Grant Thornton

Financial statements Millbrook Beds Limited

For the Year Ended 30 June 2010

Company No. 1728009

Company information

Company registration number	1728009
Registered office	Nutsey Lane Calmore Industrial Park Totton Southampton SO40 3XJ
Directors	P Biggs M E Croll P A J Croll V F Giannandrea N Mecklenburgh B F Rowland
Secretary	P A J Croll
Bankers	Lloyds TSB Bank plc High Street Southampton SO15 3TX
Solicitors	Paris Smith Number 1 London Road Southampton SO15 2AE
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor No 1 Dorset Street Southampton Hampshire SO15 2DP

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 June 2010

Principal activities and business review

The principal activity of the company during the year was the manufacture of hand made pocket sprung beds

The directors are pleased to report that despite difficult trading conditions throughout the year turnover has been maintained and the gross margin slightly improved

The first nine months of the year were encouraging and recorded a profit However, in April 2010 the company incurred a bad debt of £212,000 which completely changed the results for the year

After the redundancy and restructuring costs which inevitably follow a large bad debt the company recorded a full year loss of £241,000 However, despite of the loss the company still generated a positive cash flow of £150,000 during the year and the company retains a strong balance sheet with net assets of £6 0m

The management team was strengthened during the year with the addition of a Managing Director dedicated specifically to Millbrook Beds and the Board believes the company is well positioned to return to profitability during the current year

Results and dividends

The loss for the year amounted to £241,000 The directors have not recommended a dividend

Financial risk management objectives and policies

The company is exposed to various risks, namely foreign exchange on purchases, interest rates and bad debts

The company operates foreign currency bank accounts and has in the past employed forward exchange contracts The company is not currently buying forward due to the unattractive Euro rates offered and US$ revenue within another group company

Interest rates are not hedged because they are expected to remain low and because of the excessive margins that are currently being charged on these transactions

Bad debts are not insured The Board has taken the view that the benefits do not warrant the cost

Directors

The directors who served the company during the year were as follows

P Biggs
M E Croll
P A J Croll
V F Giannandrea
N Mecklenburgh
B F Rowland

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

ON BEHALF OF THE BOARD

P A J Croll
Director
5 November 2010

Grant Thornton

Independent auditor's report to the member of Millbrook Beds Limited

We have audited the financial statements of Millbrook Beds Limited for the year ended 30 June 2010 which comprise the principal accounting policies, profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's member 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 member as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the member of Millbrook Beds Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

STEPHEN MILLS (Senior Statutory Auditor)
For and on behalf of
GRANT THORNTON UK LLP
STATUTORY AUDITOR
CHARTERED ACCOUNTANTS

Southampton
5 November 2010

Principal accounting policies

Basis of accounting
The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets

Although it has net current liabilities the company does benefit from a strong balance sheet with net assets of £5,999,000 Liquidity is provided by an invoice finance facility which provides finance as and when required The Directors therefore consider sufficient liquidity is available and that it is correct to prepare the financial statements on a going concern basis

The directors have considered the company's accounting policies in the light of Financial Reporting Standard 18 and are of the opinion that the principal accounting policies set out below are the most appropriate to the company's circumstances The policies have remained unchanged from the previous year

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover
Turnover is the revenue arising from the sales of goods and services It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts

Revenue from the sale of goods is recognised when the company has transferred the significant risks and rewards of ownership of the goods to the buyer, which is generally considered to be when the customer has taken undisputed delivery of the goods Revenue from the sale of services is recognised when services have been provided and the right to consideration has been earned

Depreciation
Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Freehold Property	-	2 5%
Plant & Machinery	-	10%
Fixtures & Fittings	-	10% to 33%

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Work in progress
Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity Provision is made for any foreseeable losses where appropriate No element of profit is included in the valuation of work in progress

Hire purchase agreements
Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis

Operating lease agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs
The company operates a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the company The annual contributions payable are charged to the profit and loss account

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Exchange differences are taken into account in arriving at the operating profit

Financial instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Profit and loss account

	Note	2010 £000	2009 £000
Turnover	1	**10,376**	10,115
Cost of sales		**(7,882)**	(7,803)
Gross profit		**2,494**	2,312
Other operating charges	2	**(2,798)**	(2,658)
Other operating income	3	**64**	27
Operating loss	4	**(240)**	(319)
Interest payable and similar charges	7	**(1)**	(5)
Loss on ordinary activities before taxation		**(241)**	(324)
Tax on loss on ordinary activities	8	**-**	-
Loss for the financial year	20	**(241)**	(324)

All of the activities of the company are classed as continuing

Balance sheet

	Note	2010 £000	2009 £000
Fixed assets			
Tangible assets	9	**8,753**	8,849
Current assets			
Stocks	10	**1,326**	1,115
Debtors	11	**1,185**	1,960
Cash at bank and in hand		**142**	2
		2,653	3,077
Creditors: amounts falling due within one year	12	**5,379**	5,644
Net current liabilities		**(2,726)**	(2,567)
Total assets less current liabilities		**6,027**	6,282
Provisions for liabilities	15	**50**	64
		5,977	6,218
Capital and reserves			
Called-up equity share capital	19	**1,059**	1,059
Revaluation reserve	20	**4,123**	4,123
Profit and loss account	20	**795**	1,036
Shareholder's funds	21	**5,977**	6,218

These financial statements were approved by the directors and authorised for issue on 5 November 2010, and are signed on their behalf by

P A J Croll
Director

Company Registration Number 1728009

Other primary statements

Statement of total recognised gains and losses

	2010 £000	2009 £000
Loss for the financial year	(241)	(324)
Unrealised loss on revaluation of certain fixed assets	–	(13)
Total gains and losses recognised for the year	**(241)**	(337)

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company Turnover outside the United Kingdom is insignificant

2 Other operating charges

	2010 £000	2009 £000
Distribution costs	698	732
Administrative expenses	2,100	1,926
	2,798	2,658

3 Other operating income

	2010 £000	2009 £000
Rent receivable	33	–
Other operating income	31	27
	64	27

4 Operating loss

Operating loss is stated after charging/(crediting)

	2010 £000	2009 £000
Exceptional bad debt	212	–
Depreciation of owned fixed assets	223	188
Depreciation of assets held under hire purchase agreements	–	12
Profit on disposal of fixed assets	(2)	(72)
Auditor's remuneration		
Audit fees	12	13
Operating lease costs		
- Land and buildings	392	–
- Other	103	100

Fees paid to the company's auditor for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of the parent company Millbrook Industries Limited are required to disclose non-audit fees on a consolidated basis

5 Directors and employees

The average number of persons employed by the company during the financial year, including the directors, amounted to 152 (2009 - 153)

The aggregate payroll costs of the above were

	2010 £000	2009 £000
Wages and salaries	3,182	3,187
Social security costs	258	282
Other pension costs	17	18
	3,457	3,487

6 Directors

Remuneration in respect of directors was as follows

	2010 £000	2009 £000
Remuneration receivable	226	278
Value of company pension contributions to money purchase schemes	9	13
	235	291

Remuneration of highest paid director

	2010 £000	2009 £000
Total remuneration (excluding pension contributions)	65	85
Value of company pension contributions to money purchase schemes	3	4
	68	89

The number of directors who accrued benefits under company pension schemes was as follows

	2010 No	2009 No
Money purchase schemes	4	4

7 Interest payable and similar charges

	2010 £000	2009 £000
Finance charges payable under hire purchase agreements	1	5

8 Taxation on ordinary activities

Factors affecting current tax charge

	2010 £000	2009 £000
Loss on ordinary activities before taxation	**(241)**	(324)
Loss on ordinary activities by rate of tax	**(67)**	(91)
Expenses not deductible for tax purposes	**2**	2
Depreciation for the period in excess of capital allowances	**-**	13
Unrelieved tax losses	**66**	90
Timing differences	**(1)**	(14)
Total current tax	**-**	-

9 Tangible fixed assets

	Freehold Property £000	Plant & Machinery £000	Fixtures, Fittings, Tools & Equipment £000	Total £000
Cost or valuation				
At 1 July 2009	8,250	4,036	2,432	14,718
Additions	67	18	42	127
At 30 June 2010	8,317	4,054	2,474	14,845
Depreciation				
At 1 July 2009	81	3,655	2,133	5,869
Charge for the year	55	101	67	223
At 30 June 2010	136	3,756	2,200	6,092
Net book value				
At 30 June 2010	**8,181**	**298**	**274**	**8,753**
At 30 June 2009	8,169	381	299	8,849

Included within the net book value of £8,753,000 is £Nil (2009 - £Nil) relating to assets held under hire purchase agreements The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2009 - £12,000)

The freehold properties were revalued by Vail Williams LLP, a firm of qualified Chartered Surveyors, in January 2008 at open market value

9 Tangible fixed assets (continued)

If the freehold property had not been revalued, it would have been included on the historical cost basis at the following amounts

	£000
Cost	4,341
Accumulated depreciation	628
Net book amount at 30 June 2010	**3,713**
Net book amount at 30 June 2009	3,742

10 Stocks

	2010 £000	2009 £000
Raw materials	**1,047**	926
Work in progress	**186**	111
Finished goods	**93**	78
	1,326	1,115

11 Debtors

	2010 £000	2009 £000
Trade debtors	**802**	1,446
Other debtors	**207**	345
Prepayments and accrued income	**176**	169
	1,185	1,960

12 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Overdrafts	**195**	460
Trade creditors	**662**	747
Amounts owed to group undertakings	**3,671**	3,416
Other taxation and social security	**260**	215
Amounts due under hire purchase agreements	**-**	19
Other creditors	**452**	543
Accruals and deferred income	**139**	244
	5,379	5,644

The bank overdrafts are secured by a fixed charge over the company's freehold property and a floating charge over the company's other assets, and by an unlimited guarantee by the company's parent and fellow subsidiary undertakings

Amounts due under hire purchase agreements are secured on the related assets

13 Pensions

The company operates defined contribution pension schemes for the benefit of employees The assets of the scheme are administered by trustees in a fund independent from the company The pension costs for the year total £17,000 (2009 - £18,000)

14 Deferred taxation

Deferred tax representing a contingent asset not recognised at the end of the year is as follows

	2010 £000	2009 £000
Excess of depreciation over taxation allowances on fixed assets	59	68
Tax losses available	156	90
Other timing differences	2	4
	217	162

No provision has been made for deferred tax on gains recognised on revaluing the land and buildings to market value Such tax would become payable only if the property were sold without it being possible to claim rollover relief The total amount unprovided for is £125,000 (2009 £187,000) At present it is not envisaged that any tax will become payable in the foreseeable future

15 Provision for liabilities

	Warranty provision £000
Balance brought forward	64
Profit and Loss Account movement arising during the year	(14)
Balance carried forward	50

16 Leasing commitments

At 30 June 2010 the company had annual commitments under non-cancellable operating leases as set out below

	Assets other than land and buildings	
	2010 £000	2009 £000
Operating leases which expire		
Within 1 year	102	33
Within 2 to 5 years	5	5
	107	38

17 Contingent liabilities

The company has provided an unlimited guarantee in respect of the bank borrowings of its parent and fellow subsidiary undertakings which at 30 June 2010 amounted to £6,638,000 (2009 - £6,669,000)

18 Related party transactions

As a wholly owned subsidiary of Millbrook Industries Limited the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by that company whose financial statements are publicly available at Companies House

19 Share capital

Allotted, called up and fully paid

	2010 No	2010 £000	2009 No	2009 £000
Ordinary shares of £1 each	**1,059,379**	**1,059**	1,059,379	1,059

20 Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 July 2009	**4,123**	**1,036**
Loss for the year	**–**	**(241)**
At 30 June 2010	**4,123**	**795**

21 Reconciliation of movements in shareholder's funds

	2010 £000	2009 £000
Loss for the financial year	**(241)**	(324)
Other net recognised gains and losses	–	(13)
Net reduction to shareholder's funds	**(241)**	(337)
Opening shareholder's funds	**6,218**	6,555
Closing shareholder's funds	**5,977**	6,218

22 Ultimate parent company

The directors consider that the ultimate parent undertaking of this company is its parent company Millbrook Industries Limited

C Croll is this company's ultimate controlling related party by virtue of a majority shareholding in Millbrook Industries Limited

The largest and smallest group of undertakings for which group accounts have been drawn up, including the company, is that headed by Millbrook Industries Limited which is registered in England and Wales