

A Sykes (Dorlux) Limited

803368

Annual report for the year ended 30 September 1995

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Directors and advisers

Executive directors and officers

Chairman	A I Sykes
Managing director	P G Hewitt
Sales director - national accounts	C M Williams
Sales and marketing director	J P Roberts
Purchasing director	R T Trueman
Production director	W J McCormack
Company Secretary	B J Wilcox

Registered office

Barden Works
Club Lane
Ovenden
HALIFAX
HX2 8DD

Auditors

Coopers & Lybrand
Albion Court
5 Albion Place
LEEDS
LS1 6JP

Solicitors

Pinsent Curtis
41 Park Square
LEEDS
LS1 2NS

Bankers

Midland Bank plc
2 Cloth Hall Court
HUDDERSFIELD
HD1 2ES

**Directors' report
for the year ended 30 September 1995**

The directors present their report and the audited financial statements for the year ended 30 September 1995.

Principal activities

The profit and loss account for the year is set out on page 5.

The principal activities of the company remain that of the manufacture of beds and upholstery.

Review of business and future developments

The results for the year reflect the very difficult trading period, the high rate of raw material price rise increase which, because of competitor action have not been passed on in full to our customers, and the closure of our small upholstery department. We are confident, however, that due to our continuing cost reduction programme and product development, results for the coming year will show an improvement.

Dividends and transfers to reserves

The directors have declared a dividend on the preference shares as described in the articles of association. The directors do not recommend the payment of a dividend on the ordinary shares. The profit for the financial year of £16,000 will be transferred to reserves.

Directors

The directors of the company at 30 September 1995, all of whom have been directors for the whole of the year ended on that date, unless where stated, were:

A I Sykes	(Chairman)
P G Hewitt	
C M Williams	
R T Trueman	
W J McCormack	
J P Roberts	(appointed 13 February 1995)

In accordance with the articles of association, the directors are not required to retire by rotation.

Directors' interests in shares of the company

The interests of the directors of the company at 30 September 1995 in the shares of the company, according to the register required to be kept by Section 325 of the Companies Act 1985, were as follows:

	Ordinary shares of £1 each		10% non-cumulative redeemable preference shares of £1 each	
	30 September 1995 Amount	30 September 1994 Amount	30 September 1995 Amount	30 September 1994 Amount
A I Sykes - as trustee	-	£4,582	£362,000	£362,000

No other director at 30 September 1995 had an interest in shares of the company.

Fixed assets

The movements in fixed assets during the year are set out in note 10 to the financial statements.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.


The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



B J Whcox
Secretary

19 December 1995

**Report of the auditors to the members of
A Sykes (Dorlux) Limited**

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 company'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 of the state of the company's affairs at 30 September 1995 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors

Leeds

19 December 1995

Profit and loss account for the year ended 30 September 1995

	Notes	1995 £'000	1994 £'000
Turnover	2	13,330	11,638
Cost of sales		10,147	8,702
Gross profit		<u>3,183</u>	<u>2,936</u>
Distribution costs		1,380	1,123
Administrative expenses		1,648	1,470
Exceptional administrative expenses	5	60	65
Operating profit		<u>95</u>	<u>278</u>
Interest payable and similar charges	6	34	10
Profit on ordinary activities before taxation	7	<u>61</u>	<u>268</u>
Tax on profit on ordinary activities	8	9	9
Profit for the year		<u>52</u>	<u>259</u>
Dividends on non-equity shares	9	36	36
Retained profit for the year	16	<u>16</u>	<u>223</u>

All of the trading during the year related to continuing operations.

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

Balance sheet at 30 September 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Tangible assets	10	831	866
Current assets			
Stocks	11	692	645
Debtors	12	2,020	1,563
Cash at bank and in hand		4	9
		<u>2,716</u>	<u>2,217</u>
Creditors: amounts falling due within one year	13	<u>2,925</u>	<u>2,477</u>
Net current liabilities		<u>(209)</u>	<u>(260)</u>
Total assets less current liabilities		<u>622</u>	<u>606</u>
Capital and reserves			
Called up share capital	15	380	380
Profit and loss account	16	242	226
		<u>622</u>	<u>606</u>
Equity shareholders' funds		260	244
Non-equity shareholders' funds		362	362
Total shareholders' funds	17	<u>622</u>	<u>606</u>

The financial statements on pages 5 to 16 were approved by the board of directors on 10 December 1995 and were signed on its behalf by:



P G Hewitt

Director

Cash flow statement for the year ended 30 September 1995

	Notes	1995 £'000	1994 £'000
Net cash inflow from operating activities	18	<u>159</u>	<u>689</u>
Returns on investments and servicing of finance			
Dividends paid		(36)	(36)
Interest paid		(39)	(11)
Interest received		<u>5</u>	<u>1</u>
Net cash outflow from returns on investments and servicing of finance		<u>(70)</u>	<u>(46)</u>
Taxation			
Corporation tax paid		<u>(9)</u>	<u>(11)</u>
Net cash (outflow) from taxation		<u>(9)</u>	<u>(11)</u>
Investment activities			
Purchase of tangible fixed assets		(75)	(621)
Sale of tangible fixed assets		<u>6</u>	<u>10</u>
Net cash outflow from investing activities		<u>(69)</u>	<u>(611)</u>
Net cash inflow before financing		11	21
Net cash outflow from financing		-	-
Increase in cash and cash equivalents	19	<u>11</u>	<u>21</u>

**Notes to the financial statements
for the year ended 30 September 1995****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

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

Depreciation

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 buildings	2
Plant and equipment	10-20
Motor vehicles	20-40

Leasehold property is written off over the period of the lease.

Turnover

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

Stocks and work in progress

Stocks 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.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that an asset or liability will crystallise.

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.

Pension scheme

The company operates three defined contribution pension schemes. The company's contributions to these schemes are as specified by the rules of the schemes and are charged to the profit and loss account as incurred.

The company also operates a defined benefit scheme which provides benefits based on final pensionable salaries. The company's pension expense for this scheme is charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contribution rate is determined by an independent qualified actuary at intervals not exceeding three years using the projected unit method.

The assets of all four schemes are held separately from those of the company in independently administered funds.

The company provides no other post retirement benefits to its employees.

Operating leases

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.

2 Turnover

Turnover, which excludes value added tax and trade discount, represents the invoiced value of goods and services supplied and consists entirely of sales made in the United Kingdom.

3 Directors' emoluments

	1995 £	1994 £
Fees and other emoluments (including benefits in kind)	237,652	204,893
Pension contributions	24,853	21,671
	<u>262,505</u>	<u>226,564</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1995 £	1994 £
The chairman	<u>36,965</u>	<u>37,587</u>
The highest paid director	<u>62,428</u>	<u>61,273</u>

The number of directors (including the chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges, was:

	1995 Number	1994 Number
£25,001 to £30,000	1	-
£30,001 to £35,000	1	2
£35,001 to £40,000	2	2
£40,001 to £45,000	1	-
£60,001 to £65,000	<u>1</u>	<u>1</u>

4 Employee information

The average weekly number of persons employed by the company during the year, including executive directors, is analysed below:

	1995 Number	1994 Number
Production	187	165
Selling and distribution	33	30
Administration	17	16
	<u>237</u>	<u>211</u>
	<u>1995</u>	<u>1994</u>
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	3,238	2,854
Social security costs	304	276
Other pension costs (see note 23)	85	77
	<u>3,627</u>	<u>3,207</u>

5 Exceptional administrative expenses

	1995 £'000	1994 £'000
Closure costs of upholstery division	60	-
Start up costs of Dreamers' division	-	65
	<u>60</u>	<u>65</u>
	<u><u>60</u></u>	<u><u>65</u></u>

6 Interest payable and similar charges

Interest payable on sums wholly repayable within 5 years:

	1995 £'000	1994 £'000
Loan interest	11	-
Bank overdraft	27	10
Other	(4)	-
	<u>34</u>	<u>10</u>
	<u><u>34</u></u>	<u><u>10</u></u>

7 Profit on ordinary activities before taxation

	1995 £'000	1994 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	44	55
Profit on sale of fixed assets	4	6
	<u>48</u>	<u>61</u>
And after charging:		
Auditors' remuneration - in respect of the audit	13	13
- fees for other services	66	4
Operating lease rentals - plant and machinery	21	12
- other	997	839
Depreciation of tangible owned fixed assets	108	170
	<u>1105</u>	<u>838</u>
	<u><u>1105</u></u>	<u><u>838</u></u>

8 Tax on profit on ordinary activities

	1995 £'000	1994 £'000
Corporation tax at 33% (1994: 33%)	-	-
Advance corporation tax not recoverable	9	9
	<u>9</u>	<u>9</u>
	<u>9</u>	<u>9</u>

The company has substantial tax losses available to carry forward against future taxable profits.

9 Dividends

	1995 £'000	1994 £'000
Non-equity shares:		
10% preference dividend proposed	36	36
	<u>36</u>	<u>36</u>

10 Tangible fixed assets

	Freehold buildings £'000	Leasehold property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 1994	191	50	3,151	46	3,438
Additions	-	-	75	-	75
Disposals	-	-	-	(19)	(19)
	<u>191</u>	<u>50</u>	<u>3,226</u>	<u>27</u>	<u>3,494</u>
At 30 September 1995	<u>191</u>	<u>50</u>	<u>3,226</u>	<u>27</u>	<u>3,494</u>
Depreciation					
At 1 October 1994	2	8	2,520	42	2,572
Charge for year	4	2	100	2	108
Disposals	-	-	-	(17)	(17)
	<u>6</u>	<u>10</u>	<u>2,620</u>	<u>27</u>	<u>2,663</u>
At 30 September 1995	<u>6</u>	<u>10</u>	<u>2,620</u>	<u>27</u>	<u>2,663</u>
Net book value					
At 30 September 1995	<u>185</u>	<u>40</u>	<u>606</u>	<u>-</u>	<u>831</u>
Net book value					
At 30 September 1994	<u>189</u>	<u>42</u>	<u>631</u>	<u>4</u>	<u>866</u>

At the year end the company had fixed assets with a cost of approximately £2,456,646 (1994: £2,413,321) which had been written down to a nominal amount, although they were still in use.

11 Stocks

	1995 £'000	1994 £'000
Raw materials and consumables	510	491
Work in progress	104	103
Finished goods and goods for resale	78	51
	<u>692</u>	<u>645</u>

12 Debtors

	1995 £'000	1994 £'000
Amounts falling due within one year		
Trade debtors	1,931	1,489
Other debtors	-	4
Prepayments and accrued income	89	70
	<u>2,020</u>	<u>1,563</u>

13 Creditors: amounts falling due within one year

	1995 £'000	1994 £'000
Bank overdraft	255	271
Trade creditors (see below)	1,940	1,521
Advance corporation tax	9	9
Other taxation and social security	361	338
Accruals and deferred income	324	302
Dividends payable	36	36
	<u>2,925</u>	<u>2,477</u>

Part of the amounts owing to trade creditors is or may be protected by suppliers by the reservation of legal title to the goods supplied and to the proceeds of their sale. The amount protected in this way depends on the legal interpretation of individual contracts and cannot readily be determined. In the opinion of the directors the amount concerned does not exceed £225,000.

14 Deferred taxation

There is no provision for deferred taxation. A deferred tax asset in respect of trading losses carried forward has not been recognised in the accounts.

15 Called up share capital

	10% non-cumulative redeemable preference shares of £1 each 1995 and 1994	Ordinary shares of £1 each 1995 and 1994
Authorised - value	£362,000	£20,000
- number	362,000	20,000
Allotted, called up and fully paid		
- value	£362,000	£18,333
- number	362,000	18,333

The redemption dates of the 10% non-cumulative redeemable preference shares, which are redeemable at par, are as follows:

Date	No of shares
31 January 1992	120,000
31 January 1993	121,000
31 January 1994	121,000

Redemptions were not made on the due dates because the company had insufficient reserves available for this purpose at the time. The company now has sufficient reserves to begin redemption of the preference shares although a date for redemption has still to be agreed with the preference shareholder.

The rights of the preference shareholders are as follows:

- (a) a 10% non-cumulative dividend, subject to sufficient reserves;
- (b) preferential return of capital and dividend arrears on a winding up;
- (c) no voting rights.

16 Profit and loss account

	Profit and loss £'000
At 1 October 1994	226
Retained profit for the year	16
At 30 September 1995	242

17 Reconciliation of movement in shareholders' funds

	1995 £'000	1994 £'000
Profit for the financial year	16	223
Opening shareholders' funds	606	383
Closing shareholders' funds	622	606

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

	1995 £'000	1994 £'000
Operating profit before exceptional item	155	343
Exceptional administrative expenses	(60)	(65)
Depreciation of tangible fixed assets	108	170
Profit on sale of tangible fixed assets	(4)	(6)
(Increase) in stocks	(47)	(61)
(Increase)/decrease in trade debtors	(442)	278
(Increase)/decrease in prepayments and accrued income	(15)	15
Increase in trade creditors	419	124
Increase/(decrease) in other taxation and social security	23	(59)
Increase/(decrease) in accruals and deferred income	22	(50)
	<u>159</u>	<u>689</u>
Net cash inflow from operating activities	<u><u>159</u></u>	<u><u>689</u></u>

19 Cash and cash equivalents

	1995 £'000	1994 £'000
Changes during the year		
At 1 October	(262)	(283)
Net cash inflow	11	21
	<u>(251)</u>	<u>(262)</u>
At 30 September	<u><u>(251)</u></u>	<u><u>(262)</u></u>

	1995 £'000	1995 Change in year £'000	1994 £'000	1994 Change in year £'000	1993 £'000
Analysis of balances					
Cash at bank and in hand	4	(5)	9	6	3
Bank overdrafts	(255)	16	(271)	15	(286)
	<u>(251)</u>	<u>11</u>	<u>(262)</u>	<u>21</u>	<u>(283)</u>
At 30 September	<u><u>(251)</u></u>	<u><u>11</u></u>	<u><u>(262)</u></u>	<u><u>21</u></u>	<u><u>(283)</u></u>

20 Capital commitments

The company had no capital commitments at 30 September 1995 (1994: £Nil)

21 Financial commitments

At 30 September 1995 the company had annual commitments under non-cancellable operating leases as follows:

	1995		1994	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Date of lease termination				
Within one year	-	45	-	17
More than one year but within five years	-	718	-	439
After five years	180	28	180	78
	<u>180</u>	<u>791</u>	<u>180</u>	<u>534</u>
	<u><u>180</u></u>	<u><u>791</u></u>	<u><u>180</u></u>	<u><u>534</u></u>

22 Contingent liabilities

There is a contingent liability of £25,000 in respect of a guarantee given by the company's bankers to H M Customs and Excise in respect of VAT payable.

23 Pensions

The total pension cost for the company was £84,503 (1994: £76,660) arising from its participation in three defined contribution schemes and a defined benefits scheme. The assets of this scheme are held separately from those of the company. The pension cost is assessed in accordance with advice of an independent qualified actuary using the projected unit method.

The latest actuarial valuation of the defined benefit scheme was dated March 1995 and related to service by members up to 30 June 1995. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment returns would be 8.5% per annum compound and that salary increases would average 7% per annum compound.

The actuarial valuation showed that the market value of the defined benefit scheme's assets was £1,010,083 at 30 June 1995 and that the actuarial value of those assets represented 100% of the benefits that had accrued to members who have retired and 146% for other members after allowing for expected future increases in earnings. The actuary has recommended that in view of the proposed pension funds legislation changes, no decrease be made to the contribution rate to reduce the surplus.