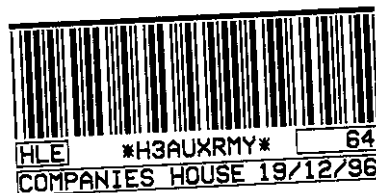


A Sykes (Dorlux) Limited

Annual report for the year ended 30 September 1996

	Pages
Directors and advisers	1
Directors' report	2
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8



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	N G W Petty
Company Secretary	B J Wilcox

Registered office

Barden Works
Club Lane
Ovenden
HALIFAX
HX2 8DD

Auditors

Coopers & Lybrand
Benson House
33 Wellington Street
LEEDS
LS1 4JP

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 1996**

The directors present their report and the audited financial statements for the year ended 30 September 1996.

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 show a satisfactory improvement as the company continues to strengthen its customer base and make productivity improvements. The positive cash flow has allowed the company to redeem the first tranche of preference shares. Whether the improvement in the general economic environment will continue is uncertain as the possibilities of interest rate rises and the forthcoming general election make the current outlook one of caution.

Dividends

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.

Directors

The directors of the company at 30 September 1996, 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	
J P Roberts	
R T Trueman	
N G W Petty	(appointed 2 January 1996)

Mr W J McCormack, who was a director of the company at 1 October 1995, resigned on 31 January 1996.

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 1996 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 1996 Amount	30 September 1995 Amount	30 September 1996 Amount	30 September 1995 Amount
A I Sykes - as trustee	-	-	£242,000	£362,000

No other director at 30 September 1996 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 30 September 1996. 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.

Auditors

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

By order of the board



B J Wilcox
Secretary

16 December 1996

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

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

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 1996 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Cooper & Lybrand

Chartered Accountants and Registered Auditors

Leeds

18 December 1996

Profit and loss account for the year ended 30 September 1996

	Notes	1996 £'000	1995 £'000
Turnover	2	14,017	13,330
Cost of sales		10,432	10,147
Gross profit		<u>3,585</u>	<u>3,183</u>
Distribution costs		1,411	1,380
Administrative expenses		1,772	1,708
Operating profit		<u>402</u>	<u>95</u>
Interest payable and similar charges	5	28	34
Profit on ordinary activities before taxation	6	<u>374</u>	<u>61</u>
Tax on profit on ordinary activities	7	7	9
Profit for the year		<u>367</u>	<u>52</u>
Dividends on non-equity shares	8	28	36
Retained profit for the year	15	<u><u>339</u></u>	<u><u>16</u></u>

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

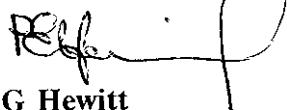
The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

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 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	9	954	831
Current assets			
Stocks	10	719	692
Debtors	11	2,516	1,902
Cash at bank and in hand		5	4
		<u>3,240</u>	<u>2,598</u>
Creditors: amounts falling due within one year	12	3,353	2,807
Net current liabilities		<u>(113)</u>	<u>(209)</u>
Total assets less current liabilities		<u>841</u>	<u>622</u>
Capital and reserves			
Called up share capital	14	260	380
Capital redemption reserve	15	120	-
Profit and loss account	15	461	242
		<u>841</u>	<u>622</u>
Equity shareholders' funds		599	260
Non-equity shareholders' funds		242	362
Total shareholders' funds	16	<u>841</u>	<u>622</u>

The financial statements on pages 5 to 17 were approved by the board of directors on 16 December 1996 and were signed on its behalf by:



P G Hewitt

Director

Cash flow statement for the year ended 30 September 1996

	Notes	1996 £'000	1995 £'000
Net cash inflow from operating activities	17	<u>469</u>	<u>159</u>
Returns on investments and servicing of finance			
Dividends paid		(36)	(36)
Interest paid		(28)	(39)
Interest received		-	5
		<u> </u>	<u> </u>
Net cash outflow from returns on investments and servicing of finance		<u>(64)</u>	<u>(70)</u>
Taxation			
Corporation tax paid		(9)	(9)
		<u> </u>	<u> </u>
Net cash outflow from taxation		<u>(9)</u>	<u>(9)</u>
Investment activities			
Purchase of tangible fixed assets		(244)	(75)
Sale of tangible fixed assets		-	6
		<u> </u>	<u> </u>
Net cash outflow from investing activities		<u>(244)</u>	<u>(69)</u>
Net cash inflow before financing		<u>152</u>	<u>11</u>
Financing			
Redemption of preference shares		(120)	-
		<u> </u>	<u> </u>
Net cash outflow from financing		<u>(120)</u>	<u>-</u>
Increase in cash and cash equivalents	18	<u>32</u>	<u>11</u>

**Notes to the financial statements
for the year ended 30 September 1996****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 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 discounts, represents the invoiced value of goods and services supplied and consists entirely of sales made in the United Kingdom.

3 Directors' emoluments

	1996 £	1995 £
Fees and other emoluments (including benefits in kind)	289,877	237,652
Pension contributions	26,949	24,853
	<u>316,826</u>	<u>262,505</u>

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

	1996 £	1995 £
The chairman	<u>41,564</u>	<u>36,965</u>
The highest paid director	<u>70,176</u>	<u>62,428</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:

	1996 Number	1995 Number
£10,001 to £15,000	1	-
£25,001 to £30,000	-	1
£30,001 to £35,000	-	1
£35,001 to £40,000	2	2
£40,001 to £45,000	1	1
£45,001 to £50,000	2	-
£60,001 to £65,000	-	1
£70,001 to £75,000	<u>1</u>	<u>-</u>

4 Employee information

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

	1996 Number	1995 Number
Production	174	187
Selling and distribution	35	33
Administration	16	17
	<u>225</u>	<u>237</u>
	<u>1996</u>	<u>1995</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs (for the above persons)		
Wages and salaries	3,321	3,238
Social security costs	310	304
Other pension costs (see note 22)	83	85
	<u>3,714</u>	<u>3,627</u>

5 Interest payable and similar charges

Interest payable on sums wholly repayable within 5 years:

	1996 £'000	1995 £'000
Loan interest	-	11
Bank overdraft	28	27
Other	-	(4)
	<u>28</u>	<u>34</u>

6 Profit on ordinary activities before taxation

	1996 £'000	1995 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	48	44
Profit on sale of fixed assets	-	4
	<u>48</u>	<u>48</u>
And after charging:		
Auditors' remuneration - in respect of the audit	13	13
- fees for other services	37	66
Operating lease rentals - plant and machinery	22	21
- other	1,001	997
Depreciation of tangible owned fixed assets	121	108
	<u>1,194</u>	<u>1,105</u>

7 Tax on profit on ordinary activities

	1996 £'000	1995 £'000
Corporation tax at 33% (1995: 33%)	-	-
Advance corporation tax not recoverable	7	9
	<u>7</u>	<u>9</u>

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

8 Dividends

	1996 £'000	1995 £'000
Non-equity shares:		
10% preference dividend proposed	<u>28</u>	<u>36</u>

9 Tangible fixed assets

	Freehold buildings £'000	Leasehold property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 1995	191	50	3,226	27	3,494
Additions	-	-	244	-	244
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 1996	191	50	3,470	27	3,738
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation					
At 1 October 1995	6	10	2,620	27	2,663
Charge for year	4	2	115	-	121
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 1996	10	12	2,735	27	2,784
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value					
At 30 September 1996	181	38	735	-	954
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value					
At 30 September 1995	185	40	606	-	831
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At the year end the company had fixed assets with a cost of approximately £2,502,805 (1995: £2,456,646) which had been written down to a nominal amount, although they were still in use.

10 Stocks

	1996 £'000	1995 £'000
Raw materials and consumables	525	510
Work in progress	119	104
Finished goods and goods for resale	75	78
	<u> </u>	<u> </u>
	719	692
	<u> </u>	<u> </u>

11 Debtors

	1996 £'000	1995 £'000
Amounts falling due within one year		
Trade debtors	2,397	1,813
Prepayments and accrued income	119	89
	<u>2,516</u>	<u>1,902</u>

12 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Bank overdraft	224	255
Trade creditors (see below)	2,252	1,822
Advance corporation tax	7	9
Other taxation and social security	477	361
Accruals and deferred income	365	324
Dividends payable	28	36
	<u>3,353</u>	<u>2,807</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.

13 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 financial statements.

14 Called up share capital

	10% non-cumulative redeemable preference shares of £1 each		Ordinary shares of £1 each
	1996	1995	1996 and 1995
Authorised - value	<u>£362,000</u>	<u>£362,000</u>	<u>£20,000</u>
- number	<u>362,000</u>	<u>362,000</u>	<u>20,000</u>
Allotted, called up and fully paid			
- value	<u>£242,000</u>	<u>£362,000</u>	<u>£18,333</u>
- number	<u>242,000</u>	<u>362,000</u>	<u>18,333</u>

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. The first tranche of 120,000 shares originally due for redemption on 31 January 1992 was redeemed on 31 January 1996. It is intended to redeem the second tranche of 121,000 shares during January 1997 out of cash flows being generated within the business.

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.

15 Reserves

	Capital redemption reserve £'000	Profit and loss £'000
At 1 October 1995	-	242
Retained profit for the year	-	339
Redemption of preference shares	120	(120)
	<u>120</u>	<u>461</u>
At 30 September 1996	<u>120</u>	<u>461</u>

16 Reconciliation of movement in shareholders' funds

	1996 £'000	1995 £'000
Profit for the financial year	339	16
Redemption of preference shares	(120)	-
	<u>219</u>	<u>16</u>
Net addition to shareholders' funds	219	16
Opening shareholders' funds	622	606
Closing shareholders' funds	<u>841</u>	<u>622</u>

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

	1996 £'000	1995 £'000
Operating profit	402	95
Depreciation of tangible fixed assets	121	108
Profit on sale of tangible fixed assets	-	(4)
Increase in stocks	(27)	(47)
Increase in trade debtors	(584)	(324)
Increase in prepayments and accrued income	(30)	(15)
Increase in trade creditors	430	301
Increase in other taxation and social security	116	23
Increase in accruals and deferred income	41	22
	<u>469</u>	<u>159</u>
Net cash inflow from operating activities	<u>469</u>	<u>159</u>

18 Cash and cash equivalents

	1996	1995
	£'000	£'000
Changes during the year		
At 1 October	(251)	(262)
Net cash inflow	32	11
	<u> </u>	<u> </u>
At 30 September	(219)	(251)
	<u> </u>	<u> </u>

	1996	1996	1995	1995	1994
	£'000	Change in year £'000	£'000	Change in year £'000	£'000
Analysis of balances					
Cash at bank and in hand	5	1	4	(5)	9
Bank overdrafts	(224)	31	(255)	16	(271)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September	(219)	32	(251)	11	(262)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

19 Capital commitments

The company had contracted for capital commitments at 30 September 1996 of £180,000 (1995: £Nil).

20 Financial commitments

At 30 September 1996 the company had annual commitments under non-cancellable operating leases as follows:

	1996		1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Date of lease termination				
Within one year	-	32	-	45
More than one year but within five years	-	735	-	718
After five years	180	28	180	28
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	180	795	180	791
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

21 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.

22 Pensions

The total pension cost for the company was £83,370 (1995: £84,503) 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 1 April 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 1 April 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.