

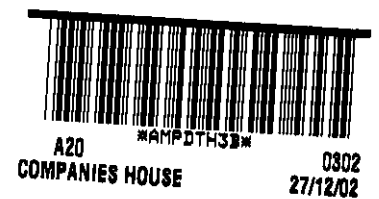
Company Registration No. 803368

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Financial statements for
the period ended 3 March 2002

Dorlux Beds Limited



Dorlux Beds Limited

Company information

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

Dorlux Beds Limited

Directors' report For the period ended 3 March 2002

The directors present their report and financial statements for the period ended 3 March 2002.

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.

Directors

The following directors have held office since 26 September 2000:

A E Grant	(Resigned 19 February 2002)
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	(Resigned 31 May 2001)
P Butterfield	(Appointed 7 August 2001)

Directors' interests

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

	Ordinary of £1 each	
	3 March 2002	26 September 2000
M McCarthy	18,333	-
C M Williams	-	-
R T Trueman	-	-
P Butterfield	-	-
	10% non-cumulative redeemable preference of £1 each	
	3 March 2002	26 September 2000
M McCarthy	-	-
C M Williams	-	-
R T Trueman	-	-
P Butterfield	-	-

Dorlux Beds Limited

Directors' report (continued) For the period ended 3 March 2002

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.

As a result of continued low turnover, the results for the year were very disappointing. Since the year end the cost base has been further reduced, and a new distribution agreement is in the process of being negotiated, which will reduce transport costs considerably. The directors are confident that together with increased turnover, these measures will lead to a better performance in the future.

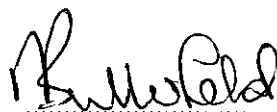
Results and dividends

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

Auditors

Mazars Neville Russell were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Approved by the board on ...18 July 2002
and signed on its behalf by



P Butterfield
Director

Dorlux Beds Limited

Independent auditors' report To the shareholders of Dorlux Beds Limited

We have audited the financial statements on pages 4 to 18. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 1 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. 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 as at 3 March 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars Neville Russell

MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors
Huddersfield

18 July 2002

Dorlux Beds Limited

Profit and loss account For the period ended 3 March 2002

		Period ended 3 March 2002 £'000	Year ended 25 September 2000 £'000
Turnover	2	17,071	15,630
Cost of sales		<u>(11,995)</u>	<u>(11,234)</u>
Gross profit		5,076	4,396
Distribution costs		(2,737)	(2,227)
Administrative expenses		(2,935)	(2,515)
Other operating income		<u>25</u>	<u>38</u>
Operating loss	3	(571)	(308)
Other interest receivable and similar income	4	1	-
Interest payable and similar charges	5	<u>(260)</u>	<u>(173)</u>
Loss on ordinary activities before taxation		(830)	(481)
Tax on loss on ordinary activities	8	<u>-</u>	<u>46</u>
Loss on ordinary activities after taxation	16	<u><u>(830)</u></u>	<u><u>(435)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

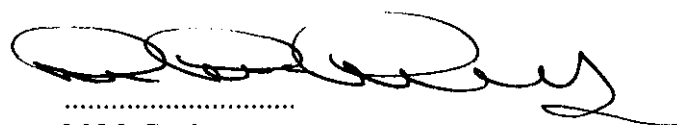
There are no recognised gains and losses other than those passing through the profit and loss account.

Dorlux Beds Limited

Balance sheet As at 3 March 2002

	Notes	2002		2000	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9		3,658		3,796
Current assets					
Stocks	10	707		766	
Debtors	11	1,912		1,781	
Cash at bank and in hand		2		4	
		<u>2,621</u>		<u>2,551</u>	
Creditors: amounts falling due within one year	12	<u>(3,941)</u>		<u>(4,084)</u>	
Net current liabilities			<u>(1,320)</u>		<u>(1,533)</u>
Total assets less current liabilities			2,338		2,263
Creditors: amounts falling due after more than one year	13		(1,945)		(1,040)
Accruals and deferred income			-		-
Suspense			-		-
			<u>393</u>		<u>1,223</u>
Capital and reserves					
Share capital	15		18		18
Other reserves	16		362		362
Profit and loss account	16		13		843
			<u>393</u>		<u>1,223</u>
Shareholders' funds - equity interests	17		<u>393</u>		<u>1,223</u>

Approved by the Board on(8 July 2002).....
and signed on its behalf by



M McCarthy
Director

Dorlux Beds Limited

Cash flow statement For the period ended 3 March 2002

	Notes	Period ended 3 March 2002 £'000	Year ended 25 September 2000 £'000
Net cash inflow/(outflow) from operating activities	18	(384)	949
Returns on investments and servicing of finance			
Interest received		1	-
Interest paid		(260)	(173)
Net cash outflow for returns on investments and servicing of finance		(259)	(173)
Capital expenditure			
Payments to acquire tangible assets		(312)	(919)
Net cash outflow for capital expenditure		(312)	(919)
Net cash inflow/(outflow) before management of liquid resources and financing		(955)	(143)
Bank deposits		-	-
Financing			
New long term bank loan		228	-
Other new long term loans		850	-
Other new short term loans		456	105
Repayment of long term bank loan		(202)	(130)
Capital element of hire purchase contracts		(29)	-
Net cash inflow/(outflow) from financing		1,303	(25)
Decrease in cash in the period		348	(168)

Dorlux Beds Limited

Notes to the financial statements For the period ended 3 March 2002

1 Accounting policies

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

1.1 Accounting convention

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

The company has been affected by a general fall in market demand during the period to 3 March 2002, causing turnover and profitability to fall. Consequently, the company has made net losses for the period. However, 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 reduce the company's direct costs and increase turnover during the forthcoming period and are confident that the company's performance will improve accordingly. 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%
Plant and equipment	10-20%
Computer equipment (within plant and equipment)	15-25%

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets. Assets obtained under finance leases are depreciated over the shorter of the lease term and their useful lives, whereas assets obtained under hire purchase contracts are depreciated over 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.

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 (continued) For the period ended 3 March 2002

1 Accounting policies

(continued)

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.

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.

The company also operates a defined benefit scheme. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular costs are spread over the average expected remaining working lives of current members of the scheme.

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

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

1.7 Deferred taxation

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

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.

Dorlux Beds Limited

Notes to the financial statements (continued) For the period ended 3 March 2002

3	Operating loss	2002	2000
		£'000	£'000
	Operating loss is stated after charging:		
	Depreciation of tangible assets	570	415
	Loss on disposal of fixed assets	-	21
	Operating lease rentals		
	- Plant and machinery	59	24
	- Other assets	123	125
	Auditors' remuneration	12	16
	Remuneration of auditors for non-audit work	-	4
		<u> </u>	<u> </u>

During the period exceptional redundancy costs of £270,539, including directors' compensation for loss of office (see note 7), have been incurred.

4	Other interest receivable and similar income	2002	2000
		£'000	£'000
	Bank interest	1	-
		<u> </u>	<u> </u>

5	Interest payable	2002	2000
		£'000	£'000
	On bank loans and overdrafts	30	8
	On other loans wholly repayable within 5 years	123	97
	Hire purchase interest	6	-
	Other secured loan	101	68
		<u> </u>	<u> </u>
		<u>260</u>	<u>173</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the period ended 3 March 2002

6 Employees

Number of employees

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

	2002 Number	2000 Number
Production	146	186
Selling and distribution	33	32
Administration	38	22
	<u>217</u>	<u>240</u>

Employment costs

	£'000	£'000
Wages and salaries	5,119	4,188
Social security costs	424	379
Other pension costs	70	76
	<u>5,613</u>	<u>4,643</u>

7 Directors' emoluments

	2002 £'000	2000 £'000
Emoluments for qualifying services	447	373
Company pension contributions to money purchase schemes	55	52
Compensation for loss of office	130	-
Sums paid to third parties for the services of the non-executive director	-	23
	<u>632</u>	<u>448</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 4 (2000- 6).

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 0 (2000- 3).

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

Emoluments for qualifying services	149	86
Company pension contributions to money purchase schemes	11	-
	<u>160</u>	<u>86</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the period ended 3 March 2002

8 Taxation	2002	2000
	£'000	£'000
U.K. current year taxation		
Deferred taxation	-	(46)
	<u> </u>	<u> </u>

The company has estimated losses of £1,400,000 (2000- £665,000) available for carry forward against future trading profits.

Dorlux Beds Limited

Notes to the financial statements (continued) For the period ended 3 March 2002

9 Tangible fixed assets

	Freehold buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 26 September 2000	2,342	5,192	7,534
Additions	177	255	432
	<u>2,519</u>	<u>5,447</u>	<u>7,966</u>
Depreciation			
At 26 September 2000	86	3,652	3,738
Charge for the period	71	499	570
	<u>157</u>	<u>4,151</u>	<u>4,308</u>
Net book value			
At 3 March 2002	<u>2,362</u>	<u>1,296</u>	<u>3,658</u>
At 25 September 2000	<u>2,256</u>	<u>1,540</u>	<u>3,796</u>

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

	Plant and equipment £'000
Net book values	
At 3 March 2002	<u>144</u>
Depreciation charge for the period	
3 March 2002	<u>22</u>

10 Stocks and work in progress

	2002 £'000	2000 £'000
Raw materials and consumables	403	349
Work in progress	222	329
Finished goods and goods for resale	82	88
	<u>707</u>	<u>766</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the period ended 3 March 2002

11 Debtors	2002	2000
	£'000	£'000
Trade debtors	1,688	1,568
Prepayments and accrued income	224	213
	<u>1,912</u>	<u>1,781</u>
12 Creditors: amounts falling due within one year	2002	2000
	£'000	£'000
Bank loans and overdrafts	388	712
Net obligations under finance lease and hire purchase contracts	36	-
Trade creditors	1,752	1,984
Taxes and social security costs	315	276
Short term loans	1,211	755
Accruals and deferred income	239	357
	<u>3,941</u>	<u>4,084</u>
Debt due in one year or less	<u>1,635</u>	<u>1,467</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the period ended 3 March 2002

13 Creditors: amounts falling due after more than one year	2002	2000
	£'000	£'000
Bank loans	1,040	1,040
Other loans	850	-
Net obligations under finance leases and hire purchase agreements	55	-
	<u>1,945</u>	<u>1,040</u>
Analysis of loans		
Not wholly repayable within five years by instalments	416	390
Wholly repayable within five years	2,841	1,535
	<u>3,257</u>	<u>1,925</u>
Included in current liabilities	(1,367)	(885)
	<u>1,890</u>	<u>1,040</u>
Instalments not due within five years	<u>416</u>	<u>390</u>
Loan maturity analysis		
In more than one year but not more than two years	389	130
In more than two years but not more than five years	1,085	520
In more than five years	416	390
	<u>1,890</u>	<u>1,040</u>
<p>The bank loan, bank overdraft and other secured loan, included as other creditors, are secured by a series of fixed and floating charges over all the assets of the company.</p> <p>The bank loan carries interest at a variable rate of 1.75% over LIBOR.</p> <p>Included in other loans is £150,000 from Mr M McCarthy which attracts interest at 1% above base rate and is due for repayment by 31 December 2006.</p>		
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	42	-
Repayable between one and five years	57	-
	<u>99</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(8)	-
	<u>91</u>	<u>-</u>
Included in liabilities falling due within one year	(36)	-
	<u>55</u>	<u>-</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the period ended 3 March 2002

14 Provisions for liabilities and charges

Deferred taxation provided in the financial statements is as follows:

	2002 £'000	2000 £'000
Accelerated capital allowances	48	-
Tax losses available	(48)	-
	<u>-</u>	<u>-</u>

15 Share capital

	2002 £'000	2000 £'000
Authorised		
20,000 Ordinary of £1 each	20	20
362,000 10% non-cumulative redeemable preference of £1 each	362	362
	<u>382</u>	<u>382</u>
Allotted, called up and fully paid		
18,333 Ordinary of £1 each	18	18
	<u>18</u>	<u>18</u>

16 Statement of movements on reserves

	Capital redemption reserve £'000	Profit and loss account £'000
Balance at 26 September 2000	362	843
Retained loss for the period	-	(830)
	<u>362</u>	<u>13</u>
Balance at 3 March 2002	<u>362</u>	<u>13</u>

17 Reconciliation of movements in shareholders' funds

	2002 £'000	2000 £'000
Loss for the financial period	(830)	(435)
Opening shareholders' funds	1,223	1,658
	<u>393</u>	<u>1,223</u>
Closing shareholders' funds	<u>393</u>	<u>1,223</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the period ended 3 March 2002

18 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities	2002	2000
	£'000	£'000
Operating loss	(571)	(308)
Depreciation of tangible assets	570	415
Loss on disposal of tangible assets	-	21
Decrease in stocks	59	50
(Increase)/decrease in debtors	(131)	490
(Decrease)/Increase in creditors within one year	(311)	281
Net cash (outflow)/inflow from operating activities	<u>(384)</u>	<u>949</u>
19 Analysis of net debt	26 September 2000	Cash flow 3 March 2002
	£'000	£'000
Net cash:		
Cash at bank and in hand	4	(2)
Bank overdrafts	(582)	350
	<u>(578)</u>	<u>(230)</u>
Bank deposits	-	-
Finance leases	-	(91)
Debts falling due within one year	(885)	(1,367)
Debts falling due after one year	(1,040)	(1,890)
	<u>(1,925)</u>	<u>(3,348)</u>
Net funds/(debt)	<u>(2,503)</u>	<u>(3,578)</u>
20 Reconciliation of net cash flow to movement in net debt	2002	2000
	£'000	£'000
Increase/(decrease) in cash in the period	348	(168)
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(1,423)	25
Movement in net debt in the period	(1,075)	(143)
Opening net debt	(2,503)	(2,360)
Closing net debt	<u>(3,578)</u>	<u>(2,503)</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the period ended 3 March 2002

21 Pension costs

The total pension cost for the company was £70,014 (2000 - £75,886) arising from its participation in four defined contribution schemes. There was £4,584 (2000 - £12,295) included in accruals and £0 (2000 - £14,673) included in prepayments at the period end.

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 valuation 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 is to be made to the contribution rate to reduce the surplus.

22 Capital commitments

	2002	2000
	£'000	£'000

At 3 March 2002 the company had capital commitments as follows:

Contracted for but not provided in the financial statements	49	190
-------------------------------------------------------------	----	-----

23 Financial commitments

At 3 March 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002	2000
	£'000	£'000
Expiry date:		
Within one year	2	25
Between two and five years	74	57
	<u>76</u>	<u>82</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the period ended 3 March 2002

24 Related party transactions

During the period Tundra Limited, a company in which Mr A E Grant is both a shareholder and director, charged fees of £0 (2000 - £24,108), of which £0 (2000 - £23,123) was for services of the non-executive chairman. At the year end £0 (2000 - £0) was owing to Tundra Limited.

During the period Mr M McCarthy, a director and the sole shareholder advanced a loan of £150,000 to the company. This loan attracts interest at 1% above base rate and is due for repayment by 31 December 2006.