

Relyon (Holdings) Limited

Directors' report and financial statements

Year ended 30 June 2004

Registered number 54380



Relyon (Holdings) Limited

Year ended 30 June 2004

Directors' report and financial statements

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Relyon (Holdings) Limited

Year ended 30 June 2004

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

Principal activity

The company is a holding company whose principal activity is the provision of group services, and no significant changes occurred during the period.

Business review

The company's results were in line with expectations and the directors view the future with confidence.

Dividend

The directors recommend a final dividend of £315,000 (2002/3: £1,740,000) which, taken together with the interim dividend paid of £165,000 (2002/3: £nil), would make a total distribution of £480,000 (2002/3: £1,740,000).

Directors and directors' interests

The directors who held office during the period were as follows:-

IM Topping

DR Shaw

Neither of the directors who held office at the end of the period had a beneficial interest in the share capital of the company or any other Steinhoff Group company within the UK.

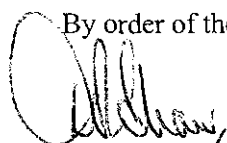
No director had a beneficial interest in the ordinary share capital of Steinhoff International Holdings Limited, the ultimate parent company.

No director had a financial interest in any contract to which the parent company or a subsidiary was a party during the financial year.

Auditors

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board



DR Shaw

Director

Relyon (Holdings) Limited

Year ended 30 June 2004

Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year, and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is not appropriate 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for the system of internal control of the company and they are responsible for safeguarding the assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Relyon (Holdings) Limited

Year ended 30 June 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RELYON (HOLDINGS) LIMITED

We have audited the financial statements of Relyon (Holdings) Limited for the year ended 30 June 2004 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the 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 auditors' 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 in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 1985. We also report 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 and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company, 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 affairs of the company as at 30 June 2004 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

De Little & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Bristol

Date *8 September 2004*

Relyon (Holdings) Limited

Year ended 30 June 2004

Profit and loss account

for the year ended 30 June 2004

	Note	For the year ended 30 June 2004 £000	For the year ended 30 June 2003 £000
Net operating income	2	123	33
Operating profit – continuing operations	3	123	33
Income from shares in group undertakings		530	1,720
Profit on ordinary activities before interest and taxation		653	1,753
Interest payable	6	(89)	-
Profit on ordinary activities before taxation		564	1,753
Tax credit/(charge) on profit on ordinary activities	7	6	(19)
Profit on ordinary activities after taxation		570	1,734
Dividends			
Paid		(165)	-
Proposed		(315)	(1,740)
Retained profit/(loss) for the financial period	16	90	(6)

There were no recognised gains or losses other than those reported above.

A reconciliation of movements in shareholders' funds is shown in note 17 to the financial statements.

Note of historical cost profits and losses

for the year ended 30 June 2004

	For the year ended 30 June 2004 £000	For the year ended 30 June 2003 £000
Profit before taxation	564	1,753
Difference between historical cost depreciation and actual depreciation	7	7
Historical cost profit before taxation	571	1,760
Historical cost profit retained after taxation and dividends	97	1

Relyon (Holdings) Limited

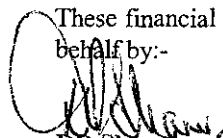
Year ended 30 June 2004

Balance sheet

as at 30 June 2004

	Note	As at 30 June 2004 £000	As at 30 June 2003 £000
Fixed assets			
Tangible assets	8	6,685	6,051
Investments	9	10,475	10,375
		<u>17,160</u>	<u>16,426</u>
Current assets			
Debtors	10		
Due within one year		574	1,962
Due after more than one year		7,250	3,250
		<u>7,824</u>	<u>5,212</u>
Cash at bank and in hand		49	268
		<u>7,873</u>	<u>5,480</u>
Creditors: amounts falling due within one year	11	<u>486</u>	<u>1,960</u>
Net current assets		<u>7,387</u>	<u>3,520</u>
Total assets less current liabilities		<u>24,547</u>	<u>19,946</u>
Creditors: amounts falling due after more than one year	12	12,474	8,000
Provisions for liabilities and charges	14	<u>454</u>	<u>417</u>
Net assets		<u>11,619</u>	<u>11,529</u>
Capital and reserves			
Called up share capital	15	3,725	3,725
Share premium	16	50	50
Merger reserve	16	6,650	6,650
Revaluation reserve	16	408	415
Profit and loss account	16	786	689
Equity shareholders' funds	17	<u>11,619</u>	<u>11,529</u>

These financial statements were approved by the board of directors on 23 August 2004 and were signed on its behalf by:-


DR Shaw
Director

The attached notes form part of these financial statements.

Relyon (Holdings) Limited

Year ended 30 June 2004

Notes

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and comply with applicable UK accounting standards.

Fixed assets and depreciation

Fixed assets are shown at cost less appropriate depreciation. Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives within the following ranges:-

Freehold buildings	-	50 years
Long leasehold land and buildings	-	50 years
Plant and equipment	-	10 years
Fixtures and fittings	-	3 to 5 years

No depreciation is provided on freehold land.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes.

In accordance with FRS 19, deferred taxation is provided in full on timing differences which represent an asset or liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising on unremitted earnings of subsidiaries, associates and joint ventures where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Cash flow statement

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking whose results are consolidated into the accounts of Steinhoff UK Beds Limited which are publicly available.

Relyon (Holdings) Limited

Year ended 30 June 2004

Notes (continued)

Group accounts

Group accounts are not submitted as the company is a wholly owned subsidiary undertaking of Relyon Group Limited, a company incorporated in Great Britain and registered in England and Wales. Accordingly these accounts present information about the company as an individual undertaking and not about its group.

Related party transactions

In accordance with FRS 8, the company is exempt from disclosure of related party transactions with other group companies as the company is wholly owned and consolidated report and accounts are prepared by the ultimate holding company.

2 Net operating income

	For the year ended 30 June 2004 £000	For the year ended 30 June 2003 £000
Net operating income is made up as follows:-		
Administrative expenses	(493)	(591)
Other operating income	516	624
Exceptional operating income	100	-
	<u>123</u>	<u>33</u>

The exceptional operating income arises on the reversal of a past provision for the impairment of the carrying value of investments in subsidiaries.

3 Operating profit

	For the year ended 30 June 2004 £000	For the year ended 30 June 2003 £000
Operating profit is stated after charging: -		
Depreciation		
• owned assets	226	193
• leased assets	3	-
Property rentals	156	196
Auditors' remuneration and expenses for audit work	<u>1</u>	<u>1</u>

4 Remuneration of directors

The emoluments of Messrs Topping and Shaw were paid by Relyon Group Limited. It is not practicable to split their remuneration between their services to group companies. Details of their remuneration are included in the financial statements of Relyon Group Limited.

Relyon (Holdings) Limited

Year ended 30 June 2004

Notes (continued)

- 5 **Staff costs**
The company has no employees (2002/3 : Nil).

6 **Interest payable**

	For the year ended 30 June 2004 £000	For the year ended 30 June 2003 £000
Bank loans and overdrafts	87	-
Finance charges on finance leases & hire purchase contracts	2	-
	<u>89</u>	<u>-</u>

7 **Taxation**

	For the year ended 30 June 2004 £000	For the year ended 30 June 2003 £000
<i>Analysis of charge in period</i>		
UK corporation tax:-		
Current tax on income for the period	(43)	(24)
Total current tax	<u>(43)</u>	<u>(24)</u>
Deferred tax:		
Origination and reversal of timing differences	37	45
Adjustment in respect of prior periods	-	(2)
Total deferred tax	<u>37</u>	<u>43</u>
Tax on profit on ordinary activities	<u>(6)</u>	<u>19</u>

Factors affecting the tax charge for the current period

The current tax charge for the period differs from the standard rate of corporation tax in the UK (30%, 2002/3: 30%). The differences are explained below:-

Current tax reconciliation:-		
Profit on ordinary activities before tax	564	1,753
Current tax at 30 % (2002/3: 30%)	169	526
Effects of :-		
Expenses not deductible for tax purposes	13	11
Capital allowances for period in excess of depreciation	(40)	(45)
Movement in short-term timing differences	3	-
Non-taxable income	(188)	(516)
Total current tax	<u>(43)</u>	<u>(24)</u>

Factors that may affect future tax charges

The company is not currently aware of any factors which may materially affect the effective rate of tax going forward other than the existing reconciling items.

Relyon (Holdings) Limited

Year ended 30 June 2004

Notes (continued)

8 Tangible fixed assets

	Freehold land & buildings £000	Long leasehold land & buildings £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Cost or valuation					
At 1 July 2003	5,767	740	179	909	7,595
Additions	773	-	45	45	863
At 30 June 2004	<u>6,540</u>	<u>740</u>	<u>224</u>	<u>954</u>	<u>8,458</u>
Depreciation					
At 1 July 2003	613	90	102	739	1,544
Charge for period	112	15	15	87	229
At 30 June 2004	<u>725</u>	<u>105</u>	<u>117</u>	<u>826</u>	<u>1,773</u>
Net book value					
At 30 June 2004	<u>5,815</u>	<u>635</u>	<u>107</u>	<u>128</u>	<u>6,685</u>
At 30 June 2003	<u>5,154</u>	<u>650</u>	<u>77</u>	<u>170</u>	<u>6,051</u>

Freehold land and buildings includes land with a cost of £718,000 (2002/3: £393,000) which is not depreciated.

Assets held under hire purchase contracts originally cost £39,600 (2003: £nil). Accumulated depreciation at the year end amounted to £3,224 (2003: £nil) resulting in a net book value of £36,376 (2003: £nil).

The assets which have been revalued comprise the following:-

	As at 30 June 2004 £000	As at 30 June 2003 £000
Freehold land and buildings		
At 1995 professional valuations	2,500	2,500
Aggregate depreciation thereon	<u>(393)</u>	<u>(346)</u>
Net book value	<u>2,107</u>	<u>2,154</u>
Historical cost of revalued assets	2,159	2,159
Aggregate depreciation based on historical cost	<u>(460)</u>	<u>(420)</u>
Historical net book value	<u>1,699</u>	<u>1,739</u>

The professional valuation was carried out on 1 November 1995 by Edwin Hill, Chartered Surveyors, on the basis of open market value for existing use.

Under the transitional rules of FRS15, the revalued assets are held at a previous valuation and are not revalued annually.

Relyon (Holdings) Limited

Year ended 30 June 2004

Notes (continued)

9 Investments

	As at 30 June 2004 £000	As at 30 June 2003 £000
Relyon Limited	6,000	6,000
Pritex Limited	4,375	4,375
Sprung Slumber Limited (formerly Deptich Designs Limited)	100	100
	<u>10,475</u>	<u>10,475</u>
Provision for impairment in carrying value	-	(100)
	<u>10,475</u>	<u>10,375</u>

Principal activities

Relyon Limited	Manufacture of divans, mattresses, bed frames, sofa beds and nursery products
Pritex Limited	Manufacture of polyurethane foam and polyester fibre products
Sprung Slumber Limited	Manufacture of divans, mattresses and bed frames.

The above shareholdings represent 100% of the issued ordinary share capital of the companies. The subsidiaries are incorporated in Great Britain and registered in England and Wales.

During the year an amount of £100,000 (2002/3: £nil) was credited to the profit and loss account in respect of the reversal of the provision for impairment in the carrying value of the investment in Sprung Slumber Limited (formerly Deptich Designs Limited).

10 Debtors

	As at 30 June 2004 £000	As at 30 June 2003 £000
Due within one year:		
Amounts owed by group undertakings	111	142
Corporation tax	67	24
Other debtors	6	13
Prepayments and accrued income	40	63
Dividends receivable	350	1,720
	<u>574</u>	<u>1,962</u>
Due after more than one year:		
Amounts owed by group undertakings	7,250	3,250
	<u>7,824</u>	<u>5,212</u>

Relyon (Holdings) Limited

Year ended 30 June 2004

Notes (continued)

11 Creditors: amounts falling due within one year

	As at 30 June 2004 £000	As at 30 June 2003 £000
Obligations under finance leases & hire purchase agreements	7	-
Trade creditors	31	70
Amounts owed to group undertakings	107	150
Accruals and deferred income	26	-
Dividends payable	315	1,740
	<u>486</u>	<u>1,960</u>

12 Creditors: amounts falling due after more than one year

	As at 30 June 2004 £000	As at 30 June 2003 £000
Obligations under finance leases & hire purchase agreements	24	-
Amounts owed to group undertakings	12,450	8,000
	<u>12,474</u>	<u>8,000</u>

13 Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts are analysed as follows:-

	As at 30 June 2004 £000	As at 30 June 2003 £000
<i>Amounts payable</i>		
Within one year	9	-
Between two and five years	28	-
	<u>37</u>	<u>-</u>
Less: finance charges allocated to future periods	(6)	-
	<u>31</u>	<u>-</u>

The amounts outstanding under finance leases and hire purchase contracts are secured on the assets concerned.

Annual commitments under non-cancellable operating leases

The company is committed to make payments during the next twelve months under non-property related operating leases expiring:-

Within one year	-	57
Between two and five years	64	64
After five years	30	30
	<u>94</u>	<u>151</u>

Relyon (Holdings) Limited

Year ended 30 June 2004

Notes (continued)

14 Provisions for liabilities and charges

	As at 30 June 2004 £000	As at 30 June 2003 £000
Deferred tax		
At beginning of period	417	374
Charged in the period	37	43
At end of period	<u>454</u>	<u>417</u>
The elements of deferred taxation are as follows:-		
Accelerated capital allowances	457	417
Other timing differences	(3)	-
	<u>454</u>	<u>417</u>

Revalued assets are not subject to continual revaluation and the company has not entered into any binding contract to dispose of any revalued assets, therefore in accordance with the provisions of FRS19, deferred tax has not been provided on the revalued amounts.

15 Share capital

	As at 30 June 2004 £000	As at 30 June 2003 £000
Authorised:		
4,000,000 (2002/3: 4,000,000) ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>
Allotted and fully paid:		
3,725,000 (2002/3: 3,725,000) ordinary shares of £1 each	<u>3,725</u>	<u>3,725</u>

16 Reserves

	Share premium £000	Merger reserve £000	Revaluation reserve £000	Profit and loss account £000
At 30 June 2003	50	6,650	415	689
Transfer from revaluation reserve	-	-	(7)	7
Retained profit for the period	-	-	-	90
At 30 June 2004	<u>50</u>	<u>6,650</u>	<u>408</u>	<u>786</u>

Relyon (Holdings) Limited

Year ended 30 June 2004

Notes (continued)

17 Reconciliation of movements in shareholders' funds

	For the year ended 30 June 2004 £000	For the year ended 30 June 2003 £000
Total recognised gains for the period	570	1,734
Dividends	(480)	(1,740)
Net movement in shareholders' funds	90	(6)
Opening shareholders' funds	11,529	11,535
Closing shareholders' funds	11,619	11,529

18 Contingent liabilities

The company has entered into a composite cross guarantee with the other companies in the Steinhoff UK Beds Group to guarantee the group's overdrafts. As at 30 June 2004 there was no exposure under this cross guarantee and the maximum potential liability is limited to £1,000,000.

20 Ultimate holding company and controlling party

The company is controlled by Relyon Group Limited, the intermediate holding company. The ultimate controlling party is Steinhoff International Holdings Limited, the ultimate holding company.

The largest group in which the results of the company are consolidated is that headed by Steinhoff International Holdings Limited. The consolidated accounts of this company are available to the public and may be obtained from Steinhoff International Holdings Limited, 28, Sixth Street, Wynberg, Sandton 2090, Republic of South Africa, a company incorporated in The Republic of South Africa. The smallest group in which the results of the company are consolidated is headed by Steinhoff UK Beds Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of these consolidated accounts are not directly available to the public but can be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.