

Registered no: 803368

Dorlux Beds Limited

(formerly A Sykes (Dorlux) Limited)

Annual report

for the year ended 25 September 1999



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Dorlux Beds Limited
(formerly A Sykes (Dorlux) Limited)

Annual report
for the year ended 25 September 1999

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Directors and advisers

Non executive director

Chairman A E Grant

Executive directors

Managing director P G Hewitt

Sales and marketing A E Britton

Sales director - national accounts C M Williams

Purchasing director R T Trueman

Operations director N G W Petty

Finance director J W Whiteley

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

Directors' report for the year ended 25 September 1999

The directors present their report and the audited financial statements for the year ended 25 September 1999.

Change of name

The company changed its name to Dorlux Beds Limited on 1 October 1999.

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.

Due to the operational difficulties in the first half of the year, together with a disproportionately high overhead cost base in relation to the projected sales turnover, the results for the year were very disappointing.

However, the overhead expenditure base has now been realigned and the directors are confident for a much improved performance in the coming year. This is reflected by the company's acquisition of its leasehold property during September 1999.

Directors

The directors of the company at 25 September 1999, all of whom have been directors for the whole of the year ended on that date, unless where stated, were:

A E Grant (appointed 20 May 1999)
P G Hewitt
C M Williams
R T Trueman
N G W Petty
J W Whiteley

Mr A E Britton was appointed a director of the company on 1 November 1999. Mr RW Martin who was a director of the company at the start of the year resigned on 24 June 1999.

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

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 25 September 1999. 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 safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Year 2000

The Year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of century, producing a wide range of consequences.

The company has conducted a risk-based review of its computer systems to identify those which could be affected and has replaced or upgraded all affected business critical systems.

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Auditors

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

By order of the board



J W Whiteley

Director

22 December 1999

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

We have audited the financial statements on pages 6 to 19 which have been prepared in accordance with the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 of the financial statements. Our responsibilities, as independent auditors, are established 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 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.

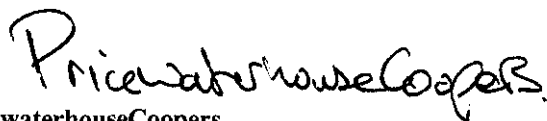
Basis of opinion

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 1999 and of its profit 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

26 January 2000

**Profit and loss account
for the year ended 25 September 1999**

		1999 £'000	1998 £'000
Turnover	2	16,103	15,757
Cost of sales		<u>11,532</u>	<u>11,341</u>
Gross profit		4,571	4,416
Distribution costs		1,816	1,474
Administrative expenses		<u>2,494</u>	<u>2,184</u>
Operating profit		261	758
Interest payable and similar charges	5	<u>48</u>	<u>28</u>
Profit on ordinary activities before taxation	6	213	730
Tax on profit on ordinary activities	7	<u>46</u>	<u>1</u>
Profit for the year		167	729
Dividends on non-equity shares	8	<u>-</u>	<u>4</u>
Retained profit for the year	16	<u>167</u>	<u>725</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.

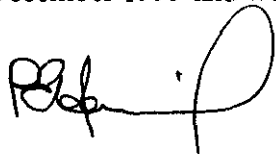
Dorlux Beds Limited
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Balance sheet
at 25 September 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	9	<u>3,313</u>	<u>1,858</u>
Current assets			
Stocks	10	816	778
Debtors	11	2,271	1,620
Cash at bank and in hand		<u>5</u>	<u>4</u>
		3,092	2,402
Creditors: amounts falling due within one year	12	<u>3,531</u>	<u>2,769</u>
Net current liabilities		<u>(439)</u>	<u>(367)</u>
Total assets less current liabilities		2,874	1,491
Creditors: amounts falling due after one year	13	1,170	-
Provisions for liabilities and charges	14	<u>46</u>	<u>-</u>
Net assets		<u>1,658</u>	<u>1,491</u>
Capital and reserves			
Called up share capital	15	18	18
Capital redemption reserve	16	362	362
Profit and loss account	16	<u>1,278</u>	<u>1,111</u>
		<u>1,658</u>	<u>1,491</u>

The financial statements on pages 6 to 19 were approved by the board of directors on 22 December 1999 and were signed on its behalf by:



P G Hewitt
 Director

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Cash flow statement
for the year ended 25 September 1999

	Note	1999 £'000	1998 £'000
Net cash (outflow)/inflow from operating activities	18	<u>(295)</u>	<u>1,267</u>
Returns on investments and servicing of finance			
Non-equity dividends paid		-	(20)
Interest paid		<u>(48)</u>	<u>(28)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(48)</u>	<u>(48)</u>
Taxation			
Corporation tax paid		<u>-</u>	<u>(5)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,800)	(576)
Sale of tangible fixed assets		<u>-</u>	<u>15</u>
Net cash outflow from investing activities		<u>(1,800)</u>	<u>(561)</u>
Acquisition			
Purchase of business		<u>-</u>	<u>(152)</u>
Net cash (outflow)/ inflow before financing		<u>(2,143)</u>	<u>501</u>
Financing			
Redemption of preference shares		-	(121)
Receipt of mortgage loan		1,300	-
Receipt of other secured loans		<u>650</u>	<u>-</u>
Net cash inflow/(cashflow) from financing		<u>1,950</u>	<u>(121)</u>
(Decrease)/ increase in cash in the year	19	<u>(193)</u>	<u>380</u>

**Notes to the financial statements
for the year ended 25 September 1999**

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.

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.

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

3 Directors' emoluments

	1999 £	1998 £
Fees paid companies for the services of the non-executive Chairmen	20,638	18,000
Fees and other emoluments (including benefits in kind)	297,320	383,730
Pension contributions	45,830	40,780
	<u>363,788</u>	<u>442,510</u>

Retirement benefits are accruing to 5 of the directors under the company's defined contribution pension schemes.

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

	1999 £	1998 £
The highest paid director	<u>82,175</u>	<u>144,350</u>

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

4 Employee information

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

	1999 Number	1998 Number
Production	197	192
Selling and distribution	42	34
Administration	<u>22</u>	<u>23</u>
	<u>261</u>	<u>249</u>

	1999 £'000	1998 £'000
Staff costs (for the above persons)		
Wages and salaries	4,114	3,901
Social security costs	401	371
Other pension costs (see note 22)	<u>62</u>	<u>36</u>
	<u>4,577</u>	<u>4,308</u>

5 Interest payable and similar charges

Interest payable on sums wholly repayable within 5 years:

	1999 £'000	1998 £'000
Bank overdraft	<u>48</u>	<u>28</u>

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6 Profit on ordinary activities before taxation

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	<u>12</u>	<u>-</u>
And after charging:		
Loss on disposal of fixed assets	-	16
Auditors' remuneration - in respect of the audit	14	15
- fees for other services	32	4
Operating lease rentals - plant and machinery	23	20
- vehicles	113	84
- land and buildings	180	180
Depreciation of tangible owned fixed assets	<u>345</u>	<u>224</u>

7 Tax on profit on ordinary activities

The charge/(credit) for taxation comprises:	1999 £'000	1998 £'000
Corporation tax at 30% (1998: 31%)	-	-
Advance corporation tax not recoverable	-	1
Irrecoverable ACT written back	(40)	-
Deferred taxation	86	-
	<u>46</u>	<u>1</u>

8 Dividends

	1999 £'000	1998 £'000
Non-equity shares:		
1998 10% preference dividend paid	<u>-</u>	<u>4</u>

9 Tangible fixed assets

	Freehold buildings £'000	Leasehold property £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 October 1998	268	50	4,575	4,893
Additions	1,511	-	289	1,800
Reclassification	50	(50)	-	-
	<u>1,829</u>	<u>-</u>	<u>4,864</u>	<u>6,693</u>
At 25 September 1999				
Depreciation				
At 1 October 1998	17	16	3,002	3,035
Charge for year	31	2	312	345
Reclassification	18	(18)	-	-
	<u>66</u>	<u>-</u>	<u>3,314</u>	<u>3,380</u>
At 25 September 1999				
Net book value				
At 25 September 1999	<u>1,763</u>	<u>-</u>	<u>1,550</u>	<u>3,313</u>
Net book value				
At 30 September 1998	<u>251</u>	<u>34</u>	<u>1,573</u>	<u>1,858</u>

At the year end the company had fixed assets with a cost of approximately £2.5 million (1998: £2.4 million) which had been written down to a nominal amount, although they were still in use.

10 Stocks

	1999 £'000	1998 £'000
Raw materials and consumables	368	379
Work in progress	354	341
Finished goods and goods for resale	94	58
	<u>816</u>	<u>778</u>

11 Debtors

	1999 £'000	1998 £'000
Amounts falling due within one year		
Trade debtors	2,093	1,500
Prepayments and accrued income	178	120
	<u>2,271</u>	<u>1,620</u>

12 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Mortgage loan (see note 13)	130	-
Bank overdraft (see note 13)	415	221
Other secured loans (see note 13)	650	-
Trade creditors (see below)	1,363	1,422
Other taxation and social security	498	575
Accruals and deferred income	475	551
	<u>3,531</u>	<u>2,769</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 £133,000.

Included within trade creditors is an amount of £1,249 owed to Tundra Limited, a company in which Mr A E Grant is both a shareholder and a director (see note 23).

13 Creditors: amounts falling due after one year

Creditors falling due after one year comprise the balance of the company's mortgage loan, part of which is payable by instalments after more than five years. The 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:

	1999 £'000	1998 £'000
Within one year	1,195	-
Between one and two years	130	-
Between two and five years	520	-
Over five years	520	-
	<u>2,365</u>	<u>-</u>

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

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14 Deferred taxation

The provision for deferred taxation, which represents the fully potential liability to deferred taxation, comprises:

	1999 £'000	1998 £'000
Excess of capital allowances over depreciation	166	120
Losses	(80)	(120)
ACT recoverable	<u>(40)</u>	<u>-</u>
	<u>46</u>	<u>Nil</u>

The company has no significant additional tax losses available.

15 Called up share capital

	Authorised		Allotted, called up and fully paid	
	Number	Value	Number	Value
10% non-cumulative redeemable preference shares of £1 each	<u>362,000</u>	<u>£362,000</u>	<u>-</u>	<u>£ -</u>
Ordinary shares of £1 each	<u>20,000</u>	<u>£20,000</u>	<u>18,333</u>	<u>£18,333</u>

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16 Reserves

	Capital redemption reserve £'000	Profit and loss £'000
At 1 October 1998	362	1,111
Retained profit for the year	<u>-</u>	<u>167</u>
At 25 September 1999	<u>362</u>	<u>1,278</u>

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

17 Reconciliation of movement in shareholders' funds

	1999 £'000	1998 £'000
Profit for the financial year	167	725
Goodwill written off	-	(152)
Redemption of preference shares	<u>-</u>	<u>(121)</u>
Net addition to shareholders' funds	167	452
Opening shareholders' funds	<u>1,491</u>	<u>1,039</u>
Closing shareholders' funds	<u>1,658</u>	<u>1,491</u>

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

	1999 £'000	1998 £'000
Operating profit	261	758
Depreciation of tangible fixed assets	345	224
Loss on sale of tangible fixed assets	-	16
(Increase) in stocks	(38)	(40)
(Increase)/decrease in trade debtors	(593)	598
(Increase)/decrease in prepayments and accrued income	(58)	14
(Decrease) in trade creditors	(59)	(322)
(Decrease)/increase in other taxation and social security	(77)	36
(Decrease) in accruals and deferred income	(76)	(17)
Net cash (outflow)/ inflow from operating activities	(295)	1,267

19 Reconciliation of net cash flow to movement in net debt

	1999 £'000	1998 £'000
Changes during the year		
At 1 October	(217)	(597)
(Increase)/decrease in bank overdraft less cash	(193)	380
New loans (see below)	(1,950)	-
At 25 September	(2,360)	(217)

	1999 £'000	1999 Change in year £'000	1998 £'000	1998 Change in year £'000	1997 £'000
Analysis of net debt					
Cash at bank and in hand	5	1	4	1	3
Bank overdrafts	(415)	(194)	(221)	379	(600)
Other secured loans	(650)	(650)	-	-	-
Mortgage loan	(1,300)	(1,300)	-	-	-
At 25 September	(2,360)	(2,143)	(217)	380	(597)

20 Capital commitments

The company had the following capital commitments at 25 September 1999:

	1999 £'000	1998
Contracted for	<u>154</u>	<u>223</u>
Authorised but not contracted for	<u>689</u>	<u>-</u>

21 Financial commitments

At 25 September 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Date of lease termination				
Within one year	-	15	-	3
More than one year but within five years	-	106	-	101
After five years	-	-	180	-
	<u>-</u>	<u>121</u>	<u>180</u>	<u>104</u>

22 Pensions

The total pension cost for the company was £61,696 (1998: £35,935) 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.

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23 Related parties

As shown in notes 3 and 12, 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 £7,349.

24 Ultimate controlling party

Having regard to the disposition of the trusts which own the ordinary shares of the company, in the opinion of the directors, the company has no ultimate controlling party.

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