

# Dorlux Beds Limited

Company Registration No. 803368 (England and Wales)

## Directors' report and financial statements

For the period ended 29 February 2004



# DORLUX BEDS LIMITED

## COMPANY INFORMATION

---

<b>Directors</b>	M McCarthy P M Butterfield C J Sugden R T Trueman
<b>Secretary</b>	P M Butterfield
<b>Company number</b>	803368
<b>Registered office</b>	Sykes Mill Keighley Road Ovenden Halifax
<b>Auditors</b>	Mazars Norwich Union House High Street Huddersfield
<b>Bankers</b>	HSBC Bank plc 2 Cloth Hall Street Huddersfield

# DORLUX BEDS LIMITED

## CONTENTS

---

	<b>Page</b>
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the financial statements	8 - 16

---

# DORLUX BEDS LIMITED

## DIRECTORS' REPORT FOR THE PERIOD ENDED 29 FEBRUARY 2004

---

The directors present their report and financial statements for the period ended 29 February 2004.

### Principal activities and review of the business

The principal activity of the company continued to be that of the manufacture of divan beds and mattresses.

The results for the year were disappointing, following the improved performance of the previous year. The market for beds in the UK is extremely competitive, and the company was adversely affected by slow market conditions and the decision of one of its major customers to withdraw from the market. The overall cost base has been further reduced in the year, and the directors are confident of an improved performance in the forthcoming year.

### Results and dividends

The results for the period are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

### Directors

The following directors have held office since 3 March 2003:

M McCarthy  
P M Butterfield  
C J Sugden  
R T Trueman  
C M Williams (Resigned 9 April 2004)

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary of £1 each	
	29 February 2004	3 March 2003
M McCarthy	18,333	18,333
P M Butterfield	0	0
C J Sugden	0	0
R T Trueman	0	0
C M Williams	0	0

During the year no rights were granted to or exercised by any directors to subscribe for shares in the company.

### Auditors

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

# DORLUX BEDS LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 29 FEBRUARY 2004

---

### Directors' responsibilities

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 profit or loss of the company 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 company 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 to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



P M Butterfield

Director

19 May 2004

# DORLUX BEDS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DORLUX BEDS LIMITED

---

We have audited the financial statements of Dorlux Beds Limited on pages 4 to 16 for the period ended 29 February 2004. These financial statements have been prepared under the historical cost convention and 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 the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, 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 of the state of the company's affairs as at 29 February 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Mazars*

**Mazars**

**Chartered Accountants  
and Registered Auditors**

*21 May 2004*  
.....

Norwich Union House  
High Street  
Huddersfield,

# DORLUX BEDS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 29 FEBRUARY 2004

	Notes	2004 £'000	2003 £'000
Turnover	2	11,277	11,658
Cost of sales		(7,946)	(8,120)
<b>Gross profit</b>		<b>3,331</b>	<b>3,538</b>
Distribution costs		(1,488)	(1,777)
Administrative expenses		(1,995)	(1,826)
Other operating income		10	7
<b>Operating loss</b>	<b>3</b>	<b>(142)</b>	<b>(58)</b>
Profit on disposal of land and buildings		279	-
<b>Profit/(loss) on ordinary activities before interest</b>		<b>137</b>	<b>(58)</b>
Other interest receivable and similar income		-	2
Interest payable and similar charges	4	(199)	(188)
<b>Loss on ordinary activities before taxation</b>		<b>(62)</b>	<b>(244)</b>
Tax on loss on ordinary activities	5	(5)	-
<b>Loss on ordinary activities after taxation</b>	<b>13</b>	<b>(67)</b>	<b>(244)</b>

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.

# DORLUX BEDS LIMITED

## BALANCE SHEET AS AT 29 FEBRUARY 2004

	Notes	2004		2003	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	6		2,553		3,289
<b>Current assets</b>					
Stocks	7	728		714	
Debtors	8	2,630		2,529	
Cash at bank and in hand		1		1	
		<u>3,359</u>		<u>3,244</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(5,067)</u>		<u>(4,829)</u>	
<b>Net current liabilities</b>			<u>(1,708)</u>		<u>(1,585)</u>
<b>Total assets less current liabilities</b>			845		1,704
<b>Creditors: amounts falling due after more than one year</b>	10		<u>(763)</u>		<u>(1,555)</u>
			<u>82</u>		<u>149</u>
<b>Capital and reserves</b>					
Called up share capital	12		18		18
Other reserves	13		362		362
Profit and loss account	13		(298)		(231)
<b>Shareholders' funds - equity interests</b>	14		<u>82</u>		<u>149</u>

The financial statements were approved by the Board on 19th May 2004

  
.....  
M McCarthy  
Director



# DORLUX BEDS LIMITED

## CASH FLOW STATEMENT FOR THE PERIOD ENDED 29 FEBRUARY 2004

	2004	2003
	£'000	£'000
<b>Net cash inflow/(outflow) from operating activities</b>	652	(12)
<b>Returns on investments and servicing of finance</b>		
Interest received	-	2
Interest paid	(199)	(188)
<b>Net cash outflow for returns on investments and servicing of finance</b>	(199)	(186)
<b>Capital expenditure</b>		
Payments to acquire tangible assets	(48)	(44)
Receipts from sales of tangible assets	9	35
<b>Net cash outflow for capital expenditure</b>	(39)	(9)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>	414	(207)
<b>Financing</b>		
New long term bank loan	100	-
Other new long term loans	-	150
Other new short term loans	-	58
Repayment of long term bank loan	(156)	(130)
Repayment of other long term loans	(313)	(70)
Repayment of other short term loans	(140)	-
Capital element of hire purchase contracts	(41)	(48)
<b>Net cash outflow from financing</b>	(550)	(40)
<b>Decrease in cash in the period</b>	(136)	(247)

# DORLUX BEDS LIMITED

## NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 29 FEBRUARY 2004

<b>1</b>	<b>Reconciliation of operating loss to net cash inflow/(outflow) from operating activities</b>			<b>2004</b>	<b>2003</b>
				<b>£'000</b>	<b>£'000</b>
	Operating loss			(142)	(58)
	Depreciation of tangible assets			384	404
	Profit on disposal of tangible assets			(2)	(4)
	Increase in stocks			(14)	(7)
	Decrease/(increase) in debtors			585	(617)
	(Decrease)/Increase in creditors within one year			(159)	270
	<b>Net cash inflow/(outflow) from operating activities</b>			<b>652</b>	<b>(12)</b>
<b>2</b>	<b>Analysis of net debt</b>	<b>3 March 2003</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>29 February 2004</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Net cash:				
	Cash at bank and in hand	1	-	-	1
	Bank overdrafts	(478)	(136)	-	(614)
		<u>(477)</u>	<u>(136)</u>	<u>-</u>	<u>(613)</u>
	Debt:				
	Finance leases	(65)	41	(14)	(38)
	Debts falling due within one year	(1,738)	(270)	-	(2,008)
	Debts falling due after one year	(1,527)	779	-	(748)
		<u>(3,330)</u>	<u>550</u>	<u>(14)</u>	<u>(2,794)</u>
	<b>Net debt</b>	<b>(3,807)</b>	<b>414</b>	<b>(14)</b>	<b>(3,407)</b>
<b>3</b>	<b>Reconciliation of net cash flow to movement in net debt</b>			<b>2004</b>	<b>2003</b>
				<b>£'000</b>	<b>£'000</b>
	Decrease in cash in the period			(136)	(247)
	Cash outflow from decrease in debt and lease financing			550	18
	Change in net debt resulting from cash flows			414	(229)
	New finance lease			(14)	-
	<b>Movement in net debt in the period</b>			<b>400</b>	<b>(229)</b>
	Opening net debt			(3,807)	(3,578)
	<b>Closing net debt</b>			<b>(3,407)</b>	<b>(3,807)</b>

# DORLUX BEDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2004

---

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared in accordance with the historical cost convention.

The company has continued to undertake cost saving measures this year however net losses are still being made as a result of reduced turnover. The company continues to be supported by funding from the bank and other financiers and the directors have no reason to believe that this support will be withdrawn in the foreseeable future. Additionally, the directors have taken steps to further reduce the company's direct costs during the forthcoming period and are confident that the company's performance will improve accordingly based on the current level of turnover. The directors therefore believe that the company will continue as a going concern for the foreseeable future and have prepared these financial statements on that basis.

#### 1.2 Turnover

Turnover, which excludes both value added tax and trade discounts, represents the invoiced value of goods and services supplied.

#### 1.3 Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold land	Nil
Freehold buildings	2-10%
Plant and equipment	10-20%
Computer equipment (within plant and equipment)	15-33%
Fixtures and fittings (within plant and equipment)	10-33%
Motor vehicles (within plant and equipment)	25%

#### 1.4 Leasing and hire purchase commitments

Assets held under finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. 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. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

#### 1.5 Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Provision is made where necessary for obsolete, slow moving and defective stocks.

# DORLUX BEDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 FEBRUARY 2004

### 1 Accounting policies

(continued)

#### 1.6 Pensions

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

#### 1.7 Deferred taxation

Deferred tax 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.

#### 1.8 Foreign currency translation

Transactions denominated in a foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the year end exchange rates. Exchange gains and losses are dealt with in the profit and loss account.

### 2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

### 3 Operating loss

	2004	2003
	£'000	£'000
Operating loss is stated after charging:		
Depreciation of tangible assets	384	404
Operating lease rentals		
- Plant and machinery	36	40
- Other assets	70	71
Auditors' remuneration	13	12
Redundancy costs	62	37
Termination of distribution agreement	-	125
and after crediting:		
Profit on disposal of tangible assets	(2)	(4)

The profit on sale of land and buildings of £278,625 is shown on the face of the profit and loss account. Completion of the sale did not take place until after the year end, however contracts were exchanged during the year therefore the directors believe the sale should be included in the year.

# DORLUX BEDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 FEBRUARY 2004

4 Interest payable	2004 £'000	2003 £'000
On bank loans and overdrafts	73	86
On other loans wholly repayable within 5 years	41	17
Hire purchase interest	4	5
On amounts payable to factors	81	80
	<u>199</u>	<u>188</u>
5 Taxation	2004 £'000	2003 £'000
<b>Domestic current year tax</b>		
U.K. corporation tax	5	-
	<u>5</u>	<u>-</u>
<b>Current tax charge</b>	<u>5</u>	<u>-</u>
<b>Factors affecting the tax charge for the period</b>		
Loss on ordinary activities before taxation	(62)	(244)
	<u>(62)</u>	<u>(244)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)	(12)	(46)
	<u>(12)</u>	<u>(46)</u>
Effects of:		
Non deductible expenses	4	4
Depreciation add back	19	76
Capital allowances	(39)	(50)
Tax losses utilised	(5)	16
Chargeable disposals	38	-
	<u>17</u>	<u>46</u>
	<u>5</u>	<u>-</u>
<b>Current tax charge</b>	<u>5</u>	<u>-</u>

The company has losses of approximately £1,422,000 (2003 - £1,422,000) available for carry forward against future trading profits.

# DORLUX BEDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 FEBRUARY 2004

### 6 Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 3 March 2003	2,522	5,423	7,945
Additions	12	50	62
Disposals	(434)	(19)	(453)
At 29 February 2004	2,100	5,454	7,554
<b>Depreciation</b>			
At 3 March 2003	174	4,482	4,656
On disposals	(27)	(12)	(39)
Charge for the period	37	347	384
At 29 February 2004	184	4,817	5,001
<b>Net book value</b>			
At 29 February 2004	1,916	637	2,553
At 2 March 2003	2,348	941	3,289

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

	Plant and equipment £'000
<b>Net book values</b>	
At 29 February 2004	78
At 2 March 2003	110
<b>Depreciation charge for the period</b>	
29 February 2004	20
2 March 2003	34

# DORLUX BEDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 FEBRUARY 2004

7	Stocks and work in progress	2004 £'000	2003 £'000
	Raw materials and consumables	399	447
	Work in progress	208	183
	Finished goods and goods for resale	121	84
		<u>728</u>	<u>714</u>
8	Debtors	2004 £'000	2003 £'000
	Trade debtors	1,691	2,284
	Other debtors	696	-
	Prepayments and accrued income	243	245
		<u>2,630</u>	<u>2,529</u>
9	Creditors: amounts falling due within one year	2004 £'000	2003 £'000
	Bank loans and overdrafts	1,260	634
	Net obligations under hire purchase contracts	23	37
	Trade creditors	1,712	1,988
	Corporation tax	5	-
	Other taxes and social security costs	401	356
	Short term loans	1,362	1,582
	Accruals and deferred income	304	232
		<u>5,067</u>	<u>4,829</u>
	Debt due in one year or less	<u>2,622</u>	<u>2,216</u>

# DORLUX BEDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 FEBRUARY 2004

10 Creditors: amounts falling due after more than one year	2004 £'000	2003 £'000
Bank loans	364	910
Other loans	384	617
Net obligations under hire purchase contracts	15	28
	<u>763</u>	<u>1,555</u>
<b>Analysis of loans</b>		
Not wholly repayable within five years by instalments:	-	286
Wholly repayable within five years	2,756	2,979
	<u>2,756</u>	<u>3,265</u>
Included in current liabilities	(2,008)	(1,738)
	<u>748</u>	<u>1,527</u>
Instalments not due within five years	-	286
	<u>-</u>	<u>286</u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	427	389
In more than two years but not more than five years	321	852
In more than five years	-	286
	<u>748</u>	<u>1,527</u>

The bank loan, bank overdraft and other secured loan, included in other short term loans, are secured by a series of fixed and floating charges over all the assets of the company.

The bank loan carries interest at a variable rate of 1.75% over LIBOR.

Included in other loans is £150,000 (2003 - £150,000) from Mr M McCarthy which attracts interest at 1% above base rate and is due for repayment by 31 December 2006.

### Net obligations under hire purchase contracts

Repayable within one year	26	41
Repayable between one and five years	18	33
	<u>44</u>	<u>74</u>
Finance charges and interest allocated to future accounting periods	(6)	(9)
	<u>38</u>	<u>65</u>
Included in liabilities falling due within one year	(23)	(37)
	<u>15</u>	<u>28</u>



# DORLUX BEDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 FEBRUARY 2004

### 11 Pension costs

#### Defined contribution

The total pension cost to the company represents contributions payable to four defined contribution schemes during the year. There was £565 (2003 - £1,452) included in accruals at the year end.

	2004 £'000	2003 £'000
Contributions payable by the company for the period	45	35

### 12 Share capital

#### Authorised

20,000 Ordinary of £1 each

#### Allotted, called up and fully paid

18,333 Ordinary of £1 each

	2004 £'000	2003 £'000
20,000 Ordinary of £1 each	20	20
18,333 Ordinary of £1 each	18	18

### 13 Statement of movements on reserves

	Other reserves (see below) £'000	Profit and loss account £'000
Balance at 3 March 2003	362	(231)
Retained loss for the period	-	(67)
Balance at 29 February 2004	362	(298)
<b>Other reserves</b>		
<b>Capital redemption reserve</b>		
Balance at 3 March 2003 & at 29 February 2004	362	

### 14 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Loss for the financial period	(67)	(244)
Opening shareholders' funds	149	393
Closing shareholders' funds	82	149

# DORLUX BEDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 FEBRUARY 2004

### 15 Contingent liabilities

At the year end the company had an outstanding documentary credit of £0 (2003 - £22,209).

### 16 Financial commitments

At 29 February 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004 £'000	2003 £'000
Expiry date:		
Within one year	16	21
Between two and five years	47	56
	<u>63</u>	<u>77</u>

### 17 Capital commitments

At 29 February 2004 the company had capital commitments as follows:

	2004 £'000	2003 £'000
Contracted for but not provided in the financial statements	-	8

### 18 Directors' emoluments

	2004 £'000	2003 £'000
Emoluments for qualifying services	355	315
Company pension contributions to money purchase schemes	32	29
	<u>387</u>	<u>344</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2003- 5).

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

	2004	2003
Emoluments for qualifying services	134	136
Company pension contributions to money purchase schemes	8	8

# DORLUX BEDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 29 FEBRUARY 2004

### 19 Employees

#### Number of employees

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

	2004 Number	2003 Number
Production	118	117
Selling and distribution	28	28
Administration	16	16
	<u>162</u>	<u>161</u>

#### Employment costs

	£'000	£'000
Wages and salaries	3,088	3,106
Social security costs	252	243
Other pension costs	45	35
	<u>3,385</u>	<u>3,384</u>

### 20 Related party transactions

There is a loan of £150,000 (2003 - £150,000) outstanding from Mr M McCarthy, a director and the sole shareholder of the company. This loan attracts interest at 1% above base rate and is due for repayment by 31 December 2006. The interest charge for the period was £7,048 (2003 - £7,662).

During the year the company made sales totalling £25,534 (2003 - £52,423) to Contourmatic Adjustable Beds Limited, a company owned by Mr M McCarthy. The sales were made at arms length on normal terms.