

Dreams plc

Balance sheet at 24 December 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Tangible assets	11		34,533		30,658
Current assets					
Stocks	12	17,302		13,233	
Debtors	13	13,070		10,589	
Cash at bank and in hand		1,518		1,259	
		<u>31,890</u>		<u>25,081</u>	
Creditors: amounts falling due within one year	14	<u>32,157</u>		<u>30,271</u>	
Net current liabilities			(267)		(5,190)
Total assets less current liabilities			<u>34,266</u>		<u>25,468</u>
Creditors: amounts falling due after more than one year	15		12,441		12,060
Provision for liabilities and charges					
Deferred tax	16		541		582
			<u>21,284</u>		<u>12,826</u>
Capital and reserves					
Called up share capital	17		50		50
Profit and loss account	18		21,234		12,776
Shareholders' funds	19		<u>21,284</u>		<u>12,826</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 February 2008


Mike Clare
Chairman

The notes on pages 12 to 24 form part of these financial statements



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Cash flow statement for the year ended 24 December 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	22	14,541	14,126
Returns on investments and servicing of finance	23	(1,360)	(1,198)
Tax		(3,487)	(500)
Net capital expenditure and financial investment	23	(6,213)	(8,172)
Equity dividends paid		(400)	(400)
Cash inflow before financing		3,081	3,856
Financing	23	(2,227)	61
Increase in cash		854	3,917
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year	24	854	3,917
Cash outflow / (inflow) from movement in debt and lease financing		2,227	(61)
Movement in net debt in the year		3,081	3,856
Net debt at 25 December	24	(7,742)	(11,598)
Net debt at 24 December	24	(4,661)	(7,742)

The notes on pages 12 to 24 form part of these financial statements

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Notes forming part of the financial statements for the year ended 24 December 2007

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

Turnover

Turnover included in the financial statements comprises the value of goods and services delivered by the company, exclusive of value added tax.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases.

Freehold buildings	-	2% straight line
Leasehold premises	-	over the term of the lease
Motor vehicles	-	25% reducing balance
Trailers	-	10% straight line
Fixtures and fittings	-	20% reducing balance
Computer equipment	-	33% straight line

Revaluation of tangible fixed assets

As permitted by the transitional provisions of FRS 15 Tangible Fixed Assets the company has elected not to adopt a policy of revaluation of tangible fixed assets.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs of disposal.

Deferred tax

Provision is made in full for all tax deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for tax on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax balances are not discounted.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets are translated at the rate of exchange ruling at the balance sheet date, with any differences taken to the profit and loss account. US dollars are purchased in advance, primarily by way of forward contracts.

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Notes forming part of the financial statements for the year ended 24 December 2007 (continued)

Accounting policies (continued)

Finance leases and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases and hire purchase contracts are those where substantially all of the benefits and risks of ownership are assumed by the company. 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.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred. In the case of the lease of buildings, any benefits received and receivable, including rent free periods, are spread on a straight line basis over the period from the date that trading started to the next review date.

Pensions

The company operates a defined contribution pension scheme, which is available to staff according to their seniority and length of service with the company. The pension charge represents the amounts payable by the company to the fund in respect of the year.

2 Turnover

Turnover is attributable to retail and trade sales of beds along with associated products, services and activities within the United Kingdom, recognised on a delivered basis. All turnover arose within the United Kingdom.

3 Employees

	2007 £'000	2006 £'000
Staff costs consist of		
Wages and salaries	32,098	24,736
Social security costs	3,204	2,506
Other pension costs	74	71
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	35,376	27,313
	<hr/>	<hr/>

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Notes forming part of the financial statements for the year ended 24 December 2007 (continued)

3 Employees (continued)

	2007 Number	2006 Number
The average number of full time employees, including directors, during the year was.		
Sales	608	493
Head Office	217	181
Logistics and Production	478	377
	<u>1,303</u>	<u>1,051</u>

The pensions charge for the year was £74k (2006 £71k) and the amount in creditors at the end of the year was £13k (2006 £7k)

4 Directors

	2007 £'000	2006 £'000
Directors' remuneration consists of		
Aggregate emoluments	980	1,016
	<u>980</u>	<u>1,016</u>

During the year retirement benefits were accruing for 3 directors (2006: 3) in respect of defined contribution pension schemes. Company payments made to defined contribution pension schemes for the directors during the year were £12k (2006 £15k). The highest paid director received remuneration (including salary and benefits in kind) of £231k (2006 £242k), with pension contributions of £nil (2006: £nil)

5 Other operating income

	2007 £'000	2006 £'000
Franchise commissions	613	496
Release of surrender premium received	463	598
Rental income	216	303
Insurance claim	-	68
	<u>1,292</u>	<u>1,465</u>

6 Operating profit

	2007 £'000	2006 £'000
This has been arrived at after charging		
Depreciation of tangible fixed assets - owned by the company	4,323	3,482
- held under finance leases	319	443
Operating lease rentals - land and buildings	16,965	13,277
Auditors' remuneration - audit services	100	60
Auditors' remuneration - taxation	17	15
	<u>21,727</u>	<u>17,677</u>

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Notes forming part of the financial statements
for the year ended 24 December 2007 (*continued*)

7 Profit on disposal of properties

	2007 £'000	2006 £'000
Profit on disposal of tangible fixed assets	531	376
Profit on surrender of leases	1,773	409
	<u>2,304</u>	<u>785</u>

8 Interest payable and similar charges

	2007 £'000	2006 £'000
Bank loans and overdrafts	325	425
Retail finance charges	894	665
Finance leases and hire purchase contracts	14	129
	<u>1,233</u>	<u>1,219</u>

9 Tax on profit from ordinary activities

	2007 £'000	2006 £'000
<i>Current tax</i>		
UK corporation tax on profits for the year	4,308	2,513
Adjustment in respect of prior years	153	-
	<u>4,461</u>	<u>2,513</u>
<i>Deferred tax</i>		
Accelerated capital allowances	118	(24)
Origination of timing differences	13	22
Adjustment in respect of prior years	(143)	-
Adjustment in respect of change in tax rate	(29)	-
	<u>(41)</u>	<u>(2)</u>
Total deferred tax (note 16)	(41)	(2)
	<u>4,420</u>	<u>2,511</u>
Tax on profit from ordinary activities		

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Notes forming part of the financial statements for the year ended 24 December 2007 (continued)

9 Tax on profit from ordinary activities (continued)

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	13,278	7,065
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 30%)	3,984	2,120
Effects of:		
(Income) / Expenses not deductible for tax purposes	(95)	13
Depreciation on non-qualifying assets	501	415
Capital allowances in excess of depreciation	(108)	(11)
Loss on disposal of fixed assets (qualifying)	-	35
Profit on disposal of fixed assets (non-qualifying)	(700)	(255)
Chargeable gains	726	196
Under provision in respect of previous years	153	-
Current tax charge for year	4,461	2,513

10 Dividends

	2007 £'000	2006 £'000
Total interim dividends paid of 800 pence per share (2006 800 pence)	400	400

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Notes forming part of the financial statements
for the year ended 24 December 2007 (*continued*)

11 Tangible assets

	Land and buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Cost or valuation</i>				
At 25 December 2006	15,968	3,017	22,763	41,748
Additions	2,028	1,917	6,303	10,248
Disposals	(1,512)	(324)	(353)	(2,189)
	<hr/>	<hr/>	<hr/>	<hr/>
At 24 December 2007	16,484	4,610	28,713	49,807
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 25 December 2006	678	1,459	8,953	11,090
Charge for the year	359	499	3,784	4,642
On disposals	(22)	(218)	(218)	(458)
	<hr/>	<hr/>	<hr/>	<hr/>
At 24 December 2007	1,015	1,740	12,519	15,274
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 24 December 2007	15,469	2,870	16,194	34,533
	<hr/>	<hr/>	<hr/>	<hr/>
At 24 December 2006	15,290	1,558	13,810	30,658
	<hr/>	<hr/>	<hr/>	<hr/>

The net book values of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2007 £'000	2006 £'000
Motor vehicles	-	154
Fixtures, fittings and equipment	348	992
	<hr/>	<hr/>
	348	1,146
	<hr/>	<hr/>

As at 24 December 2007, £12,607k (2006: £12,779k) included within the net book value of land and buildings relates to freehold land and buildings

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Notes forming part of the financial statements for the year ended 24 December 2007 (continued)

12 Stocks

	2007 £'000	2006 £'000
Finished goods and goods for resale	16,504	12,706
Raw materials and consumables	798	527
	<u>17,302</u>	<u>13,233</u>

In the opinion of the directors there is no material difference between the replacement value of stock and the amounts stated above.

13 Debtors

	2007 £'000	2006 £'000
Due within one year		
Trade debtors	1,017	837
Corporation tax	-	517
Prepayments	12,053	9,235
	<u>13,070</u>	<u>10,589</u>

14 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Bank loans (secured, see note 15)	858	1,253
Overdraft (secured, see note 15)	-	595
Obligations under finance leases and hire purchase contracts	123	877
Trade creditors	20,691	18,081
Corporation tax	2,048	2,317
Other taxes and social security	2,598	1,818
Deposits received in advance of delivery	1,342	1,164
Accruals and deferred income	4,497	4,166
	<u>32,157</u>	<u>30,271</u>

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Notes forming part of the financial statements for the year ended 24 December 2007 (continued)

15 Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Bank loans	5,198	6,131
Obligations under finance leases and hire purchase contracts	-	145
Accruals and deferred income	5,044	4,311
Corporation tax	2,199	1,473
	<u>12,441</u>	<u>12,060</u>

The corporation tax due in more than one year relates to the capital gains tax payable on the sale of freehold and leasehold properties from 2005 to 2007. The directors intend to claim roll over relief which means that no tax will be payable in less than one year on the chargeable gain.

Included within the above are amounts falling due as follows.

	2007 £'000	2006 £'000
Between one and two years:		
Bank loans	858	858
Accruals and deferred income	1,959	1,639
	<u></u>	<u></u>
Between two and five years:		
Bank loans	2,574	2,574
Accruals and deferred income	2,250	2,657
	<u></u>	<u></u>
Over five years		
Bank loans	1,766	2,699
Accruals and deferred income	835	15
	<u></u>	<u></u>

The bank loans are repayable by monthly and quarterly instalments over 10 years. The rate of interest charged on the loans is 1.25% above the RBS base rate.

The company's bank loan and overdraft amounting to £6,056k (2006: £7,980k) are secured on the company's assets by a debenture dated 14 November 2003 and by a first mortgage over the company's freehold property.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2007 £'000	2006 £'000
Between one and two years	-	145
	<u></u>	<u></u>

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Notes forming part of the financial statements for the year ended 24 December 2007 (*continued*)

16 Provisions for liabilities and charges

	2007 £'000	2006 £'000
<i>Deferred taxation</i>		
At 25 December	582	584
Credit for the year (note 9)	(41)	(2)
	<hr/>	<hr/>
At 24 December	541	582
	<hr/>	<hr/>

The provision for deferred taxation and the amounts not provided are as follows

	Provided 2007 £'000	Unprovided 2007 £'000	Provided 2006 £'000	Unprovided 2006 £'000
Accelerated capital allowances	722	-	560	-
Other timing differences	(181)	-	22	-
	<hr/>	<hr/>	<hr/>	<hr/>
	541	-	582	-
	<hr/>	<hr/>	<hr/>	<hr/>

17 Share capital

	2007 Number	Authorised 2006 Number	2007 £'000	2006 £'000
Ordinary shares of £1 each	100,000	100,000	100	100
	<hr/>	<hr/>	<hr/>	<hr/>
	2007 Number	Allotted, called up and fully paid 2006 Number	2007 £'000	2006 £'000
Ordinary shares of £1 each	50,000	50,000	50	50
	<hr/>	<hr/>	<hr/>	<hr/>

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Notes forming part of the financial statements for the year ended 24 December 2007 (*continued*)

18 Reserves

	Profit and loss account £'000
At 25 December 2006	12,776
Profit for the year	8,858
Dividends	(400)
	<hr/>
At 24 December 2007	21,234
	<hr/>

19 Reconciliation of movement in shareholders' funds

	2007 £'000	2006 £'000
Profit for the year	8,858	4,554
Dividends	(400)	(400)
	<hr/>	<hr/>
	8,458	4,154
Opening shareholders' funds	12,826	8,672
	<hr/>	<hr/>
Closing shareholders' funds	21,284	12,826
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20 Contingent liabilities

The company has guaranteed the rents of franchisees amounting to the sum of £337k (2006 - £306k) per annum

Income in the company is in UK sterling, whereas certain expenditure is in US dollars. Therefore the directors have implemented a strategy to mitigate the risks associated with foreign exchange. Between 27 February and 5 November, the company entered into forward exchange contracts to buy a total of US\$9m at rates between US\$1.96 £1 and US\$2.08 £1, with maturity dates between 31 December 2007 and 30 June 2008.

The fair value of these contracts at year end was £95k

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Notes forming part of the financial statements for the year ended 24 December 2007 (continued)

21 Commitments under operating leases

As at 24 December 2007, the company had annual commitments under non-cancellable operating leases as set out below:

	2007 Land and buildings £'000	2006 Land and buildings £'000
Operating leases which expire		
Within one year	79	359
In two to five years	1,348	727
Over five years	18,812	16,612
	<hr/>	<hr/>
	20,239	17,698
	<hr/>	<hr/>

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

	2007 £'000	2006 £'000
Operating profit	12,207	7,499
Depreciation of tangible fixed assets	4,642	3,925
(Increase) in stocks	(4,069)	(2,451)
(Increase) in debtors	(2,998)	(5,067)
Increase in creditors	4,759	10,220
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Net cash inflow from operations	14,541	14,126
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Notes forming part of the financial statements for the year ended 24 December 2007 (continued)

23 Analysis of cash flows for heading netted in the cash flow statement

	2007 £'000	2006 £'000
Returns on investments and servicing of finance		
Bank and other interest paid	(369)	(427)
Retail finance charges	(977)	(642)
Finance lease and hire purchase interest	(14)	(129)
Net cash outflow from returns on investments and servicing of finance	(1,360)	(1,198)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(10,248)	(10,416)
Proceeds from sale of tangible fixed assets	2,143	1,659
Proceeds from surrender of leases	1,892	585
Net cash outflow from capital expenditure and financial investment	(6,213)	(8,172)
Financing		
New secured loans	-	4,000
Repayment of loans	(1,328)	(2,263)
Capital repayments under finance lease	(899)	(1,676)
Net cash (outflow) / inflow from financing	(2,227)	61

24 Analysis of changes in net debt

	At 25 December 2006 £'000	Cash flow £'000	At 24 December 2007 £'000
Cash at bank and in hand	1,259	259	1,518
Bank overdraft	(595)	595	-
	664	854	1,518
Debt			
Debts due within one year	(1,253)	395	(858)
Debts falling due after more than one year	(6,131)	933	(5,198)
Finance leases	(1,022)	899	(123)
Net debt	(7,742)	3,081	(4,661)

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Notes forming part of the financial statements for the year ended 24 December 2007 (*continued*)

25 Related party transactions

During the year, the company sold goods to a value of £283k (2006: £147k) to Island Dreams Limited. Mike and Carol Clare, who are directors of Dreams plc are also directors of Island Dreams Limited. The amount owing to Dreams Plc at the end of the year was £103k (2006: £24k). This balance has been paid subsequent to the year end

26 Controlling party

The company was controlled throughout the reported years by Mike Clare, a director, by virtue of his 95% shareholding.