
HYPNOS CONTRACT BEDS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022



HYPNOS CONTRACT BEDS LIMITED

COMPANY INFORMATION

Directors	J P G Keen D J Baldry J Woolley
Registered number	08529305
Registered office	C/O Hypnos Limited Longwick Road Princes Risborough Buckinghamshire HP27 9RS
Independent auditors	Barnes Roffe LLP Chartered Accountants & Statutory Auditors 3 Brook Business Centre Cowley Mill Road Uxbridge Middlesex UB8 2FX

HYPNOS CONTRACT BEDS LIMITED

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HYPNOS CONTRACT BEDS LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 25 JUNE 2022

Introduction

The directors present the strategic report for the period ended 25 June 2022.

Business review and future developments

During the period covered by this report the continuing impact of COVID-19 was felt throughout the company, particularly during the first six months. During the period from July to October we faced a significant loss of staff, including several highly trained operatives at short notice, reflecting post Brexit employment conditions. This hampered the company's ability to achieve budgeted revenues during the first half at a time when we were experiencing record demand for Hypnos products and services reflecting our focus on product innovation and the environmental and sustainability agendas.

The company embarked on a new and innovative recruitment and retention improvement drive and invested heavily in staff salaries, wellbeing, culture, training, and other benefits to attract new, and retain current, employees. This was very successful and by the end of December staff numbers were back to normal. Within the Retail business also, we had the strategic appointment of a new Operations Director to further accelerate improvements in production efficiency and performance

Due to the hotel market taking longer to recover post Covid-19, our Castle Donington factory, a dedicated facility for the hospitality sector, was to a large degree, acting as a sub-contractor to our retail business for the July to December period during which time contribution to its own overheads was negligible. It only traded in its own right from January to June, in which it was profitable.

Significant raw material price increases and energy costs having put pressure on margins and the company often had no choice but to pass these increases on to its customers, but due to the sometimes very long lead times, there would be a delay before the Group realised the benefit of these increases. Lead times are now back to a normal 4-6 weeks.

During the period, we have continued to invest heavily in product development and sustainability. We launched our ground-breaking Organic collection, endorsed by the Soil Association and our national charity and sustainability partner, the Eden Project. We launched our successful Hospitality Origins collection to the hospitality market and further developed our traceable wool initiative by sourcing wool direct from Waitrose farms for our John Lewis ranges.

Despite the challenging start to the period, the second half proved much stronger and saw a satisfactory recovery. The company has continued to invest in product development, the Hypnos brand, manufacturing efficiencies, property consolidation, systems and its people and is confident that it is setting a solid platform for growth over the coming years.

Impact of Coronavirus and outlook

The period to June 2022 was once again impacted by the effects of the Covid-19 pandemic. Whilst none of the businesses needed to close, we often saw higher levels of Covid-19 related absenteeism and labour shortages, and this restricted our ability to achieve budget revenue in some months, despite the order book being full.

We remain confident that supply chain issues have subsided to manageable levels and that our recruitment and retention policies, as revised, better serve the business to achieve its objectives through 2022.

HYPNOS CONTRACT BEDS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 25 JUNE 2022

Principal risks and uncertainties

Credit risk

The company has a confidential invoice discounting (CID) facility which is rarely used. The CID provider has withdrawn the bad debt cover element of its product and the company has taken out a specific credit insurance policy to cover its credit risk.

Bad debts remain low and credit control processes are constantly reviewed to ensure they are appropriate for our risk environment.

Cashflow risk

The company operates a detailed cash flow forecast and actively seeks appropriate funding to meet the company's ambitions.

Price risk

The company is not exposed to any particular commodity price and has an extensive network of suppliers that would be used to minimise any effect.

Foreign exchange risk

The company uses no derivative financial instruments and only operates a natural hedge between receivables and payables in foreign currencies.

Financial key performance indicators

The directors use a variety of measures to assess the performance of the company. The major measures are operational profitability, stock-turn ratio and revenue growth.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

Our Board ensures that all decisions are taken for the long term, and collectively and individually aims to always uphold the highest standard of conduct. Similarly, our Board acknowledges that the business can only grow and prosper over the long-term if it understands and respects the views and needs of the company's shareholders, customers, employees, suppliers and other stakeholders to whom we are accountable, as well as the environment we operate within.

Our CEO, together with the divisional Managing Director, sets the agenda for each Board meeting to ensure that requirements of section 172 are always met and considered through a combination of the following:

- Board papers ensure that stakeholder factors are addressed where relevant.
- Standing agenda points are presented at each meeting, for example; the CFO presents updates on the financial overview, cash position and progress against budget. The Managing Director presents detail on health & safety performance as well as progress against operational objectives.
- An annual budgeting exercise is completed at which time the board considers the strategic direction of the business and how this fulfils our long term objectives.

The board continues to remain mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are assessed at the time.

HYPNOS CONTRACT BEDS LIMITED

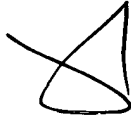
**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 25 JUNE 2022**

This report was approved by the board on

16/3/23

and signed on its behalf.

J P G Keen
Director



HYPNOS CONTRACT BEDS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 25 JUNE 2022

The directors present their report and the financial statements for the period ended 25 June 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Results and dividends

The loss for the period, after taxation, amounted to £1,045,228 (2021 - loss £1,065,898).

The company did not declare dividends in the year (2021 - £Nil).

Directors

The directors who served during the period were:

J P G Keen
J A Moore (resigned 20 June 2022)
J Woolley

On 1 August 2022, D J Baldry was appointed as a director.

HYPNOS CONTRACT BEDS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 25 JUNE 2022

Matters covered in the Strategic Report

The company has chosen, in accordance with section 414C of the Company's Act 2006, to set out the following information which would otherwise be required to be contained in the director's report within strategic report:

- i) Business review and future developments; and
- ii) Likely financial risk management objective and policies; and key performance indicators.

Employee engagement

Hypnos is a people business, with the majority of our workforce employed to hand make Hypnos beds and mattresses. As such, employee engagement is extremely important to the Board and there are a number of workforce engagement mechanisms in place across the company:

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no subsequent events that require disclosure or adjustments to the financial statements.

Auditors

The auditors, Barnes Roffe LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

16 / 3 / 23

and signed on its behalf.



J P G Keen
Director

HYPNOS CONTRACT BEDS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYPNOS CONTRACT BEDS LIMITED

Opinion

We have audited the financial statements of Hypnos Contract Beds Limited (the 'Company') for the period ended 25 June 2022, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 25 June 2022 and of its loss for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

HYPNOS CONTRACT BEDS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYPNOS CONTRACT BEDS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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 financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

HYPNOS CONTRACT BEDS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYPNOS CONTRACT BEDS LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with law and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We identified the laws and regulations applicable to the company through discussion with directors and other management, and from our commercial knowledge and experience of the relevant sector;
- The specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, are as follows:
 - i) Companies Act 2006
 - ii) FRS 102
 - iii) Tax legislation
 - iv) Employment legislation
 - v) Health and safety legislation
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and reviewing supporting evidence where applicable; and
- Laws and regulations were communicated within the audit team at the planning meeting, and during the audit as any further laws and regulation were identified. The audit team remained alert to instances of non-compliance throughout the audit.

HYPNOS CONTRACT BEDS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYPNOS CONTRACT BEDS LIMITED (CONTINUED)

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur by:

- Making enquires of management as to where they consider there was susceptibility to fraud and their knowledge of actual suspected and alleged fraud;
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;
- Reviewing the financial statements and testing the disclosures against supporting documentation;
- Performing analytical procedures to identify any unusual or unexpected trends or anomalies;
- Inspecting and testing journal entries to identify unusual or unexpected transactions;
- Assessing whether judgement and assumptions made in determining significant accounting estimates, were indicative of management bias; and
- Investigating the rationale behind significant transactions, or transactions that are unusual or outside the company's usual course of business.

The areas that we identified as being susceptible to misstatement through fraud were:

- Management bias in the estimates and judgements made;
- Management override of controls; and
- Posting of unusual journals or transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

HYPNOS CONTRACT BEDS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYPNOS CONTRACT BEDS LIMITED
(CONTINUED)

Use of our report

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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Barnes Roffe LLP

Nigel Goodman (Senior statutory auditor)
for and on behalf of
Barnes Roffe LLP
Chartered Accountants & Statutory Auditors
3 Brook Business Centre
Cowley Mill Road
Uxbridge
Middlesex
UB8 2FX

Date: *16th March 2023*

HYPNOS CONTRACT BEDS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 25 JUNE 2022**

	Note	52 week period ended 25 June 2022 £	52 week period ended 26 June 2021 £
Turnover	4	28,015,130	23,751,502
Cost of sales		(15,513,321)	(13,773,174)
Gross profit		12,501,809	9,978,328
Distribution costs		(12,248,851)	(10,156,885)
Administrative expenses		(1,343,829)	(1,232,393)
Other operating income	5	46,902	345,968
Operating loss	6	(1,043,969)	(1,064,982)
Interest payable and similar expenses	10	(1,259)	(916)
Loss before tax		(1,045,228)	(1,065,898)
Tax on loss	11	-	-
Loss for the financial period		(1,045,228)	(1,065,898)
Total comprehensive income for the period		(1,045,228)	(1,065,898)

The notes on pages 14 to 30 form part of these financial statements.

HYPNOS CONTRACT BEDS LIMITED
REGISTERED NUMBER: 08529305

STATEMENT OF FINANCIAL POSITION
AS AT 25 JUNE 2022

	Note	£	25 June 2022 £	£	26 June 2021 £
Fixed assets					
Tangible assets	12		363,036		462,538
			<u>363,036</u>		<u>462,538</u>
Current assets					
Stocks	13	913,971		1,156,148	
Debtors: amounts falling due within one year	14	4,291,591		2,808,110	
Cash at bank and in hand	15	851,200		2,113,439	
			<u>6,056,762</u>	<u>6,077,697</u>	
Creditors: amounts falling due within one year	16	(8,768,708)		(8,048,557)	
Net current liabilities			<u>(2,711,946)</u>		<u>(1,970,860)</u>
Total assets less current liabilities			<u>(2,348,910)</u>		<u>(1,508,322)</u>
Creditors: amounts falling due after more than one year	17		(27,260)		(12,620)
Provisions for liabilities					
Deferred tax	20	(56,028)		(56,028)	
Other provisions	21	(205,607)		(15,607)	
			<u>(261,635)</u>		<u>(71,635)</u>
Net liabilities			<u>(2,637,805)</u>		<u>(1,592,577)</u>
Capital and reserves					
Called up share capital	22		1		1
Profit and loss account	23		(2,637,806)		(1,592,578)
			<u>(2,637,805)</u>		<u>(1,592,577)</u>

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

J P G Keen
Director



16/3/23

The notes on pages 14 to 30 form part of these financial statements.

HYPNOS CONTRACT BEDS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 25 JUNE 2022

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 27 June 2021	1	(1,592,578)	(1,592,577)
Comprehensive income for the period			
Loss for the period	-	(1,045,228)	(1,045,228)
Total comprehensive income for the period	-	(1,045,228)	(1,045,228)
At 25 June 2022	1	(2,637,806)	(2,637,805)

The notes on pages 14 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 26 JUNE 2021

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 28 June 2020	1	(526,680)	(526,679)
Comprehensive income for the period			
Loss for the period	-	(1,065,898)	(1,065,898)
Total comprehensive income for the period	-	(1,065,898)	(1,065,898)
At 26 June 2021	1	(1,592,578)	(1,592,577)

The notes on pages 14 to 30 form part of these financial statements.

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

1. General information

Hypnos Contract Beds Limited is a company limited by shares, incorporated in England and Wales. The address of the registered office is C/O Hypnos Limited, Longwick Road, Princes Risborough, Buckinghamshire, HP27 9RS.

The company specialises in manufacture of beds and furniture.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006 and on the assumption that the company is a going concern.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The company maintains its accounting records on a weekly basis. For this reason the financial statements cover the period from 27 June 2021 to 25 June 2022, being the end of the last full trading week in the year.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements are prepared on a going concern basis, despite the balance sheet showing net current liabilities of £2,711,946 (2021 - £1,970,860). The directors have also taken consideration of the impact of COVID -19 on the business and the withdrawal of the United Kingdom from the European Union. The directors note that the company is trading adequately and has sufficient working capital and other finance available to continue trading for a period of not less than 12 months from the date of signing these financial statements. As such, the directors believe that there are no significant uncertainties in their assessment of whether the business is a going concern and therefore have prepared the accounts on a going concern basis.

Furthermore, the directors of the company's fellow subsidiaries have provided an undertaking that they will not seek repayment of the amount due to them until such time that the company has sufficient funds to do so and will continue to support the company for the foreseeable future, and specifically for a period not less than 12 months from the date of signing of these financial statements, such that the company will be able to meet its liabilities as they fall due.

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue is recognised when performance obligations are met and where there is no product risk or credit risk even if the customer chooses to delay delivery of goods.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of comprehensive income during the period in which they are incurred.

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Plant and machinery	- 20% straight line
Fixtures and fittings	- 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of comprehensive income.

2.6 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to and from related parties.

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

2. Accounting policies (continued)

2.8 Financial instruments (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

2. Accounting policies (continued)

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.11 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

2. Accounting policies (continued)

2.13 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.15 Current and deferred taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and 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 in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.16 Cash flow statement

The company has taken exemption from providing a cash flow statement as it is included in the ultimate parent's consolidated financial statements.

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The directors do not consider any of the estimates or judgements in relation to applying the accounting policies material to these financial statements.

4. Turnover

The whole of the turnover is attributable to the manufacture of beds and furniture.

Analysis of turnover by country of destination:

	52 week period ended 25 June 2022 £	52 week period ended 26 June 2021 £
United Kingdom	24,599,321	21,045,896
Rest of Europe	2,932,672	-
Rest of the world	483,137	2,705,606
	<u>28,015,130</u>	<u>23,751,502</u>

5. Other operating income

	52 week period ended 25 June 2022 £	52 week period ended 26 June 2021 £
Government grants receivable	46,902	345,968
	<u>46,902</u>	<u>345,968</u>

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

6. Operating loss

The operating loss is stated after charging

	52 week period ended 25 June 2022 £	52 week period ended 26 June 2021 £
Depreciation of tangible fixed assets	150,247	168,503
Exchange differences	(11,163)	8,567
Other operating lease rentals	363,385	369,469
	<u> </u>	<u> </u>

7. Auditors' remuneration

During the period, the Company obtained the following services from the Company's auditors:

	52 week period ended 25 June 2022 £	52 week period ended 26 June 2021 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	16,660	16,175

8. Employees

Staff costs, including directors' remuneration, were as follows:

	52 week period ended 25 June 2022 £	52 week period ended 26 June 2021 £
Wages and salaries	4,820,710	3,617,287
Social security costs	412,813	327,820
Cost of defined contribution scheme	141,548	125,046
	<u>5,375,071</u>	<u>4,070,153</u>

During the period, the staff were remunerated through Hypnos Limited and the relevant costs recharged.

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

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

	52 week period ended 25 June 2022 No.	52 week period ended 26 June 2021 No.
Production	139	95
Administration	19	35
	158	130

9. Directors' remuneration

During the period the directors were remunerated through Hypnos Limited. Only the directors are considered to be key management and therefore the remuneration of key management is as disclosed for directors in Hypnos Limited and Keen & Toms Holdings Limited. No apportionment has been deemed necessary.

10. Interest payable and similar expenses

	52 week period ended 25 June 2022 £	52 week period ended 26 June 2021 £
Other loan interest payable	1,259	916
	1,259	916

HYPNOS CONTRACT BEDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 JUNE 2022**

11. Taxation

	52 week period ended 25 June 2022 £	52 week period ended 26 June 2021 £
Total current tax	-	-
Taxation on profit on ordinary activities	-	-

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	52 week period ended 25 June 2022 £	52 week period ended 26 June 2021 £
Loss on ordinary activities before tax	(1,045,228)	(1,065,898)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(198,593)	(202,521)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	803
Decelerated capital allowances	9,713	6,451
Unrelieved tax losses carried forward	183,180	31,446
Group relief surrendered/(claimed)	-	163,821
Other timing differences leading to an increase in taxation	5,700	-
Total tax charge for the period	-	-

Factors that may affect future tax charges

In the March 2021 Budget it was announced that the UK corporation tax rate would increase to 25% from 1 April 2023 for profits over £250,000. There are no other significant factors that may affect future tax charges.

HYPNOS CONTRACT BEDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 JUNE 2022**

12. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 27 June 2021	487,957	999,359	1,487,316
Additions	35,350	15,395	50,745
At 25 June 2022	<u>523,307</u>	<u>1,014,754</u>	<u>1,538,061</u>
Depreciation			
At 27 June 2021	307,206	717,572	1,024,778
Charge for the period on owned assets	54,684	94,420	149,104
Charge for the period on financed assets	1,143	-	1,143
At 25 June 2022	<u>363,033</u>	<u>811,992</u>	<u>1,175,025</u>
Net book value			
At 25 June 2022	<u>160,274</u>	<u>202,762</u>	<u>363,036</u>
At 26 June 2021	<u>180,751</u>	<u>281,787</u>	<u>462,538</u>

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

12. Tangible fixed assets (continued)

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

	25 June 2022 £	26 June 2021 £
Plant and machinery	12,280	20,222
	<u>12,280</u>	<u>20,222</u>

13. Stocks

	25 June 2022 £	26 June 2021 £
Raw materials and consumables	616,738	764,743
Finished goods and goods for resale	297,233	391,405
	<u>913,971</u>	<u>1,156,148</u>

14. Debtors

	25 June 2022 £	26 June 2021 £
Trade debtors	2,556,090	1,350,290
Amounts owed by group undertakings	1,210,222	960,222
Other debtors	300,376	264,760
Prepayments and accrued income	224,903	232,838
	<u>4,291,591</u>	<u>2,808,110</u>

HYPNOS CONTRACT BEDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 JUNE 2022**

15. Cash and cash equivalents

	25 June 2022 £	<i>26 June 2021 £</i>
Cash at bank and in hand	851,200	<i>2,113,439</i>
	<u>851,200</u>	<u><i>2,113,439</i></u>

16. Creditors: Amounts falling due within one year

	25 June 2022 £	<i>26 June 2021 £</i>
Trade creditors	3,785,541	<i>4,106,813</i>
Amounts owed to group undertakings	2,262,136	<i>1,446,954</i>
Obligations under finance lease and hire purchase contracts	16,206	<i>8,309</i>
Other creditors	2,372,559	<i>2,286,363</i>
Accruals and deferred income	332,266	<i>200,118</i>
	<u>8,768,708</u>	<u><i>8,048,557</i></u>

The invoice discounting facility is included in bank and cash as it was positive at the year end. The balance of £1 (2021 - £1,001), is secured by a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, book debts, uncalled capital, buildings, fixtures and fixed plant & machinery.

Obligations under finance leases are secured against the assets leased.

17. Creditors: Amounts falling due after more than one year

	25 June 2022 £	<i>26 June 2021 £</i>
Obligations under finance leases and hire purchase contracts	27,260	<i>12,620</i>
	<u>27,260</u>	<u><i>12,620</i></u>

Obligations under finance leases are secured against the assets leased.

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	25 June 2022 £	26 June 2021 £
Within one year	9,186	8,309
Between 1-5 years	3,041	12,620
	<u>12,227</u>	<u>20,929</u>

19. Financial instruments

	25 June 2022 £	26 June 2021 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>4,066,688</u>	<u>2,575,272</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>8,463,702</u>	<u>7,861,059</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors, and obligations under finance lease and hire purchase contracts.

HYPNOS CONTRACT BEDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 JUNE 2022**

20. Deferred taxation

	2022 £
At beginning of year	56,028
At end of year	56,028

The provision for deferred taxation is made up as follows:

	25 June 2022 £	26 June 2021 £
Accelerated capital allowances	56,028	56,028
	56,028	56,028

21. Provisions

	Redundancy provision £	Warranty provision £	Dilapidation provision £	Total £
At 27 June 2021	15,607	-	-	15,607
Charged to profit or loss	-	160,000	30,000	190,000
At 25 June 2022	15,607	160,000	30,000	205,607

22. Share capital

	25 June 2022 £	26 June 2021 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

23. Reserves

Profit and loss account

Profit and loss account includes all current and prior period retained profits and losses.

24. Contingent liabilities

There is an unlimited cross guarantee originally dated 26 August 2008 and updated due to new subsidiaries between the company, Keen & Toms Partnership Limited, Hypnos Limited, Keen & Toms Holdings Limited, The Furniture Recycling Company Limited, The Sheen Bed Company Limited, Keen & Able Limited and Imperial Sleep Limited over any overdraft or invoice discounting borrowings from their bankers of the respective companies. The company entered into a debenture with its bankers on 13 August 2008 providing security over all assets of the company. The total amount of borrowings in the group is £995,886 (2021 - £1,632,546).

25. 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 and amounted to £141,548 (*period ended 26 June 2021 - £125,046*).

26. Commitments under operating leases

At 25 June 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	25 June 2022 £	26 June 2021 £
Land and buildings		
Not later than 1 year	175,000	175,000
Later than 1 year and not later than 5 years	218,750	393,750
	<u>393,750</u>	<u>568,750</u>
	25 June 2022 £	26 June 2021 £
Other		
Not later than 1 year	-	6,058
	<u>-</u>	<u>6,058</u>

HYPNOS CONTRACT BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 JUNE 2022

27. Related party transactions

The company has taken advantage allowed by Financial Reporting Standard 102 not to disclose any transactions with wholly owned members of the group.

During the period the company made sales to a director which are at the same prices as the staff sales scheme. In aggregate these are £3,821 (*period ended 26 June 2021 - £571*). The outstanding balances at period end aggregated to £3,110 (*2021 - £460*).

28. Ultimate parent undertaking and controlling party

The immediate parent company is Keen & Toms Partnership Limited. The ultimate parent company is Keen & Toms Holdings Limited, a company registered in England and Wales. According to the directors there is no ultimate controlling party.

Consolidated accounts for Keen & Toms Holdings Limited are available at Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. This is the only company in the group which prepares consolidated accounts.