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Dunlop Latex Foam Limited  
Annual Report  
for the year ended 31 December 2005

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Dunlop Latex Foam Limited  
Annual Report  
for the year ended 31 December 2005  
Contents

Directors and advisors for the year ended 31 December 2005 .....	1
Directors' report for the year ended 31 December 2005 .....	2
Independent auditors' report to the members of Dunlop Latex Foam Limited .....	5
Profit and loss account for the year ended 31 December 2005 .....	7
Balance sheet as at 31 December 2005 .....	8
Statement of total recognised gains and losses for the year ended 31 December 2005 .....	9
Statement of accounting policies .....	10
Notes to the financial statements for the year ended 31 December 2005 .....	12

# **Dunlop Latex Foam Limited**

## **Directors and advisors for the year ended 31 December 2005**

### **Executive Directors**

P Shoubridge

R Smith

G Rutter

J Kipling

### **Secretary**

G Little

### **Registered auditors**

PricewaterhouseCoopers LLP

Benson House

33 Wellington Street

Leeds

LS1 4JP

### **Bankers**

The Royal Bank of Scotland Plc

2 Whitehall Quay

Leeds

LS1 4HR

### **Registered Office**

Pannal

Harrogate

North Yorkshire

HG3 1JL

# **Dunlop Latex Foam Limited**

## **Directors' report for the year ended 31 December 2005**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2005

### **Principal activities**

The company's principal activity is the manufacture of Talalay latex foam.

### **Review of business and financial position**

Turnover for the year ended 31 December 2005 increased by £569,000 (3.4%) compared with 2004.

Sales to the UK market were down by £437,000 (8.2%) offset by growth from overseas markets of £1,006,000 (8.7%).

Gross margins fell by just under one percentage point due to escalating raw material prices. In addition rising world oil prices resulted in an increase in process energy costs of £341,000 (33.8%) resulting in an operating profit down by £332,000 (39.2%) compared to 2004.

Exceptional items include a profit on disposal of freehold land and buildings of £2,018,000.

### **Results and dividends**

The profit for the financial year was £2,719,000 (2004 restated: £5,482,000). The company has proposed a dividend of £nil (2004: £3,293,000) and the directors propose to take the retained profit of £2,719,000 (2004 restated: £2,189,000) to reserves.

### **Ultimate parent undertaking**

The company's ultimate parent undertaking is Dunlop Latex Foam (Holdings) Limited which is incorporated in England and Wales.

### **Charitable donations**

During the year ended 31 December 2005 the company did not make any charitable donations (2004: £nil).

### **Fixed assets**

Details of changes in fixed assets are given in note 9 to the financial statements.

### **Directors and their interests**

The directors of the company at 31 December 2005, all of whom have been directors for the whole of the year ended on that date, except as stated below, were as follows:

P Shoubridge

R Smith

G Rutter

J Kipling

B M Moncur (resigned 22 February 2005)

None of the directors who held office at the end of the year had a beneficial interest in the shares of the company. All the directors are also directors of the ultimate parent undertaking Dunlop Latex Foam (Holdings) Limited. Their interests in the share capital of that company are shown in the consolidated financial statements.

# **Dunlop Latex Foam Limited**

## **Directors' report for the year ended 31 December 2005 (continued)**

### **Employees**

#### ***Disabled persons***

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### ***Employee involvement***

Consultation with employees or their representatives occurs at all levels, with the aim of ensuring that their views are taken into account when decisions are made which are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units, and of the company as a whole. Communication with all employees continues through briefing groups.

### **Policy on payment of creditors**

The company's policy concerning the payment of suppliers is either to agree terms of payment at the start of business with each supplier, or to ensure that the supplier is made aware of the company's standard payment terms, and in either case to pay in accordance with its contractual or legal obligations. Trade creditors at 31 December 2005 represented 91 (2004: 98) days of purchases.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of changes arising on the adoption of new accounting standards during the year as explained in the statement of accounting policies. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005, that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

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

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, commodity prices and credit risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company from these risks.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors, are implemented by the company's finance department.

# **Dunlop Latex Foam Limited**

## **Directors' report for the year ended 31 December 2005 (continued)**

### *Currency risk*

The company is exposed to foreign currency exchange rate risk, and has a policy of forward selling a proportion of its planned currency sales to reduce the risk of adverse movements in exchange rates. The amount of exposure and level of cover is monitored by the directors.

### *Price risk*

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

### *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The company also purchases credit insurance wherever possible for export sales. Individual customer credit limits are authorised and reviewed by the directors.

### *Liquidity risk*

The company maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations.

### **Auditors**

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

### **By order of the Board**



**G Little**  
Secretary  
22 June 2006

# **Dunlop Latex Foam Limited**

## **Independent auditors' report to the members of Dunlop Latex Foam Limited**

We have audited the financial statements of Dunlop Latex Foam Limited for the year ended 31 December 2005, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 other transactions is not disclosed.

We read 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 audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

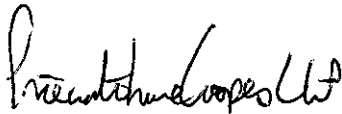
## **Dunlop Latex Foam Limited**

### **Independent auditors' report to the members of Dunlop Latex Foam Limited (continued)**

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Leeds

20 June 2006



# Dunlop Latex Foam Limited

## Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000 Restated
<b>Turnover</b>	1	<b>17,434</b>	16,865
Change in stocks of finished goods and work in progress	10	64	(78)
Other operating income	2	249	279
Raw materials and consumables		(6,895)	(6,445)
Other external charges		(4,391)	(3,668)
Staff costs	4	(5,011)	(4,764)
Depreciation	9	(868)	(918)
Other operating charges	2	(68)	(119)
Write back of intercompany creditors		-	9,500
Write off of intercompany debtors		-	(9,806)
<b>Operating profit</b>		<b>514</b>	846
Exceptional items	5	2,687	4,781
Net interest payable	6	(73)	(82)
<b>Profit on ordinary activities before taxation</b>	3	<b>3,128</b>	5,545
Tax credit on profit on ordinary activities	7	182	291
Tax on exceptional items	5	(591)	(354)
<b>Profit for the financial year</b>		<b>2,719</b>	5,482
Dividends	8	-	(3,293)
<b>Retained profit for the financial year</b>	17,18	<b>2,719</b>	2,189

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

The profit for the financial year for both 2005 and 2004 relates to continuing operations.

# Dunlop Latex Foam Limited

## Balance sheet as at 31 December 2005

	Note	2005 £'000	2004 £'000 Restated
<b>Fixed assets</b>			
Tangible fixed assets	9	4,507	6,810
<b>Current assets</b>			
Stocks	10	1,976	1,913
Debtors	11	8,657	4,222
Cash at bank and in hand		1,172	114
		11,805	6,249
<b>Creditors: amounts falling due within one year</b>	12	(4,474)	(3,590)
<b>Net current assets</b>		7,331	2,659
<b>Total assets less current liabilities</b>		11,838	9,489
<b>Creditors: amounts falling due after more than one year</b>	13	(3,536)	(3,617)
<b>Provisions for liabilities and charges</b>	14	(602)	(876)
<b>Net assets excluding pension liabilities</b>		7,700	4,976
Pension deficit	20	(3,100)	(2,768)
<b>Net assets including pension liabilities</b>		4,600	2,208
<b>Capital and reserves</b>			
Called up equity share capital	15	700	700
Profit and loss account	17	3,900	1,508
<b>Total equity shareholders' funds including pension liabilities</b>	18	4,600	2,208

The financial statements on pages 6 to 26 were approved by the board of directors on 22 June 2006 and were signed on its behalf by:



**J Kipling**  
Director

## Dunlop Latex Foam Limited

### Statement of total recognised gains and losses for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
<b>Profit for the year after taxation</b>	17,18	2,719	5,482
Actuarial loss relating to the company defined benefit pension scheme	20	(467)	(549)
Movement on deferred tax relating to pension liability	14	140	165
<b>Total recognised gains relating to the year</b>		<b>2,392</b>	<b>5,098</b>
Prior year adjustment	17	(2,788)	-
<b>Total (losses)/gains recognised since last annual report</b>		<b>(396)</b>	<b>5,098</b>

# Dunlop Latex Foam Limited

## Statement of accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

### Change in accounting policy

The company has adopted FRS 17 'Retirement Benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of the prior year adjustments, is given in note 17. The company also adopted FRS 21 'Events After the Balance Sheet Date' and FRS 25 'Financial Instruments: Disclosure and Presentation', but there is no effect on the financial statements for the years ended 31 December 2004 and 31 December 2005.

### Basis of accounting

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

### Tangible fixed assets

The cost of the tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, 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 <sup>1/2</sup> %
Plant and machinery	7 <sup>1/2</sup> %-10%
Fixtures, fittings, tools and equipment	10-33 <sup>1/3</sup> %

Freehold land is not depreciated.

### Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Raw materials	Purchase cost on a first in, first out basis
Work in progress and finished goods	Cost of direct materials and labour plus attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less further costs to be incurred to completion and disposal. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between profits computed for taxation purposes and profits stated in the accounts to the extent that there is an obligation to pay more tax in the future as a result of the reversal of those timing differences. Deferred tax is not discounted.

### Turnover

Turnover, which excludes value added tax, trade discounts, rebates and freight costs, represents the invoiced value of goods and services supplied.

# **Dunlop Latex Foam Limited**

## **Statement of accounting policies (continued)**

### **Leases**

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Lease rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges of such leases are charged to the profit and loss account on a straight line basis over the lives of the leases.

### **Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Balances denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date or at the agreed contractual rate. Exchange gains or losses are taken to the profit and loss account.

### **Pension contributions**

The group operates a defined benefit scheme and a defined contribution scheme. Rates of contribution to each scheme are based on actuarial advice.

The defined benefit fund is valued every three years by a professionally qualified independent actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lines of members of the scheme. FRS 17 disclosures are presented in note 20.

### **Cash flow statement**

A cash flow statement has not been prepared since the company is a wholly owned subsidiary of Dunlop Latex Foam (Holdings) Limited, a company which presents a consolidated cash flow statement in its financial statements in accordance with FRS 1.

### **Related party disclosures**

As the company is a wholly owned subsidiary of Dunlop Latex Foam (Holdings) Limited, a company registered in England, it has not disclosed details of transactions with other Group companies or other investees of the Dunlop Latex Foam (Holdings) Limited group, by virtue of the exemption contained in FRS 8.

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005

### 1 Turnover

An analysis of turnover by geographical destination is given below:

	2005	2004
	£'000	£'000
United Kingdom	4,861	5,298
Europe	3,675	3,879
Scandinavia	1,110	820
America	4,432	3,984
Far East	3,050	2,519
Middle East	306	365
	17,434	16,865

### 2 Other operating income and charges

	2005	2004
	£'000	£'000
<b>Income</b>		
Royalties and commissions	249	279
<b>Charges</b>		
Legal and professional fees	68	119

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2005	2004
	£'000	£'000
Operating lease rentals		
Hire of plant and machinery	101	152
Other	328	86
Auditors' remuneration		
Audit services	28	24
Non-audit services	19	16
Depreciation		
Owned assets	819	890
Leased assets	49	28
Net exchange differences on foreign currency borrowings	40	-

### 4 Staff costs

The average number of persons employed by the company, including directors, during the year was:

	2005	2004
	Number	Number
By activity		
Manufacturing	191	197
Selling and distribution	9	10
Administration	14	16
	214	223

	2005	2004
	£'000	£'000
		Restated
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	4,402	4,193
Social security costs	408	355
Defined benefit scheme pension costs	191	209
Defined contribution scheme pension costs	10	7
	5,011	4,764

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 4 Staff costs (continued)

During the year ended 31 December 2005, the directors of the company were paid by Dunlop Latex Foam (Holdings) Limited and Dunlop Latex Foam Limited. These directors are also directors of Dunlop Latex Foam (Holdings) Limited and a number of subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. These financial statements include the emoluments in respect of these directors. Their total emoluments are also included in the aggregate of directors' emoluments disclosed in the financial statements of Dunlop Latex Foam (Holdings) Limited.

### 5 Exceptional items

	2005 £'000	2004 £'000
Profit on disposal of freehold land and buildings	2,018	-
Profit on disposal of trademarks	-	5,243
Bad debt write back/(off)	780	(662)
Restructuring costs	(111)	-
Provision release	-	200
	2,687	4,781
Taxation	(591)	(354)
	2,096	4,427

### 6 Net interest payable

	2005 £'000	2004 £'000 Restated
Interest payable on bank balances	(8)	-
Interest receivable on bank balances	-	15
Other interest receivable	3	18
FRS 17 interest charges	(48)	(108)
Interest payable on finance leases	(20)	(7)
Net interest payable	(73)	(82)



# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 7 Tax on profit on ordinary activities

#### (a) Analysis of credit in period

	2005 £'000	2004 £'000 Restated
<b>Current tax</b>		
UK corporation tax on profits for the period	108	(4)
Adjustments in respect of prior periods	(14)	(333)
Total current tax	94	(337)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(85)	67
Adjustments in respect of prior periods	(189)	(6)
	(274)	61
Other short term timing differences related to FRS 17	(2)	(15)
Total deferred tax (note 14)	(276)	46
<b>Tax credit on profit on ordinary activities</b>	<b>(182)</b>	<b>(291)</b>

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### (b) Factors affecting the tax charge in the period

The tax assessed for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below. Tax on exceptional items is set out in note 5.

	2005 £'000	2004 £'000 Restated
Profit on ordinary activities before tax	3,128	5,545
Profit on ordinary activities multiplied by standard rate in the UK 30% (2004: 30%)	938	1,664
Effects of:		
Exceptional items	(807)	(1,434)
Expenses not deductible for tax purposes	(6)	170
Accelerated capital allowances	157	(69)
Other timing differences	-	22
Group relief claimed	(174)	(357)
Adjustments in respect of previous periods	(14)	(333)
<b>Total current tax charge/(credit)</b>	<b>94</b>	<b>(337)</b>

## 8 Dividends

	2005 £'000	2004 £'000
Dividends paid and payable	-	3,293

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 9 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2005	2,060	11,834	3,719	17,613
Additions	-	165	2	167
Disposals	(2,060)	-	-	(2,060)
<b>At 31 December 2005</b>	<b>-</b>	<b>11,999</b>	<b>3,721</b>	<b>15,720</b>
<b>Accumulated depreciation</b>				
At 1 January 2005	436	8,173	2,194	10,803
Charge for the year	22	808	38	868
Disposals	(458)	-	-	(458)
<b>At 31 December 2005</b>	<b>-</b>	<b>8,981</b>	<b>2,232</b>	<b>11,213</b>
<b>Net book value</b>				
<b>At 31 December 2005</b>	<b>-</b>	<b>3,018</b>	<b>1,489</b>	<b>4,507</b>
At 31 December 2004	1,624	3,661	1,525	6,810
			<b>2005</b>	<b>2004</b>
			<b>£'000</b>	<b>£'000</b>
<b>Assets held under finance leases and capitalised in plant and machinery</b>				
Cost			<b>515</b>	515
Aggregate depreciation			<b>(84)</b>	(35)
			<b>431</b>	480

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 10 Stocks

	2005	2004
	£'000	£'000
Raw materials and consumables	734	735
Work in progress	293	455
Finished goods and goods for resale	949	723
	1,976	1,913

### 11 Debtors

	2005	2004
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade debtors	3,922	3,569
Amounts owed by group undertakings	4,224	-
Other debtors	61	323
Prepayments and accrued income	450	330
	8,657	4,222

Amounts owed by group undertakings are interest free, unsecured and have no fixed repayment date.

### 12 Creditors: amounts falling due within one year

	2005	2004
	£'000	£'000
Finance leases (note 16)	80	97
Trade creditors	3,145	2,875
Corporation tax	791	284
Other creditors	220	70
Accruals and deferred income	238	264
	4,474	3,590

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 13 Creditors: amounts falling due after more than one year

	2005	2004
	£'000	£'000
Finance leases (note 16)	243	324
Amount owed to the immediate parent undertaking	3,293	3,293
	3,536	3,617

The amount owed to the immediate parent undertaking is interest free, unsecured and has no fixed repayment date. The immediate parent undertaking has confirmed that it has no intention to request repayment of such amount in the foreseeable future.

### 14 Provisions for liabilities and charges

The movement on the provision for deferred tax, excluding deferred tax on pension liabilities is as follows:

	2005
	£'000
At 1 January 2005	876
Credited in profit and loss account	(274)
At 31 December 2005	602

Deferred taxation provided in the financial statements is as follows:

	2005	2004
	£'000	£'000
Accelerated capital allowances	605	879
Short term timing differences	(3)	(3)
Deferred tax excluding that relating to pension deficit	602	876
Pension deficit (note 20)	(1,329)	(1,187)
	(727)	(311)

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 14 Provisions for liabilities and charges (continued)

	2005 £'000	2004 £'000
At 1 January 2005	(311)	(192)
(Credited)/charged to the profit and loss account (note 7)	(276)	46
Credited to the statement of total recognised gains and losses	(140)	(165)
At 31 December 2005	(727)	(311)

### 15 Called up equity share capital

	2005 £'000	2004 £'000
Authorised, allotted, issued and fully paid		
14,000,000 ordinary shares of 5p each	700	700

### 16 Finance leases

Future minimum payments under finance leases are as follows:

	2005 £'000	2004 £'000
Within one year	99	124
Later than one year but not more than two years	87	99
In more than two years but not more than five years	181	268
	367	491
Future finance charged on finance leases	(44)	(70)
Present value of finance lease liabilities	323	421

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 17 Profit and loss account

	Profit and loss account
	£'000
At 1 January 2005 as previously reported	4,296
Prior year adjustment – FRS 17	(2,788)
At 1 January 2005 as restated	1,508
Retained profit for the financial year	2,719
Actuarial loss on pension scheme	(467)
Movement on deferred tax relating to pension deficit	140
<b>At 31 December 2005</b>	<b>3,900</b>

The profit and loss reserve includes a charge of £3,100,000 (2004: £2,768,000) stated after deferred taxation of £1,329,000 (2004: £1,187,000) in respect of pension scheme assets.

The prior year adjustment relates to the implementation of FRS17 and is analysed as follows:

	2005
	£'000
Adjustment to opening shareholder funds at 1 January 2004	2,350
Adjustment to profit and loss for the year ended 31 December 2004	54
Adjustment to statement of total recognised gains and losses for the year ended 31 December 2004	384
<b>Prior year adjustment</b>	<b>2,788</b>

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 18 Reconciliation of movements in shareholders' funds

	2005	2004
	£'000	£'000
		Restated
Profit for the financial year	2,719	5,482
Dividends paid on equity shares	-	(3,293)
Net increase in shareholders' funds	2,719	2,189
Total equity shareholders' funds at 1 January 2005 as previously reported	4,996	2,753
Prior year adjustment – FRS 17	(2,788)	(2,350)
Total equity shareholders' funds at 1 January 2005 restated	4,927	2,592
Actuarial loss	(467)	(549)
Movement on deferred taxation	140	165
<b>Total equity shareholders' funds at 31 December 2005</b>	<b>4,600</b>	<b>2,208</b>

### 19 Commitments

At 31 December 2005 the company had the following annual operating lease commitments under other non-cancellable operating leases which expire:

	2005	2004
	£'000	£'000
Within one year	29	61
Within two and five years	135	99
After five years	461	10
	<b>625</b>	<b>170</b>

At 31 December 2005 the company had the following capital commitments:

	2005	2004
	£'000	£'000
Committed but not contracted for	217	-
Contracted but not provided for	31	10



# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 20 Pension commitments - defined benefit scheme

The company sponsors the Dunlop Latex Foam Pension Scheme and this disclosure relates to the defined benefit section of the scheme (a defined contribution section was recently opened for new entrants – details are set out in note 21).

The assets of the scheme are held separately from the company and are invested in a trustee-administered fund. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 6 April 2003 and this has been updated, using the projected unit method, on an approximate basis to 31 December 2005.

The employer contributions to the defined benefit section over the financial year (including payments relating to directors) have been £232,000 (2004: £268,000), which is equivalent to 16.5% of pensionable pay. This contribution rate is to continue until reviewed following the triennial valuation of the scheme due as at 6 April 2006.

As the defined benefit section is closed to new entrants the current service cost, as a percentage of pensionable payroll, is likely to increase as the membership ages although it will be applied to a decreasing pensionable payroll.

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	31 December 2005 % per annum	31 December 2004 % per annum	31 December 2003 % per annum
Rate of increase in salaries	3.3	3.25	3.25
LPI rate of increase in pensions in payment with a 3% minimum	3	3	3
LPI rate of increase in pensions payment	2.8	2.75	2.75
Revaluation rate for deferred pensioners	2.8	2.75	2.75
Discount rate	4.9	5.4	5.75
Inflation assumption	2.8	2.75	2.75

\* LPI is limited price inflation and is the lesser of the increase in retail price inflation and 5% per annum.

The assets in the schemes and the expected rates of return at 31 December 2005 were:

	31 December 2005		31 December 2004		31 December 2003	
	Expected rates of return %	Market Value £'000	Expected rates of return %	Market value £'000	Expected rates of return %	Market value £'000
Equities	7.75	6,827	7.75	7,381	7	8,347
Bonds	4.5	7,640	5	5,289	5	3,344
Property	7	1,038	7	902	6.5	925
Cash	4.5	29	4.75	46	-	50
		15,534		13,618		12,666

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 20 Pension commitments - defined benefit scheme (continued)

The funding position as at 31 December 2005 in accordance with the requirements of FRS 17 is:

	2005 £'000	2004 £'000	2003 £'000
Market value of scheme assets	15,534	13,618	12,666
Present value of scheme liabilities	(19,963)	(17,573)	(16,023)
Net pension deficit	(4,429)	(3,955)	(3,357)
Related deferred tax asset	1,329	1,187	1,007
<b>Net pension liability</b>	<b>(3,100)</b>	<b>(2,768)</b>	<b>(2,350)</b>

The following amounts have been recognised in the performance statements in the year to 31 December 2005 under the requirements of FRS 17:

	2005 £'000	2004 £'000
Current service cost	191	209
<b>Total operating charge</b>	<b>191</b>	<b>209</b>

Amounts charged/ (credited) to net return on assets in the year ended 31 December 2005 were:

	2005 £'000	2004 £'000
Expected return on pension scheme assets	(889)	(806)
Interest cost on pension scheme liabilities	937	914
<b>Net charge</b>	<b>48</b>	<b>108</b>

Analysis of amounts recognised within the statement of total recognised gains and losses in the year ended 31 December 2005 were:

	2005 £'000	2004 £'000
Actual return less expected return on pension scheme assets	(1,473)	(488)
Experience gains and losses arising on the scheme liabilities	34	(178)
Changes in assumptions underlying the present value of the scheme	1,906	1,215
<b>Actuarial loss recognised in the statement of total recognised gains and losses</b>	<b>467</b>	<b>549</b>

# Dunlop Latex Foam Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 20 Pension commitments - defined benefit scheme (continued)

Movements in the deficit in the scheme during the year ended 31 December 2005 were:

	2005 £'000	2004 £'000
Deficit in scheme at 1 January 2005	3,955	3,357
Current service cost	191	209
Contributions	(232)	(268)
Net return on assets	48	108
Actuarial loss	467	549
<b>Deficit in scheme at 31 December 2005</b>	<b>4,429</b>	<b>3,955</b>

The history of experience gains and losses for the year ended 31 December 2005 was:

	2005	2004	2003	2002
<b>Difference between the actual and expected return on scheme assets:</b>				
Amount (£'000) (gain)/loss	(1,473)	(488)	(1,252)	2,504
Percentage of scheme assets	(9.5)%	(3.6)%	(9.9)%	22.1%
<b>Experience gains and losses on scheme liabilities:</b>				
Amount (£'000) loss/(gain)	34	(178)	(190)	(191)
Percentage of the present value of scheme liabilities	0.2%	(1.0)%	(1.2)%	(1.7)%
<b>Total amount recognised in statement of total recognised gains and</b>				
Amount (£'000) loss	467	549	1,180	2,235
Percentage of the present value of scheme liabilities	2.3%	3.1%	7.4%	16.5%

# **Dunlop Latex Foam Limited**

## **Notes to the financial statements for the year ended 31 December 2005 (continued)**

### **21 Pension commitments - defined contribution scheme**

The pension cost for the defined contribution scheme, which represents contributions payable by the group, amounted to £10,426 (2004: £7,387). Included in creditors is £nil (2004: £2,654) in respect of contributions to the scheme.

### **22 Ultimate parent undertaking**

The immediate parent undertaking is Wavelynn Limited.

The ultimate parent undertaking and controlling party is Dunlop Latex Foam (Holdings) Limited, a company registered in England. Dunlop Latex Foam (Holdings) Limited is the smallest and largest group into which the company's accounts are consolidated. Copies of the group financial statements of Dunlop Latex Foam (Holdings) Limited may be obtained from the following address:

Dunlop Latex Foam (Holdings) Limited

Pannal

Harrogate

North Yorkshire

HG3 1JL