

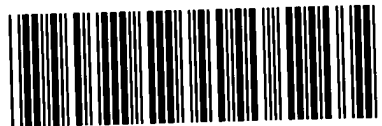
Tempur UK Limited

Report and financial statements

Registered number 2748033

31 December 2017

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Strategic report

The directors present their strategic report for the year ended 31 December 2017.

Business review

Tempur UK Ltd is part of Tempur Sealy International Inc. a developer, manufacturer, marketer and distributor of bedding products. Tempur UK Ltd sells its products in the United Kingdom and Ireland.

Tempur Sealy International, Inc. sells its products in approximately 100 countries primarily under the Tempur and Sealy brands. It operates in two segments: North America and International. The North America segment consists of Tempur and Sealy manufacturing and distribution subsidiaries, joint ventures and licensees located in the United States and Canada. The International segment consists of Tempur and Sealy manufacturing and distribution subsidiaries, joint ventures and licensees located in Europe, Asia-Pacific and Latin America. Tempur Sealy International, Inc. sells its products through two distribution channels in each segment: Retail and Other.

Company Vision

Improving the sleep of more people every night, all around the world.

Key Performance Indicators (KPIs)

- 2017 Net sales £46,098,000 (-0.3% vs 2016)
- 2017 Gross profit £9,777,000 (-8.5% vs 2016)
- 2017 Operating profit £1,218,000 (-24.2% vs 2016)

The highest proportion of net sales of Tempur UK Limited comes from the retail segment and in 2017 we introduced our new mattress collections to our retail customer base. The cost of the new range roll out had a material effect on our Gross profit and Operating profit. The new collections have performed well since their launch.

Principal Risks and uncertainties

A principal source of the company's net sales is through the retail sector. The global economy improved slightly in 2017, but we expect the UK economic environment to continue to be challenging as continued economic uncertainty has generally given households less confidence to make discretionary purchases of high ticket household goods.

The principal risks the company face are broadly liquidity risk, competitor risk and credit risk:

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the company.

Competitor Risk

Competitive risk reflects the probability that competitive forces will prevent the company from achieving its objectives and longer term strategies. To counteract competitor risk, the company continuously makes investment in targeted marketing strategies and new product development.

Strategic report (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Exposure takes the form of those who may not meet their obligation to agreed terms; the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The company believes its financial risk has been minimised by credit checking new retail customers, offering early settlement discounts and tightly managing our customers within their credit terms.

By order of the board



T James
Director

10/12/18

Caxton Point
Printing House Lane
Hayes
Middlesex
UB3 1AP

Directors' report

The directors present their report for the year ended 31 December 2017.

Directors and directors' interests

The directors who held office during the year and up to the date of this report were as follows:

T James
D Montgomery
B Rao (Appointed 1st November 2017)
B A Hytinen (Resigned 1st November 2017)

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Going Concern

The company's business activities, together with the factors likely to affect its financial position, financial risk management objectives and its exposures to credit, liquidity and competitor risk are described in the Strategic Report on page 1 and 2.

The company has sufficient financial resources together with long-term contracts with a number of customers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Future Developments

Since the year end, trading conditions remained challenging. However, we have continued to make significant investments into national advertising and we expect to achieve our 2018 strategic goals.

Results and dividends

The profit after tax for the year amounted to £931,000 (2016: £1,231,000). The directors recommend the payment of any dividends £nil (2016: £nil). No dividend was paid during the year.

Directors' report (continued)

Political and charitable contributions

The company made no political contributions during the year (2016: £nil). Donations to UK charities amounted to £10,348 (2016: £10,598).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the board



T James
Director

10/12/18

Caxton Point
Printing House Lane
Hayes
Middlesex
UB3 1AP

Statement of directors' responsibilities in respect of the Strategic Report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEMPUR UK LIMITED

Opinion

We have audited the financial statements of Tempur UK Limited for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 19, 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 FRS 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 company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEMPUR UK LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

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

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

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



Jane Turnor (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Reading, UK

Date: 11 December 2018

Statement of Comprehensive Income

for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	2	46,098	46,222
Cost of sales		(36,321)	(35,532)
Gross profit		9,777	10,690
Administrative expenses		(9,001)	(9,553)
Other operating income		442	469
Operating profit	3	1,218	1,606
Interest receivable and similar income		5	3
Interest payable and similar charges		(50)	(58)
Net interest expense	6	(45)	(55)
Profit on ordinary activities before taxation		1,173	1,551
Tax on profit on ordinary activities	7	(242)	(320)
Profit for the financial year		931	1,231
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		931	1,231

All of the above results are from continuing operations.

Statement of Financial Position

at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	8	806	883
Current assets			
Stocks	9	6,700	4,260
Debtors	10	14,499	11,299
Cash at bank		4,833	262
		<u>26,032</u>	<u>15,821</u>
Creditors: amounts falling due within one year	11	<u>(16,875)</u>	<u>(7,817)</u>
Net current assets		9,157	8,004
Total Assets less current liabilities		9,963	8,887
Provisions for liabilities	12	(435)	(358)
Net assets		9,528	8,529
Capital and reserves			
Called up share capital	13	2,200	2,200
Capital contribution reserve	14	648	580
Profit and loss account	14	6,680	5,749
Shareholder's funds		9,528	8,529

These financial statements were approved by the board of directors on 10/12/18 and were signed on its behalf by:



T James
Director

Statement of Changes in Equity

for the year ended 31 December 2017

	2017 £000	2016 £000
Total comprehensive income for the year	931	1,231
Credit in relation to share based payments (see note 17)	68	49
Net addition in shareholder's funds	999	1,280
Opening shareholder's funds	8,529	7,249
Closing shareholder's funds	9,528	8,529

1 Accounting policies

Statement of compliance

Tempur UK Limited is a limited liability company incorporated in England. The Registered Office is Caxton Point, Printing House Lane, Hayes, Middlesex, UB3 1AP.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2017.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

Basis of preparation

The financial statements of Tempur UK Limited were authorised for issue by the Board of Directors on 10th December 2018.

The financial statements have been prepared in accordance with applicable accounting standards on a going concern basis and under the historical cost accounting rules. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The company is a qualifying entity and has elected to take advantage of the following disclosure exemptions:

- The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d)
- The requirement of Section 33 Related Party Disclosures paragraph 33.7
- The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Operating lease commitments

The Company has entered into both commercial property, motor vehicle and equipment leases. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The following are the Company's key sources of estimation uncertainty:

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

1 Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

Provision for decommissioning

An asset retirement obligation has been recorded to reflect the Company's legal commitment to reinstate leased property back to its original condition. The asset retirement obligation has been capitalised within property, plant and equipment and is being depreciated over the remainder of the associated property lease term. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and reinstate the property and the expected timing of those costs.

Fixed assets and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Motor vehicles	-	25% on reducing balance basis
Office equipment	-	20%-50% straight line basis
Leasehold improvements	-	Straight line over the life of the lease

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the statement of financial position date and the gains or losses on translation are included in the statement of comprehensive income.

Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Cash and cash equivalents

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

Post-retirement benefits

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 amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1 Accounting policies (continued)

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Provision for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefit will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for dilapidation

An asset retirement obligation has been recorded to reflect the Company's legal commitment to reinstate leased property back to its original condition. The asset retirement obligation has been capitalised within property, plant and equipment and is being depreciated over the remainder of the associated property lease term. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and reinstate the property and the expected timing of those costs.

Revenue Recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

1 Accounting policies (continued)

Share based payments (equity settled transactions)

The share option programme allows employees to acquire shares of the parent company, Tempur Sealy International, Inc. The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) and non vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non vesting condition, which are treated as vesting irrespective of whether or not the market or non vesting condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the profit and loss account.

2 Turnover

Turnover relates to the continuing principal activity of distribution and selling of pressure-relieving mattresses, pillows and beds. Sales are made wholly in the UK.

3 Operating profit

	2017 £000	2016 £000
<i>Operating profit is stated after charging:</i>		
Depreciation of owned fixed assets	390	378
	<hr/>	<hr/>
Operating lease rentals:		
Land and buildings	1,445	1,320
Plant and machinery	254	252
	<hr/>	<hr/>
Net foreign exchange loss	<u>39</u>	<u>47</u>

3 Operating profit (continued)

Auditor's remuneration:

	2017	2016
	£000	£000
Audit of these financial statements	36	42
Other services relating to taxation	8	8
	<u>44</u>	<u>50</u>

4 Remuneration of directors

	2017	2016
	£000	£000
Aggregate remuneration in respect of qualifying services	152	195
Company contributions paid to money purchase schemes	12	15
	<u>164</u>	<u>210</u>

The emoluments are all in respect of one director. All other Directors are remunerated by other Group Companies and their services to this company are incidental to their roles and no remuneration is due to them from Tempur UK Limited.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
	<u>1</u>	<u>1</u>
The number of directors who exercised share options was:	-	-
	<u>-</u>	<u>-</u>
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was:	1	1
	<u>1</u>	<u>1</u>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2017	2016
Management and administrative staff	47	48
Sales staff	59	57
	<u>106</u>	<u>105</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	3,009	2,954
Share based payments (see note 17)	68	49
Social security costs	265	260
Other pension costs	95	98
	<u>3,437</u>	<u>3,361</u>

6 Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	5	(8)
Foreign exchange loss	(50)	(47)
	<u>(45)</u>	<u>(55)</u>

7 Taxation

(a) Tax on profit on ordinary activities

Analysis of tax charge / (credit) in the year

	2017 £000	2016 £000
<i>UK corporation tax</i>		
Current tax on income for the year	266	343
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	266	343
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination/reversal of timing differences	(24)	(23)
Impact of share based payments	-	-
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total deferred tax	(24)	(23)
	<hr/>	<hr/>
Tax on profit on ordinary activities	242	320
	<hr/>	<hr/>

(b) Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below.

	2017 £000	2016 £000
<i>Tax reconciliation</i>		
Profit on ordinary activities before tax	1,030	1,551
	<hr/>	<hr/>
Current tax at 19.25% (2016: 20%)	198	310
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	12	9
Depreciation in excess of capital allowances	32	29
Impact of share based payments	(2)	(7)
Origination/reversal of timing differences	(24)	(23)
Impact of other timing differences	26	2
	<hr/>	<hr/>
Total tax	242	320
	<hr/>	<hr/>

(c) Factors affecting the tax charge in future periods

The UK government announced that the main rate of corporation tax will reduce to 17% for years beginning on or after 1 April 2020. The reduction in corporation tax rate to 17% (and not 18% as previously announced) for years beginning on or after 1 April 2020 was enacted at the statement of financial position date and therefore the company's deferred tax assets and liabilities expected to reverse after the year ended 31 December 2017 have been measured at a tax rate of 17% (2016: 17%).

The Company's profits for this accounting period are taxed at an effective rate of 19.25%.

7 Taxation (continued)

(d) Deferred tax

The elements of deferred taxation are as follows:

	2017
	£000
1st January 2017	8
Movements due to rate changes	26
Releases to profit and loss	(24)
	<hr/>
At 31 December 2017	10
	<hr/>

The contents of deferred taxation are as follows:

	2017	2016
	£000	£000
Depreciation in excess of capital allowances	32	31
Origination and reversal of timing differences	(22)	(23)
	<hr/>	<hr/>
	10	8
	<hr/>	<hr/>

The impact from the tax rate reduction from 19% to 17% is £1,000.

8 Tangible fixed assets

	Short term leasehold improvements	Office equipment	Total
<i>Cost</i>	£000	£000	£000
1 st January 2017	2,309	3,030	5,339
Additions	183	129	312
Reclassification	26	147	173
	<hr/>	<hr/>	<hr/>
At end of year	2,518	3,306	5,824
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
1 st January 2017	1,623	2,833	4,456
Charge for year	274	116	390
Reclassification	25	148	173
	<hr/>	<hr/>	<hr/>
At end of year	1,922	3,097	5,019
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2017	596	209	805
	<hr/>	<hr/>	<hr/>
At 31 December 2016	687	196	883
	<hr/>	<hr/>	<hr/>

9 Stocks

	2017 £000	2016 £000
Finished goods and goods for resale	6,700	4,260

The cost of inventories recognised as an expense in cost of goods sold is £36,321k (2016: £35,532k).

The amount of write down of inventories recognised as an expense is £328k (2016: £607k). This is included in cost of sales.

The carrying value of inventory includes a £52k inventory obsolescence provisions. The charge for the year has been captured within cost of sales within the Statement of Comprehensive Income (2016: -£123k).

10 Debtors

	2017 £000	2016 £000
Trade debtors	11,536	9,093
Amounts owed by group undertakings	2,008	1,484
Prepayments and accrued income	955	722
	<u>14,499</u>	<u>11,299</u>

An allowance has been made for estimated irrecoverable amounts from the sale of goods of £137k (2016: £2k). The charge for the year is included within administration expenses.

11 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	2,481	1,522
Amounts owed to group undertakings	8,977	431
Other taxation and social security	457	457
Accruals and deferred income	4,718	5,064
Corporation tax	242	343
	<u>16,875</u>	<u>7,817</u>

12 Provisions for liabilities

Provisions for liabilities are made up only by the deferred taxation as well as the provision for dilapidations:

	Provision for Dilapidation	Deferred Tax	Total
	£000	£000	£000
At 1 st January 2017	350	8	358
Additions during the year	75	26	99
Releases to profit and loss	-	(24)	(24)
	<hr/>	<hr/>	<hr/>
At 31 st December 2017	425	10	435
	<hr/>	<hr/>	<hr/>

Dilapidation

A provision is recognised for dilapidation for the expected costs of the return of leased properties to their original state. It is expected that all costs are captured within the provision across current leased properties.

13 Called up share capital

	2017 £000	2016 £000
<i>Authorised</i>		
2,500,000 ordinary shares of £1 each	2,500	2,500
50,000 cumulative non-voting preference shares of £1 each	50	50
	<hr/>	<hr/>
	2,550	2,550
	<hr/>	<hr/>
	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
2,200,000 ordinary shares of £1 each	2,200	2,200
	<hr/>	<hr/>

The holders of the cumulative non-voting preference shares shall not be entitled to attend or carry any voting rights in any meeting of the members whether an Annual General Meeting or an Extraordinary General Meeting.

Except for the above, the ordinary shares and the cumulative non-voting preference shares rank *pari-passu* in all respects.

14 Reserves

	Capital Contribution reserve	Profit and loss account
	£000	£000
At 1 January 2017	580	5,749
Profit for the year	-	931
Credit in relation to equity settled share-based payments	68	-
	<u>648</u>	<u>6,680</u>
At 31 December 2017		

Profit and Loss Reserve

This reserve records the amount of cumulative total comprehensive income / (expense) of the company.

Capital Contribution Reserve

This reserve records the cumulative impact of equity settled share based payment transactions.

15 Commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017		2016	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	1,387	156	1,391	115
In the second to fifth years inclusive	3,107	146	4,581	89
	<u>4,494</u>	<u>302</u>	<u>5,972</u>	<u>204</u>

16 Pension scheme

The company operates a defined contribution scheme. The pension cost charged in the period represents contributions payable by the company to the scheme and amounted to £95,000 (2016: £98,000).

At the year end £11,891 of contributions were due to be paid to the scheme. (2016: £12,034).

17 Employee share schemes

Share based payments

Certain employees of the company are selected to participate in share-based payment arrangements of Tempur Sealy International, Inc., under the terms of the 2002 Stock Option Plan and 2003 Equity Incentive Plan.

Share options expire ten years from grant date and vest over service periods ranging from one to five years. The option price is usually set at the closing day share price at grant date. Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants. Performance restricted share units (PRSU) vest from one year to three years and the number of shares available to be exercised at a nil exercise price is dependent on non-market performance criteria.

The company is a qualifying entity and has elected to take advantage of the following disclosure exemption:

- The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23

17 Employee share schemes (continued)

Share based payments (continued)

Accordingly, the number and weighted average exercise prices of share options for each of the following group of options is not required:

- Outstanding at the beginning of the period;
- Granted during the period;
- Forfeited during the period;
- Exercised during the period;
- Expired during the period;
- Outstanding at the end of the period; and
- Exercisable at the end of the period

Furthermore, disclosure in respect of how the Company measured the fair value of goods and services received or the value of the equity instrument granted is also not required. No modifications were made to the share based payment arrangements during the period.

Finally an exemption has been applied in respect of disclosure requirements associated with the Statement of Comprehensive Income and Statement of Financial Position impact as a result of share based payment transactions.

18 Related Party Transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	Sales to related party £000	Purchases from related party £000	Amounts owed from related party £000	Amounts owed to related party £000
Entities controlled by a close family member of key management personnel	-	7,546	-	-

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected within 30 days of invoice. The company has not provided or benefited from any guarantees for any related party receivables or payables.

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be key management personnel.

Nature of relationship

Transactions with entities controlled by a close family member of key management personnel reflect fees incurred associated with social media account management.

19 Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary undertaking of Dan-Foam ApS, a company incorporated in Denmark and the ultimate parent company is Tempur Sealy International, Inc., a company incorporated in the state of Delaware, United States of America.

The smallest and largest group in which the financial statements of the company are consolidated is that headed by Tempur Sealy International, Inc. The consolidated financial statements of this group are available to the public and may be obtained from 1000 Tempur Way, Lexington, KY 40511 USA.