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Financial statements for
the year ended 2 March 2003

Dorlux Beds Limited

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Dorlux Beds Limited

Company information

Directors

M McCarthy
P M Butterfield
C J Sugden
R T Trueman
C M Williams

Secretary

P M Butterfield

Company number

803368

Registered office

Sykes Mill
Keighley Road
Ovenden
Halifax

Auditors

Mazars
Norwich Union House
High Street
Huddersfield

Bankers

HSBC Bank plc
2 Cloth Hall Street
Huddersfield

Dorlux Beds Limited

Directors' report For the year ended 2 March 2003

The directors present their report and financial statements for the year ended 2 March 2003.

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 4 March 2002:

M McCarthy

P M Butterfield

C J Sugden

(Appointed 12 October 2002)

R T Trueman

C M Williams

Directors' interests

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

	2 March 2003	Ordinary of £1 each 4 March 2002
M McCarthy	18,333	18,333
P M Butterfield	-	-
C J Sugden	-	-
R T Trueman	-	-
C M Williams	-	-

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.

While the results for the year are disappointing, considerable progress has been made in the year. In the early part of the year, the cost base was further reduced, and the existing distribution agreement was terminated in August 2002 at a cost of £125,000. As a result of these measures being taken, combined with higher turnover, the company traded profitably in the second half of the year. The directors are confident that this improvement can be sustained and will lead to a better performance in the future.

Dorlux Beds Limited

Directors' report (continued) For the year ended 2 March 2003


Results and dividends

The results for the year are set out on page 5.

Auditors

On 1 September 2002 our auditors, Mazars Neville Russell, changed their name to Mazars. A resolution to re-appoint Mazars as auditors will be proposed at the forthcoming annual general meeting.

Approved by the board on 6 May 2003
and signed on its behalf by



P M Butterfield
Director

Dorlux Beds Limited

Independent auditors' report To the shareholders of Dorlux Beds Limited

We have audited the financial statements on pages 5 to 17. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's members, as a body, in accordance with Section 235 of Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

Dorlux Beds Limited

Independent auditors' report (continued) To the shareholders of Dorlux Beds Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 2 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars

MAZARS
CHARTERED ACCOUNTANTS
and Registered Auditors
Huddersfield

6 May 2003

Dorlux Beds Limited

Profit and loss account For the year ended 2 March 2003

	Notes	Year ended 2 March 2003 £'000	17 months ended 3 March 2002 £'000
Turnover	2	11,658	17,071
Cost of sales		<u>(8,120)</u>	<u>(11,995)</u>
Gross profit		3,538	5,076
Distribution costs		(1,777)	(2,737)
Administrative expenses		(1,826)	(2,935)
Other operating income		<u>7</u>	<u>25</u>
Operating loss	3	(58)	(571)
Other interest receivable and similar income	4	2	1
Interest payable and similar charges	5	<u>(188)</u>	<u>(260)</u>
Loss on ordinary activities before taxation		(244)	(830)
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation	16	<u>(244)</u>	<u>(830)</u>

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

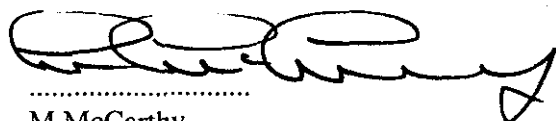
There are no recognised gains and losses other than those passing through the profit and loss account.

Dorlux Beds Limited

Balance sheet As at 2 March 2003

	Notes	2003		2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9		3,289		3,658
Current assets					
Stocks	10	714		707	
Debtors	11	2,529		1,912	
Cash at bank and in hand		1		2	
			<u>3,244</u>		<u>2,621</u>
Creditors: amounts falling due within one year	12	<u>(4,829)</u>		<u>(3,941)</u>	
Net current liabilities			<u>(1,585)</u>		<u>(1,320)</u>
Total assets less current liabilities			1,704		2,338
Creditors: amounts falling due after more than one year	13		<u>(1,555)</u>		<u>(1,945)</u>
			<u>149</u>		<u>393</u>
Capital and reserves					
Share capital	15		18		18
Other reserves	16		362		362
Profit and loss account	16		(231)		13
Shareholders' funds - equity interests	17		<u>149</u>		<u>393</u>

Approved by the Board on 6.5.03
and signed on its behalf by



M McCarthy
Director

Dorlux Beds Limited

Cash flow statement For the year ended 2 March 2003

		Year ended 2 March 2003	17 months ended 3 March 2002
	Notes	£'000	£'000
Net cash outflow from operating activities	18	(12)	(384)
Returns on investments and servicing of finance			
Interest received		2	1
Interest paid		(188)	(260)
Net cash outflow for returns on investments and servicing of finance		(186)	(259)
Capital expenditure			
Payments to acquire tangible assets		(44)	(312)
Receipts from sales of tangible assets		35	-
Net cash outflow for capital expenditure		(9)	(312)
Net cash outflow before management of liquid resources and financing		(207)	(955)
Financing			
New long term bank loan		-	228
Other new long term loans		150	850
Other new short term loans		58	456
Repayment of long term bank loan		(130)	(202)
Repayment of other long term loans		(70)	-
Capital element of hire purchase contracts		(48)	(29)
Net cash (outflow)/inflow from financing		(40)	1,303
(Decrease)/increase in cash in the year	19	(247)	348

Dorlux Beds Limited

Notes to the financial statements For the year ended 2 March 2003

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's results have improved this year due to a number cost saving measures. However the company has continued to make net losses. 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 further 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%
Fixtures and fittings (within plant and equipment)	10-33%
Motor vehicles (within plant and equipment)	25%
Computer equipment (within plant and equipment)	15-33%

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 year ended 2 March 2003

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.

1.7 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

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 year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss	2003	2002
	£'000	£'000
Operating loss is stated after charging:		
Depreciation of tangible assets	404	570
Profit on disposal of fixed assets	(4)	-
Operating lease rentals		
- Plant and machinery	40	59
- Other assets	71	123
Auditors' remuneration	12	12
Redundancy costs	37	271
Termination of distribution agreement	125	-
	<u> </u>	<u> </u>
4 Other interest receivable and similar income	2003	2002
	£'000	£'000
Bank interest	-	1
Other interest	2	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the year ended 2 March 2003

5 Interest payable	2003	2002
	£'000	£'000
On bank loans and overdrafts	86	127
On other loans wholly repayable within 5 years	17	26
Hire purchase interest	5	6
Other secured loan	80	101
	<u>188</u>	<u>260</u>

6 Employees

Number of employees

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

	2003	2002
	Number	Number
Production	117	146
Selling and distribution	28	33
Administration	16	38
	<u>161</u>	<u>217</u>

Employment costs

	£'000	£'000
Wages and salaries	3,106	5,119
Social security costs	243	424
Other pension costs	35	70
	<u>3,384</u>	<u>5,613</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the year ended 2 March 2003

7 Directors' emoluments	2003 £'000	2002 £'000
Emoluments for qualifying services	315	447
Company pension contributions to money purchase schemes	29	55
Compensation for loss of office	-	130
	<u>344</u>	<u>632</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2002- 6).

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

Emoluments for qualifying services	136	149
Company pension contributions to money purchase schemes	8	11
	<u>144</u>	<u>160</u>

8 Taxation

The company has losses of approximately £1,600,000 (2002 - £1,400,000) available for carry forward against future trading profits.

Dorlux Beds Limited

Notes to the financial statements (continued) For the year ended 2 March 2003

9 Tangible fixed assets

	Freehold buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 4 March 2002	2,519	5,447	7,966
Additions	21	45	66
Disposals	(18)	(69)	(87)
At 2 March 2003	<u>2,522</u>	<u>5,423</u>	<u>7,945</u>
Depreciation			
At 4 March 2002	157	4,151	4,308
On disposals	(18)	(38)	(56)
Charge for the year	35	369	404
At 2 March 2003	<u>174</u>	<u>4,482</u>	<u>4,656</u>
Net book value			
At 2 March 2003	<u>2,348</u>	<u>941</u>	<u>3,289</u>
At 3 March 2002	<u>2,362</u>	<u>1,296</u>	<u>3,658</u>

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

	Plant and equipment £'000
Net book values	
At 2 March 2003	<u>110</u>
At 3 March 2002	<u>144</u>
Depreciation charge for the year	
2 March 2003	<u>34</u>
3 March 2002	<u>22</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the year ended 2 March 2003

10 Stocks and work in progress	2003	2002
	£'000	£'000
Raw materials and consumables	447	403
Work in progress	183	222
Finished goods and goods for resale	84	82
	<u>714</u>	<u>707</u>
11 Debtors	2003	2002
	£'000	£'000
Trade debtors	2,284	1,688
Prepayments and accrued income	245	224
	<u>2,529</u>	<u>1,912</u>
12 Creditors: amounts falling due within one year	2003	2002
	£'000	£'000
Bank loans and overdrafts	634	388
Net obligations under finance lease and hire purchase contracts	37	36
Trade creditors	1,988	1,752
Taxes and social security costs	356	315
Short term loans	1,582	1,211
Accruals and deferred income	232	239
	<u>4,829</u>	<u>3,941</u>
Debt due in one year or less	<u>2,216</u>	<u>1,599</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the year ended 2 March 2003

13 Creditors: amounts falling due after more than one year	2003 £'000	2002 £'000
Bank loans	910	1,040
Other loans	617	850
Net obligations under finance leases and hire purchase agreements	28	55
	<u>1,555</u>	<u>1,945</u>
Analysis of loans		
Not wholly repayable within five years by instalments	286	416
Wholly repayable within five years	2,979	2,841
	<u>3,265</u>	<u>3,257</u>
Included in current liabilities	(1,738)	(1,367)
	<u>1,527</u>	<u>1,890</u>
Instalments not due within five years	<u>286</u>	<u>416</u>
Loan maturity analysis		
In more than one year but not more than two years	389	389
In more than two years but not more than five years	852	1,085
In more than five years	286	416
	<u>1,527</u>	<u>1,890</u>
<p>The bank loan, bank overdraft and other secured loan, included in other short term loans, 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	41	42
Repayable between one and five years	33	57
	<u>74</u>	<u>99</u>
Finance charges and interest allocated to future accounting periods	(9)	(8)
	<u>65</u>	<u>91</u>
Included in liabilities falling due within one year	(37)	(36)
	<u>28</u>	<u>55</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the year ended 2 March 2003

18 Reconciliation of operating loss to net cash outflow from operating activities	2003	2002
	£'000	£'000
Operating loss	(58)	(571)
Depreciation of tangible assets	404	570
Profit on disposal of tangible assets	(4)	-
(Increase)/decrease in stocks	(7)	59
Increase in debtors	(617)	(131)
Increase/(decrease) in creditors within one year	270	(311)
	<u>(12)</u>	<u>(384)</u>
Net cash outflow from operating activities	(12)	(384)

19 Analysis of net debt	4 March 2002	Cash flow	2 March 2003
	£'000	£'000	£'000
Net cash:			
Cash at bank and in hand	2	(1)	1
Bank overdrafts	(232)	(246)	(478)
	<u>(230)</u>	<u>(247)</u>	<u>(477)</u>
Finance leases	(91)	26	(65)
Debts falling due within one year	(1,367)	(371)	(1,738)
Debts falling due after one year	(1,890)	363	(1,527)
	<u>(3,348)</u>	<u>18</u>	<u>(3,330)</u>
Net funds/(debt)	(3,578)	(229)	(3,807)

20 Reconciliation of net cash flow to movement in net debt	2003	2002
	£'000	£'000
(Decrease)/increase in cash in the year	(247)	348
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	18	(1,423)
Movement in net debt in the year	(229)	(1,075)
Opening net debt	(3,578)	(2,503)
Closing net debt	(3,807)	(3,578)

Dorlux Beds Limited

Notes to the financial statements (continued) For the year ended 2 March 2003

14 Provisions for liabilities and charges

Deferred taxation provided in the financial statements is as follows:

	2003 £'000	2002 £'000
Accelerated capital allowances	125	48
Tax losses available	(125)	(48)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

15 Share capital

	2003 £'000	2002 £'000
Authorised		
20,000 Ordinary of £1 each	<u>20</u>	<u>20</u>
Allotted, called up and fully paid		
18,333 Ordinary of £1 each	<u>18</u>	<u>18</u>

16 Statement of movements on reserves

	Capital redemption reserve £'000	Profit and loss account £'000
Balance at 4 March 2002	362	13
Retained loss for the period	-	(244)
	<u> </u>	<u> </u>
Balance at 2 March 2003	<u>362</u>	<u>(231)</u>

17 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Loss for the financial year	(244)	(830)
Opening shareholders' funds	<u>393</u>	<u>1,223</u>
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>149</u>	<u>393</u>

Dorlux Beds Limited

Notes to the financial statements (continued) For the year ended 2 March 2003

21 Pension costs

The total pension cost for the company was £34,988 (2002 - £70,014) arising from its participation in four defined contribution schemes. There was £1,452 (2002 - £4,584) included in accruals at the period end.

22 Capital commitments

	2003	2002
	£'000	£'000

At 2 March 2003 the company had capital commitments as follows:

Contracted for but not provided in the financial statements	8	49
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23 Financial commitments

At 2 March 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003	2002
	£'000	£'000
Expiry date:		
Within one year	21	2
Between two and five years	56	74
	<u>77</u>	<u>76</u>

24 Contingent liabilities

At the year end the company had an outstanding documentary credit of £22,209.

25 Related party transactions

There is a loan of £150,000 outstanding from Mr M McCarthy, a director and the sole shareholder of the company. This loan attracts interest at 1% above base rate and is due for repayment by 31 December 2006. The interest charge for the period was £7,662.

During the year the company made sales totalling £52,423 to Contourmatic Adjustable Beds Limited, a company owned by Mr M McCarthy. The sales were made at arms length on normal terms.