

Dorlux Beds Limited
Annual report
for the year ended 25 September 2000

Registered Number 803368



Dorlux Beds Limited

Annual report

for the year ended 25 September 2000

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Dorlux Beds Limited

Directors and advisers for the year ended 25 September 2000

Executive directors

M McCarthy Managing Director
C M Williams Sales Director - National Accounts
R T Trueman Purchasing Director
P M Butterfield Finance Director

Non executive director

A E Grant Chairman

Registered office

Sykes Mill
Keighley Road
Ovenden
Halifax
HX2 8DD

Auditors

PricewaterhouseCoopers
Benson House
33 Wellington Street
Leeds
LS1 4JP

Bankers

HSBC Bank plc
2 Cloth Hall Court
Huddersfield
HD1 2ES

Dorlux Beds Limited

Directors' report for the year ended 25 September 2000

The directors present their report and the audited financial statements of the company for the year ended 25 September 2000.

Principal activity

The principal activity of the company remains that of the manufacture of divan beds and mattresses.

Review of business and future developments

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

As a result of the low sales turnover and high cost base, the results for the year were very disappointing. However, the overhead expenditure base has now been reduced, and with the introduction of new management, the directors are confident for a much improved performance in the future.

Directors

The directors of the company at 25 September 2000, all of whom have been directors for the whole of the year ended on that date, unless where stated, were:

A E Grant	
P G Hewitt	(resigned 11 April 2001)
M McCarthy	(appointed 17 April 2001)
C M Williams	
R T Trueman	
N G W Petty	(resigned 11 May 2001)
J W Whiteley	(resigned 31 January 2001)
A E Britton	(appointed 1 November 1999, resigned 31 May 2001)
P M Butterfield	(appointed 7 August 2001)

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

Directors' interests in shares of the company

No director had an interest in shares of the company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 25 September 2000 and that applicable accounting standards have been followed.

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

Dorlux Beds Limited

Directors' report for the year ended 25 September 2000 (continued)

Employees

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training is given. Arrangements are made, where possible, for retraining employees who became disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board



A E Grant
Chairman

30 November

2001

Dorlux Beds Limited

Auditors' report to the members of Dorlux Beds Limited

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

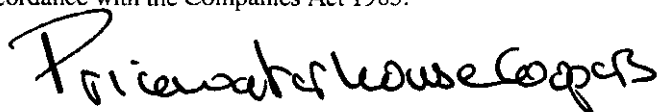
Basis of opinion

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 25 September 2000 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Leeds

30 November 2001

Dorlux Beds Limited

Profit and loss account for the year ended 25 September 2000

	Note	2000 £'000	1999 £'000
Turnover	1	15,630	16,103
Cost of sales		(11,234)	(11,532)
Gross profit		4,396	4,571
Distribution costs		(2,227)	(1,816)
Administrative expenses		(2,477)	(2,494)
Operating (loss)/profit	5	(308)	261
Interest payable and similar charges	4	(173)	(48)
(Loss)/Profit on ordinary activities before taxation		(481)	213
Tax on (loss)/profit on ordinary activities	6	46	(46)
Retained (loss)/profit for the financial year	14,15	(435)	167

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 results above, and therefore no separate statement of total recognised gains and losses has been presented.

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

Dorlux Beds Limited

Balance sheet as at 25 September 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	7	3,796	3,313
Current assets			
Stocks	8	766	816
Debtors	9	1,781	2,271
Cash at bank and in hand		4	5
		2,551	3,092
Creditors: amounts falling due within one year	10	(4,084)	(3,531)
Net current liabilities		(1,533)	(439)
Total assets less current liabilities		2,263	2,874
Creditors: amounts falling due after more than one year	11	(1,040)	(1,170)
Provisions for liabilities and charges	12	-	(46)
Net assets		1,223	1,658
Capital and reserves			
Called up share capital	13	18	18
Capital redemption reserve	14	362	362
Profit and loss account	14	843	1,278
Equity shareholders' funds	15	1,223	1,658

The financial statements on pages 5 to 17 were approved by the board of directors on *30 November* 2001 and were signed on its behalf by:



A E Grant
Director

Dorlux Beds Limited

Cash flow statement for the year ended 25 September 2000

	Note	2000 £'000	1999 £'000
Net cash inflow/(outflow) from operating activities	16	949	(295)
Returns on investments and servicing of finance			
Interest paid		(173)	(48)
Net cash outflow from returns on investments and servicing of finance		(173)	(48)
Taxation			
Corporation tax paid		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(919)	(1,800)
Net cash outflow from capital expenditure and financial investment		(919)	(1,800)
Net cash outflow before financing		(143)	(2,143)
Financing			
Receipt of mortgage loan		-	1,300
Repayment of mortgage loan		(130)	-
Receipt of other secured loans		105	650
Net cash (outflow)/inflow from financing		(25)	1,950
Decrease in cash in the year	17	(168)	(193)

Dorlux Beds Limited

Accounting policies

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.

Tangible fixed assets

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
Plant and equipment	10-20
Computer equipment (within plant and equipment)	15-25

Turnover

Turnover, which excludes both 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.

Goodwill

In prior years goodwill arising on the acquisition of a business has been written off immediately against reserves as a matter of accounting policy. This accounting treatment is permitted under the transitional arrangements of Financial Reporting Standard 10 ("Goodwill and intangible assets").

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.

Dorlux Beds Limited

Accounting policies (continued)

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.

Dorlux Beds Limited

Notes to the financial statements for the year ended 25 September 2000

1 Turnover

Turnover, which excludes both value added tax and trade discounts, consists entirely of sales made in the United Kingdom.

2 Directors' emoluments

	2000 £'000	1999 £'000
Fees paid to companies for the services of the non-executive Chairmen	23	21
Fees and other emoluments (including benefits in kind)	373	297
Pension contributions to defined contribution schemes	52	46
	448	364

Retirement benefits are accruing to 6 (1999: 5) of the directors under the company's defined contribution pension schemes. In addition 3 (1999: 3) directors are accruing benefits under a defined benefit scheme.

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

	2000 £'000	1999 £'000
The highest paid director	86	82

Fees paid to companies for the services of the non-executive chairman shown above include fees totalling £23,123 (1999: £7,349) charged by Tundra Limited, a company in which Mr A E Grant is both a shareholder and director (see note 21).

3 Employee information

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

	2000 Number	1999 Number
Production	186	197
Selling and distribution	32	42
Administration	22	22
	240	261

	2000 £'000	1999 £'000
Staff costs (for the above persons)		
Wages and salaries	4,188	4,114
Social security costs	379	401
Other pension costs (see note 20)	76	62
	4,643	4,577

Dorlux Beds Limited

Notes to the financial statements for the year ended 25 September 2000 (continued)

4 Interest payable and similar charges

	2000 £'000	1999 £'000
Bank overdraft	8	48
Other secured loan	68	-
Mortgage loan	97	-
	173	48

5 Operating (loss)/profit

	2000 £'000	1999 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	38	12
And after charging:		
Loss on disposal of fixed assets	21	-
Auditors' remuneration - in respect of the audit	16	14
- fees for other services	4	32
Operating lease rentals - plant and machinery	24	23
- vehicles	110	113
- land and buildings	15	180
Depreciation of tangible owned fixed assets	415	345

6 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
The (credit)/charge for taxation comprises:		
Corporation tax at 30% (1999: 30%)	-	-
Irrecoverable ACT written back	-	(40)
Deferred taxation	(46)	86
	(46)	46

Dorlux Beds Limited

Notes to the financial statements for the year ended 25 September 2000 (continued)

7 Tangible fixed assets

	Freehold land & buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 26 September 1999	1,829	4,864	6,693
Additions	513	406	919
Disposals	-	(78)	(78)
At 25 September 2000	2,342	5,192	7,534
Depreciation			
At 26 September 1999	66	3,314	3,380
Disposals	-	(57)	(57)
Charge for the year	20	395	415
At 25 September 2000	86	3,652	3,738
Net book value			
At 25 September 2000	2,256	1,540	3,796
Net book value			
At 25 September 1999	1,763	1,550	3,313

At the year end the company had fixed assets with a cost of approximately £2.4 million (1999: £2.5 million) which had been written down to a nominal amount, although they were still in use.

8 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	349	368
Work in progress	329	354
Finished goods and goods for resale	88	94
	766	816

9 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year		
Trade debtors	1,568	2,093
Prepayments and accrued income	213	178
	1,781	2,271

Dorlux Beds Limited

Notes to the financial statements for the year ended 25 September 2000 (continued)

10 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Mortgage loan (see note 11)	130	130
Bank overdraft (see note 11)	582	415
Other secured loans (see note 11)	755	650
Trade creditors (see below)	1,984	1,363
Other taxation and social security	276	498
Accruals and deferred income	357	475
	4,084	3,531

Included within trade creditors is an amount of £Nil (1999: £1,249) owed to Tundra Limited, a company in which Mr A E Grant is both a shareholder and a director (see note 21).

11 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Mortgage loan	1,040	1,170

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

Secured borrowings

The mortgage loan, bank overdraft and other secured loan are repayable as follows:

	2000 £'000	1999 £'000
Within one year	1,467	1,195
Between one and two years	130	130
Between two and five years	520	520
Over five years	390	520
	2,507	2,365

The above borrowings are secured by a series of fixed and floating charges over all the assets of the company.

Dorlux Beds Limited

Notes to the financial statements for the year ended 25 September 2000 (continued)

12 Provision for liabilities and charges

The provision for deferred taxation, and the amount unprovided of the total potential liability are as follows:

	2000 £'000 Provided	1999 £'000 Provided	2000 £'000 Unprovided	1999 £'000 Unprovided
Excess of capital allowances over depreciation	162	166	.	.
Losses	(162)	(80)	(37)	.
ACT recoverable	.	(40)	.	.
	.	46	(37)	.

13 Called up share capital

	2000 £'000	1999 £'000
Authorised:		
362,000 10% non-cumulative redeemable preference shares of £1 each	362	362
20,000 ordinary shares of £1 each	20	20
Allotted, called up and fully paid:		
18,333 ordinary shares of £1 each	18	18

14 Reserves

	Capital redemption reserve £'000	Profit and loss £'000
At 1 October 1999	362	1,278
Retained loss for the financial year	-	(435)
At 25 September 2000	362	843

The company has, in prior years, written off goodwill of £152,000 directly to reserves in respect of a business acquired.

Dorlux Beds Limited

Notes to the financial statements for the year ended 25 September 2000 (continued)

15 Reconciliation of movement in shareholders' funds

	2000 £'000	1999 £'000
(Loss)/profit for the financial year	(435)	167
Net (reduction)/addition to shareholders' funds	(435)	167
Opening shareholders' funds	1,658	1,491
Closing shareholders' funds	1,223	1,658

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

	2000 £'000	1999 £'000
Operating (loss)/profit	(308)	261
Depreciation of tangible fixed assets	415	345
Loss on sale of tangible fixed assets	21	-
Decrease/(increase) in stocks	50	(38)
Decrease/(increase) in trade debtors	525	(593)
Increase in prepayments and accrued income	(35)	(58)
Increase/(decrease) in trade creditors	621	(59)
Decrease in other taxation and social security	(222)	(77)
Decrease in accruals and deferred income	(118)	(76)
Net cash inflow/(outflow) from operating activities	949	(295)

Dorlux Beds Limited

Notes to the financial statements for the year ended 25 September 2000 (continued)

17 Reconciliation of movement in net debt

	2000 £'000	1999 £'000
Movements in year		
Decrease in cash in the year	(168)	(193)
New loans	-	(1,950)
Increase in other secured loans	(105)	-
Repayment of mortgage loan	130	-
Movements in net funds in the year	(143)	(2,143)
Net funds at 26 September	(2,360)	(217)
Net funds at 25 September	(2,503)	(2,360)

	At 26 September 1999 £'000	Cash flow £'000	At 25 September 2000 £'000
Analysis of net debt			
Cash at bank and in hand	5	(1)	4
Bank overdrafts	(415)	(167)	(582)
Other secured loans	(650)	(105)	(755)
Mortgage loan	(1,300)	130	(1,170)
	(2,360)	(143)	(2,503)

18 Capital commitments

The company had the following capital commitments at 25 September 2000:

	2000 £'000	1999 £'000
Contracted for	190	154
Authorised but not contracted for	180	689

Dorlux Beds Limited

Notes to the financial statements for the year ended 25 September 2000 (continued)

19 Financial commitments

At 25 September 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000 £'000	1999 £'000
Date of lease termination		
Within one year	25	15
More than one year but within five years	57	106
After five years	-	-
	82	121

20 Pensions

The total pension cost for the company was £75,886 (1999: £61,696) arising from its participation in three defined contribution schemes and a defined benefits scheme. The assets of these schemes are held separately from those of the company. The pension cost of the defined benefits scheme 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 9 June 1998 and related to service by members up to 30 June 1998. 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 £1,197,000 at 1 July 1998 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.

21 Related parties

As shown in notes 2 and 10, Mr A E Grant is both a shareholder in and director of Tundra Limited. Total fees charged by Tundra Limited, during the year, amounted to £24,108.

22 Ultimate controlling party

At 25 September 2000, having regard to the disposition of shareholdings and the obligations of trustees of the trusts which own the ordinary shares of the company, in the opinion of the directors, the company has no ultimate controlling party.