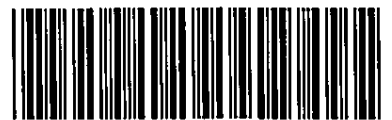


DUFLEX FOAM LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2009

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DUFLEX FOAM LIMITED

COMPANY INFORMATION

Directors	S R Hampton P Glynn
Company number	4995362
Registered office	Newbold Drive Castle Donnington Derby Derbyshire DE74 2QX
Auditors	PKF (UK) LLP Regent House Clinton Avenue Nottingham NG5 1AZ
Bankers	Bank of Scotland 15 Queen Street Nottingham NG 1 2BL
Solicitors	Browne Jacobson LLP 44 Castle Gate Nottingham NG1 7BJ

DUFLEX FOAM LIMITED

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DUFLEX FOAM LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2009

The directors present their report and the financial statements for the eighteen month period ended 31 December 2009
The comparatives cover the twelve month period ended 30 June 2008

Principal activities

The principal activity of the Company relates to the manufacture of bedding products for the home furnishings market produced primarily from polyurethane foam. The Company now outsources its supply of polyurethane foam compared to a previous policy of in-house manufacture.

Business review

The enclosed accounts relate to an 18 month trading period. During this period, two significant transactions have been recorded which affect the disclosed financial activities:

- With effect from 1 February 2009, a formal Supply Agreement commenced with Carpenter Limited for the supply of polyurethane foam to Duflex. The internal foam making activities were phased down and the results include a positive profit impact of £0.1 million in relation to this decision.
- The exceptional administrative expenses credit includes a £1.0 million inter-company loan that has been written off by Belfield Furnishings Limited (the holding company of Duflex Foam). This write-off relating to historical losses previously incurred by the Company.

Adjusting for the above two items, the Company recorded a break even result for the 18 month period compared to an operating loss of £0.2 million for the 12 month period to June 2008.

For the 18 month period to December 2009, gross sales of £17.1 million compare to a level of £10.3 million for the year ended June 2008.

Key performance indicators include the continuous review of factory efficiencies, customer margins and material yields.

The Directors consider that satisfactory progress has been made during the 18 month trading period and are confident of generating further profitable turnover growth during the 2010 trading year.

The position of the Company at December 2009 remains strong with cash balances of £0.7 million and it continues to operate well within its available bank facilities.

Results

The profit for the period, after taxation, amounted to £1.0 million (30 June 2008 - loss £0.3 million).

Directors

The directors who served during the period were:

S R Hampton
J L Watson (resigned 16 January 2009)
T Yeo (resigned 31 March 2009)
P Glynn

DUFLEX FOAM LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2009

Political and charitable contributions

During the period, the company has made charitable donations of £200 (30 June 2008 - £625)

Risks and Uncertainties

The principal risks and uncertainties facing the Company relate to the level of consumer demand in the UK. Duflex will continue to provide quality products at competitive prices which will, wherever possible, provide a stimulus for demand.

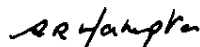
The Company operates a policy of credit insurance to reduce its exposure to bad debts. Foreign currency hedging is also utilised wherever practical.

Provision of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

This report was approved by the board on 12 March 2010 and signed on its behalf



S R Hampton
Director

DUFLEX FOAM LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PERIOD ENDED 31 DECEMBER 2009

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 period. 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

DUFLEX FOAM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUFLEX FOAM LIMITED

We have audited the financial statements of Duflex Foam Limited for the period ended 31 December 2009 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

DUFLEX FOAM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUFLEX FOAM LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

PKF (UK) LLP

Roger Merchant (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors
Nottingham, UK

Date 12 March 2010

DUFLEX FOAM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2009

	Note	31 December 2009 £	30 June 2008 £
TURNOVER	1,2	17,141,514	10,288,997
Cost of sales		<u>(14,114,880)</u>	<u>(8,981,253)</u>
GROSS PROFIT		3,026,634	1,307,744
Administrative expenses		(2,805,983)	(1,462,096)
Exceptional administrative expenses	3	911,750	-
Total administrative expenses		<u>(1,894,233)</u>	<u>(1,462,096)</u>
OPERATING PROFIT/(LOSS)	3	1,132,401	(154,352)
Interest receivable		-	4,820
Interest payable	6	<u>(215,300)</u>	<u>(119,899)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		917,101	(269,431)
Tax on profit/(loss) on ordinary activities	7	<u>96,530</u>	<u>(21,165)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u>1,013,631</u>	<u>(290,596)</u>

All amounts relate to continuing operations

There were no recognised gains and losses for either period other than those included in the profit and loss account

The notes on pages 8 to 15 form part of these financial statements

DUFLEX FOAM LIMITED

Registered number 4995362

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	31 December 2009 £	30 June 2008 £
FIXED ASSETS			
Tangible fixed assets	8	2,441,482	1,977,001
CURRENT ASSETS			
Stocks	9	1,292,811	553,694
Debtors	10	2,562,795	3,634,038
Cash at bank and in hand		<u>708,249</u>	<u>1,159,394</u>
		4,563,855	5,347,126
CREDITORS amounts falling due within one year	11	<u>(6,700,871)</u>	<u>(8,128,244)</u>
NET CURRENT LIABILITIES		<u>(2,137,016)</u>	<u>(2,781,118)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		304,466	(804,117)
CREDITORS amounts falling due after more than one year	12	(185,943)	(127,301)
PROVISIONS FOR LIABILITIES			
Deferred tax	13	<u>(241,888)</u>	<u>(205,578)</u>
NET LIABILITIES		<u>(123,365)</u>	<u>(1,136,996)</u>
CAPITAL AND RESERVES			
Called up share capital	14	300,000	300,000
Profit and loss account	15	<u>(423,365)</u>	<u>(1,436,996)</u>
SHAREHOLDERS' DEFICIT	16	<u>(123,365)</u>	<u>(1,136,996)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 March 2010

P Glynn
Director



S R Hampton
Director



The notes on pages 8 to 15 form part of these financial statements

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company's accounting reference date is 31 December. It is the company's policy to prepare financial statements for the accounting period to the nearest Saturday to this date. The accounting period covers 1 July 2008 to 2 January 2010.

1.2 Cash flow statement

Under Financial Reporting Standard (FRS) 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that more than 90% of the company's voting rights are controlled within the group and the parent undertaking includes the company in its own published consolidated financial statements.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	-	5%-10% straight line
Motor vehicles	-	25% straight line
Computer equipment	-	25-30% straight line

1.5 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.6 Finance leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the obligation outstanding in each period.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value. Stocks are valued at purchase invoice price after making due allowance for obsolete and slow-moving stocks.

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

1 ACCOUNTING POLICIES (continued)

1 8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1 9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1 10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period

2 TURNOVER

The whole of the turnover is attributable to its principal activity

All turnover arose within the United Kingdom

3 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging

	31 December 2009 £	30 June 2008 £
Depreciation of tangible fixed assets		
- owned by the company	322,970	220,223
- held under finance leases	113,000	-
Auditors' remuneration	10,000	6,000
Profit on disposal of fixed assets	(6,670)	-
Exceptional administrative income	(911,750)	-
Operating lease rentals		
- plant and machinery	37,198	11,767
- other operating leases	392,993	162,810

Exceptional administrative income includes impairment of tangible fixed assets of £75,000, staff redundancies of £13,250 and a parent company creditor write off of £1,000,000

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	31 December 2009 £	30 June 2008 £
Wages and salaries	1,901,908	539,825
Social security costs	148,047	37,883
Other pension costs	48,909	21,078
	<u>2,098,864</u>	<u>598,786</u>

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

	31 December 2009 No	30 June 2008 No
Production	32	11
Administrative	15	8
	<u>47</u>	<u>19</u>

5 DIRECTORS' REMUNERATION

	31 December 2009 £	30 June 2008 £
Emoluments	<u>234,751</u>	<u>17,167</u>
Company pension contributions to defined contribution pension schemes	<u>25,790</u>	<u>1,750</u>

During the period retirement benefits were accruing to 1 director (30 June 2008 - 2) in respect of defined contribution pension schemes

6 INTEREST PAYABLE

	31 December 2009 £	30 June 2008 £
Bank loans and overdrafts	-	26,351
Other interest	124,138	56,244
Group interest	91,162	37,304
	<u>215,300</u>	<u>119,899</u>

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

7. TAXATION

	31 December 2009 £	30 June 2008 £
Analysis of tax (credit)/charge in the period		
Current tax (see note below)		
UK corporation tax charge on profit/(loss) for the period	-	976
Group taxation relief	(56,840)	(113,531)
Group taxation relief in respect of prior years	(76,000)	-
Total current tax	(132,840)	(112,555)
Deferred tax (see note 13)		
Origination and reversal of timing differences	36,310	133,720
Tax on profit/(loss) on ordinary activities	(96,530)	21,165
Factors affecting tax charge for the year		
The tax (credit)/charge for the period is lower than (2008 - higher than) the standard rate of corporation tax in the UK (28%). The differences are explained below		
	31 December 2009 £	30 June 2008 £
Profit/(loss) on ordinary activities before taxation	<u>917,101</u>	<u>(269,431)</u>
Profit/(loss) on ordinary activities multiplied by effective rate of corporation tax in the UK of 28% (2008 - 29.5%)	256,788	(79,482)
Effects of		
Expenses not deductible for tax purposes	2,572	13,212
Capital allowances for year in excess of depreciation	(44,250)	(48,471)
Other short term timing differences	8,050	2,632
Receipt in respect of prior years group relief	(76,000)	-
Non taxable income	(280,000)	-
Lower rate taxes on interest	-	(446)
Current tax credit for the year (see note above)	(132,840)	(112,555)

Factors that may affect future tax charges

The company has estimated losses of £nil (30 June 2008 - £340,011) available for carrying forward against future trading profits of the same trade

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

8 TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Computer equipment £	Total £
Cost				
At 1 July 2008	2,641,717	68,918	6,850	2,717,485
Additions	944,391	-	48,922	993,313
Disposals	-	(57,160)	-	(57,160)
	<u>3,586,108</u>	<u>11,758</u>	<u>55,772</u>	<u>3,653,638</u>
At 31 December 2009				
Depreciation				
At 1 July 2008	694,499	40,979	5,006	740,484
Charge for the period	412,424	13,936	9,610	435,970
Impairment	75,000	-	-	75,000
Reclassification	5,328	(4,594)	(734)	-
On disposals	-	(39,298)	-	(39,298)
	<u>1,187,251</u>	<u>11,023</u>	<u>13,882</u>	<u>1,212,156</u>
At 31 December 2009				
Net book value				
At 31 December 2009	<u>2,398,857</u>	<u>735</u>	<u>41,890</u>	<u>2,441,482</u>
At 30 June 2008	<u>1,947,218</u>	<u>27,939</u>	<u>1,844</u>	<u>1,977,001</u>

Included within plant and machinery above are assets held under finance leases with a depreciation charge for the period of £113,000 (30 June 2008 - £nil) and a net book value of £646,000 (30 June 2008 - £nil)

9 STOCKS

	31 December 2009 £	30 June 2008 £
Raw materials	1,037,968	198,317
Work in progress	13,298	-
Finished goods and goods for resale	241,545	355,377
	<u>1,292,811</u>	<u>553,694</u>

10 DEBTORS

	31 December 2009 £	30 June 2008 £
Trade debtors	1,147,952	2,728,100
Amounts owed by group undertakings	1,096,824	739,984
Other debtors	29,888	-
Prepayments and accrued income	288,131	165,954
	<u>2,562,795</u>	<u>3,634,038</u>

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

11 CREDITORS: Amounts falling due within one year

	31 December 2009 £	30 June 2008 £
Bank loans and overdrafts (note 12)	16,009	160,000
Net obligations under finance leases	258,583	-
Trade creditors	1,536,838	978,523
Amounts owed to group undertakings	4,779,760	4,612,760
Corporation tax	976	976
Social security and other taxes	102,054	268,674
Other creditors	6,651	2,049,727
Accruals and deferred income	-	57,584
	<u>6,700,871</u>	<u>8,128,244</u>

Other creditors include £nil (30 June 2008 - £1,967,200) secured on the book debts of the company and by cross guarantees within the group

12 CREDITORS Amounts falling due after more than one year

	31 December 2009 £	30 June 2008 £
Bank loans	-	127,301
Net obligations under finance leases	185,943	-
	<u>185,943</u>	<u>127,301</u>

The bank loan of £16,009 (30 June 2008 - £287,301) is repayable in January 2010. The loan is secured over specific plant and equipment of the company and is subject to a fixed interest rate of 5%.

Obligations under finance leases are repayable in monthly instalments until August 2011 and are subject to a fixed interest rate of 9%.

Loan maturity analysis

	31 December 2009 £	30 June 2008 £
Loan repayable in one to two years	<u>185,943</u>	<u>127,301</u>
Loan repayable in less than one year	<u>274,592</u>	<u>160,000</u>
Loan wholly repayable within five years	<u>460,535</u>	<u>287,301</u>

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

13 DEFERRED TAXATION

	31 December 2009 £	30 June 2008 £
At 1 July 2008	205,578	71,858
Charge for the period	36,310	133,720
	<u>241,888</u>	<u>205,578</u>
At 31 December 2009	<u>241,888</u>	<u>205,578</u>

The provision for deferred taxation is made up as follows

	31 December 2009 £	30 June 2008 £
Accelerated capital allowances	251,387	208,077
Other short term timing difference	(9,499)	(2,499)
	<u>241,888</u>	<u>205,578</u>

14 SHARE CAPITAL

	31 December 2009 £	30 June 2008 £
Authorised		
900,000 Ordinary A shares shares of £1 each	900,000	900,000
100,000 Ordinary B shares shares of £1 each	100,000	100,000
	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
290,000 Ordinary A shares shares of £1 each	290,000	290,000
10,000 Ordinary B shares shares of £1 each	10,000	10,000
	<u>300,000</u>	<u>300,000</u>

15 RESERVES

	Profit and loss account £
At 1 July 2008	(1,436,996)
Profit for the period	1,013,631
	<u>(423,365)</u>
At 31 December 2009	<u>(423,365)</u>

DUFLEX FOAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	31 December 2009 £	30 June 2008 £
Opening shareholders' deficit	(1,136,996)	(1,046,400)
Profit/(loss) for the period	1,013,631	(290,596)
Shares issued during the period/year	-	200,000
Closing shareholders' deficit	<u>(123,365)</u>	<u>(1,136,996)</u>

17 CAPITAL COMMITMENTS

At 31 December 2009 the company had capital commitments as follows

	31 December 2009 £	30 June 2008 £
Contracted for but not provided in these financial statements	<u>-</u>	<u>96,765</u>

18. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

Contributions totalling £nil (30 June 2008 - £8,924) were payable to the fund at the balance sheet date and are included in creditors.

19 OPERATING LEASE COMMITMENTS

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	31 December 2009 £	30 June 2008 £	31 December 2009 £	30 June 2008 £
Expiry date				
After more than 5 years	<u>235,000</u>	<u>287,934</u>	<u>-</u>	<u>23,426</u>

20 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 Related Party Disclosures from disclosing transactions with wholly owned entities that are part of the group.

21 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is Belfield Furnishings Limited, a company registered in England and Wales. Consolidated accounts are available from Companies House, Cardiff, CF4 3UZ.

The ultimate controlling party is the Estate of P A Millership deceased.