Registered number: 04995362

DUFLEX FOAM LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

DUFLEX FOAM LIMITED

COMPANY INFORMATION

Directors	S R Hampton P Glynn K I Stevens
Company number	04995362
Registered office	Belfield House Furnace Road Ilkeston Derbyshire DE7 5EP
Auditor	BDO LLP Regent House Clinton Avenue Nottingham NG5 1AZ
Bankers	Yorkshire & Clydesdale Bank 137 New Street Birmingham B2 4NS
Solicitors	Browne Jacobson LLP Mowbray House Castle Meadow Road Nottingham NG2 1BJ

DUFLEX FOAM LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their Strategic Report and the financial statements for the year ended 31 December 2017.

Principal activity

The principal activity of the Company relates to the manufacture of bedding products for the home furnishings market produced primarily from polyurethane foam.

Business review

The Company achieved a turnover of £43.3 million during the year compared to £35.8 million in the previous year. The increased sales of £7.5 million were generated from growth with existing customers together with new accounts obtained during the year.

An operating profit of £2.4 million (5.6%) was recorded compared to £1.8 million (5.0%) during the previous year.

Key performance indicators for the business include the levels of gross profit and net profit achieved during the year in addition to wage levels and productivity. During the year, the gross profit remained static at 17.0% whilst the operating profit increased from 5.0% to 5.6%. The ratio of wages paid to net sales in the year of 11.2% compared to 11.4% in 2016 with existing operational efficiencies being maintained.

The Company continues to use a range of well-established and appropriate key performance indicators (KPI's) to manage the business, both from a quantitative and qualitative perspective. The key KPI's include turnover, gross margin and operating profit as referred to above.

The Company is committed to ensuring that environmental standards are preserved and has a continuing program to reduce its carbon footprint. The Company maintained its high level of waste recycling at 100% of total waste (2016 – 100%) generated being recycled during the year.

The position of the Company at December 2017 remains strong, with cash balances of £1.0 million (2016 – £1.0 million) and continues to operate well within the Group's available bank facilities which were renewed during the middle of the year.

The Company recognises the continual pressure on the amount of consumer disposable spend within the market place and is cautiously optimistic for the coming year, as the majority of its mattresses retail at opening and low price points, which it considers to be more of a commodity purchase rather than a higher level discretionary spend. It operates from a highly efficient low cost base and is well placed to take advantage of any opportunities that may arise in the future.

In order to effectively manage the Company's projected growth profile, it is planning to commission a further large factory to increase capacity. It is envisaged that this will be operational by Quarter Two of the new financial year.

The Directors are satisfied with the profit performance during the year as confirmed by the KPI's referred to above.

Risks and Uncertainties

The Directors consider the principal risks and uncertainties for the Company relate primarily to the performance of the UK economy and the competitive nature of the markets in which it operates. The exit process from the European market may well impact upon the general level of demand, although with the weakening of Sterling since the June 2016 referendum, the Company's UK manufacturing sites are now considerably more competitive (when compared to imported furniture) than they were before referendum. The Company will continue to invest in new capital and technology where it can improve its cost base.

This report was approved by the Board on 29 March 2018 and signed on its behalf.

P Glynn
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the financial statements for the year ended 31 December 2017. The principal activity of the Company is explained in the Strategic Report on page 1.

Results and dividends

The profit for the year, after taxation, amounted to £2.0 million (2016 – £1.4 million).

During the year, the Company made a dividend payment of £2.0 million (2016 – £1.0 million). No final dividend is proposed (2016 – £Nil).

Financial risk management

The Company's operations expose it to a number of financial risks that include the effects of changes in the market place, credit risk and liquidity risk. The Company has in place a risk management programme that seeks to limit any adverse effects on the financial performance of the Company by monitoring such areas closely.

Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management by a sub-committee of management. The policies and procedures, as set by the Board, are implemented by the Company and the Group's (Belfield Furnishings Limited) central finance department wherever appropriate.

Market Prices

The Company is exposed to market prices for certain purchased materials. The Company has appropriate facilities to hedge its exposure arising from the purchase of raw materials denominated in foreign currencies.

Credit Risk

The Company has implemented policies that require appropriate levels of credit check on potential customers before sales are made, in addition to having in place an insurance policy to cover losses arising from the insolvency or default of its customers.

Liquidity/Cash Flow Risk

The Company currently maintains short term debt finance that is designed to ensure the Company has sufficient funds available for operations, both in the short and medium term.

Modern Slavery Act

The Company is committed to running its business responsibly and strives to maintain high ethical principles and to respect Human Rights. The Company has introduced several policies and practices to manage this, which are contained within the Duflex divisional web page of the parent company, Belfield Furnishings Limited.

Directors

The Directors who served during the year were:

S R Hampton
P Glynn
K I Stevens

Qualifying Third Party Indemnity Provisions

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 the Companies Act 2006. Such qualifying third party indemnity provisions remain in force at the date of approving the Directors' Report.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Provision of information to auditor

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 steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

This report was approved by the Board on 29 March 2018 and signed on its behalf.

P Glynn
Director

DUFLEX FOAM LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the strategic report, 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 for the financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUFLEX FOAM LIMITED

Opinion

We have audited the financial statements of Duflex Foam Limited ("the Company") for the year ended 31 December 2017 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, 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 Financial Reporting Standard 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 state 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. 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 DUFLEX FOAM LIMITED

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this 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 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 and director's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUFLEX FOAM LIMITED

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities, 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 determines 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

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.

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 at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

BDO LLP

Richard Wilson (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Nottingham, UK

Date: 29 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

DUFLEX FOAM LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
TURNOVER	1,3	**43,394**	35,820
Cost of sales		**(35,992)**	(29,717)
GROSS PROFIT		**7,402**	6,103
Administrative expenses		**(4,971)**	(4,305)
OPERATING PROFIT	4	**2,431**	1,798
Interest payable		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**2,431**	1,798
Tax on profit on ordinary activities	7	**(403)**	(436)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**2,028**	1,362

There was no other comprehensive income for the year (2016 - £Nil).

The notes on pages 11 to 20 form part of these financial statements.

DUFLEX FOAM LIMITED

Registered number: 04995362

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	£'000	2017 £'000	£'000	2016 £'000
FIXED ASSETS					
Tangible fixed assets	9		**1,165**		1,006
CURRENT ASSETS					
Stocks	10	**2,117**		2,398	
Debtors	11	**7,544**		6,595	
Cash at bank and in hand		**960**		990	
		10,621		9,983	
CREDITORS: amounts falling due within one year	12	**(8,056)**		(7,352)	
NET CURRENT ASSETS			**2,565**		2,631
TOTAL ASSETS LESS CURRENT LIABILITIES			**3,730**		3,637
PROVISIONS FOR LIABILITIES					
Deferred tax	13		**-**		(35)
Other provisions	14		**(207)**		(107)
NET ASSETS			**3,523**		3,495
CAPITAL AND RESERVES					
Called up share capital	15		**300**		300
Profit and loss account			**3,223**		3,195
SHAREHOLDERS' FUNDS			**3,523**		3,495

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 March 2018.

K I Stevens

K I Stevens
Director

The notes on pages 11 to 20 form part of these financial statements.

DUFLEX FOAM LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2016	300	2,833	3,133
Profit for the year	-	1,362	1,362
Dividends: Equity capital	-	(1,000)	(1,000)
At 31 December 2016	300	3,195	3,495
At 1 January 2017	**300**	**3,195**	**3,495**
Profit for the year	**-**	**2,028**	**2,028**
Dividends: Equity capital	**-**	**(2,000)**	**(2,000)**
At 31 December 2017	**300**	**3,223**	**3,523**

The Company's reserves are as follows:

- Called up share capital represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

The notes on pages 11 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

Duflex Foam Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page. The nature of the company's operations and its principal activity is outlined in the strategic report.

The financial statements have been prepared under the historical costs convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

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 January 2017 to 30 December 2017.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A; and
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29.

This information is included in the consolidated financial statements of Belfield Group Limited (formerly Palma Topco Limited) and Belfield Furnishings Limited as at 31 December 2017 and these financial statements may be *obtained as described in note 20.*

1.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:
- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1. ACCOUNTING POLICIES (continued)

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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	-	5-25%	straight line
Motor vehicles	-	25%	straight line
Computer equipment	-	25-30%	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the statement of comprehensive income.

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.

1.6 Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour costs.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1. ACCOUNTING POLICIES (continued)

1.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the cost effective method.

1.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are not discounted.

1. **ACCOUNTING POLICIES (continued)**

1.12 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. 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.

1.13 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 hedged rate ruling on the date of the transaction.

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

1.14 Pensions

The company operates a defined contribution pension scheme for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations. The contributions are recognised as an expense when they fall due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2. **JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Useful lives of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten, then depreciation charges in the financial statements would increase and carrying amounts of property, plant and equipment would reduce accordingly. The carrying amount of property, plant and equipment by each class is included in note 9.

Provisions

The Group measures provisions at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. These estimates take account of information available and different possible outcomes. The carrying amount of provisions is included in note 14.

3. **TURNOVER**

The whole of the turnover is attributable to its principal activity.

All turnover arose within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4. OPERATING PROFIT

The operating profit is stated after charging:

	2017 £'000	2016 £'000
Depreciation of tangible fixed assets:		
- owned by the company	370	420
Auditor's remuneration	16	16
Loss on disposal	-	-
Operating lease rentals:		
- plant and machinery	35	25
- other operating leases	519	415
Inventories recognised as an expense	32,375	26,652
Write-down of stocks recognised as an expense	121	49

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2017 £'000	2016 £'000
Wages and salaries	4,520	3,783
Social security costs	302	242
Other pension costs	56	52
	4,878	4,077

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

	2017 Number	2016 Number
Production	177	141
Administration	26	21
	203	162

6. DIRECTORS' REMUNERATION

	2017 £'000	2016 £'000
Emoluments (including benefits in kind)	194	184
Company pension contributions to defined contribution pension schemes	-	3

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

7. TAXATION

	2017 £'000	2016 £'000
Analysis of tax charge in the year		
Current tax (see note below)		
UK Corporation tax charge on profit for the year	**523**	399
Group relief	**-**	18
Prior year over provision	**-**	(40)
Total current tax	**523**	377
Deferred tax (see note 13)		
Origination and reversal of timing differences	**(120)**	59
Tax on profit on ordinary activities	**403**	436

Factors affecting tax charge for the year

The tax charge for the year is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 19% (2016 - 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	**2,432**	1,798
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2016 – 20%)	**462**	360
Effects of:		
Expenses not deductible for tax purposes	**2**	41
Effect of change in rate of UK corporation tax	**6**	-
Prior year over provision	**-**	(40)
Fixed asset timing differences	**(67)**	75
Total tax charge for the year (see note above)	**403**	436

Factors that may affect future tax charges

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date. The Finance (No.2) Act 2015 enacted the corporation tax rate to reduce from the current rate of 20% to 19% from 1 April 2017 with a further reduction to 18% from April 2020. On 24 March 2016, the Chancellor of the Exchequer announced that legislation would be introduced in Finance Act 2016 to reduce the main rate of corporation tax to 17% from 1 April 2020, superseding the 18% rate effective from that date introduced in Finance (No.2) Act 2015. These changes to the future tax rate were substantively enacted at the balance sheet date.

8. DIVIDENDS

	2017 £'000	2016 £'000
Equity – Ordinary shares		
Final paid: £6.67 (2016 - £3.33) per £1 share	**2,000**	1,000

9. TANGIBLE FIXED ASSETS

	Plant and machinery £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost				
At 1 January 2017	3,484	4	123	3,611
Additions	529	-	-	529
Disposals	-	-	-	-
At 31 December 2017	**4,013**	**4**	**123**	**4,140**
Depreciation				
At 1 January 2017	2,504	4	97	2,605
Charge for the year	359	-	11	370
On disposals	-	-	-	-
At 31 December 2017	**2,863**	**4**	**108**	**2,975**
Net book value				
At 31 December 2017	**1,150**	**-**	**15**	**1,165**
At 31 December 2016	980	-	26	1,006

10. STOCKS

	2017 £'000	2016 £'000
Raw materials	**1,659**	1,578
Finished goods and goods for resale	**458**	820
	2,117	2,398

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. DEBTORS

	2017 £'000	2016 £'000
Trade debtors	3,099	4,182
Amounts owed by group undertakings	3,451	1,679
Other debtors	532	432
Prepayments and accrued income	377	302
Deferred tax (see note 13)	85	-
	7,544	6,595

12. CREDITORS:
Amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	7,145	6,547
Amounts owed to group undertakings	-	-
Corporation tax	194	199
Social security and other taxes	490	449
Other creditors	227	157
	8,056	7,352

13. DEFERRED TAXATION

	2017 £'000	2016 £'000
At 1 January 2017	35	(24)
Movement in the year	(120)	59
At 31 December 2017	(85)	35

The provision for deferred taxation is made up as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances	(85)	35

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14. OTHER PROVISIONS

	Provision for product returns £'000
At 1 January 2017	**107**
Charged to the profit or loss	**274**
Utilised in year	**(174)**
At 31 December 2017	**207**

Provisions for product returns are provided for in the normal course of business based on an assessment of future returns and costs to be incurred in respect of goods supplied with reference to historical return rates. Provisions for returns cover a period of up to two years.

15. SHARE CAPITAL

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
300,000 Ordinary shares of £1 each	**300**	300

16. 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 and amounted to £56,024 (2016 - £52,173). Contributions totalling £Nil (2016 - £Nil) were payable to the fund at the balance sheet date and are included in creditors.

17. OPERATING LEASE COMMITMENTS

At 31 December 2017 the company had total commitments under non-cancellable operating leases as follows:

	Land and buildings 2017 £'000	Land and buildings 2016 £'000	**Other 2017 £'000**	Other 2016 £'000
Expiry date:				
Within 1 year	**478**	415	**184**	110
Between 2 and 5 years	**1,120**	491	**376**	237
After more than 5 years	**1,307**	-	-	-

18. CAPITAL COMMITMENT

At 31 December 2017 the company had capital commitments as follows:

	2017	2016
	£'000	£'000
Contracted for but not provided in these financial statements	**978**	354

19. CONTINGENT LIABILITY

The company has given undertakings and cross guarantees in favour of the Groups bankers for all sums owing by Group companies, supported by a fixed and floating charge over the assets and undertakings of these companies. At the period end these contingent liabilities amounted to £14,437,500 (2016 - £15,812,500).

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Belfield Furnishings Limited.

The ultimate parent company is Belfield Group Limited (formerly Palma Topco Limited). There is no ultimate controlling party.

The parent undertaking of the largest group for which consolidated accounts are prepared is Belfield Group Limited. The parent undertaking of the smallest group for which consolidated accounts are prepared is Belfield Furnishings Limited. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ.