

ABF LIMITED

REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2004

Registered Number 273919



ABF LIMITED

REPORT AND FINANCIAL STATEMENTS

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ABF LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors:	A Allenza C Baxandall J Iddon M Scott
Secretary:	C Baxandall
Registered Office:	Silentnight House Salterforth Barnoldswick Lancashire BB18 5UE
Auditors:	Ernst & Young LLP Cloth Hall Court 14 King Street Leeds LS1 2JN
Bankers:	The Royal Bank of Scotland Plc National Australia Bank Limited

ABF LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 31 January 2004.

1. Activities

The company manufactures furniture including mattresses, divans, bedsteads, headboards, cabinets and components.

2. Results and dividends

The results for the year are given in the profit and loss account on page 8 and in the notes to the financial statements. The satisfactory level of trading is expected to continue.

The directors do not recommend the payment of a dividend (2003: £7,052,000).

3. Directors and their interests

The directors of the company at the year end and changes during the year were:

	Appointed	Resigned
S P Gill		01.12.03
S Martin		16.06.03
D W Adam		08.01.04
A Allenza		
K Mullen		28.02.03
P Marchant		01.12.03
C Baxandall	16.06.03	
M Scott		
J Iddon	22.09.03	

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

4. Company secretary

Changes in the company secretary during the year were:

	Appointed	Resigned
K J Mullen		28.02.03
D W Adam	28.02.03	16.06.03
C Baxandall	16.06.03	

5. Fixed assets

The divisions and subsidiary companies have pursued the normal policy of adding to and replacing fixed assets as and when necessary. Details of the movements are set out in note 12.

ABF LIMITED

DIRECTORS' REPORT

6. 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.

7. 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.

8. Donations

Charitable donations during the year amounted to £4,299 (2003: £4,626).

9. 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 31 January 2004 represents 46 days (2003: 50 days) of average purchases during the year.

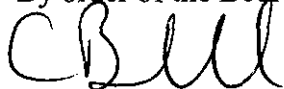
10. Events since the balance sheet date

On 28 May 2004, the company sold its felt making business at Ossett. The proceeds received were in excess of the carrying value of the assets and, therefore, no impairment provision has been recorded.

11. 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 Baxandall

Secretary

29 November 2004

ABF LIMITED

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 appropriate accounting policies and 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 unless it is inappropriate to presume that the company and the group 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.

ABF LIMITED

INDEPENDENT AUDITORS' REPORT to the members of ABF Limited

We have audited the company's financial statements for the 52 weeks ended 31 January 2004 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 27. 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 the directors and auditors

The Directors are responsible for preparing the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the statement of Directors' Responsibilities in relation to the financial statements.

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 company 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.

ABF LIMITED

INDEPENDENT AUDITORS' REPORT (continued) to the members of ABF Limited

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 company'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the company as at 31 January 2004 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 2004

ABF LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 31 January 2004

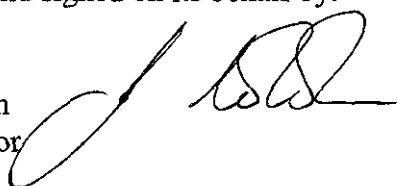
	Note	2004 £'000	2003 £'000
TURNOVER		<u>188,507</u>	<u>197,309</u>
OPERATING COSTS BEFORE EXCEPTIONAL COSTS	2	180,377	183,836
Exceptional operating costs	3	7,589	3,112
OPERATING COSTS		<u>187,966</u>	<u>186,948</u>
Loss on sale of properties		-	313
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	4	<u>541</u>	<u>10,048</u>
Net interest (payable)/receivable	7	(143)	30
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>398</u>	<u>10,078</u>
Tax on profit on ordinary activities	8	(1,976)	(3,025)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(1,578)</u>	<u>7,053</u>
Dividends	10	-	(7,052)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	21	<u>(1,578)</u>	<u>1</u>

ABF LIMITED**CONSOLIDATED BALANCE SHEET****At 31 January 2004**

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Intangible Assets	11	14,636	15,546
Tangible assets	12	45,002	42,416
		<hr/> 59,638	<hr/> 57,962
CURRENT ASSETS			
Stocks	14	8,775	8,466
Asset held for resale	15	400	-
Debtors	16	27,252	29,071
Cash at bank and in hand		7,048	19,265
		<hr/> 43,475	<hr/> 56,802
CREDITORS : Amounts falling due within one year	17	36,479	41,651
NET CURRENT ASSETS		<hr/> 6,996	<hr/> 15,151
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 66,634	<hr/> 73,113
CREDITORS : Amounts falling due after more than one year	18	43,323	51,336
PROVISION FOR LIABILITIES AND CHARGES	19	1,752	2,310
		<hr/> 45,075	<hr/> 53,646
NET ASSETS		<hr/> 21,559	<hr/> 19,467
CAPITAL AND RESERVES			
Called up share capital	20	62	62
Revaluation reserve	21	10,227	6,568
Profit and loss account	21	11,270	12,837
EQUITY SHAREHOLDERS' FUNDS		<hr/> 21,559	<hr/> 19,467

The financial statements were approved by the Board of Directors on 29 November 2004 and signed on its behalf by:

J Iddon
Director

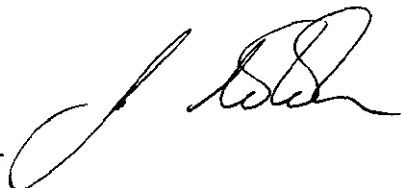


ABF LIMITED**COMPANY BALANCE SHEET****At 31 January 2004**

	Note	2004 £'000	2003 £'000
FIXED ASSETS			
Intangible Assets	11	14,636	15,546
Tangible assets	12	18,760	19,790
Investments	13	12,662	15,779
		-----	-----
		46,058	51,115
		-----	-----
CURRENT ASSETS			
Stocks	14	8,775	8,466
Debtors	16	27,279	29,058
Cash at bank and in hand		6,902	15,674
		-----	-----
		42,956	53,198
		-----	-----
CREDITORS : Amounts falling due within one year	17	36,226	41,227
		-----	-----
NET CURRENT ASSETS		6,730	11,971
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		52,788	63,086
		-----	-----
CREDITORS : Amounts falling due after more than one year	18	42,936	50,938
		-----	-----
PROVISION FOR LIABILITIES AND CHARGES	19	-	1,001
		-----	-----
		42,936	51,939
		-----	-----
NET ASSETS		9,852	11,147
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	20	62	62
Profit and loss account	21	9,790	11,085
		-----	-----
EQUITY SHAREHOLDERS' FUNDS		9,852	11,147
		-----	-----

The financial statements were approved by the Board of Directors on 27 November 2004 and signed on its behalf by:

J Iddon
Director



ABF LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****for the 52 weeks ended 31 January 2004**

	2004 £'000	2003 £'000
(Loss)/profit for the financial year	(1,578)	7,053
Currency translation differences on foreign currency net investments	11	20
Surplus on revaluation of properties	3,659	-
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	2,092	7,073
	<hr/>	<hr/>

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**for the 52 weeks ended 31 January 2004**

	2004 £'000	2003 £'000
(Loss)/profit for the financial year	(1,578)	7,053
Dividends	-	(7,052)
	<hr/>	<hr/>
Retained (loss)/profit for the year	(1,578)	1
Currency translation differences on foreign currency net investments	11	20
Surplus on revaluation of properties	3,659	-
	<hr/>	<hr/>
Net addition to shareholders' funds	2,092	21
	<hr/>	<hr/>
Opening shareholders' funds	19,467	19,446
	<hr/>	<hr/>
Closing shareholders' funds	21,559	19,467
	<hr/>	<hr/>

NOTE OF HISTORICAL COST PROFITS AND LOSSES**for the 52 weeks ended 31 January 2004**

	2004 £'000	2003 £'000
Reported profit on ordinary activities before taxation	398	10,078
Realisation of property revaluation gains of previous years	-	1,787
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the relevant amount	26	69
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	424	11,934
	<hr/>	<hr/>
Historical cost (loss)/profit for the year after taxation and dividends	(1,552)	1,857
	<hr/>	<hr/>

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

1. Accounting policies

(a) Accounting convention

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.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and all its subsidiary undertakings made up to 31 January 2004.

(c) 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.

(d) 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.

(e) 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 or valuation 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
Office fixtures and fittings, computers and office equipment	-	10% - 33% per annum

Freehold land is not depreciated.

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

1. Accounting policies (continued)

(e) Tangible fixed assets (continued)

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.

(f) 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.

(g) 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 assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax 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.

(h) Interest on capital projects

The interest in respect of loans specifically financing the cost of the construction of new factories is capitalised and included in fixed assets.

(i) 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.

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

1. Accounting policies (continued)

(j) 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.

(k) 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 FRS17 are included in these accounts.

(l) Investments

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

(m) 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.

(n) 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.

(o) Related party transaction

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 24.

(o) Research and development

Research and development expenditure is written off as incurred.

(p) 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.

ABF LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 31 January 2004****2. Operating costs**

	2004 £'000	2003 £'000
Cost of sales	126,922	129,912
Distribution expenses	35,660	35,760
Administrative expenses	17,795	18,164
	<u>180,377</u>	<u>183,836</u>

3. Exceptional operating costs

	2004 £'000	2003 £'000
Reorganisation and redundancy costs	3,438	2,294
Fixed asset impairment	4,151	818
	<u>7,589</u>	<u>3,112</u>

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 reorganisation and redundancy costs for the 52 weeks ended 1 February 2003 consist largely of the closure costs of the Keighley site of Silentnight Furniture following the transfer of manufacturing and distribution activities to Sunderland.

The company carried out a review for the 52 weeks ended 1 February 2003 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 £2,670,000 (2003: £1,628,000).

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

4. Profit on ordinary activities before interest and taxation

	2004 £'000	2003 £'000
Profit before interest is stated after charging/(crediting):		
Depreciation	4,681	4,818
Amortisation of intangible assets	910	910
Loss on disposal of fixed assets	81	176
Impairment of fixed assets	4,151	818
Auditors' remuneration: audit	101	98
Leasing and hire charges: land & buildings	324	254
plant & machinery	874	989
Exchange loss/(gain) on foreign currency borrowings/deposits	3	(4)
Government grants	(84)	(115)
Research and development costs	340	288

5. Remuneration of directors

Five 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. One of the directors is a director of ABF limited only, details of their remuneration are disclosed below. The remaining four directors of ABF limited are remunerated by Silentnight Group Limited and they do not receive remuneration from the company in respect of their services as directors or otherwise in connection with the management of the affairs of the company or its subsidiaries.

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

	2004 £'000	2003 £'000
Aggregate emoluments	21	270
Compensation for loss of office	65	0
	86	270

The remuneration of the highest paid director including benefits in kind was £86,004, including compensation for loss of office, (2003: £140,027). The accrued pension entitlement of the highest paid director was £nil (2003: £11,799). Retirement benefits are accruing to no (2003: 4) directors under the group's defined benefit scheme, and none (2003: none) under money purchase schemes.

ABF LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 31 January 2004****6. Employee information**

	2004 £'000	2003 £'000
Employee costs:		
Wages and salaries	54,459	52,048
Social security costs	5,067	4,471
Other pension costs	1,431	1,874
	<u>60,957</u>	<u>58,393</u>

Average number of persons employed:	Number	Number
Production	2,235	2,268
Sales and distribution	681	651
Administration	189	183
	<u>3,105</u>	<u>3,102</u>

7. Net interest (payable)/receivable	2004 £'000	2003 £'000
Interest payable on:		
Finance leases	(5)	(7)
Bank loans and overdrafts:		
Repayable within five years	(138)	(3)
	<u>(143)</u>	<u>(10)</u>
Interest receivable	-	40
	<u>(143)</u>	<u>30</u>

ABF LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 31 January 2004****8. Taxation on profit on ordinary activities****i) Analysis of tax charge in year**

	2004 £'000	2003 £'000
Current tax:		
UK Corporation tax at 30% (2003: 30%)	-	-
Group relief payable	3,134	3,501
Adjustments in respect of prior year	150	(1)
	-----	-----
Total current tax (note 8 (ii))	3,284	3,500
Deferred tax:		
Origination and reversal of timing differences (note 19)	(1,308)	(475)
	-----	-----
	1,976	3,025
	=====	=====

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% (2003: 30%).

The differences are explained below:

	2004 £'000	2003 £'000
Group profit on ordinary activities before tax	398	10,078
	-----	-----
Group profit on ordinary activities before tax at 30% (2003: 30%)	120	3,023
Effects of:		
Expenses/income not deductible/ taxable for tax purposes	190	689
Depreciation in excess of capital allowances	2,637	720
Adjustments to tax charge in respect of prior years	150	(1)
Group relief received for no consideration	-	(440)
Other timing differences	186	(494)
Other	1	3
	-----	-----
Total current tax	3,284	3,500
	=====	=====

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

8. Taxation on profit on ordinary activities (continued)

iii) Factors that may affect future tax charges

The group has an unprovided deferred tax liability of £1,281,000 (2003: £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 £1,007,000 (2003: £nil), which consists of £843,000 (2003: £nil) of depreciation charged in excess of capital allowances and £164,000 (2003: £nil) of other timing differences 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.

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

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 £1,306,000 (2003: a profit of £7,072,000).

10. Dividends

	2004 £'000	2003 £'000
Equity shares:		
Proposed final: £nil per share (2003: £112.97 per share)	-	7,052

11. Intangible fixed assets

Group and company trademarks

	£'000
Cost:	
At 1 February 2003 and 31 January 2004	18,200
Depreciation:	
At 2 February 2003	2,654
Charge for the year	910
At 31 January 2004	3,564
Net Book Value :	
At 31 January 2004	14,636
At 1 February 2003	15,546

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

12. Tangible fixed assets

	Freehold property £'000	Equipment, plant and vehicles £'000	Group Total £'000	Company Equipment, plant and vehicles £'000
Cost or Valuation:				
At 2 February 2003	23,588	63,276	86,864	63,276
Foreign exchange movements	-	9	9	9
Additions	769	7,437	8,206	7,437
Group transfers	-	1,332	1,332	1,332
Revaluation	2,491	-	2,491	-
Disposals	-	(2,422)	(2,422)	(2,422)
Transfer to asset for resale	(400)	-	(400)	-
At 31 January 2004	26,448	69,632	96,080	69,632
Depreciation:				
At 2 February 2003	962	43,486	44,448	43,486
Foreign exchange movements	-	7	7	7
Charge for the year	412	4,269	4,681	4,269
Group transfers	-	1,176	1,176	1,176
Revaluation	(1,168)	-	(1,168)	-
Disposals	-	(2,217)	(2,217)	(2,217)
Impairment	-	4,151	4,151	4,151
At 31 January 2004	206	50,872	51,078	50,872
Net Book Value:				
At 31 January 2004	26,242	18,760	45,002	18,760
At 1 February 2003	22,626	19,790	42,416	19,790

Freehold property also includes £2,681,000 (2003: £3,045,000) in respect of land which is not depreciated.

The net book value of finance leases, included in tangible fixed assets amounted to £nil (2003: £nil). The depreciation charge for the year in respect of finance leases was £nil (2003: £8,000).

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

12. Tangible fixed assets continued

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:

	2004	2003
	£'000	£'000
Cost	19,634	19,078
Aggregate depreciation	(3,422)	(3,036)
Net book value	16,212	16,042

Future capital expenditure

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
No provision has been made for: Expenditure for which contracts have been placed	535	37	1,220	1,220

13. Investments

	Shares in subsidiaries £'000	Loans to subsidiaries £'000	Total £'000
Company			
Cost :			
At 2 February 2003	2,192	14,866	17,058
Net movements on loans	-	(3,117)	(3,117)
At 31, January 2004	2,192	11,749	13,941
Amounts provided:			
At 2 February 2003 and 31 January 2004	999	280	1,279
Net Book Value:			
At 31 January 2004	1,193	11,469	12,662
At 1 February 2003	1,193	14,586	15,779

Details of subsidiary undertakings are given in note 25.

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

14. Stocks

	Group and Company	
	2004	2003
	£'000	£'000
Raw material and consumables	4,411	4,135
Work in progress	1,481	1,471
Finished goods	2,883	2,860
	-----	-----
	8,775	8,466
	=====	=====

15. Asset held for resale

	2004		2003	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Freehold land	400	-	-	-
	=====	=====	=====	=====

16. Debtors

	2004		2003	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Due within one year:				
Trade debtors	23,962	23,962	25,804	25,804
Corporation Tax	-	-	222	222
Other debtors	203	203	154	154
Prepayments and accrued income	2,819	2,819	2,469	2,469
Amounts due from group undertakings	268	295	422	409
	-----	-----	-----	-----
	27,252	27,279	29,071	29,058
	=====	=====	=====	=====

17. Creditors : amounts falling due within one year

	2004		2003	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Bank overdraft	6,420	6,420	54	54
Trade creditors	14,223	14,223	16,031	16,031
Amounts owed to group undertakings	4,675	4,436	5,667	5,256
Other taxation and social security	5,415	5,415	5,897	5,897
Corporation tax	145	145	-	-
Accruals and deferred income	5,601	5,587	6,950	6,937
Proposed dividend	-	-	7,052	7,052
	-----	-----	-----	-----
	36,479	36,226	41,651	41,227
	=====	=====	=====	=====

The group's bank overdraft and loans are secured against certain of the group's assets, including those of ABF Limited (2003: none secured)

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

18. Creditors : amounts falling due after more than one year

	2004		2003	
	Group £'000	Company £'000	Group £'000	Company £'000
Accruals and deferred income	535	148	511	113
Amount due to holding company	42,788	42,788	50,825	50,825
	<u>43,323</u>	<u>42,936</u>	<u>51,336</u>	<u>50,938</u>

19. Provision for liabilities and charges

	Group deferred taxation £'000	Group dilapidation provision £'000	Group total £'000	Company deferred taxation £'000
At 2 February 2003	2,310	-	2,310	1,001
Arising in the year	(1,308)	750	(558)	(1,001)
At 31 January 2004	<u>1,002</u>	<u>750</u>	<u>1,752</u>	<u>-</u>

Deferred taxation is included in the financial statements as follows:

	2004		2003	
	Amount provided £'000	Amount unprovided £'000	Amount provided £'000	Amount unprovided £'000
Group:				
Accelerated capital allowances	1,227	(843)	2,556	-
Other timing differences	(225)	1,117	(246)	1,281
	<u>1,002</u>	<u>274</u>	<u>2,310</u>	<u>1,281</u>
Company:				
Accelerated capital allowances	-	(843)	1,247	-
Other timing differences	-	1,046	(246)	1,210
	<u>-</u>	<u>203</u>	<u>1,001</u>	<u>1,210</u>

ABF LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 31 January 2004****20. Called up share capital**

	2004 £'000	2003 £'000
Authorised:		
75,000 ordinary shares of £1 each	<u>75</u>	<u>75</u>
Allotted and fully paid:		
62,427 ordinary shares of £1 each	<u>62</u>	<u>62</u>

21. Retained profits and reserves

	Revaluation reserve £'000	Group Retained profit £'000	Company Retained profit £'000
At 2 February 2003	6,568	12,837	11,085
Retained loss for the year	-	(1,578)	(1,306)
Foreign exchange adjustments	-	11	11
Surplus on revaluation of properties	3,659	-	-
At 31 January 2004	<u>10,227</u>	<u>11,270</u>	<u>9,790</u>

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 (2003: £1,460,000). No negative goodwill is included within reserves.

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

22. Lease commitments

At 31 January 2004 the group had annual commitments under operating leases expiring as follows:

	2004 £'000	2003 £'000
(a) Land and buildings		
Expiring within one year	25	16
Expiring within 1 to 2 years	160	75
Expiring within 2 to 5 years	-	128
Expiring in over 5 years	29	26
	<hr/> 214 <hr/>	<hr/> 245 <hr/>
(b) Other assets		
Expiring within one year	157	279
Expiring within 1 to 2 years	218	239
Expiring within 2 to 5 years	273	285
	<hr/> 648 <hr/>	<hr/> 803 <hr/>

23. 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 the DBS.

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

23. Pensions (continued)

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 £1,431,000 (2003: £1,874,000) made up as follows:

	2004 £'000	2003 £'000
UK defined benefit scheme		
- DBS	769	140
- Silentnight Retirement Benefits Scheme	-	1,077
- Silentnight Holdings Plc Scheme No. 1	-	16
	-----	-----
	769	1,233
UK defined contribution scheme	633	614
Overseas schemes	29	27
	-----	-----
	<u>1,431</u>	<u>1,874</u>

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 12.5% 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 £59,000 (2003: £64,000).

The charge of £29,000 (2003: £27,000) relating to overseas schemes has been determined in accordance with the local best practice and regulations in the relevant countries.

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

23. Pensions (continued)

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 31 January 2004 and 1 February 2003, and using the following assumptions:

	2004 % per annum	2003 % per annum
Rate of increase in salaries	3.5	3.5
Rate of increase in pensions in payment	2.5	2.2
Rate of revaluation of pensions in deferment	2.5	2.2
Price inflation	2.5	2.2
Discount rate	5.7	5.4

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

	Expected long-term return %	2004 Market value of assets £'000	Expected long-term return %	2003 Market value of assets £'000
Equities	7.9	53,656	7.9	48,855
Bonds	5.0	36,184	4.6	26,722
Property	7.9	1,875	7.9	1,808
Other	5.0	555	3.5	958
Total		<u>92,270</u>		<u>78,343</u>

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

23. Pensions (continued)

The estimated financial position as at 31 January 2004 and 1 February 2003 was as follows:

	2004 £'000	2003 £'000
Total market value of assets	92,270	78,343
Present value of scheme liabilities	<u>(108,210)</u>	<u>(105,407)</u>
Deficit in the scheme	<u>(15,940)</u>	<u>(27,064)</u>
Related deferred tax asset	4,782	8,120
Net pension liability	<u>(11,158)</u>	<u>(18,944)</u>

24. 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.

ABF LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 31 January 2004

25. Subsidiary companies

The principal subsidiaries at 31 January 2004, all of which are incorporated in Great Britain and registered in England and Wales, are as follows:

	Percentage of equity held	
	<u>Directly</u>	<u>Indirectly</u>
	%	%
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.

26. Contingent liabilities

(a) 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 31 January 2004 totalled £7,793,264 (2003: £7,263,000).

(b) 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.

27. Post balance sheet event

On 28 May 2004, the company sold the felt making business at Ossett. The proceeds received were in excess of the carrying value of the assets and, therefore, no impairment provision has been recorded.