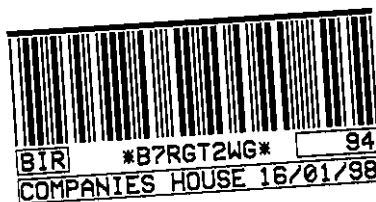


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**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 1996
FOR
THE DOWNLAND BEDDING COMPANY LIMITED**



THE DOWNLAND BEDDING COMPANY LIMITED

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THE DOWNLAND BEDDING COMPANY LIMITED**COMPANY INFORMATION****DIRECTORS:**

G.R. Smith
G.O. Smith

SECRETARY:

G.R. Smith

REGISTERED OFFICE:

23 Blackstock Street
Liverpool
L3 6ER.

REGISTERED NUMBER:

419883

AUDITORS:

Thornton Springer
Chartered Accountants
Registered Auditors
67 Westow Street
Upper Norwood
London SE19 3RW

THE DOWNLAND BEDDING COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and financial statements for the Group for the year ended 30 April 1996.

PRINCIPAL ACTIVITY

The Group has carried on the business of the processing of feather and the manufacture and sale of pillows and bedding.

DIRECTORS

The directors who have served during the year and their interests in the share capital of the Company were as follows:-

	<u>30.4.96</u>	<u>1.5.95</u>
G.O. Smith	1,900	1,900
G.R. Smith	3,100	3,100

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 of the profit or loss of the Company for that period. In preparing those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

AUDITORS

The auditors, Thornton Springer, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and groups.

On behalf of the board


G.R. SMITH
Director

16 JAN 1998

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
THE DOWNLAND BEDDING COMPANY LIMITED**

We have audited the financial statements on pages five to thirteen which have been prepared under the historical cost convention and the accounting policies set out on pages eight and nine.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page three the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with 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 judgments 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 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. However, we were not able to attend the year end physical stock take or carry out normal audit procedures on the stock valuation and we have therefore relied upon the stock valuation produced by the directors.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the stock valuation, in our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 April 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

67 Westow Street
Upper Norwood
London
SE19 3RW

16 JAN 1998


THORNTON SPRINGER

Chartered Accountants
Registered Auditors

THE DOWNLAND BEDDING COMPANY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 1996

	<u>Notes</u>	<u>1996</u>		<u>1995</u>	
		£	£	£	£
TURNOVER	2		2,122,803		2,012,267
Cost of sales			1,751,233		1,603,172
			<hr/>		<hr/>
GROSS PROFIT			371,570		409,095
Distribution costs		136,479		183,238	
Administrative expenses		258,498	394,977	254,337	437,575
		<hr/>	<hr/>	<hr/>	<hr/>
OPERATING LOSS	3		(23,407)		(28,480)
Other income	4	8,808		12,324	
Interest payable	5	789	8,019	5,697	6,627
		<hr/>	<hr/>	<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR			(15,388)		(21,853)
RETAINED PROFIT brought forward			166,931		188,784
			<hr/>		<hr/>
RETAINED PROFIT carried forward			151,543		166,931
			<hr/>		<hr/>

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current and previous years.

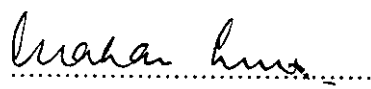
TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the losses for the current year and the previous year.

THE DOWNLAND BEDDING COMPANY LIMITED
CONSOLIDATED BALANCE SHEET AS AT 30 APRIL 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£	£
FIXED ASSETS			
Tangible assets	8	177,013	200,911
CURRENT ASSETS			
Stocks	10	234,713	198,049
Debtors	11	279,677	348,796
Cash at bank and in hand		1,964	314
		<hr/>	<hr/>
		516,354	547,159
CREDITORS: amounts falling due within one year	12	440,774	449,722
		<hr/>	<hr/>
NET CURRENT ASSETS		75,580	97,437
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		252,593	298,348
CREDITORS: amounts falling due after more than one year			
Deferred government grants		38,560	39,877
Loans	13	57,490	86,540
		<hr/>	<hr/>
		156,543	171,931
CAPITAL AND RESERVES			
Called up share capital	14	5,000	5,000
Profit and loss account		151,543	166,931
		<hr/>	<hr/>
Shareholders' Funds	15	156,543	171,931
		<hr/>	<hr/>

These financial statements have been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small companies and groups.

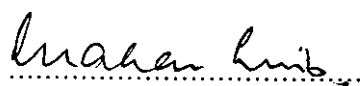
 G.R. SMITH
DIRECTOR

Approved by the board on **16 JAN 1998**

THE DOWNLAND BEDDING COMPANY LIMITED
BALANCE SHEET AS AT 30 APRIL 1996

	<u>Notes</u>	<u>1996</u>		<u>1995</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		170,380		192,302
Investment in subsidiary	9		33,403		33,403
			<hr/>		<hr/>
			203,783		225,705
CURRENT ASSETS					
Stocks	10	165,966		137,573	
Debtors	11	337,044		399,926	
Cash at bank and in hand		1,964		315	
		<hr/>		<hr/>	
			504,974		537,814
CREDITORS: amounts falling due within one year	12	427,709		439,697	
		<hr/>		<hr/>	
NET CURRENT ASSETS			77,265		98,117
TOTAL ASSETS LESS CURRENT LIABILITIES			<hr/>		<hr/>
			281,048		323,822
CREDITORS: amounts falling due after more than one year					
Deferred government grants		38,560		39,877	
Loans	13	57,490	96,050	86,540	126,417
		<hr/>	<hr/>	<hr/>	<hr/>
			184,998		197,405
CAPITAL AND RESERVES			<hr/>		<hr/>
Called up share capital	14		5,000		5,000
Profit and loss account			179,998		192,405
			<hr/>		<hr/>
Shareholders' Funds			184,998		197,405
			<hr/>		<hr/>

These financial statements have been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small companies and groups.

 G.R. SMITH
DIRECTOR

Approved by the board on **16 JAN 1998**

THE DOWNLAND BEDDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 1996

1. ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared under the historical cost convention.

b) Financial reporting standard number 1.

Exemption has been taken from preparing a cash flow statement on the grounds that the Group qualifies as a small Group.

c) Basis of consolidation

The consolidated profit and loss account and balance sheet incorporate the financial statements of the Company and its subsidiary. As provided by Section 228(5) of the Companies Act 1985 a profit and loss account is not provided for the holding company.

d) Turnover

Turnover represents sales at invoiced value net of trade discounts, excluding value added tax.

e) Tangible fixed assets

Depreciation is provided at rates calculated to reduce the respective assets to their estimated realisable values at the end of their useful working lives on the following bases:-

Plant and machinery	-	15 % straight line
Fixtures and fittings	-	20 % written downvalue
Motor vehicles	-	25 % straight line
Long leasehold buildings	-	2 % straight line
Freehold factory buildings	-	2 % straight line

Depreciation is not provided on freehold land.

f) Stocks

Stock and work in progress is valued at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is as follows:

Raw materials	-	Purchase cost on a first in first out basis;
Work in progress & finished goods	-	Cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

THE DOWNLAND BEDDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS - Continued

1. ACCOUNTING POLICIES (Continued)

g) Government grants

Grants relating to fixed assets are released to trading profits over the expected useful lives of the particular assets to which they relate.

h) Deferred taxation

Provision is made under the liability method unless in the opinion of the directors there is reasonable probability that no liability is likely to arise in the foreseeable future.

2. TURNOVER

The turnover and loss before taxation is attributable to the one principal activity of the company as follows:-

	<u>1996</u> £	<u>1995</u> £
Geographical analysis		
United Kingdom	2,111,651	2,003,850
Other countries	11,152	8,417
	<hr/> 2,122,803 <hr/>	<hr/> 2,012,267 <hr/>

3. OPERATING LOSS

	<u>1996</u> £	<u>1995</u> £
The operating loss is stated after charging:		
Loss on disposal of fixed assets	1	-
Auditors' remuneration	10,254	8,662
Depreciation (note 10)	26,970	34,168
Hire of plant and machinery	17,998	21,203
Directors emoluments	64,322	65,246

THE DOWNLAND BEDDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS - Continued

4. OTHER INCOME

	<u>1996</u>	<u>1995</u>
	£	£
Government grants	1,317	3,965
Administration charge receivable	7,000	7,000
Sundry income	491	1,359
	<hr/>	<hr/>
	8,808	12,324
	<hr/>	<hr/>

5. INTEREST PAYABLE

	<u>1996</u>	<u>1995</u>
	£	£
Loan interest	-	4,621
Bank overdraft	789	1,076
	<hr/>	<hr/>
	789	5,697
	<hr/>	<hr/>

6. TAXATION

No provision for corporation tax arises by virtue of available losses.

The company is a close company as defined by Section 414 of the Income and Corporation Taxes Act 1988.

7. LOSS INCURRED BY THE HOLDING COMPANY

£12,407 (1995 - £22,376) of the consolidated loss has been dealt with in the financial statements of The Downland Bedding Company Limited.

THE DOWNLAND BEDDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS - Continued

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Long leasehold land and buildings £	Plant machinery vehicles etc £	TOTAL £
<u>GROUP</u>				
Cost at 1 May 1995	188,277	69,400	597,383	855,060
Additions	-	-	3,073	3,073
Disposal	-	-	(4,000)	(4,000)
Cost at 30 April 1996	188,277	69,400	596,456	854,133
Depreciation				
Provision at 1 May 1995	65,986	35,410	552,753	654,149
Charge for the year	2,605	1,214	23,151	26,970
Eliminated on disposals	-	-	(3,999)	(3,999)
Provision at 30 April 1996	68,591	36,624	571,905	677,120
Net book value at 30 April 1996	<u>119,686</u>	<u>32,776</u>	<u>24,551</u>	<u>177,013</u>
Net book value at 30 April 1995	<u>122,291</u>	<u>33,990</u>	<u>44,630</u>	<u>200,911</u>
<u>COMPANY</u>				
Cost at 1 May 1995	188,277	69,400	411,697	669,374
Additions	-	-	-	-
Disposals	-	-	(4,000)	(4,000)
Cost at 30 April 1996	188,277	69,400	407,697	665,374
Depreciation				
Provision at 1 May 1995	65,986	35,410	375,675	477,072
Charge for the year	2,605	1,214	18,103	21,922
Eliminated on disposals	-	-	(3,999)	(3,999)
Provision at 30 April 1996	68,591	36,624	389,779	494,994
Net book value at 30 April 1996	<u>119,686</u>	<u>32,776</u>	<u>17,918</u>	<u>170,380</u>
Net book value at 30 April 1995	<u>122,291</u>	<u>33,990</u>	<u>36,021</u>	<u>192,302</u>

THE DOWNLAND BEDDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS - Continued

9. SUBSIDIARY COMPANY

	<u>1996</u> £	<u>1995</u> £
Investment in The Scott Feather Company Limited - at cost	41,415	41,415
Goodwill written off	(8,012)	(8,012)
	<hr/>	<hr/>
Total of unlisted investments	33,403	33,403
	<hr/>	<hr/>

The company owned the 100% of the ordinary share capital of The Scott Feather Company Limited. Details of this company are as follows:-

Registered: England

Nature of business: Processing and sale of feather

	<u>1996</u> £	<u>1995</u> £
Aggregate capital and reserves	4,948	7,929
Loss for the year (1995 profit)	2,981	523

10. STOCKS

	<u>Group</u>		<u>Company</u>	
	<u>1996</u> £	<u>1995</u> £	<u>1996</u> £	<u>1995</u> £
Goods for resale	234,713	198,049	165,966	137,573

11. DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>1996</u> £	<u>1995</u> £	<u>1996</u> £	<u>1995</u> £
Due within one year:				
Trade debtors	266,341	344,240	266,341	344,240
Group Company	-	-	60,099	52,328
Prepayments	4,429	1,572	4,429	1,028
Other debtors	8,907	2,984	6,175	2,330
	<hr/>	<hr/>	<hr/>	<hr/>
	279,677	348,796	337,044	399,926
	<hr/>	<hr/>	<hr/>	<hr/>

THE DOWNLAND BEDDING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS - Continued

12. CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£	£	£	£
Falling due within one year:				
Bank overdraft	18,941	28,363	18,941	28,363
Trade creditors	283,650	315,734	283,650	315,734
Other taxes and social security costs	51,487	53,738	49,352	52,265
Other creditors	8,121	4,818	5,943	2,571
Accruals and deferred income	51,075	47,069	42,323	40,764
Short Term Loan	27,500	-	27,500	-
	<hr/>	<hr/>	<hr/>	<hr/>
	440,774	449,722	427,709	439,697
	<hr/>	<hr/>	<hr/>	<hr/>

The bank borrowings are secured by a fixed and floating charge on the assets of the group.

13. OTHER LOANS

A loan amounting to £55,000 (1995 - £55,000) is secured on pension policies and is repayable in two equal instalments the first on 1 April 1997 and the second on 1 September 1999. Interest is charged at prevailing rates.

A further loan amounting to £29,990 (1995 - £31,540) represents funds provided by the directors. The loan is unsecured, interest free and not repayable until after 30 April 1997.

14. SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	£	£
Authorised, allotted, called up and fully paid 5,000 Ordinary shares of £1 each	5,000	5,000
	<hr/>	<hr/>

**15. RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS**

	<u>1996</u>	<u>1995</u>
	£	£
Loss for the financial year	(15,388)	(21,853)
	<hr/>	<hr/>
Net reductions to shareholders funds	(15,388)	(21,853)
Opening shareholders' funds	171,931	193,784
	<hr/>	<hr/>
Closing shareholders' funds	156,543	171,931
	<hr/>	<hr/>