

DUFLEX FOAM LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012



DUFLEX FOAM LIMITED

COMPANY INFORMATION

Directors	S R Hampton P Glynn T Keely K Stevens
Company number	04995362
Registered office	Newbold Drive Castle Donnington Derby Derbyshire DE74 2QX
Auditor	PKF (UK) LLP Regent House Clinton Avenue Nottingham NG5 1AZ
Bankers	Yorkshire & Clydesdale Bank Lock House Nottingham NG2 1AG
Solicitors	Browne Jacobson LLP 44 Castle Gate Nottingham NG1 7BJ

DUFLEX FOAM LIMITED

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DUFLEX FOAM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activities

The principal activity of the company relates to the manufacture of bedding products for the home furnishings market produced primarily from polyurethane foam

Business review

The company achieved a turnover of £22.9 million during the year compared to £18.0 million in the previous year

The improved turnover and continuing factory efficiencies resulted in an operating profit of £0.8 million (3.4%) compared to an operating profit of £0.5 million (2.6%) in the 2011 year

Key performance indicators include the continual review of customer service levels, factory efficiencies, customer margins and material yields

The position of the company at December 2012 remains strong with cash balances of £0.8 million (2011 - £0.7 million) and continues to operate well within its available bank facilities which were renewed during the middle of the year

The outlook for the coming year will reflect the general uncertainty within the economy and consumer spending, although the company is well placed to take advantage of any opportunities that may arise in the future

The Directors consider that satisfactory progress has been made during the year

Risks and Uncertainties

The principal risks and uncertainties facing the company relate to the overall level of consumer demand in the UK. The company is confident that it can manage this exposure by introducing more efficient processes and products to counteract any further reduction in the economy. The company will continue to invest in new capital and technology to further improve its efficiency levels

Financial instruments

The company's operations expose it to a number of financial risks that include change in market prices, credit risk and liquidity risk. These risks are managed at group level (Belfield Furnishings Limited) in the following way

Market Prices

The company is exposed to market prices for certain raw materials. Wherever appropriate, foreign currency forward contracts are undertaken at a group level to minimise this exposure

Credit Risk

The company operates a policy of credit insurance to reduce its exposure to bad debts

Liquidity Risk

The company reviews its funding and working capital requirements on a continual basis and ensures that financial facilities are available to meet these requirements in both the short and medium term

DUFLEX FOAM LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

Results

The profit for the year, after taxation, amounted to £0.5 million (2011 - £0.3 million)

Directors

The directors who served during the year were

S R Hampton
P Glynn
T Keely
K Stevens

Political and charitable contributions

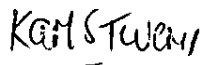
During the year, the company has made charitable donations of £370 (2011 - £448)

Provision of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

This report was approved by the board on 19 March 2013 and signed on its behalf



K I Stevens
Director

DUFLEX FOAM LIMITED

STATEMENT OF 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent, and
- 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, to 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.

DUFLEX FOAM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUFLEX FOAM LIMITED

We have audited the financial statements of Duflex Foam Limited for the year ended 31 December 2012 which comprise the profit and loss account, the 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 members, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, 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 and express an opinion on 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2012 and of its profit 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

DUFLEX FOAM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUFLEX FOAM LIMITED

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

PKF(UK) LLP

Roger Merchant (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
Nottingham, UK

Date 19 March 2013

DUFLEX FOAM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £000	2011 £000
TURNOVER	1,2	22,918	18,040
Cost of sales		<u>(19,241)</u>	<u>(15,170)</u>
GROSS PROFIT		3,677	2,870
Administrative expenses		<u>(2,906)</u>	<u>(2,407)</u>
OPERATING PROFIT	3	771	463
Interest payable	6	<u>(75)</u>	<u>(103)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		696	360
Tax on profit on ordinary activities	7	<u>(182)</u>	<u>(101)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14,15	<u>514</u>	<u>259</u>

All amounts relate to continuing operations

There were no recognised gains and losses for either period other than those included in the profit and loss account

The notes on pages 8 to 15 form part of these financial statements

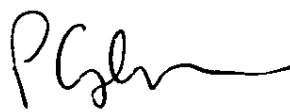
DUFLEX FOAM LIMITED

Registered number 04995362

BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	£000	2012 £000	£000	2011 £000
FIXED ASSETS					
Tangible fixed assets	8		1,975		2,073
CURRENT ASSETS					
Stocks	9	1,643		1,504	
Debtors	10	2,186		1,806	
Cash at bank and in hand		<u>760</u>		<u>712</u>	
		4,589		4,022	
CREDITORS amounts falling due within one year	11	<u>(5,496)</u>		<u>(5,518)</u>	
NET CURRENT LIABILITIES			<u>(907)</u>		<u>(1,496)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,068		577
PROVISIONS FOR LIABILITIES					
Deferred tax	12		<u>(166)</u>		<u>(189)</u>
NET ASSETS			<u>902</u>		<u>388</u>
CAPITAL AND RESERVES					
Called up share capital	13		300		300
Profit and loss account	14		<u>602</u>		<u>88</u>
SHAREHOLDERS' FUNDS	15		<u>902</u>		<u>388</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 March 2013


P Glynn
Director


K I Stevens
Director

The notes on pages 8 to 15 form part of these financial statements

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company's accounting reference date is 31 December. It is the company's policy to prepare financial statements for the accounting period to the nearest Saturday to this date. The accounting period covers 1 January 2012 to 29 December 2012.

1.2 Cash flow statement

Under Financial Reporting Standard (FRS) 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that more than 90% of the company's voting rights are controlled within the group and the parent undertaking includes the company in its own published consolidated financial statements.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

Turnover is recognised on despatch of goods.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	-	5-25%	straight line
Motor vehicles	-	25%	straight line
Computer equipment	-	25-30%	straight line

1.5 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.6 Finance leases

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 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 obligation outstanding in each period.

1.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Stocks are valued at purchase invoice price after making due allowance for obsolete and slow-moving stocks.

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

1 8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are discounted

1 9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1 10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

2 TURNOVER

The whole of the turnover is attributable to its principal activity

All turnover arose within the United Kingdom

3 OPERATING PROFIT

The operating profit is stated after charging

	2012 £000	2011 £000
Depreciation of tangible fixed assets		
- owned by the company	376	332
Auditor's remuneration	16	15
Operating lease rentals		
- plant and machinery	27	26
- other operating leases	363	298

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2012 £000	2011 £000
Wages and salaries	2,476	2,053
Social security costs	148	139
Other pension costs	60	40
	<u>2,684</u>	<u>2,232</u>

The average monthly number of employees, including the directors, during the period was as follows

	2012 No	2011 No
Production	84	79
Administrative	14	13
	<u>98</u>	<u>92</u>

5 DIRECTORS' REMUNERATION

	2012 £000	2011 £000
Emoluments	<u>120</u>	<u>109</u>
Company pension contributions to defined contribution pension schemes	<u>22</u>	<u>22</u>

During the year retirement benefits were accruing to 1 director (2011 - 1) in respect of defined contribution pension schemes

6 INTEREST PAYABLE

	2012 £000	2011 £000
Other interest	-	3
Group interest	75	100
	<u>75</u>	<u>103</u>

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

7 TAXATION

	2012 £000	2011 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	205	99
Prior year overprovision	-	(7)
Total current tax	205	92
Deferred tax (see note 12)		
Origination and reversal of timing differences	(23)	9
Tax on profit on ordinary activities	182	101

Factors affecting tax charge for the year

The tax charge for the year is higher than (2011 - lower than) the standard rate of corporation tax in the UK of 24% (2011 - 26%). The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before taxation	696	360
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2011 - 26%)	167	94
Effects of		
Expenses not deductible for tax purposes	5	1
Depreciation for year in excess of capital allowances	29	3
Effect of change in rate of UK Corporation Tax	4	1
Prior year overprovision	-	(7)
Current tax charge for the year (see note above)	205	92

Factors that may affect future tax charges

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date. The Chancellor of the Exchequer announced in his Budget on 21 March 2012 that the rate of Corporation Tax of 26% will be reduced by 2 percentage points with effect from 1 April 2012 and a further 1 percentage point per year until 2014, when it will remain at 22%. On 5 December 2012 the Chancellor of the Exchequer announced in his Autumn statement that the rate of corporation tax would be further reduced to 21% from 1 April 2014. As at the balance sheet date, the rate of 23% has been substantively enacted when Finance Bill 2012 received its final reading in the House of Commons on 3 July 2012.

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

8 TANGIBLE FIXED ASSETS

	Plant and machinery £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost				
At 1 January 2012	3,835	16	72	3,923
Additions	273	-	5	278
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	<u>4,108</u>	<u>16</u>	<u>77</u>	<u>4,201</u>
Depreciation				
At 1 January 2012	1,789	16	45	1,850
Charge for the year	360	-	16	376
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	<u>2,149</u>	<u>16</u>	<u>61</u>	<u>2,226</u>
Net book value				
At 31 December 2012	<u>1,959</u>	<u>-</u>	<u>16</u>	<u>1,975</u>
At 31 December 2011	<u>2,046</u>	<u>-</u>	<u>27</u>	<u>2,073</u>

9 STOCKS

	2012 £000	2011 £000
Raw materials	1,120	1,140
Work in progress	-	21
Finished goods and goods for resale	523	343
	<hr/>	<hr/>
	<u>1,643</u>	<u>1,504</u>

10 DEBTORS

	2012 £000	2011 £000
Trade debtors	2,012	1,559
Prepayments and accrued income	174	247
	<hr/>	<hr/>
	<u>2,186</u>	<u>1,806</u>

DUFLEX FOAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

11 CREDITORS

Amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	3,322	2,625
Amounts owed to group undertakings	1,521	2,404
Corporation tax	205	99
Social security and other taxes	376	352
Other creditors	72	38
	<u>5,496</u>	<u>5,518</u>

12 DEFERRED TAXATION

	2012 £000	2011 £000
At 1 January 2012	189	180
Movement in the year	(23)	9
	<u>166</u>	<u>189</u>
At 31 December 2012	<u>166</u>	<u>189</u>

The provision for deferred taxation is made up as follows

	2012 £000	2011 £000
Accelerated capital allowances	166	189
	<u>166</u>	<u>189</u>

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

13 SHARE CAPITAL

	2012 £000	2011 £000
Authorised		
900,000 Ordinary A shares of £1 each	900	900
100,000 Ordinary B shares of £1 each	100	100
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
290,000 Ordinary A shares of £1 each	290	290
10,000 Ordinary B shares of £1 each	10	10
	<u>300</u>	<u>300</u>

14 RESERVES

	Profit and loss account £
At 1 January 2012	88
Profit for the year	514
	<u>602</u>
At 31 December 2012	<u>602</u>

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £000	2011 £000
Opening shareholders' funds	388	129
Profit for the year	<u>514</u>	<u>259</u>
Closing shareholders' funds	<u>902</u>	<u>388</u>

16 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

DUFLEX FOAM LIMITED

SCHEDULE TO THE DETAILED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012

17 OPERATING LEASE COMMITMENTS

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012 £000	2011 £000	2012 £000	2011 £000
Expiry date				
Within 1 year	128	63	-	-
Between 2 and 5 years	-	-	-	-
After more than 5 years	<u>235</u>	<u>235</u>	<u>-</u>	<u>-</u>

18 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 Related Party Disclosures from disclosing transactions with wholly owned entities that are part of the group

19 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is Belfield Furnishings Limited, a company registered in England and Wales
Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ

The ultimate controlling party is the Estate of P A Millership deceased