2739119

ABF Limited

Report and Financial Statements

29 January 2005

Registered No: 273919

Directors
C Baxandall
J Iddon
N Mernock (appointed 14 November 2005)

Secretary
C Baxandall

Auditors
Ernst & Young LLP
PO Box 61
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

Bankers
The Royal Bank of Scotland plc
National Australia Bank Limited

Registered Office
Silentnight House
Salterforth
Barnoldswick
Lancashire
BB18 5UE

Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 29 January 2005.

Results and dividends

The results for the year are given in the profit and loss account on page 7 and in the notes to the financial statements.

The directors do not recommend the payment of a final dividend (2004: £nil).

Principal activity

The company manufactured and distributed beds and furniture including mattresses, divans, bedsteads, headboards, cabinets and components. Following the related closures, as outlined below, the company now manufactures and distributes bedroom products including mattresses, divans, bedsteads and headboards.

Review of the business and future developments

The Company's future strategy is to focus on developing our market leading bed brands.

The business has recently conducted a thorough review of future manufacturing capacity requirements in the UK. As noted below this has resulted in the decision to rationalise our UK manufacturing across fewer sites and close both Batley and Wombwell operations. The related closure will be predominately funded from property proceeds.

ABF Limited is a wholly owned subsidiary of Soundersleep Limited . The review outlined below is therefore in relation to activity in Soundersleep Limited and all of its subsidiaries.

The group has incurred significant exceptional losses in the two years to the balance sheet date and in the post year end period as a result of the above restructuring. However, the directors believe that the fundamental internal restructuring and asset disposals actioned since the balance sheet date will bring about improved results, as indicated in the detailed profit and cash flow forecasts prepared for the period to the end of January 2007. The forecasts indicate that the group will return to an acceptable level of profitability and will be able to operate within its agreed working capital facilities for at least the next twelve months.

The group's bank has supported the restructuring programme and will continue to provide working capital facilities, which are subject to a normal interim review in July 2006, but which will be renegotiated on or before 31 January 2007.

Events since the balance sheet date

On 15 April 2005, the company announced a proposal to close the manufacturing operations at its Bedsteads factory in Wrexham by September 2005.

On 26 May 2005, the company announced the sale of its furniture manufacturing operation at Sunderland to its management, now trading as Stag Furniture (UK) Limited.

On 14 July 2005, the company announced a proposal to close the Layezee bed manufacturing operations at its two sites at Batley and Wombwell by spring 2006.

Directors' report

Directors and their interests

The directors of the company at the year end were:

A Allenza (resigned 14 November 2005)
C Baxandall
M Scott (resigned 14 November 2005)
J Iddon
N Mernock (appointed 14 November 2005)

There are no directors' interests in ABF Limited requiring disclosure under the Companies Act 1985.

Tangible fixed assets

The directors are of the opinion that any difference between the book value and the market value of the land and buildings of the company is not significant.

Employee communications

During the year the group has continued to inform employees about matters which affect their working lives. The Group newspaper is circulated to all employees.

At plant level, because of significant differences in size, business and location, methods of communication and consultation may vary. They range from informal regular contact to formal employee briefing groups, with particular emphasis being placed on providing information of local relevance.

Disabled persons

The company recognises its legal and social obligations for the employment of disabled persons and does what is practical to fulfil them. Disabled persons' applications for employment are carefully considered and their aptitudes and abilities are taken fully into account. If employees become disabled while employed by the company every effort is made to retain them in the same job. General training and promotional opportunities are available to disabled employees according to individual ability in the same way as to other employees.

Donations

Charitable donations during the year amounted to £3,869 (2004: £4,299).

Creditor payment policy

The general policy is to pay suppliers at the end of the month following the month in which delivery occurs. It is always policy to:

- agree the terms of payment with each supplier;
- pay in accordance with contractual and other legal obligations.

Trade creditors shown in the company's balance sheet at 29 January 2005 represents 53 days (2004: 46 days) of average purchases during the year.

Directors' report

Auditor

A resolution will be put to the Annual General Meeting proposing that Ernst & Young LLP be re-appointed as auditors of the company.

By order of the Board

C Bell

C Baxandall
Secretary

30 November 2005

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that year. In preparing the financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- *make judgements and estimates that are reasonable and prudent;*
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, as described in Note 1, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of ABF Limited

We have audited the company's financial statements for the 52 weeks ended 29 January 2005 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Reconciliation of Movements in Shareholders' Funds, Note of Historical Cost Profits and Losses and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of ABF Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and of the company as at 29 January 2005 and of the group's loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst + Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

30 November 2005

Consolidated profit and loss account

for the 52 weeks ended 29 January 2005

	Note	2005 £'000	2004 £'000
Turnover		182,453	188,507
Operating costs before exceptional costs	2	181,511	180,377
Exceptional operating costs	3	11,629	7,589
Operating costs		193,140	187,966
Profit on sale of properties		1,155	-
(Loss)/profit on ordinary activities before interest and taxation	4	(9,532)	541
Net interest payable	7	(1,025)	(143)
(Loss)/profit on ordinary activities before taxation		(10,557)	398
Tax on profit on ordinary activities	8	(1,263)	(1,976)
Retained loss for the financial year	20	(11,820)	(1,578)

Consolidated balance sheet

at 29 January 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	10	13,726	14,636
Tangible assets	11	33,460	45,002
		47,186	59,638
Current assets			
Stocks	13	8,880	8,775
Asset held for resale	14	-	400
Debtors	15	27,965	27,252
Cash at bank and in hand		104	7,048
		36,949	43,475
Creditors: amounts falling due within one year	16	40,093	36,479
Net current (liabilities)/assets		(3,144)	6,996
Total assets less current liabilities		44,042	66,634
Creditors: amounts falling due after more than one year	17	34,088	43,323
Provision for liabilities and charges	18	1,367	1,752
		35,455	45,075
Net assets		8,587	21,559
Capital and reserves			
Called up share capital	19	62	62
Revaluation reserve	20	7,743	10,227
Profit and loss account	20	782	11,270
Equity shareholders' funds		8,587	21,559

The financial statements were approved by the Board of Directors on 30 November 2005 and signed on its behalf by:

J Iddon
Director

Company balance sheet

at 29 January 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	10	13,726	14,636
Tangible assets	11	10,819	18,760
Investments	12	12,134	12,662
		36,679	46,058
Current assets			
Stocks	13	8,880	8,775
Debtors	15	27,948	27,279
Cash at bank and in hand		105	6,902
		36,933	42,956
Creditors: amounts falling due within one year	16	39,230	36,226
Net current (liabilities)/assets		(2,297)	6,730
Total assets less current liabilities		34,382	52,788
Creditors: amounts falling due after more than one year	17	33,708	42,936
Provision for liabilities and charges	18	-	-
		33,708	42,936
Net assets		674	9,852
Capital and reserves			
Called up share capital	19	62	62
Profit and loss account	20	612	9,790
Equity shareholders' funds		674	9,852

The financial statements were approved by the Board of Directors on 30 November 2005 and signed on its behalf by:

J Iddon
Director

Consolidated statement of total recognised gains and losses

for the 52 weeks ended 29 January 2005

	2005 *£'000*	*2004* *£'000*
Loss for the financial year	(11,820)	(1,578)
Currency translation differences on foreign currency net investments	6	11
Surplus on revaluation of properties	-	3,659
Impairment of properties	(1,158)	-
Total recognised gains and losses for the financial year	(12,972)	2,092

Consolidated reconciliation of movements in shareholders' funds

for the 52 weeks ended 29 January 2005

	2005 *£'000*	*2004* *£'000*
Loss for the financial year	(11,820)	(1,578)
Retained loss for the year	(11,820)	(1,578)
Currency translation differences on foreign currency net investments	6	11
Surplus on revaluation of properties	-	3,659
Impairment of properties	(1,158)	-
Net (reduction)/addition to shareholders' funds	(12,972)	2,092
Opening shareholders' funds	21,559	19,467
Closing shareholders' funds	8,587	21,559

Note of historical cost profits and losses

for the 52 weeks ended 29 January 2005

	2005 *£'000*	*2004* *£'000*
Reported (loss)/profit on ordinary activities before taxation	(10,557)	398
Realisation of property revaluation gains on previous years	1,205	-
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the relevant amount	44	26
Historical cost (loss)/profit on ordinary activities before taxation	(9,308)	424
Historical cost loss for the year after taxation	(10,571)	(1,552)

Notes to the financial statements

for the 52 weeks ended 29 January 2005

1. Accounting policies

Fundamental accounting concept

The financial statements have been prepared under the historical cost convention as amended by the revaluation of freehold property in the UK and in accordance with applicable accounting standards.

ABF Limited is a wholly owned subsidiary of Soundersleep Limited . The review outlined below is therefore in relation to activity in Soundersleep Limited and all of its subsidiaries.

The group has incurred significant exceptional losses in the two years to the balance sheet date and in the post year end period. However, the directors believe that the fundamental internal restructuring and asset disposals actioned since the balance sheet date will bring about improved results, as indicated in the detailed profit and cash flow forecasts prepared for the period to the end of January 2007. The forecasts indicate that the group will return to an acceptable level of profitability and will be able to operate within its agreed working capital facilities for at least the next twelve months.

The group's bank has supported the restructuring programme and will continue to provide working capital facilities, which are subject to a normal interim review in July 2006, but which will be renegotiated on or before 31 January 2007.

Accordingly, the directors believe that it is appropriate to prepare the accounts on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and all its subsidiary undertakings made up to 29 January 2005.

Goodwill

Goodwill arising on acquisitions of subsidiaries and businesses prior to 31 January 1998 was written off to reserves as incurred. Such goodwill is charged against the profit for the year in which any disposal of subsidiaries takes place. Goodwill arising on the acquisition of subsidiaries and businesses completed after 31 January 1998 will be capitalised as an intangible asset and written off over its economic useful life.

Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or at the contracted rate if the contract is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate, and gains or losses on translation are included in the profit and loss account.

Tangible fixed assets

Freehold property is revalued such that its carrying amount is its current value at the balance sheet date. All other fixed assets are included in the financial statements at cost. Depreciation is provided to write off the cost of revaluation less estimated residual value in equal instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold property	-	2% per annum
Plant	-	10% per annum
Motor cars	-	25% per annum
Commercial vehicles	-	14% per annum
Trailers	-	10% per annum
Other fixtures and fittings, computers and office equipment	-	10% - 33% per annum

Freehold land is not depreciated.

Notes to the financial statements

for the 52 weeks ended 29 January 2005

Government grants relating to capital expenditure are included in accruals and deferred income and released to profit and loss over the estimated useful life of the asset.

Stocks

All stocks have been valued at the lower of cost and net realisable value. The cost of finished goods and work in progress includes direct labour and appropriate production overheads.

Notes to the financial statements

for the 52 weeks ended 29 January 2005

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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

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.

Finance leases

Assets held under finance leases are capitalised and included in tangible fixed assets at fair value. The obligations relating to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within, or creditors due after, one year. Finance charges are amortised over the lease term to reflect a constant rate of interest on the remaining balance of the obligation.

Operating leases

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

Pension costs

The expected cost of providing pensions under the company's defined benefit scheme, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. Costs incurred in respect of defined contribution schemes are charged to the profit and loss account in accordance with the period to which the contributions relate. The transitional disclosures required by FRS 17 are included in these accounts.

Investments

Shares in subsidiary companies are stated at cost less provisions for permanent diminution in value.

Intangible assets

Trademarks are recorded in the Financial Statements at cost. Amortisation is provided to write off the cost of trademarks over their useful economic life, which has been assessed at 20 years.

Cash flow statement

Under FRS 1 the company is not required to prepare a cash flow statement, being a wholly owned subsidiary of Soundersleep Limited, whose consolidated financial statements include a cash flow statement dealing with the cash flows of the group.

Notes to the financial statements

for the 52 weeks ended 29 January 2005

1. Accounting policies (continued)

Related party transactions

As the company is a wholly owned subsidiary of Soundersleep Limited the company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements can be obtained from the address given in note 23.

Research and development

Research and development expenditure is written off as incurred.

Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of mattresses, divans, bedsteads, headboards, cabinets and components, all arising in the UK.

2. Operating costs

	2005	*2004*
	£'000	*£'000*
Cost of sales	125,721	126,922
Distribution expenses	37,691	35,660
Administrative expenses	18,099	17,795
	181,511	180,377

3. Exceptional operating costs

	2005	*2004*
	£'000	*£'000*
Reorganisation and redundancy costs	5,390	3,438
Fixed asset impairment	6,239	4,151
	11,629	7,589

The reorganisation and redundancy costs for the 52 weeks ended 29 January 2005 consist of the costs of restructuring the manufacturing operations at Batley and Wombwell sites of Layezee and Perfecta Beds and redundancy costs at the Sunderland site of Silentnight Furniture.

The reorganisation and redundancy costs for the 52 weeks ended 31 January 2004 consist of the costs of restructuring the manufacturing operations at Batley and Wombwell sites of Layezee and Perfecta Beds.

The company carried out a review for the 52 weeks ended 29 January 2005 and 31 January 2004, to determine whether there has been an impairment of its fixed assets, as a result of which certain assets have been written down to their appropriate value.

The cash payments for reorganisation and redundancy costs were £5,308,000 (2004: £2,670,000).

Notes to the financial statements

for the 52 weeks ended 29 January 2005

4. (Loss)/profit on ordinary activities before interest and taxation

		2005	2004
		£'000	£'000
(Loss)/profit before interest is stated after charging/(crediting):			
Depreciation		4,093	4,681
Amortisation of intangible assets		910	910
(Profit)/loss on disposal of fixed assets		(15)	81
Impairment of fixed assets		6,239	4,151
Auditors' remuneration:	audit	110	101
Leasing and hire charges:	land and buildings	482	324
	plant and machinery	1,026	874
Exchange loss on foreign currency borrowings/deposits		11	3
Government grants		(59)	(84)
Research and redevelopment costs		293	340

5. Remuneration of directors

Three of the directors of ABF Limited are also directors of the immediate holding company, Silentnight Group Limited. Details of their remuneration and retirement benefits are included in that company's accounts. The remaining director of ABF Limited is remunerated by Silentnight Group Limited and she does not receive remuneration from the company in respect of her services as director or otherwise in connection with the management of the affairs of the company or it's subsidiaries.

The directors do not believe that it is practicable to apportion remuneration between the company and the holding company.

	2005	2004
	£'000	£'000
Aggregate emoluments	-	21
Compensation for the loss of office	-	65
	-	86

The remuneration of the highest paid director including benefits in kind was £nil (2004: £21,000), including compensation for loss of office £nil (2004: £65,000). The accrued pension entitlement of the highest paid director was £nil (2004: £nil). Retirement benefits are accruing to nil (2004: nil) directors under the group's defined benefit scheme, and nil (2004: none) under money purchase schemes.

Notes to the financial statements

for the 52 weeks ended 29 January 2005

6. Employee information

	2005	*2004*
	£'000	£'000
Employee costs:		
Wages and salaries	51,983	54,459
Social security costs	4,846	5,067
Other pension costs	1,362	1,431
	58,191	60,957
	Number	*Number*
Average number of persons employed:		
Production	1,904	2,235
Sales and distribution	691	681
Administration	180	189
	2,775	3,105

7. Net interest payable

	2005	*2004*
	£'000	*£'000*
Interest payable on:		
Finance leases	(8)	(5)
Bank loans and overdrafts:		
Repayable within five years	(1,022)	(138)
	(1,030)	(143)
Interest receivable	5	-
	(1,025)	(143)

8. Taxation on profit on ordinary activities

i) Analysis of tax charge in year

	2005	*2004*
	£'000	*£'000*
Current tax:		
UK Corporation tax at 30% (2004: 30%)	-	-
Group relief payable	1,259	3,134
Adjustments in respect of prior year	(140)	150
Total current tax (note 8(ii))	1,119	3,284
Deferred tax:		
Origination and reversal of timing differences (note 18)	144	(1,308)
	1,263	1,976

Notes to the financial statements

for the 52 weeks ended 29 January 2005

8. Taxation on (loss)/profit on ordinary activities (continued)

ii) Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK 30% (2004: 30%).

The differences are explained below:

	2005 £'000	2004 £'000
Group (loss)/profit on ordinary activities before tax	(10,557)	398
Group (loss)/profit on ordinary activities before tax at 30% (2004: 30%)	(3,167)	120
Effects of:		
Expenses/income not deductible/taxable for tax purposes	402	190
Depreciation in excess of capital allowances	3,110	2,637
Current year losses not utilised	1,132	150
Adjustments to tax charge in respect of prior years	(140)	-
Other timing differences	(123)	186
Other	(83)	1
Chargeable gains	(12)	-
Total current tax	1,119	3,284

iii) Factors that may affect future tax charges

The group has an unprovided deferred tax liability of £1,281,000 (2004: £1,281,000) in respect of tax arising on chargeable gains in previous periods that have been deferred by means of hold over or rollover relief. A net deferred tax asset of £5,333,000 (2004: £1,007,000), which consists of £3,894,000 (2004: 843,000) of depreciation charged in excess of capital allowances and £157,000 (2004: £164,000) of other timing differences and £1,282,000 (2004: £nil) of unutilised losses is available for offset against the unprovided deferred tax liability.

The liability relating to the gains deferred will not crystallise as a result of the sale of the replacement assets or if the replacement assets cease to be used for qualifying purposes or, in the case of certain assets, on the tenth anniversary of the acquisition of the replacement asset. It may be possible that any future tax arising may be deferred by subsequent group reinvestment into a qualifying asset. It is not anticipated that any of this deferred tax will become payable in the foreseeable future.

9. Profit of parent company

As permitted by Section 230(4) of the Companies Act 1985, the profit and loss account of the parent company, ABF Limited, is not presented as part of these financial statements. The loss of the company for the financial year included within the consolidated profit and loss account is £9,184,000 (2004: £1,306,000).

Notes to the financial statements

for the 52 weeks ended 29 January 2005

10. Intangible fixed assets

Group and company trademarks

	£'000
Cost:	
At 31 January 2004 and 29 January 2005	18,200
Amortisation:	
At 1 February 2004	3,564
Charge for the year	910
At 29 January 2005	4,474
Net Book Value:	
At 29 January 2005	13,726
At 31 January 2004	14,636

11. Tangible fixed assets

	Group			Company
	Freehold Property £'000	Equipment, plant and vehicles £'000	Total £'000	Equipment, plant and vehicles £'000
Cost or valuation:				
At 1 February 2004	26,448	69,632	96,080	69,632
Additions	251	3,681	3,932	3,681
Group transfers	-	143	143	143
Disposals	(2,315)	(4,947)	(7,262)	(4,947)
At 29 January 2005	24,384	68,509	92,893	68,509
Depreciation:				
At 1 February 2004	206	50,872	51,078	50,872
Foreign exchange movements	-	1	1	1
Charge for the year	407	3,686	4,093	3,686
Group transfers	-	106	106	106
Disposals	(28)	(3,214)	(3,242)	(3,214)
Impairment	1,158	6,239	7,397	6,239
At 29 January 2005	1,743	57,690	59,433	57,690
Net book value:				
At 29 January 2005	22,641	10,819	33,460	10,819
At 31 January 2004	26,242	18,760	45,002	18,760

Notes to the financial statements

for the 52 weeks ended 29 January 2005

11. Tangible fixed assets (continued)

Freehold property also includes £4,565,000 (2004: £5,571,000) in respect of land which is not depreciated.

The net book value of finance leases, included in tangible fixed assets, amounted to £nil (2004: £nil). The depreciation charge for the year in respect of finance leases was £nil (2004: £nil).

A professional revaluation of group freehold property in the UK was undertaken in July 2003 by ATL Surveys, Chartered Surveyors of Nelson, Lancashire. The valuation was undertaken on the basis of open market value for existing use with the exception of two specialised properties which were valued on a depreciated replacement cost basis and two other properties which were valued at open market value with a view to disposal. The valuation was prepared in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal Institution of Chartered Surveyors.

On an historical cost basis freehold property would have been included at the following amounts:

	2005	*2004*
	£'000	*£'000*
Cost	18,311	19,634
Aggregate depreciation	(3,561)	(3,422)
Net book value	14,750	16,212

Future capital expenditure

	Group 2005 £'000	*Company 2005 £'000*	*Group 2004 £'000*	*Company 2004 £'000*
No provision has been made for:				
Expenditure for which contracts have been placed	449	449	535	37

12. Investments

Company	*Shares in subsidiaries £'000*	*Loans to subsidiaries £'000*	*Total £'000*
Cost:			
At 1 February 2004	2,192	11,749	13,941
Net movements on loans	-	(528)	(528)
At 29 January 2005	2,192	11,221	13,413
Amounts provided:			
At 1 February 2004 and 29 January 2005	999	280	1,279
Net Book Value:			
At 29 January 2005	1,193	10,941	12,134
At 31 January 2004	1,193	11,469	12,662

Details of subsidiary undertakings are given in note 24.

Notes to the financial statements

for the 52 weeks ended 29 January 2005

13. Stocks

	Group and Company	
	2005	*2004*
	£'000	*£'000*
Raw material and consumables	3,951	4,411
Work in progress	1,321	1,481
Finished goods	3,608	2,883
	8,880	8,775

14. Asset held for resale

	2005		*2004*	
	Group	*Company*	*Group*	*Company*
	£'000	*£'000*	*£'000*	*£'000*
Freehold land	-	-	400	-

15. Debtors

	2005		*2004*	
	Group	*Company*	*Group*	*Company*
	£'000	*£'000*	*£'000*	*£'000*
Due within one year:				
Trade debtors	25,274	25,274	23,962	23,962
Other debtors	153	153	203	203
Prepayments and accrued income	2,022	2,022	2,819	2,819
Amounts due from group undertakings	516	499	268	295
	27,965	27,948	27,252	27,279

16. Creditors: amounts falling due within one year

	2005		*2004*	
	Group	*Company*	*Group*	*Company*
	£'000	*£'000*	*£'000*	*£'000*
Bank overdraft	10,009	10,397	6,420	6,420
Trade creditors	16,711	16,711	14,223	14,223
Amounts owed to group undertakings	2,316	1,105	4,675	4,436
Other taxation and social security	5,056	5,056	5,415	5,415
Corporation tax	-	-	145	145
Accruals and deferred income	6,001	5,961	5,601	5,587
	40,093	39,230	36,479	36,226

Notes to the financial statements

for the 52 weeks ended 29 January 2005

16. **Creditors:** amounts falling due within one year (continued)

None of the bank borrowings were secured at 29 January 2005 (2004: none secured).

17. **Creditors:** amounts falling due after more than one year

	2005		*2004*	
	Group	*Company*	*Group*	*Company*
	£'000	*£'000*	*£'000*	*£'000*
Accruals and deferred income	408	28	535	148
Amount due to holding company	33,680	33,680	42,788	42,788
	34,088	33,708	43,323	42,936

18. Provision for liabilities and charges

	Group deferred taxation	*Group dilapidation provision*	*Group total*	*Company deferred taxation*
	£'000	*£'000*	*£'000*	*£'000*
At 1 February 2004	1,002	750	1,752	-
Arising in the year	144	-	144	-
Utilised in the year	-	(529)	(529)	
At 29 January 2005	1,146	221	1,367	-

Deferred taxation is included in the financial statements as follows:-

	2005		*2004*	
	Amount provided	*Amount unprovided*	*Amount provided*	*Amount unprovided*
	£'000	*£'000*	*£'000*	*£'000*
Group:				
Accelerated capital allowances	1,146	(3,894)	1,227	(843)
Tax losses carried forward	-	(1,282)	-	-
Other timing differences	-	1,124	(225)	1,117
	1,146	(4,052)	1,002	274
Company:				
Accelerated capital allowances	-	(3,894)	-	(843)
Tax losses carried forward	-	(1,282)	-	-
Other timing differences	-	1,053	-	1,046
	-	(4,123)	-	203

Notes to the financial statements

for the 52 weeks ended 29 January 2005

19. Called up share capital

	2005 *£'000*	*2004* *£'000*
Authorised		
75,000 ordinary shares of £1 each	75	75
Allotted and fully paid:		
62,427 ordinary shares of £1 each	62	62

20. Retained profits and reserves

	Revaluation reserve £'000	*Group Retained profit £'000*	*Company Retained profit £'000*
At 1 February 2004	10,227	11,270	9,790
Retained loss for the year	-	(11,820)	(9,184)
Foreign exchange adjustments	-	6	6
Revaluation reserve transferred to retained profit (i)	(1,326)	1,326	-
Impairment (ii)	(1,158)	-	-
At 29 January 2005	7,743	782	612

(i) The transfer between the revaluation reserve and retained profit results from the sale of properties that had previously been revalued.

(ii) The debit to the revaluation reserve is a result of an impairment review of the operations at Wrexham, Batley and Wombwell. The company announced the closure of these operations after the year-end.

The cumulative amount of goodwill written off against Group profit and loss account reserves in respect of acquisitions prior to 31 January 1998 when FRS10: 'Goodwill and Intangible Assets' was adopted amounts to £1,460,000 (2004: £1,460,000). No negative goodwill is included within reserves.

21. Lease commitments

At 29 January 2005 the group had annual commitments under operating leases expiring as follows:

	2005 *£'000*	*2004* *£'000*
(a) Land and buildings		
Expiring within one year	55	25
Expiring within 1 to 2 years	-	160
Expiring within 2 to 5 years	89	-
Expiring in over 5 years	29	29
	173	214

Notes to the financial statements

for the 52 weeks ended 29 January 2005

21. Lease commitments (continued)

	2005	*2004*
	£'000	*£'000*
(b) Plant and machinery		
Expiring within one year	190	157
Expiring within 1 to 2 years	338	218
Expiring within 2 to 5 years	131	273
Expiring in over 5 years	37	-
	696	648

22. Pensions

(i) Valuation

The last formal actuarial valuation of the Silentnight Group DB Scheme (DBS) took place as at 1 December 2002 and this showed the market value of the assets to be £84,404,000. The actuarial value of the assets was sufficient to cover 86% of the benefits due to members, calculated on the basis of pensionable earnings and service as at the date of the valuation and on an ongoing basis.

The principal assumptions used for the purposes of these accounts are:

Rate of investment growth	8.1% per annum
Rate of salary growth	4.3% per annum
Rate of pension increases	2.3% per annum

(ii) SSAP24 disclosures

Silentnight Group Limited operates a number of pension schemes. These schemes are funded by contributions from group companies and their assets are held in separate, trustee administered funds. On 1 December 2002, the Silentnight Retirement Benefits Scheme and the Silentnight Holdings Plc Scheme No. 1 merged, the ongoing scheme being renamed DBS.

The company belongs to the defined benefit scheme of Silentnight Group Limited for which the pension costs are assessed in accordance with the advice of a professionally qualified actuary, contributions being based on pension costs across the group as a whole.

The underlying assets and liabilities of the DB Scheme are not separately identifiable by participating company. Particulars of the latest actuarial valuation of the DB Scheme are given in the accounts of Soundersleep Limited.

The total pension cost for the group was £ 1,362,000 (2004: £1,431,000) made up as follows:

	2005	*2004*
	£'000	*£'000*
UK defined benefit scheme		
- DBS	705	769
UK defined contribution scheme	625	633
Overseas schemes	32	29
	1,362	1,431

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for the 52 weeks ended 29 January 2005

22. Pensions (continued)

The pension cost relating to the defined benefit schemes is assessed in accordance with the advice of professionally qualified actuaries using the projected unit method.

A further contribution by Silentnight Group Limited of £1,000,000 a year in addition to the employer's regular contribution of 12.8% of pensionable earnings, are being made for three years to reduce the deficiency in the UK scheme. The position will be reassessed as at December 2005, the date of the next triennial actuarial valuation.

The unpaid contributions outstanding at the year end in respect of the UK defined contribution schemes, included in creditors (note 17) are £46,000 (2004: £59,000).

The charge of £32,000 (2004: £29,000) relating to overseas schemes has been determined in accordance with the local best practice and regulations in the relevant countries.

(iii) FRS17 disclosures

The information disclosed is required by transitional provisions of FRS17, and is in relation to the Soundersleep Group. Further disclosures, as required by FRS17, are set out in the financial statements of Soundersleep Limited.

FRS17, if implemented in full, will require immediate recognition in the balance sheet of the net surplus or deficit in the DBS calculated as at the balance sheet date. The standard requires the assets to be measured at their market value and the liabilities to be discounted at the rate of return available on high quality corporate bonds, both at the balance sheet date.

The values of the defined benefit scheme assets under FRS17 have been determined by the actuary, based on the results of the actuarial valuation as at 29 January 2005 and 31 January 2004, and using the following assumptions:

	2005 *% per annum*	*2004* *% per annum*
Rate of increase in salaries	3.0	3.5
Rate of increase in pensions in payment	2.5	2.5
Rate of revaluation of pensions in deferment	2.5	2.5
Price inflation	2.5	2.5
Discount rate	5.2	5.7

The assets in the scheme and the expected rates of return were as follows:

		2005		*2004*
	Expected long-term return %	*Market value of assets £'000*	*Expected long-term return %*	*Market value of assets £'000*
Equities	7.9	40,873	7.9	53,656
Bonds	4.9	47,152	5.0	36,184
Property	7.9	2,111	7.9	1,875
Other	7.9	13,229	5.0	555
Total		103,365		92,270

Notes to the financial statements

for the 52 weeks ended 29 January 2005

22. Pensions (continued)

The estimated financial position as at 29 January 2005 and 31 January 2004 was as follows:

	2005	*2004*
	£'000	*£'000*
Total market value of assets	103,365	92,270
Present value of scheme liabilities	(121,231)	(108,210)
Deficit in the scheme	(17,866)	(15,940)

23. Ultimate holding company

The company's immediate holding company is Silentnight Group Limited, which is incorporated in Great Britain and registered in England and Wales. The largest group in which the results of the company are consolidated is Famco Holdings Limited, a company incorporated in Great Britain and registered in England and Wales, and the smallest group in which the results of the company are consolidated is Soundersleep Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated accounts of Famco Holdings Limited and Soundersleep Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

24. Subsidiary companies

The principal subsidiaries at 29 January 2005, all of which are incorporated in Great Britain and registered in England and Wales, are as follows:

	Percentage of equity held	
	Directly	*Indirectly*
	%	*%*
Silentnight Limited	100	
Layezee Limited	100	
Perfecta Bedding Limited	100	
Silentnight Beds Limited	100	
Silentnight Cabinets Limited	100	
Westminster Bedsteads Limited	100	
Sherbury Limited	100	
Sealy Sleep Products (UK) Limited		100
Westminster Pine Limited	100	

All the principal subsidiaries are dormant except Silentnight Limited which manages the group's properties.

Notes to the financial statements

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25. Contingent liabilities

Bank guarantees

Group companies have provided cross guarantees in respect of certain bank loans and overdrafts of fellow group companies. The gross cross guarantees at 29 January 2005 totalled £127,605 (2004: £7,793,264).

Value added tax

As a result of group registration for VAT purposes, the company is liable for VAT arising in other companies within the group registration.

26. Post balance sheet events

On 15 April 2005, the company announced a proposal to close the manufacturing operations at its Bedsteads factory in Wrexham by September 2005.

On 26 May 2005, the company announced the sale of its furniture manufacturing operation at Sunderland to its management, now trading as Stag Furniture (UK) Limited.

On 14 July 2005, the company announced a proposal to close the Layezee bed manufacturing operations at its two sites at Batley and Wombwell by spring 2006.