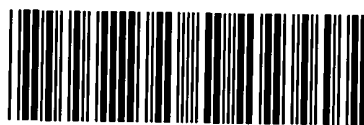


## **Dreams Limited**

Annual report and financial statements for the  
year ended 24 December 2017

Registered number: 08428347

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# Dreams Limited

## Annual report and financial statements for the year ended 24 December 2017

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### Contents

	Page
Company information	1
Strategic report	2
Directors' report	5
Independent auditors' report to the members of Dreams Limited	8
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

# Dreams Limited

## Company Information

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**Directors of the Company**

Michael Logue  
Kim Zaheer

**Company secretary and  
registered office**

Kim Zaheer  
Dreams Limited  
14 Knaves Beech Business Centre  
Davies Way  
Loudwater  
High Wycombe  
Buckinghamshire  
HP10 9YU

**Registered number**

08428347

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
The Atrium  
1 Harefield Road  
Uxbridge  
Middlesex  
UB8 1EX

**Bankers**

Barclays Bank PLC  
121 Queen Street  
Cardiff  
CF1 4XR

**Solicitors**

Kirkland & Ellis International LLP  
30 St Mary Street  
London  
EC3A 8AF

# Dreams Limited

## Strategic report for the year ended 24 December 2017

The Directors present their strategic report on the Company for the year ended 24 December 2017.

### Review of the business

The principal activity of the Company remains the retail sale of beds along with associated products, services and franchising activities, supported by manufacturing capacity, within the United Kingdom.

The audited financial statements for the year ended 24 December 2017 are set out on pages 10 to 29.

The Company measures performance primarily on underlying EBITDA before exceptional items, consultancy fees and currency movement. Underlying EBITDA before exceptional items, consultancy fees and currency movement increased by £3,097k to £42,960k (2016: £39,863k), representing an 8% increase on the prior year; the year on year growth reflects the benefits derived from the implementation of the strategic plan launched in 2013. Exceptional items incurred in 2017 of £1,471k (2016: £663k) are one off costs relating primarily to unrecoverable indirect tax costs related to the acquisition in 2013, costs in relation to an aborted transaction, costs associated with strategic options evaluation and the subsequent reorganisation of the operating board.

The Directors also consider the Company's turnover and gross margin (see Statement of comprehensive income on page 10 for details) to be KPI's which they utilise to manage the business. Weekly financial and operational KPIs are reviewed to provide immediate focus on trends in operations, logistics, property and resources. Visibility and tight control of cash flow for the Company and within the Group as a whole is an integral part of business planning, recognising the material variances attributable to trading patterns, debt service and capital investment.

Following a year of continued implementation of strategic actions focused on the development of products, people and property, the Directors are pleased to report that the company has a solid and stable platform for future growth with a clear focus of the Company on its customers and core operations. The strategic plan launched in 2013 is delivering good performance and strong positive indicators were evident during 2017 providing confidence on future performance. During the year under review the Company delivered 3.3% (2016: 14.2%) growth in like for like sales and grew total sales 7.7% (2016 19.3%). Store numbers at the year-end were 187 (2016: 181) reflecting prudent space management and new store openings in markets not serviced by Dreams' existing estate. Gross margin as a percentage of sales at 62.9% was below the previous year (2016: 64.7%) reflecting investment in price to continually improve our offer to consumers and the impacts of increased costs of overseas imports following the depreciation of sterling against the dollar. Our multi-channel strategy supported strong growth in our Online channel delivering 14.6% growth and enhanced profitability.

### Reconciliation of Operating Profit to Underlying EBITDA

	Year ended 24 December 2017 £'000	Year ended 24 December 2016 £'000
Operating profit	30,550	31,543
Depreciation and amortisation	8,404	6,910
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>38,954</b>	<b>38,453</b>
Exceptional items	1,471	663
Consultancy fees	1,375	1,044
Currency movement	1,160	(297)
<b>Underlying EBITDA before exceptional items, consultancy fees and currency movement</b>	<b>42,960</b>	<b>39,863</b>

# Dreams Limited

## Strategic report for the year ended 24 December 2017

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### Principal risks and uncertainties

All risks are monitored on an on-going basis by the Directors and strategies are developed as appropriate to mitigate against such risks and minimise their impact. The principal risks and uncertainties of the Company are set out below:

- **Market conditions** – Weak consumer confidence, decline in real term wages, housing transactions and employment rates all have a major influence on consumer spending. A decline in consumer confidence will lead to weakness in our core markets. The Directors believe that the continued focus on customer value and range proposition combined with prudent cost control will ensure the Company is well placed to manage this risk through 2018.
- **Operational risk** – A detailed business continuity plan aims to ensure that the Company continues to operate with minimal disruption in the event of any potential incident. To minimise the threat of disruption at a major site, business operations are spread over a number of strategically positioned locations throughout the United Kingdom.
- **Suppliers** - The Company has no significant concentration of supply risk, with exposure spread over a large number of suppliers. The Company's own factory operations provide further protection in the event of supplier failure.
- **Factory operations** - A comprehensive business continuity plan is in place at the factory to protect the business from any major disruption, including back up stock and options to switch to comparable products with our suppliers to ensure minimal sales disruption due to unforeseen events.
- **Competition and consolidation** - The Company competes with a wide variety of retailers of varying sizes and faces continued competition and consolidation from UK retailers as well as international operators in the UK. Failure to compete with competitors in areas including price, product range, quality and service could have an adverse effect on the Company's financial results. We track performance against a range of measures that customers tell us are critical to their shopping experience and we constantly monitor customer perceptions of ourselves to ensure we can respond quickly if we need to.
- **IT systems, continuity and cyber risk** - The business is dependent on efficient information technology (IT) systems. We recognise the essential role that IT plays across our operations in allowing us to trade efficiently. A series of continuous testing and back up procedures included in the formalised disaster recovery plan mitigates the risk of IT system failure. The business systems sit behind firewalls which are regularly tested.
- **People capabilities** - Our greatest asset is our employees. It is critical to our success to attract, retain, develop and motivate the best people with the right capabilities at all levels of operations. The HR and Training departments have an on-going brief to ensure the continued recruitment of high calibre individuals and first class training investment in our staff to support the continued development of the Dreams team.

### Future developments

The Company's plans are to continue to build on the platform delivered from the robust operating model. The focus therefore will be on improving our customer service and experience, developing our brand alongside managing the appropriate cost base, creating a winning culture, with quality and range improvements to help build sustainable and profitable growth and provide a firm base for long term growth and viability. In addition, the Company will focus on a prudent store expansion strategy into new as well as existing areas.

Looking ahead, the Company will continue to invest in its Online capabilities and expects further growth from the strategic plan. We continue to increase the focus on our customer and are utilising feedback from customers to directly improve the operations and service of our business.

# Dreams Limited

## Strategic report for the year ended 24 December 2017

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### Environment

The Company is committed to supporting the environment and co-operates fully with relevant authorities to ensure that legal obligations are met. The Company recycles plastic/cardboard packaging together with metal fillings via a third party and continues to invest in a program of energy reduction management across its multi-site locations.

On behalf of the board



Kim Zaheer  
**Director**  
29 May 2018

# Dreams Limited

## Directors' report for the year ended 24 December 2017

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The Directors present their report and the audited financial statements of the Company for the year ended 24 December 2017.

### Results for the year

The Company's profit for the financial year ended 24 December 2017 was £25,381k (2016: £24,118k).

### Directors

The Directors who held office during the year and up to the date of signing the financial statements are given below:

Michael Logue  
Kim Zaheer

### Dividends

On 31 March 2017 the Company paid a £10,500k dividend and on 8 September 2017 the Company paid a £9,975k dividend; the Company retained adequate cash resources for its short term trading purposes after the payments (2016: £575k).

### Going Concern

The Company had net current liabilities of £4,965k at 24 December 2017 (2016: £11,307k) and net assets of £33,143k (2016: £28,152k). Underlying EBITDA before exceptional items, consultancy fees and currency movement amounted to £42,960k for the year ended 24 December 2017 (2016: £39,863k). The Company has access to a revolving credit facility to the value of £10.5m which is undrawn.

Based on currently available information including the recent operating results of the Company, current trends and market conditions in the industry, knowledge of the Company's business, and the current cash flow forecasts reflecting this knowledge, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

### Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 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.

The Directors 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.

# Dreams Limited

## Directors' report for the year ended 24 December 2017

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### Financial risk management

The Company's principal financial instruments comprise cash and currently undrawn bank borrowing facilities. The main purpose of these financial instruments is to provide funds for the Company's operations. The Company's only other financial instruments are foreign currency forward contracts and trade debtors and trade creditors that arise directly from its operations.

- **Currency risk** - The Company's product sourcing strategy exposes it to the financial risks of changes in foreign currency exchange rates, in particular the US Dollar and Euro. The Company uses foreign exchange forward contracts to minimise the risk against business plans over a 12 month projected period.
- **Credit risk** - The objective is to reduce the risk of loss arising from default by parties to financial transactions. The Company has implemented policies that require appropriate credit checks on potential trade customers before sales are made. Management regularly reviews outstanding receivables and debtor recovery plans. The Company monitors cash flow as part of its control procedures with a monthly review by the Directors to ensure that adequate facilities are available to be drawn upon as necessary.
- **Liquidity risk** - In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of bank borrowing facilities and short term operating cash generation.

### Third party indemnity provision

The Company has made qualifying third party indemnity provisions for the benefit of its Directors (which extend to the performance of any duties as a Director of any associated Company) which were in place for the entire year and at the date of signing of the financial statements. These remain in force at the date of this report.

### Employee engagement and communication

The Company continually strives to involve its people on matters impacting them and engage colleagues with great ideas. Feedback is received through annual employee opinion surveys, which form an important strategic tool across the Company, as they provide honest feedback that support and drive business improvements. We value two-way communication, with employee forums to ensure we have an ongoing dialogue to involve colleagues in matters that are important to them. This is facilitated through elected employee representatives and, directly, in team meetings and larger briefings.

The Company is committed to keeping its employees informed of the financial and economic developments within the business. This is achieved through many different channels, including a staff liaison committee, weekly bulletins, monthly reviews, a monthly Company magazine and regular departmental briefings.

The Company rewards its teams through bonus and commission schemes based on both results and personal performance.

The Directors are fully committed to delivering the highest standards of health and safety for the Company's employees and acknowledge responsibility for other persons who may be affected by the Company's activities. The Directors are pleased to report the British Safety Council health & safety certificate of merit was awarded to our production facility in Oldbury in February 2017. For the fourth year in a row, the production facility was also awarded the Royal Society for Protection of Accidents (ROSPA) Silver Award in 2017 as well as achieving full member status of the National Bed Federation.

### Disabled employees

The policy of the Company is to give full and fair consideration to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Wherever possible the Company continues to employ those employees who have become disabled. The Company makes arrangement for continued employment and training, career development and promotion of disabled persons employed by the Company.



# Dreams Limited

## Directors' report for the year ended 24 December 2017

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### **Matters included in the Strategic Report**

In accordance with s414C of the Companies Act 2006, included in the Strategic Report is information relating to the future development of the business which would otherwise be required by Schedule 7 of the 'large and medium sized companies and Groups (accounts and reports) regulations 2008' to be contained in the Directors' report.

### **Disclosure of information to auditors:**

Each of the persons who are a Director at the date of approval of this report confirms that:

- So far as the Directors are aware, after making such enquiries as they consider necessary for the purpose of appropriately informing themselves, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that he should have taken to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Kim Zaheer  
**Director**  
29 May 2018

# Dreams Limited

## Independent auditors' report to the members of Dreams Limited

---

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Dreams Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 24 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 24 December 2017; the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# Dreams Limited

## Independent auditors' report to the members of Dreams Limited

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### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the year ended 24 December 2017 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the Directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.


### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

  
Christopher Maw (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge  
29 May 2018

# Dreams Limited

## Statement of comprehensive income for the year ended 24 December 2017

		Year ended 24 December 2017 £'000	Year ended 24 December 2016 £'000
	Note		
<b>Turnover</b>	2	290,288	269,544
Cost of sales		(107,582)	(95,051)
Gross profit		182,706	174,493
Distribution costs		(26,537)	(24,342)
Administrative expenses		(128,947)	(122,908)
Administrative expenses – exceptional	5	(1,471)	(663)
Administrative expenses - total		(130,418)	(123,571)
Other operating income		4,799	4,963
<b>Operating profit</b>	6	30,550	31,543
Interest payable and similar expenses	7	(73)	(113)
<b>Profit before taxation</b>		30,477	31,430
Tax on profit	8	(5,096)	(7,312)
<b>Profit for the financial year and total comprehensive income</b>		25,381	24,118

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

# Dreams Limited

## Balance sheet as at 24 December 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
<b>Fixed assets</b>					
Intangible assets	9		19,378		19,565
Tangible assets	10		25,495		27,290
Investments	11		-		-
			<u>44,873</u>		<u>46,855</u>
<b>Current assets</b>					
Inventories	12	23,868		23,355	
Debtors	13	12,601		13,171	
Cash at bank and in hand		12,908		9,906	
		<u>49,377</u>		<u>46,432</u>	
<b>Creditors: amounts falling due within one year</b>	14	(54,342)		(57,739)	
<b>Net current liabilities</b>			<u>(4,965)</u>		<u>(11,307)</u>
<b>Total assets less current liabilities</b>			39,908		35,548
<b>Creditors: amounts falling due after more than one year</b>	15		(6,765)		(6,848)
<b>Provisions for liabilities</b>	18		-		(548)
<b>Net assets</b>			<u>33,143</u>		<u>28,152</u>
<b>Capital and reserves</b>					
Called up share capital	19		-		-
Profit and loss account			33,143		28,152
<b>Total shareholders' funds</b>			<u>33,143</u>		<u>28,152</u>

The financial statements on pages 10 to 29 were authorised for issue by the Directors on 29 May 2018 and were signed on its behalf by:

  
Kim Zaheer  
Director

Registered number 08428347

The accompanying notes on pages 13 to 29 form an integral part of these financial statements.

# Dreams Limited

## Statement of changes in equity for the year ended 24 December 2017

	Called up Share Capital £'000	Profit and Loss Account £'000	Total shareholders' (Deficit)/Funds £'000
<b>Balance at 24 December 2015</b>	-	<b>4,587</b>	<b>4,587</b>
Profit for the financial year and total comprehensive income for the year	-	24,118	24,118
Credit relating to equity-settled share based payments	-	22	22
Dividend paid (note 20)	-	(575)	(575)
Total transactions with owners, recognised directly in equity	-	(553)	(553)
<b>Balance at 24 December 2016</b>	-	<b>28,152</b>	<b>28,152</b>
Profit for the financial year and total comprehensive income for the year	-	25,381	25,381
Credit relating to equity-settled share based payments	-	85	85
Dividend paid (note 20)	-	(20,475)	(20,475)
<b>Balance at 24 December 2017</b>	-	<b>33,143</b>	<b>33,143</b>

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

---

### 1 Accounting policies

#### **General information**

Dreams Limited ('the Company') is involved in the retail sale of beds along with associated products, services and franchising activities, supported by manufacturing capacity, within the United Kingdom.

The Company is a private Company limited by shares and is incorporated and domiciled in England. The address of its registered office is 14 Knaves Beech Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire HP10 9YU.

#### **Statement of compliance**

The individual financial statements of Dreams Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **Basis of preparation**

The financial statements are prepared on the going concern basis, under the historical cost convention. The principal accounting policies, which have been applied consistently throughout the year unless otherwise stated, are set out below.

The Company's financial period began on 25 December 2016 and ended on 24 December 2017; the financial statements are prepared on this basis. The Company's accounting reference date is 31 December 2017 as permitted by CA06 Sec 390(3).

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements on page 18.

The Company has taken advantage of the exemption to disclose the key management personnel compensation, as required by FRS 102 paragraph 33.7.

#### **Consolidation**

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the financial statements of its ultimate parent undertaking, Dreams Topco Limited, registered number 08428337. The ultimate parent undertaking is the smallest and largest group to consolidate these financial statements. The address of Dreams Topco Limited is 14 Knaves Beech Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire, HP10 9YU.

These financial statements are the Company's separate financial statements.

#### **Going Concern**

The Company had net current liabilities of £4,965k at 24 December 2017 (2016: £11,307k) and net assets of £33,143k (2016: £28,152k). Underlying EBITDA before exceptional items, consultancy fees and currency movement amounted to £42,960k for the year ended 24 December 2017 (2016: £39,863k).

Based on currently available information including the recent operating results of the Company, current trends and market conditions in the industry, knowledge of the Company's business, and the current cash flow forecasts reflecting this knowledge, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

#### **Turnover**

Turnover included in the financial statements is measured at the fair value of the consideration received or receivable and represents the value of goods and services delivered by the Company, net of returns, discounts and exclusive of value added tax and the charges made by providers of credit to customers.

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 1 Accounting policies (*continued*)

The Company's accounting policy for revenue recognition is to recognise a sale at the point the Company fulfils its commercial obligations to the customer, the revenue and costs in respect of the transaction can be measured reliably and collectability is reasonably assured.

For retail sales, this is when an order is delivered to the customer. Therefore, deposits received in advance of delivery are not recognised within turnover, and are recorded within accruals and deferred income. Sales are made to retail customers with a right of return within 14 days, subject to certain conditions regarding product type and usage. The Company bases its estimate of returns on historical results. Turnover in respect of product sales to franchisees is recognised as turnover at the point of delivery to the customer.

#### ***Other income***

Income on the sale of guarantees is recognised as other income net of the associated costs on the transfer of the liability to a third party. Also included within other income is commission from franchises and concession income which is recognised at the point at which the service is provided.

#### ***Exceptional items***

The Company classifies certain one off charges or credits that have a material effect, by value or nature, on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding for the performance of the Company.

#### ***Business combinations and goodwill***

Business combinations are accounted for by applying the acquisition accounting method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the business acquired at the date of acquisition. The Cash generating units (CGUs) are those stores which were profit making on acquisition, with goodwill being apportioned amongst them on a store EBITDA basis.

Goodwill is amortised on a straight-line over its expected useful life. The expected useful life of the goodwill on the acquisition of the trade and assets of Dreams plc (in administration) is 20 years, being the period over which the value of the underlying business acquired is expected to exceed the values of its identifiable net assets.

#### ***Inventories***

Inventories are valued at the lower of cost and estimated selling price less cost to complete and sell. Cost is calculated on a weighted average basis and comprises the purchase price of materials and production and merchandising costs incurred in manufactured finished goods. Where necessary, provision is made for obsolete, slow moving and defective items to reduce the value to the items' estimated selling price less costs to complete and sell and an impairment charge is recognised in profit and loss.

#### ***Intangible assets other than goodwill***

Intangible assets other than goodwill are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows:

Software	- 3 years
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Where factors such as technological advancement or changes in market price indicate that the residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.



# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 1 Accounting policies (*continued*)

Costs associated with maintaining computer software are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled and used or intended for use by the Company are recognised as intangible assets.

#### ***Tangible assets and depreciation***

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and costs incurred in bringing the asset to its working condition for its intended use. 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:

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

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal the difference between the net disposal proceeds and the carrying amount is recognised in profit and loss and included in profit/loss on disposal of tangible fixed assets.

#### ***Financial assets***

Financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impaired. For loans and receivables the amount of impairment is the difference between the assets carrying amount and the present value of the estimated future cash flows. The carrying amount of the financial asset is reduced by the impairment amount directly.

#### ***Financial liabilities***

Financial liabilities include trade and other payables.

Financial liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. They are subsequently carried at amortised cost using the effective interest method.

#### ***Borrowing costs***

All borrowing costs are recognised in the profit or loss in the period in which they are incurred.

#### ***Foreign currencies***

The Company's functional and presentation currency is the pound sterling. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the closing rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are converted into sterling at the spot rate ruling on the date of the transaction. All differences on exchange are taken to cost of sales.

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

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### 1 Accounting policies (*continued*)

#### **Employee benefits**

The Company provides a range of benefits to employees including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short-term benefits such as paid holiday and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

The Company operates a number of bonus plans for employees. An expense is recognised in the statement of comprehensive income when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and where a reliable estimate of the obligation can be made.

The Company has taken advantage of the exemption from disclosure of key management compensation as required by FRS 102 paragraph 33.7.

#### **Pensions**

The Company participates in a defined contribution money purchase scheme, the assets of which are held as units in an independently administered fund. Contributions to defined contribution schemes are recognised in the profit or loss in the period in which they become payable.

#### **Current & deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that the Directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Leased assets**

Where assets are financed by leasing agreements that transfer substantially all the risks and rewards incidental to ownership, the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases.

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 1 Accounting policies (*continued*)

#### **Operating leases**

Rentals applicable to operating leases (leases that do not transfer the risks and rewards of ownership from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. In the case of the lease of buildings, any benefits received and receivable, including rent free periods, are credited to profit or loss to reduce the lease expenditure on a straight-line basis over the period of the lease.

#### **Related party transactions**

Under FRS102 paragraph 33.1A the Company has taken advantage of the exemption from disclosing transactions with related parties that are wholly owned within the same Group. Accordingly, transactions with companies in the Dreams Topco Limited Group are not disclosed separately.

#### **Impairment of non-financial assets**

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash generating unit for which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit or loss. An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

#### **Share-based payments**

The Company operates equity-settled share schemes for certain employees and the Directors of the company. Full details of the arrangement are given in note 21 to the financial statements. The fair value of the employee and Director services received in exchange for the issue of shares in the Company's parent undertaking is recognised as an expense in the financial statements of the subsidiary company to which services have been supplied. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares issued. At each balance sheet date estimates of the number of shares that are expected to vest are revised. The impact of the revision to the original estimates, if any, is recognised in the profit or loss, with a corresponding adjustment to equity.

#### **Derivative instruments**

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The Company has elected not to apply hedge accounting.

#### **Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

#### **Cash flow statement**

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and is a wholly owned subsidiary of Dreams Topco Limited which includes the Company's cash flows in its own consolidated financial statements which are publicly available.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 1 Accounting policies (*continued*)

#### ***Critical judgements and estimates in applying accounting policies***

In the process of applying the accounting policies above, management have made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements.

#### ***Goodwill***

The calculation for considering the impairment of the carrying amount of goodwill requires a comparison of the present value of the cash generating units to which goodwill has been allocated, to the value of the goodwill in the statement of financial position. The calculation of present value requires an estimation of the future cash flows expected to arise from cash generating units and the selection of a suitable discount rate. Details of the assumptions may be found in note 9.

#### ***Inventories***

The calculation for the net realisable value of inventories requires an estimation of the future selling price of the item and any additional costs of disposal.

### 2 Turnover

The Company's activities consist solely of the manufacturing, retail and trade sales of beds and associated products within the United Kingdom.

### 3 Employees

	Year ended 24 December 2017 £'000	Year ended 24 December 2016 £'000
Staff costs consist of:		
Wages and salaries	47,300	44,555
Social security costs	4,217	4,114
Other pension costs	287	187
Share-based payments (note 21)	85	22
	<u>51,889</u>	<u>48,878</u>

The Company provides a defined contribution pension scheme for its employees. The amount recognised as an expense for the year in respect of defined contribution schemes was £287k (2016: £187k) and the amount in creditors at the end of the year was £134k (2016: £32k).

The monthly average number of persons employed by the Company, including Directors, was as follows:

	Year ended 24 December 2017 Number	Year ended 24 December 2016 Number
<b>By activity</b>		
Sales	918	881
Head office	220	215
Logistics and production	699	638
	<u>1,837</u>	<u>1,734</u>

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 4 Directors' emoluments

	Year ended 24 December 2017 £'000	Year ended 24 December 2016 £'000
Directors' remuneration consists of:		
Aggregate emoluments	1,508	1,483
Company pension contributions to defined contribution schemes	10	21
	<u>1,518</u>	<u>1,504</u>

2 Directors, including the highest paid Director, received shares under the management equity plan in 2015 (note 21).

During the current financial year retirement benefits were accruing for 2 Directors (2016: 2) in respect of defined contribution pension schemes.

	Year ended 24 December 2017 £'000	Year ended 24 December 2016 £'000
Highest paid Director:		
Aggregate emoluments	1,019	996
Company pension contributions to defined contribution schemes	-	8
	<u>1,019</u>	<u>1,004</u>

### 5 Administrative expenses – exceptional items

	Year ended 24 December 2017 £'000	Year ended 24 December 2016 £'000
Additional costs arising in relation to the acquisition of the trade and assets of Dreams plc in 2013	512	490
Restructuring	522	173
Aborted transaction fees	305	-
Brand protection	82	-
Capital allowance review	50	-
	<u>1,471</u>	<u>663</u>

Restructuring costs relate primarily to a restructuring of the operating board.

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 6 Operating profit

	Year ended 24 December 2017 £'000	Year ended 24 December 2016 £'000
<b>Operating profit is stated after charging/(crediting):</b>		
Operating lease rentals	24,845	24,438
Impairment of trade debtors	58	53
Impairment of inventories (included in cost of sales)	111	306
Inventories recognised as an expense	107,357	94,862
Foreign exchange loss / (gain)	389	(179)
Loss / (gain) on financial assets measured at fair value	771	(118)
Exceptional items (note 5)	1,471	663
Amortisation of intangible assets	1,980	2,066
Depreciation of tangible assets	6,424	4,844
Loss on disposal of tangible assets	15	38
Share based payments	85	22
Audit fees payable to Company's auditors	90	102
	<u>          </u>	<u>          </u>

Non audit fees paid to the Company's auditors comprise £147k (2016: £nil) in respect of tax advisory services.

### 7 Interest payable and similar expenses

	Year ended 24 December 2017 £'000	Year ended 24 December 2016 £'000
Interest payable on bank loan	-	30
Finance lease interest	73	83
	<u>          </u>	<u>          </u>
	<u>73</u>	<u>113</u>

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 8 Tax on profit

	Year ended 24 December 2017 £'000	Year ended 24 December 2016 £'000
Current tax		
UK corporation tax on profit for the year	6,288	6,335
Adjustments in respect of prior year	(570)	(403)
	<u>5,718</u>	<u>5,932</u>
Deferred tax (note 18)		
Origination and reversal of timing differences	(149)	51
Adjustments in respect of prior year	(480)	1,426
Impact of change in tax rate	7	(97)
	<u>(622)</u>	<u>1,380</u>
<b>Tax on profit</b>	<b>5,096</b>	<b>7,312</b>

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the United Kingdom of 19.27% (2016: 20.00%). The differences are explained below:

	Year ended 24 December 2017 £'000	Year ended 24 December 2016 £'000
<b>Profit before taxation</b>	<b>30,477</b>	<b>31,430</b>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.27% (2016: 20.00%)	<u>5,873</u>	<u>6,286</u>
Effects of:		
Expenses not deductible for tax purposes	374	491
Adjustments in respect of prior year	(1,051)	1,023
Impact of change in tax rate	7	(97)
Imputed interest	-	260
Group relief for nil payment	(107)	(651)
<b>Total tax charge for the year</b>	<b>5,096</b>	<b>7,312</b>

### Factors affecting the future tax charge

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 on 15 September 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 9 Intangible assets

	Software £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 25 December 2016	4,899	22,712	27,611
Additions for the year	1,793	-	1,793
	<hr/>	<hr/>	<hr/>
<b>At 24 December 2017</b>	<b>6,692</b>	<b>22,712</b>	<b>29,404</b>
	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation and impairment</b>			
At 25 December 2016	(3,755)	(4,291)	(8,046)
Charge for the year	(860)	(1,120)	(1,980)
	<hr/>	<hr/>	<hr/>
<b>At 24 December 2017</b>	<b>(4,615)</b>	<b>(5,411)</b>	<b>(10,026)</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 24 December 2017</b>	<b>2,077</b>	<b>17,301</b>	<b>19,378</b>
	<hr/>	<hr/>	<hr/>
<b>At 24 December 2016</b>	<b>1,144</b>	<b>18,421</b>	<b>19,565</b>
	<hr/>	<hr/>	<hr/>

Goodwill was derived from the acquisition of the trade and assets of Dreams plc (in administration) and is reviewed annually for impairment. Each cash generating unit's recoverable amount is based on projections of the unit's cash generating performance projected over 20 years. The projections use the strategic plan for the next 5 years and an assumption of 2.5% growth thereafter. Cash flows are discounted at an average weighted cost of capital of 13%.

The useful life of software is based on its expected utilisation by the Company.



# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 10 Tangible assets

	Land and buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>				
At 25 December 2016	5,292	3,823	32,565	41,680
Additions	240	535	3,894	4,669
Disposals	-	(48)	(29)	(77)
<b>At 24 December 2017</b>	<b>5,532</b>	<b>4,310</b>	<b>36,430</b>	<b>46,272</b>
<b>Accumulated depreciation</b>				
At 25 December 2016	(1,099)	(1,242)	(12,049)	(14,390)
Charge for the year	(393)	(787)	(5,244)	(6,424)
On disposals	-	23	14	37
<b>At 24 December 2017</b>	<b>(1,492)</b>	<b>(2,006)</b>	<b>(17,279)</b>	<b>(20,777)</b>
<b>Net book value</b>				
<b>At 24 December 2017</b>	<b>4,040</b>	<b>2,304</b>	<b>19,151</b>	<b>25,495</b>
<b>At 24 December 2016</b>	<b>4,193</b>	<b>2,581</b>	<b>20,516</b>	<b>27,290</b>

As at 24 December 2017, £2,644k (2016: £2,712k) included within the net book value of land and buildings relates to freehold land and buildings. The remainder of £1,396k (2016: £1,481k) relates to short leaseholds.

The net carrying amount of assets held under finance leases included in motor vehicles is £424k (2016: £591k).

### 11 Investments

	Total £'000
Cost and net book value	
At 24 December 2016 and at 24 December 2017	-

The balance above represents the Company's investment in companies which are not publicly traded. The detail of the Company's subsidiaries undertaking is as follows:

Direct subsidiary undertakings	Country of registration	Nature of business	Percentage holding of ordinary shares
The Bed People Limited	England and Wales	Dormant	100%

The above undertaking is registered at the following address: 14 Knaves Beech Business Centre, Davies Way, Loudwater, High Wycombe, Buckinghamshire, HP10 9YU.

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 12 Inventories

	2017 £'000	2016 £'000
Raw materials and consumables	1,646	1,140
Finished goods and goods for resale	22,222	22,215
	<u>23,868</u>	<u>23,355</u>

Inventories are stated after provisions for impairment of £3,430k (2016: £3,618k). The net realisable value used to determine impairment has been estimated using historic information relating to the selling prices of certain goods. The value of inventories in the balance sheet is not materially different from the replacement cost.

### 13 Debtors

	2017 £'000	2016 £'000
(a) Amounts falling due within one year:		
Trade debtors	207	281
Amounts owed by ultimate controlling party	420	-
Derivative financial instruments	-	614
Prepayments and accrued income	9,900	10,276
Other debtors	2,000	2,000
	<u>12,527</u>	<u>13,171</u>
(b) Amounts falling due after more than one year:		
Deferred taxation (note 18)	74	-
	<u>12,601</u>	<u>13,171</u>

Trade debtors are stated after provisions for impairment of £360k (2016: £280k)

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

	2017 £'000	2016 £'000
Trade creditors	24,700	29,165
Finance leases (note 17)	184	196
Corporation Tax	1,930	2,728
Other taxation and social security	4,704	4,086
Forward foreign currency contracts	158	-
Accruals and deferred income	22,666	21,564
	<u>54,342</u>	<u>57,739</u>

Amounts due under Finance leases are secured against the associated asset.

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

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

	2017 £'000	2016 £'000
<b>Amounts falling due between one and five years</b>		
Finance leases (note 17)	205	449
Accruals and deferred income	4,579	4,095
	<u>4,784</u>	<u>4,544</u>
<b>Amounts falling due after more than five years</b>		
Accruals and deferred income	1,981	2,304
	<u>6,765</u>	<u>6,848</u>

### 16 Loans

On 1 December 2016, the Company extended an existing revolving credit facility to 30<sup>th</sup> June 2019 with Barclays Bank PLC. The facility bears interest at 2.25% + LIBOR and the maximum which may be drawn under the facility is £10,500k. No amounts were drawn down under the Barclays revolving credit facility at the year-end (2016: £nil).

### 17 Finance leases

The Company uses finance leases to acquire delivery vehicles. The leases have a five year term after which the vehicles may be purchased by the Company.

Future minimum finance lease payments are as follows:

	2017 £'000	2016 £'000
Not later than one year	207	196
Later than one year and not later than five years	217	528
	<u>424</u>	<u>724</u>
<b>Total gross payments</b>	<b>424</b>	<b>724</b>
Less: finance charges allocated to future periods	(35)	(79)
	<u>389</u>	<u>645</u>

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 18 Provisions for liabilities

	Deferred tax £'000
Provision as at 25 December 2016	(548)
Credit for the year	622
	<u>74</u>
<b>Asset as at 24 December 2017</b>	<b><u>74</u></b>

The deferred tax asset / (liability) recognised is as follows:

	Recognised 2017 £'000	Recognised 2016 £'000
Fixed asset timing differences	36	(573)
Other timing differences	38	25
	<u>74</u>	<u>(548)</u>

### 19 Called up share capital

	Authorised			
	2017 Number	2016 Number	2017 £'000	2016 £'000
Ordinary shares of £0.01 each	1	1	-	-
	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
	Allotted and fully paid			
	2017 Number	2016 Number	2017 £'000	2016 £'000
Ordinary shares of £0.01 each	1	1	-	-
	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 20 Dividends paid

	2017 £'000	2016 £'000
<b>Equity - ordinary</b>		
Dividend paid in year: £20,475k (2016: £575K) per 1p share	20,475	575
	<hr/>	<hr/>
Total dividends paid	20,475	575
	<hr/>	<hr/>

### 21 Share-based payments

The management equity plan (MEP) was introduced in May 2015. Under the MEP, upon the approval of Sun Capital Partners Inc., the Directors and certain employees are awarded shares in Dreams Topco Limited. On an exit (sale, listing, liquidation) of Dreams Topco Limited the holders of the B and C ordinary shares will share in the exit proceeds above a "hurdle rate". The expected life is the estimated time to the exit event. No performance conditions were included in the fair value calculations. All share classes rank equally for any dividends declared and any distribution declared on winding up. Each class A share has voting rights of 1 vote per share. Class B and C shares have no voting rights.

The fair value per share issued and the assumptions used in the calculation were as follows:

	B Class Shares	C Class Shares
Subscription date	6 May 2015	23 March 2017
Share price at subscription date	£0.0001	£0.0001
Number of employees	6	1
Shares issued	139	13
Expected life (years)	5 Years	5 Years
Expected dividends expressed as a dividend yield	0%	0%
Fair value per share	£791	£11,555

No B shares were issued in the current or prior year and 13 C shares were issued in the current year (2016: nil). There are no exercised or expired shares, B class had no movement, and C class were granted in the year.

The total charge for the year relating to employee share based payment plans was £85k (2016: £22k) which is in relation to equity-settled share based payment transactions. There are no liabilities arising from share-based payment transactions.

### 22 Contingent liabilities

The Company is party to a deed of guarantee and debenture which grants security to Barclays Bank PLC in the form of fixed and floating charges over all the assets of the Company. No amounts were drawn under the Barclays revolving credit facility at the year-end (2016: £nil).

In 2013, Dreams Topco Limited, the smallest and largest parent undertaking to consolidate the Group issued £53,000k zero coupon bonds, of which a balance of £984k (2016: £18,554k) was outstanding at the balance sheet date. The zero coupon bonds are secured under the Debenture and Guarantee Agreement dated 5 March 2013 over the Group's undertakings and all property and assets present and future, including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery. This security ranks second behind debt which may be owed at any time by the Group to Barclays Bank PLC.

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

### 23 Commitments under operating leases

The Company has various leases, principally for stores and Company vehicles under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	24 December 2017 £'000	24 December 2016 £'000
Leases expiring:		
Not later than one year	24,762	24,014
Later than one year and not later than five years	91,702	89,662
Later than five years	57,328	62,563
	<u>173,792</u>	<u>176,239</u>

### 24 Financial instruments

	2017 £'000	2016 £'000
<i>Financial Assets at fair value through profit and loss</i>		
Forward foreign currency contracts	-	614
<i>Financial Assets at amortised cost</i>		
Trade debtors	207	281
Other debtors	2,000	2,000
Amount owed by ultimate parent company	420	-
<i>Financial liabilities at fair value through profit and loss</i>		
Forward foreign currency contracts	158	-
<i>Financial Liabilities at amortised cost</i>		
Trade creditors	24,700	29,165
Finance leases	389	645
Other creditors	17,128	17,454

The fair values of the Company's financial instruments approximate their book value.

The Company purchases forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the assets and liabilities held at fair value through profit and loss at the balance sheet date are determined using quoted prices. Where quoted prices are not available for derivatives the fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.

At the 24 December 2017, the Company had in place forward foreign currency contracts to the value of USD 18,500k (2016: USD12,000k) at a value of £13,832k (2016: £9,768k) and an original cost of £13,990k (2016: £9,154k), with commitments to 23 August 2018 (2016: commitments to 15 November 2017).

# Dreams Limited

## Notes to the financial statements for the year ended 24 December 2017

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### 25 Related party transactions

During the year, purchases of £20k (2016: £547k) were made from Coveris Flexibles (Winsford) UK Ltd, company incorporated in England and Wales, and ultimately owned by a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc. At the year end, the balance outstanding with these companies was £2k (2016: £2k).

In the year, concession income of £272k (2016: £227k) from Sharps Bedrooms Limited and sales to SCS Group plc of £nil (2016: £6k) were recognised. Both companies are owned by a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc. At the year end, the balance receivable from Sharps Bedrooms Limited was £nil (2016: £nil) and SCS was £nil (2016: £3k).

During the year, Sun Capital Partners Management V, LLC and Project Dream S.à.r.l. charged consultancy fees of £1,043k (2016: £975k) and £332k (2016: £69k) respectively. The companies are advised by an affiliate of Sun Capital Partners, Inc. At the year end, the balance prepaid to Sun Capital Partners Management V, LLC and Project Dreams S.à.r.l. was £nil (2016: £20k).

During the year, Dreams Limited incurred costs on behalf of Sun Capital Partners Management V, LLC of £420k (2016: nil). At the year end the balance receivable from Sun Capital Partners Management V, LLC was £420k (2016: nil).

Disclosure of Directors' emoluments is contained in note 4.

### 26 Ultimate parent and controlling party

The immediate parent undertaking of the Company is Dreams Holdco Limited, registered number 08428351.

Dreams Topco Limited, a Company incorporated in the United Kingdom, is the largest and smallest parent undertaking to consolidate the Group. The consolidated financial statements of Dreams Topco Limited are available from 14 Knaves Beech, High Wycombe, Buckinghamshire HP10 9YU.

The ultimate controlling party of the Company is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.