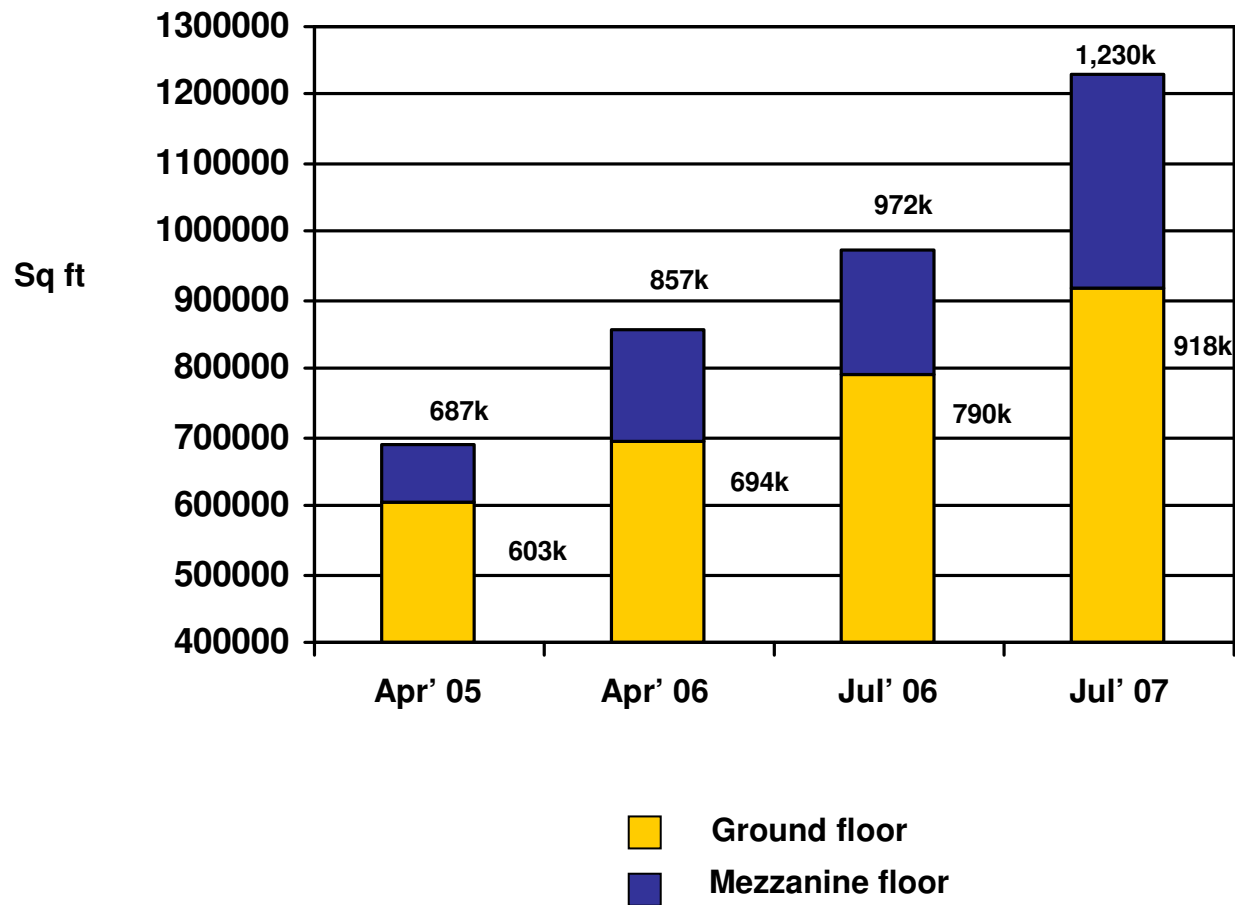
Store development

- Store roll out programme ahead of plan
- 13 new stores opened - 94 operated at year end
- 9 new stores since year end - 103 stores now open
- 1.23 million sq.ft at year end - a 27% increase
- Property conditions remaining favourable
- 7 new mezzanine refits completed in year

Concessions

- Income increased by £1.6m to £5.5m (41% increase)
- 84 concessions at year end (2006: 63)

Progress made in past two years



Review of new store openings

	2007	2006
Number of stores (excludes concessions)	11	12
Turnover	£2.9m	£3.1m
Store size (sq.ft)	13,900	15,400
Traded space	11,800	11,800
Fit out cost	£309k	£373k
Net cash investment	£281k	£352k*
Payback period	13 months	16 months

* excludes two stores with very high level of inducements

- Store roll out model updated
 - 28 new stores included
 - Regression analysis re-performed
 - 88% correlation
- Target number of stores increased to 160 from 140
- Roll out plan by TV region - 57 target locations:
 - Anglia (5)
 - Central (13)
 - Granada (5)
 - HTV (5)
 - Meridian (7)
 - RTE (1)
 - Scotland (6)
 - Tyne Tees (6)
 - West Country (2)
 - Yorkshire (7)

	Total Stores	Mezzanine	Concessions
30 July 2006	81	29	63
29 July 2007	94	44	84

Mezzanines

- 7 new mezzanines completed in year - capex of £2.3m
- 2 stores closed for mezzanine refit June 2007 – re-opened August 2007
- Approximately 2 to 4 per annum thereafter

Concessions

- Concessions at 29 July 2007 - 61 The Sleep Depot, 9 Paul Simon, 3 Relax Furniture, 4 Carpetright, 5 Hammonds and 2 Diva
- £5.5m income in the year but annualising £5.9m as at year end (41%increase)¹⁹

Marketing

- Total spend of £22m (2006:£16.5m)
- Advertising represents 9.2% of turnover (2006: 8.0%)
- Marketing split: TV (53%); National press (27%)
- Additional direct mail campaigns

Distribution

- One new warehouse - Wellham Green
- 37% increase in DC space

People

- Over 1,000 employees at year end (182 new jobs created)
- New training team
- Share ownership widened

Summary

- Excellent performance in increasingly challenging market
- Differentiated value led product offer
- Cash generative business model
- Share buyback programme announced
- Store development programme accelerated

Outlook

- Short term market expected to be very difficult
- First quarter against strong comparatives
- Currency benefits will help offset increases in freight, non-cash share scheme costs and provide flexibility for additional advertising or promotional support
- January Sale will be important to the full year performance
- Strong company growth will be driven by store roll out with a minimum 15 new stores in the current financial year



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Trading updates – Like for Like Sales Orders (Periods)



	2005 /6	2006/7
Q1 ended 29 October	(1.4)%	5.1%
Q2 ended 28 January	10.5%	(4.6)%
H1 to 29 January	5.2%	(0.7)%
Q3 ended 29 April	2.0%	(0.9)%
Q4 ended 30 July	(0.5)%	3.5%
H2 to 30 July	0.8%	1.4%
Year	3.1%	0.3%

Balance sheet – 30 July

	2006	2005
Intangible fixed assets	20,236	19,939
Tangible fixed assets	25,754	20,612
	45,990	40,551
Inventories	15,354	12,152
Trade & other receivables	8,685	8,674
Trade creditors	(14,228)	(9,751)
Customer deposits	(16,108)	(8,997)
Other current liabilities	(16,013)	(11,884)
Net working capital	(22,310)	(9,806)
Cash at bank	25,514	11,077
Landlord inducements and deferred tax	(10,813)	(9,910)
Derivative asset/liability	(7,736)	(5,025)
Net assets	30,645	26,887