Silentnight Holdings Limited

Annual Report and Financial Statements

For the 52 week period from 2 February 2020 to 30 January 2021

Registered number: 07627383

Report and financial statements 2021

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Registered No: 07627383

Officers and professional advisers

Directors

N Anderson	
P McKoen	(Resigned 10 December 2020)
A Cran	(Appointed 12 March 2021)
C Sandberg	(Appointed 29 April 2021, resigned 3 September 2021)
A Fawcett	(Resigned 30 April 2021)
R Logan	(Resigned 30 April 2021)
A Taylor	(Resigned 11 May 2021)
J Harper	(Resigned 11 May 2021)
G Berry	(Appointed 3 August 2021)
R Cotter	(Appointed 14 October 2022)

Secretary
A Cran

Auditor
Deloitte LLP
Statutory Auditor
The Hanover Building
Corporation Street
Manchester
M4 4AH
United Kingdom

Banker
Barclays Bank plc
51 Mosley Street
Manchester
M60 2AU

Registered office
Long Ing Business Park
Long Ing Lane
Barnoldswick
Lancashire
BB18 6BJ

Strategic report

The directors of Silentnight Holdings Limited ('the company') present their strategic report on the affairs of the Group together with the audited financial statements and independent auditor's report for the 52 weeks ended 30 January 2021. The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006 and S172 relating to the directors duties to promote the success of the company.

Results

The results for the financial period are given in the income statement on page 19 and in the notes to the financial statements. Comparative results are for the 52 weeks ended 1 February 2020. The loss for the period after taxation amounted to £1,175,000 (2020: loss of £932,000). On an 'EBITDA' (see income statement and note 1) measurement basis, profit amounted to £2,118,000 (2020: profit of £2,408,000).

Principal activities and review of the business

The Groups principal activity is the manufacture and distribution of bedroom products including mattresses, divans and headboards. The Group's strategy is to focus on developing its market leading bed brands, with a clear vision to be the home of the most trusted sleep brands, achieved by delivering market leading quality, first class customer service and continuous innovation. The Group's product portfolio makes it the clear market leader in the UK. The company now manufactures its product from one site in Barnoldswick following the sale of its manufacturing operation based in Aspatria..

Key performance indicators

The Group's key financial and other performance indicators during the financial period were as follows:

	2021 £'000	*2020 £'000*	*Change %*
Turnover	110,871	133,902	(17%)
Operating profit (before amortisation)	(1,217)	80	(1,621%)
Loss after tax	(1,175)	(932)	(26%)
Current assets as a percentage of current liabilities	114%	94%	21%
Average number of employees	971	1,048	(7%)

Turnover decreased by 17% or £23,031,000 primarily due to the Covid19 pandemic and the forced closure of the factory from 24th March 2020. The closure of the Aspatria manufacturing site also contributed to this reduction. Further details are provided in the strategic report on page 3.

Operating profit (before amortisation) decreased by £1,297,000. This was primarily due to the shutdown period as a result of the Covid19 pandemic

Loss after tax of £1,175,000 compared to loss after tax in the prior period of £932,000. This movement was primarily as a result of the decrease in the operating profit due to the Covid19 pandemic.

The Group's 'quick ratio' (current assets as a percentage of current liabilities) has increased by 21pts primarily as a result of the strong cash position at the year end.

Strategic report

The average number of employees decreased by 11% from 1,048 to 971, primarily as a result of the sale of the manufacturing site at Aspatria, where 250 people were employed.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are broadly grouped as the impact of Covid19, competitive, legislative framework, raw materials, exchange rates, credit and liquidity.

Business Response to the impact of Coronavirus (Covid19)

In March 2020 Silentnight Holdings entered lockdown as a result of the Coronavirus (Covid19) global pandemic. The lockdown measures created unprecedented uncertainty across the globe impacting on all economies including Silentnight Holdings' main markets in the UK. The business initially furloughed significant numbers of staff (initially 950) under the Government's Job Retention Scheme. Silentnight Holdings' trading performance was initially severely impacted in April and early May 2020 as we initially shut our factories and our customers shut their retail premises. Online sales channels continued trading and demand in those channels was strong. We maintained some sales by selling through finished stock, bringing back a skeleton workforce to produce from raw material stocks and by taking orders for our rolled foam product produced by our partner Recticel. Sales achieved in these periods of c20% compared to trading the year before.

Through May and June the company managed a phased return to production in a Covid19 secure operation and, as retail customers reopened, our trading returned to more normal levels, consistent with prior year. By the end of July the majority of direct staff were brought back from furlough with a few indirect staff remaining on furlough.

The company's order book had continued to build throughout and with the pent up demand seen in the reopened retail channel our order book was sitting at about 8 weeks by July with high levels of demand for Silentnight products. Silentnight Holdings has a significant presence in the UK online retail sector which has been more resilient throughout the UK lockdown with consumers increasingly turning to online retailers to supply their beds and mattresses. The category leading familiarity and trust in the brand is especially important in online sales channels and was evidenced during the uncertainty and disruption seen through the year.

As a result of Silentnight Holdings' strong relationships with its suppliers it has been able to maintain a strong and steady supply of products into its manufacturing sites and has been able to react to the increased demand from its customers at a time when supplies of raw materials have been limited – most notably in the final quarter of 2020. This has enabled Silentnight Holdings to deliver on customer commitments and gain competitive advantage in the marketplace.

As the economic uncertainty emerged in the UK in late March 2020 Silentnight Holdings took decisive action to protect the business through lockdown and to ensure it was well placed as the economy slowly recovered from the impact of the pandemic. The actions taken included taking advantage of the UK Government support schemes including utilising both the Job retention Scheme where the company received £4,389,000 in furlough income and the Time to Pay arrangements offered in relation to payroll taxes and VAT. The business has also agreed

Strategic report

cash supportive measures including the UK Governments CLBILS scheme and cash supportive measures from its shareholders. These were secured in October 2020.

During this period the company took the decision to review its Direct to Consumer operation and closed 4 of its 5 showrooms, the cost of these closures being equal to losses incurred in a period.

These measures have significantly improved the financial stability of the business and will enable it to trade through the financial impact of the lockdown and indeed any subsequent lockdowns.

Currently the business is operating with lead times back to normal levels as consumer demand has returned to normal for the time of year.

The latest lockdown announced at the end of December 2020 has not had a detrimental effect on the company and order intake continues to be above expectation. The business is currently trading significantly above its budget.

Competitive

In the UK, the Group is reliant on certain major customers for sales of ranges which are subject to ongoing review. The Group is exposed to threats from competition including imported products, as well as to a reduction in the size of the overall market. The Group aims to mitigate competitive risks by constant innovation through research and development and rolling out new products, with a vision to be the home of the most trusted sleep brands, achieved by delivering market leading quality, first-class customer service and continuous innovation.

Legislative framework

The Group may be exposed to changes in the legislative framework. In addition, compliance imposes costs and failure to comply with such legislation could result in increased costs and/or reduced sales for the Group. The directors regularly monitor compliance and ensure that they are made aware of legislative changes.

Raw materials

The Group purchases raw materials to use in the manufacture of its products, including timber, steel and foam. The price of these products can be volatile and the Group is therefore exposed to movements in the price of the commodity products. Recently the company has seen significant rises in its raw material costs. The company has absorbed these increases where possible but has also had to pass some of this on to its customers.

Exchange rates

The Group has considered the impact of foreign exchange risk, and the potential gains and losses arising from transactions in foreign currencies. The Group is exploring taking out some forward exchange options to mitigate this exposure to currency risk.

Strategic report

Impact of Brexit

The company has not seen any significant disruption or additional cost as a result of the Brexit deal announced late December 2020. The delays at the ports have not caused any supply disruption and the company does not anticipate any increased disruption.

Principal risks and uncertainties (continued)

Technical

The Group relies heavily on its computer systems and associated infrastructure. Failure of such systems would constitute a risk to the Group. The Group has a series of risk management tools in place, including disaster recovery procedures.

See note 1 for the assessment of the impact of these risks and uncertainties on the going concern assumption.

Future developments

The directors aim to continue the management policies, which have resulted in the Group growing market share and its position as the market leader. They consider that the challenges facing both retail and the UK bed market will remain during 2021, but the strategy in place, innovations in development and the ongoing investment in products and marketing, will drive improved sales and profitability from continuing operations.

Approved and authorised for issue by the Board of Directors and signed by order of the Board on 27th January 2022.

N Anderson
Director

Directors' report

The directors of Silentnight Holdings Limited present their directors' report for the 52 weeks ended 30 January 2021.

Directors responsibilities & Section 172 statement

In performing their duties under section 172 of the Companies Act 2006, the directors of the Group recognise the importance of health and safety management and its obligation to protect the environment. The Group therefore gives high priority to all environmental, health and safety matters and concerns and is committed to compliance with applicable environmental, health and safety regulations in all territories where it conducts business.

The Board ensures that all decisions are taken for the long term, and collectively and individually aims to always uphold the highest standard of conduct. Similarly, the board acknowledges that the business can only grow and prosper over the long-term if it understands and respects the views and needs of the company's investors, customers, employees, suppliers and other stakeholders to whom we are accountable, as well as the environment we operate within. The ongoing relationship with suppliers has ensured that the company has remained first in line for raw materials during post Covid19 times of raw material shortages and ensured that during lockdown the company was able to manage its liquidity whilst working with its creditors.

Typically the board fulfils its duties partly through a governance framework that delegates day-to-day decision making to the employees of the company. The board recognises that such delegation needs to be part of a robust governance structure, which covers our values, how we engage with our stakeholders, and how the board assures itself that the governance structure and systems of controls continue to be robust.

Our Chairman, sets the agenda for each Board meeting to ensure that the requirements of section 172 are always met.

Our key stakeholder groups are set out below. Our many and varied engagement processes help lead us to a better understanding of what matters to our stakeholders. Their views and needs, as well as the consequences of any decision in the long term are then considered in the business decisions made by the Board and across the entire Company, at all levels. We do this through various methods, including: direct engagement by Board members, receiving reports and updates from members of management who engage with such groups, and coverage in our Board papers of relevant stakeholder interests with regard to proposed plans.

Our workforce: The strength of our business is built on the dedication of all our people. We consider the interest of all employees when making decisions. Our people rely on us to provide stable employment and opportunities to realise their potential in a working environment where they can be at their best.

The Board of Directors regards employee engagement as a matter of great importance and actively aims to improve the Board's understanding of the employees' views and interests as well as improving the employees' understanding of the Company's performance.

We invest in training, coaching and skills development to ensure the required knowledge and behaviours are aligned with the Company's strategy and values as it is important for our employees to feel connected to the Company's purpose.

Directors' report

Our Board and our Senior Managers hold regular updates with their departments and constantly review the way in which information is provided to ensure engagement with our employees. The updates give employees a platform to raise questions and make suggestions to the Board and senior management team.

The Company operates a Joint Company Council, which provides a two-way communication process, involving and engaging employees through consultation and enabling them to contribute to the success of the business. It also offers management the opportunity to consult over business related issues and gain commitment for change.

Customers: Our customers are our reason for existing. It is essential that we can design and manufacture high quality products that live up to our key values of quality, service and innovation. In doing this we will build our brand value and loyalty.

The Company recognises that the fair treatment of customers is central to its strategy and the continuing success of its business. The Company operates with a customer base across multiple channels. These customers are vital to the success of the Company. There are periodic meetings between the customers and the Directors of the Company to understand the strategic direction of the Company.

The Company's strategy is based on sustainable business relationships with our customers. The Company seeks to re-invest for growth and innovation. The Company is committed to continuous development of its processes to improve the overall customer experience and loyalty.

Investors: We rely on our providers of debt funding as essential sources of capital to further our business objectives. They rely on us to protect and manage their investments in a responsible and sustainable way that generates value for them.

Suppliers: The company perceives its supplier network as a major contribution to value creation, quality and innovation and hence to our success. The company's collaboration with its suppliers is based on a mutual understanding of product and production quality, security of supplies, competitive prices and innovation, as well as the continuous integration of sustainability requirements.

Suppliers have a significant impact on our sustainability performance and the sustainable development of society. It is therefore essential that our suppliers meet standards which require compliance with internationally recognised human rights, as well as labour and social standards.

Regulators: We seek to enjoy a constructive and cooperative relationship with the bodies that authorise and regulate our business activities. They rely on us to comply with applicable laws, regulation and licence conditions.

Communities and the environment: Communities and the wider public expect us to act as a responsible company and neighbour and to minimise any adverse impact we might have on local communities and the environment.

Future developments

Details of future developments can be found in the strategic report and form part of this report by cross-reference.

Directors' report

Going concern

In April 2021 there was a reorganisation of the ownership structure with the ultimate controlling party changing between different HIG Funds. As part of this reorganisation the existing borrowings in the Company with Close Brothers were repaid and new long term external finance facility of £25m "the Facility" was taken out by a new UK intermediate holding company, Kiboko Bidco Limited, which was then lent on to the Company and its immediate parent company

Following this reorganisation the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details regarding the adoption of the going concern basis of accounting can be found in note 1, in the statement of accounting policies in the financial statements.

Research and development

The Group continues to invest in research and development, incurring costs of £676,000 (2020: £774,000) in the period in researching and developing new products and processes. As a result of the investment in research and development, new products continue to be launched, which are expected to continue to make a significant contribution to the growth of the business. The directors regard investment in this area as a pre-requisite for success in the medium to long-term future.

Directors' report

Environmental responsibility & SECR

The board believes that good environmental practices support the board's strategy by enhancing the reputation of the company, the efficiency of production and the quality of products. The Group continues to place its environmental responsibilities high on the agenda. As a result of the environmental policy, the business has recorded an overall drop in the carbon emissions it emits by 35% over the last three years, have aligned their energy policy to only source suppliers of renewable energy to power it's facilities, and invested in both UK and Global carbon offsetting activities. The Group also operates a zero to landfill policy and is Carbon neutral.

Silentnight has appointed Carbon Footprint Ltd, a leading carbon and energy management company, to independently assess its Greenhouse Gas (GHG) emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.

The GHG emissions have been assessed following the ISO 14064-1:2018 standard and has used the 2020 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the GHG Protocol dual reporting approach for assessing Scope 2 emissions from electricity usage. The financial control approach has been used.

The table below summarises the GHG emissions for reporting year: 2020/2021.

Scope	Activity	Location-Based tCO_2e	Market-Based tCO_2e
Scope 1	Vehicle fuel usage	1,872.38	1,872.38
	Site gas	721.62	721.62
	Site LPG	32.89	32.89
	Site diesel	31.95	31.95
	Site gas oil	24.93	24.93
	Van travel and distribution	0.01	0.01
Scope 1 Sub Total		2,683.78	2,683.78
Scope 2	Electricity generation	798.32	31.00
Scope 2 Sub Total		798.32	31.00
Scope 3	Electricity transmission & distribution	68.66	2.67
	Employee-owned car travel (grey fleet)	52.20	52.20
	Flights	1.13	1.13
	Waste	0.79	0.79
Scope 3 Sub Total		122.77	56.78
Total tonnes of CO_2e		**3,604.87**	**2,771.56**
Tonnes of CO_2e per employee		**3.36**	**2.59**
Tonnes of CO_2e per £M turnover		**25.28**	**19.44**
Total Energy Consumption (kWh)*		**15,786,24**	**15,786,24**

* Total Energy Consumption includes UK Electricity, UK Site Gas, Company Owned Vehicles and Employee-owned vehicles (grey fleet).

Directors' report

We are delighted to be able to show we have been able to reduce our greenhouse gas emissions by 32.9% since last year, through implementing several energy and carbon savings measures.

During the last year we also completed a detailed Energy Savings Opportunity Scheme (ESOS) energy audit of our energy use and have a number of recommendations we are now in the process of implementing.

In addition, 96.1% of our electricity is now sourced from renewable energy.

We have also offset a total of 2,771.56 tonnes of CO2 through investing in project(s) that are verified against the Gold Standard VER / Verified Carbon Standard, to help sequester more carbon dioxide from the atmosphere. Our business has therefore become/maintained Net Zero Carbon.

Activity	Baseline Year 2017/18	Previous Year 2019/20	Current Year 2020/21
Total energy consumed (kWh)	-	22,924,393.76	15,786,244.41
Total Gross Location-Based Emissions (tCO_2e) Scope 1, 2 & 3	7,082.84	5,374.55	3,604.87
Total Gross Market-Based Emissions (tCO_2e) Scope 1, 2 & 3	-	-	2,771.56
Renewable electricity generated & exported to national grid or third-party (tCO_2e)	-	-	-
Total Net Market-Based Emissions (tCO_2e) Scope 1, 2 & 3	-	-	0.00
Intensity ratio: tCO_2e (gross Scope 1 & 2, market-based) per £M revenue	45.38	37.69	25.28

Disabled employees

The Group recognises its legal and social obligations for the employment of disabled persons and does what is practical to fulfil them. Disabled persons' applications for employment are always considered and their aptitudes and abilities are taken fully into account. If employees become disabled while employed by the Group every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that training, career development and promotional opportunities are available to disabled employees according to individual ability in the same way as to other employees.

Financial risk management objectives and policies

The Group's activities expose it primarily to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Directors' report

Exposure to credit, liquidity and cash flow

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and/or satisfy creditworthiness procedures. Details of the Group's debtors are shown in note 15 to the financial statements.

The Group aims to limit its exposure to customer credit risk through the use of trade insurance although this can never provide complete cover.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing the cash generation of its operations. The Group also manages liquidity risk via revolving credit facilities and long term debt.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable rate debt.

Directors

The directors of the Group throughout the period and thereafter, are as follows:

N Anderson	
P McKoen	(Resigned 10 December 2020)
A Cran	(Appointed 12 March 2021)
C Sandberg	(Appointed 29 April 2021, resigned 3 September 2021)
A Fawcett	(Resigned 30 April 2021)
R Logan	(Resigned 30 April 2021)
A Taylor	(Resigned 11 May 2021)
J Harper	(Resigned 11 May 2021)
G Berry	(Appointed 3 August 2021)
R Cotter	)Appointed 14 October 2022)

Dividends

No dividends were proposed in the current period or post year end (2020 £4,919,000).

Events after the balance sheet event

In April 2021 there was a reorganisation of the ownership structure with the ultimate controlling party changing between different HIG Funds. As part of this reorganisation the existing borrowings in the Company with Close Brothers were repaid and new long term external finance facility of £25m "the Facility" was taken out by a new UK intermediate holding company, Kiboko Bidco Limited, which was then lent on to the Company and its immediate parent company.

Directors' report

Disclosure of information to the auditor

Each of the persons who is a director of the Group at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

The Group has elected to dispense with the holding of annual general meetings, the laying of financial statements before the Group in general meeting and the annual appointment of auditor. Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an annual general meeting.

Approved and authorised for issue by the Board, and signed on their behalf on 27th January 2022:

N Anderson
Director

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. *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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures; 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report
to the members of Silentnight Holdings Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Silentnight Holdings Limited (the 'parent company') and its subsidiaries (the 'group'):
- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 January 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 30.

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).

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent auditor's report

to the members of Silentnight Holdings Limited (continued)

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

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, 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 group's and the parent 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 group or the parent 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.

Independent auditor's report

to the members of Silentnight Holdings Limited (continued)

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- *Revenue recognition in particular the completness of customer rebates. This risk has been addressed through testing the design and implementation of key controls in the rebate process. As part of our substantive testing, we selected a sample of customers and agreed to the latest signed contract agreement to verify the total rebate recognised. We also reconfirmed calculations had been appropriately calculated.*

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent auditor's report

to the members of Silentnight Holdings Limited (continued)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Silentnight Holdings Limited (continued)

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.

Rachel Argyle

Rachel Argyle (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
27th January 2022

Consolidated income statement

For the 52 weeks ended 30 January 2021

	Notes	52 weeks ended 30 January 2021 £'000 *Continuing operations*	52 weeks ended 30 January 2021 £'000 *Discontinued operations*	52 weeks ended 30 January 2021 £'000 *Total*	52 weeks ended 1 February 2020 £'000 *Continuing operations*	52 weeks ended 1 February 2020 £'000 *Discontinued operations*	52 weeks ended 1 February 2020 £'000 *Total*
Turnover	3	92,437	18,434	110,871	103,111	30,791	133,902
Operating costs before depreciation, amortisation		(95,834)	(18,527)	(114,361)	(101,564)	(29,930)	(131,494)
Other income	4	3,061	1,328	4,389	-	-	-
Earnings before interest, taxation, depreciation, and amortisation (EBITDA)		(336)	1,235	899	1,547	861	2,408
Operating costs – depreciation	6	(1,704)	(412)	(2,116)	(1,633)	(695)	(2,328)
Operating costs – amortisation	6	(562)	-	(562)	(563)		(563)
Total operating costs	4	(95,039)	(17,611)	(112,650)	(103,760)	(30,625)	(134,385)
Operating (loss)/profit		(2,602)	823	(1,779)	(649)	166	(483)
Profit on disposal		-	1,219	1,219	-	-	-
Net finance costs	9	(690)	(13)	(703)	(379)	(26)	(405)
(Loss)/profit before taxation	6	(3,292)	2,029	(1,263)	(1,028)	140	(888)
Tax	10	473	(385)	88	(72)	28	(44)
(Loss)/profit for the financial period		(2,819)	1,644	(1,175)	(1,100)	168	(932)

There are no recognised gains and losses other than those presented in the results above and consequently a separate statement of other comprehensive income has not been prepared.

The notes on pages 24 to 47 form an integral part of these financial statements.

Consolidated balance sheet

For the 52 weeks ended 30 January 2021

	Notes	*30 January 2021 £'000*	*1 February 2020 £'000*
Assets employed			
Fixed assets			
Intangible assets	11	5,766	6,328
Tangible assets	12	5,517	8,305
		11,283	14,633
Current assets			
Stocks	14	4,140	4,230
Debtors	15	11,725	17,170
Cash at bank and in hand		18,224	5,967
		34,089	27,367
***Creditors**: amounts falling due within one year*	16	(29,816)	(29,225)
Net current assets/(liabilities)		4,273	(1,858)
Total assets less current liabilities		15,556	12,775
***Creditors:** amounts falling due after more than one year*	17	7,808	3,853
Called-up share capital	19	-	-
Income statement	20	7,748	8,922
Capital employed		15,556	12,775

The notes on pages 24 to 47 form an integral part of these financial statements.

The financial statements of Silentnight Holdings Limited, registered number 07627383, were approved by the Board of Directors and authorised for issue on 27th January 2022 and signed on its behalf by:

N Anderson
Director

Company balance sheet
As at 30 January 2021

	Notes	*30 January 2021 £'000*	*1 February 2020 £'000*
Fixed assets			
Investments	13	-	-
Net assets		-	-
Capital and reserves			
Called-up share capital	19	-	-
Income statement	20	-	-
Shareholders' funds		-	-

The notes on pages 24 to 47 form an integral part of these financial statements. The profit for the 52 week period ended 30 January 2021 attributable to the company was £0 (2020: £0).

The financial statements of Silentnight Holdings Limited, registered number 07627383, were approved by the Board of Directors and authorised for issue on 27th January 2022 and signed on its behalf by:

N Anderson
Director

Statement of changes in equity
As at 30 January 2021

Consolidated statement of changes in equity

	Called up share capital £'000	*Profit and loss account £'000*	*Total £'000*
At 2 February 2019	-	14,769	14,769
Loss and total comprehensive expense for the financial period	-	(932)	(932)
Dividend paid during the period	-	(4,914)	(4,914)
At 1 February 2020	-	8,923	8,923
Loss and total comprehensive expense for the financial period	-	(1,175)	(1,175)
At 30 January 2021	-	7,748	7,748

Company statement of changes in equity

	Called up share capital £'000	*Profit and loss account £'000*	*Total £'000*
At 2 February 2019 and 1 February 2020	-	-	-
Profit and total comprehensive income for the financial period	-	-	-
Dividends paid during period	-	-	-
At 30 January 2021	-	-	-

The notes on pages 24 to 47 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the 52 weeks ended 30 January 2021

	Notes	*52 weeks ended 30 January 2021 £'000*	*52 weeks ended 1 February 2020 £'000*
Net cash inflow from operating activities	25	6,082	5,105
Cash flows from investing activities			
Payments to acquire plant and equipment		(1,316)	(1,879)
Proceeds from sale of Aspatria facility		3,200	-
Proceeds from sale of assets		-	4
Net cash flow used in investing activities		1,884	(1,875)
Cash flows from financing activities			
Interest element of finance lease rentals		(75)	(61)
New bank loans received		10,000	8,000
Repayment of bank loans		(5,713)	(1,812)
Capital element of finance lease rentals		79	(707)
Dividend paid		-	(4,914)
Net cash flow from financing activities		4,291	506
Increase in cash and cash equivalents		12,257	3,736
Cash and cash equivalents at the beginning of the period		5,967	2,231
Cash and cash equivalents at the end of the period		18,224	5,967

The notes on pages 24 to 47 form an integral part of these financial statements.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding period.

General information

Silentnight Holdings Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales, registration number 07627383. The registered office is Long Ing Business Park, Long Ing Lane, Barnoldswick, Lancashire, BB18 6BJ. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 2 to 4.

Basis of accounting

The Group's financial statements have been prepared under the historical cost convention modified to include certain items at fair value and in accordance with the Financial Reporting Standard 102 (FRS 102) as issued by the Financial reporting Council, as it applies to the financial statements of the Group for the 52 weeks ended 30 January 2021.

The Group's financial accounts have been prepared in sterling which is the functional currency of the Group and rounded to the nearest £'000. Both the functional and reporting currency of the Group is considered to be pounds sterling, because that is the currency of the primary economic environment in which the Group operates. The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it (under section 7) in respect of the presentation of a cash flow statement, disclosure of key management personnel remuneration, and disclosure of financial instruments.

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") is a measure commonly used in a number of business sectors that are similar to that in which Silentnight Holdings Limited operates. Consequently the statutory format of the income statement has been varied, in accordance with the provisions of the Companies Act 2006, as the directors consider that presenting EBITDA enhances understanding of the Group's operating results.

As permitted by section 408 of the Companies Act 2006, the income statement of Silentnight Holdings Limited is not presented as part of these financial statements.

Going concern

Following the first lockdown announced in March 2020 Silentnight Holdings used the governments Coronavirus job retention scheme for a short period of time, but the business started to return to full operational capacity from June 2020.

The company entered the new financial year with an extended order book resulting in a strong financial start to the year. We continue to trade ahead of budget and ahead of the same period in both 2019 and 2020.

Following the disposal of the manufacturing site in Aspatria we have streamlined the business to enable it to focus on the core business and build a strategy to take the business through the next years.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

1. **Accounting policies** (continued)

Going concern (continued)

The reopening of retail stores in April resulted in a rebalancing of the order book back to pre-pandemic levels. The category leading familiarity and trust in the brand has not only been important in online sales channels as was evidenced during the uncertainty and disruption seen during the last year but has also been important in the reopening of the retail channels as customers return to the stores. Silentnight has seen strong demand from the retail channel since the reopening of this channel and this is helping Silentnight to continue to trade ahead of budget.

Through Silentnight Holdings strong relationships with its suppliers it has been able to maintain a strong and steady supply of products into its manufacturing sites and has been able to react to the increased demand from its customers at a time when supplies of raw materials have been limited. This has enabled Silentnight Holdings to deliver on customer commitments and gain competitive advantage in the marketplace. Silentnight recognises the current shortage of drivers and has taken steps to recruit apprentice drivers to boost its driver numbers.

In April 2021 there was a reorganisation of the ownership structure with the ultimate controlling party changing between different HIG Funds. As part of this reorganisation the existing borrowings in the Company with Close Brothers were repaid and new long term external finance facility of £25m "the Facility" was taken out by a new UK intermediate holding company, Kiboko Bidco Limited, which was then lent on to the Company and its immediate parent company. This is an interest only loan, with a leverage ratio covenant and debt service coverage ratio covenant.

Since the loan from Kiboko Bidco Limited is repayable on demand, the directors of the Company have sought and received written confirmation from Kiboko Bidco Limited, that they will not seek repayment unless the company is able to make such repayment or EbITDA fall below £7.5m for the last 12 month period.

At the time of signing, the company had a strong liquidity position with cash of £11m and an undrawn RCF of £4.5m.

The business has prepared a short term cash forecast together with a 12 month forecast to Jan 2023 and a 5 year forecast to Jan 2026 which also incorporates the forecast covenant headroom at each measurement point. The directors have reviewed these forecasts and assessments have been made on these using a number of sensitivities and are satisfied the business has sufficient liquidity and covenant headroom through the going concern period and therefore the directors believe that the Company will be able to operate for the foreseeable future.

The forecast also assumes the current raw material price increases will remain in place for the period of the forecast.

The directors believe that the company is in a very strong position to tackle all the challenges the next 18 months of trading will bring and that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the financial statements (continued)
for the 52 weeks ended 30 January 2021

1. **Accounting policies** (continued)

Turnover

Turnover is attributable to the principal activity of the Group and represents amounts invoiced to customers of the Group after deduction of rebates, allowances and other value added tax. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Licence income is recognised in the month in which it becomes due.

Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiary undertakings made up to 30 January 2021.

Finance costs

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. Finance costs comprise interest payable and foreign exchange losses that are recognised in the income statement.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Intangible assets - brands

Brands are recorded in the financial statements at the fair value at the date of acquisition, less any accumulated amortisation and impairment losses. Amortisation is provided to write off the fair value at the date of acquisition of brands over the useful economic life, which has been assessed at 20 years and is written off in a straight line basis.

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

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

2. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are included in the financial statements at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation less estimated residual value in equal instalments over its expected useful life. The rates of depreciation are as follows:

Plant and machinery	-	10-20% per annum
Commercial vehicles	-	10-14% per annum
Computers and office equipment	-	10-33% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

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.

Stocks

Stocks are valued on a FIFO basis and are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress includes direct labour and an attributable proportion of appropriate production overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, 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 is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Operating leases

Rentals under operating leases are charged to the income statement on a straight line basis over the period of the lease, even where payments are not made on such a basis.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

1. **Accounting policies** (continued)

Finance leases

Assets held under finance leases are capitalised and included in tangible fixed assets at fair value. The obligations relating to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within, or creditors due after one year. Finance charges are amortised over the lease term to reflect a constant rate of interest on the remaining balance of the obligation.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

1. ***Accounting policies*** *(continued)*

b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

1. **Accounting policies** (continued)

(iii) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Pension costs

The Group operates a number of defined contribution pension schemes for the benefit of its employees. The amount charged to the income statement in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown either as accruals or prepayments in the balance sheet. Further information on pensions are disclosed in note 24.

Investments

Shares in subsidiary companies are stated at cost less provision for permanent diminution in value. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Discontinued Operations

The Aspatria business was a separate manufacturing business at a separate location in the UK manufacturing a separate brand which did not form part of the ongoing strategic plan of the company, and as such meets the criteria of a discontinued operation.

On 31 October 2020, the Group announced that it reached an agreement to sell its Aspatria manufacturing business. In connection with the sale of the Aspatria business, the Company entered into a Transition Services Agreement with the purchaser to provide certain support functions for a period of up to twelve months following the sale. The TSA is not material to the Group's condensed consolidated financial statements. The Group does not have or anticipate having any significant continuing net cash flows associated with the Aspatria business.

Related party transactions

The Group has taken advantage of the exemption contained within FRS 102 section 33 and has therefore not disclosed transactions or balances with other wholly owned entities which form part of the Silentnight Holdings Limited Group. Details of other related party transactions are given in note 28.

Notes to the financial statements (continued)
for the 52 weeks ended 30 January 2021

1. **Accounting policies** (continued)

Research and development

Research and development expenditure is written off to the income statement as incurred.

Government Grants

Income from government grants is recognised in the period to which it relates.

2. ***Critical accounting judgements and key sources of estimation uncertainty***

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

In the opinion of the directors, there are no critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty in the accounts.

3. **Turnover**

Turnover, which is stated net of rebates, trade discounts, allowances and value added tax, is attributable to the manufacture and sale of beds and bedroom related products.

Turnover by geographical market is analysed as follows:

	52 weeks ended 30 January 2021 £'000	*52 weeks ended 1 February 2020 £'000*
United Kingdom and Eire	109,958	132,085
Mainland Europe	792	1,581
Rest of the World	121	236
	110,871	133,902

All turnover is derived from activities based within the United Kingdom. Turnover from discontinued operations amounted to £18,434,000.

Notes to the financial statements (continued)
for the 52 weeks ended 30 January 2021

4. Operating costs

	52 weeks ended 30 January 2021 £'000	*52 weeks ended 1 February 2020 £'000*
Cost of sales	76,838	88,756
Distribution expenses	25,408	29,851
Administrative expenses	10,404	15,778
	112,650	134,385

5. Other Income

Grants are accounted for under the accruals model as permitted by FRS 102.

Grants included in these statements are of a revenue nature and are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough').

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

6. Loss before taxation

		52 weeks ended 30 January 2021 £'000	*52 weeks ended 1 February 2020 £'000*
Loss before taxation is stated after charging:			
Depreciation of tangible fixed assets:	owned	1,447	1,538
	held under finance leases	669	790
Amortisation of intangible assets		562	563
Loss/(profit) on disposal of fixed assets		1,989	(4)
Operating lease rentals:	plant and machinery	775	977
	Other	518	1,376
Foreign exchange losses		58	43
Research and development expenditure		676	774
Cost of stock recognised as an expense		54,096	64,273

The analysis of auditor's remuneration is as follows:

Fees payable to the company's auditor and associates for the audit of the company's annual financial statements	5	5
The audit of the company's subsidiaries	105	92
Total audit fees	110	97
Tax compliance services	90	44
Total non-audit services	36	44
Total fees	236	141

The directors have considered the size of the fees for non-audit services relative to the audit services and are satisfied that no issues arise in respect of auditor independence and objectivity.

There were no non-audit services provided to the Company (2020: same).

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

7. Remuneration of directors

	52 weeks ended 30 January 2021 £'000	*52 weeks ended 1 February 2020 £'000*
Emoluments	824	809
	824	809

The remuneration of the highest paid director including benefits in kind was £288,000 (2020: £299,000). Company contributions for the highest paid director to a money purchase pension scheme were £nil (2020: £nil). The highest paid director did not exercise any share options during either period.

Retirement benefits are accruing to no (2020: no) directors under the group's defined contribution scheme.

8. Employee information

	52 weeks ended 30 January 2021 £'000	*52 weeks ended 1 February 2020 £'000*
Employee costs (including directors):		
Wages and salaries	24,435	27,910
Social security costs	2,149	2,483
Pension costs (see note 23)	768	900
	27,352	31,293

Average number of persons employed by the Company (including directors):	*2021 Number*	*2020 Number*
Production	643	705
Sales and distribution	247	249
Administration	81	94
	971	1,048

The company received Government Coronavirus Job Retention Scheme income (furlough) in the year (see note 5).

The Company has no employees other than the directors (2020: same).

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

9. Net finance costs

	52 weeks ended 30 January 2021 £'000	52 weeks ended 1 February 2020 £'000
Interest payable on:		
Bank loans and overdrafts	(670)	(344)
Finance leases	(33)	(93)
Fair value gain on financial instruments	-	32
	(703)	(405)

10. Taxation

i) Analysis of tax (credit)/charge in the period

	52 weeks ended 30 February 2021 £'000	52 weeks ended 1 February 2020 £'000
Current tax:		
Tax credit in the period	(4)	-
Overseas withholding tax	3	4
Prior period charge/(credit)	217	(30)
Total current tax	216	(26)
Deferred tax:		
Origination and reversal of timing differences	(342)	22
Adjustment in respect of prior period	38	56
Effect of changes in tax rates	-	(8)
Total deferred tax	(304)	70
Total tax (credit)/charge per income statement (note 10(ii))	(88)	44

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

ii) Factors affecting tax (credit)/charge for the period

The tax assessed for the period is higher (2020: higher) than the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%).

The differences are explained below:

	52 weeks ended 30 January 2021 £'000	52 weeks ended 2 February 2019 £'000
(Loss)/profit before tax	(1,263)	(888)
Profit before tax at 19% (2020: 19%)	(240)	(169)
Effects of:		
Expenses not deductible for tax purposes	67	1
		-
		-
Income not taxable	(277)	3
Effects of loss relief / other reliefs	105	26
Effects of overseas tax rates	2	191
Adjustment from previous periods	255	
Tax rate charges	-	(8)
Total tax (note 10(i))	(88)	44

iii) Factors that may affect future tax charges

A deferred tax asset of £360,000 (2020: £56,000) has been recognised in respect of short term timing differences that are available for offset against future trading profits of the same trade.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016) which included reductions to the main rate, to reduce the rate to 17% from 1 April 2020. In the 2020 budget it was announced that the corporation tax main rate would remain at 19% for the financial year beginning 1 April 2020, rather than reducing it to 17% from 1 April 2020. The charge to corporation tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021. On 11 March 2021, the Finance Bill 2021 was announced which increased the rate of Corporation Tax to 25% on profits over £250,000 from April 2023, deferred tax assets have not been restated for this change.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

11. Intangible fixed assets

	Brands £'000
Cost:	
At 1 February 2020 and 30 January 2021	11,250
Amortisation:	
At 1 February 2020	4,922
Charge for the period	562
At 30 January 2021	5,484
Net book value:	
At 30 January 2021	5,766
At 1 February 2020	6,328

Brands are recorded in the financial statements at the fair value at the date of acquisition, less any accumulated amortisation and any impairment losses. Amortisation is provided to write off the fair value at the date of acquisition of the brands over their useful economic life, which has been assessed at 20 years.

Company

There are no amounts in respect of the company.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

12. Tangible fixed assets

	Commercial vehicles £'000	Plant and machinery £'000	Computers and office equipment £'000	Total £'000
Cost:				
At 1 February 2020	5,868	12,554	8,416	26,838
Additions	350	486	480	1,316
Disposals	(1,293)	(4,879)	(1,723)	(7,895)
At 30 January 2021	4,925	8,161	7,173	20,259
Depreciation:				
At 1 February 2020	3,796	7,110	7,627	18,533
Charge for the financial period	669	1,078	369	2,116
Disposals	(1,036)	(3,233)	(1,638)	(5,907)
At 30 January 2021	3,429	4,955	6,358	14,742
Net book value:				
At 30 January 2021	1,496	3,206	815	5,517
At 1 February 2020	2,072	5,444	789	8,305
Assets under finance leases included above:				
Net book value:				
At 30 January 2021	1,390	-	-	1,390
At 1 February 2020	1,924	-	-	1,924

Company

There are no amounts in respect of the company.

Capital commitments

	2021 £'000	2020 £'000
Capital commitments	-	137

No provision has been made for expenditure for which contracts have been entered into as recognition criteria has not yet been met.

The company has no capital commitments.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

13. Investments

	Shares in Subsidiary £'000
Investment in subsidiary undertaking	
Company	
As at 1 February 2020 and 30 January 2021	-

See note 30 for a list of the subsidiary undertakings. The investment relates to 100% holding of the ordinary share capital of Silentnight Group Limited and a 100% holding of the ordinary share capital of The Branded Beds Group Limited. Both companies are incorporated in the United Kingdom.

Silentnight Holdings Limited also has an indirect investment in Silentnight Limited, a dormant company incorporated in the United Kingdom. This investment represents 1 ordinary share of 1p, which is held by Silentnight Group Limited, a subsidiary of Silentnight Holdings Limited.

14. Stocks

	2021 £'000	2020 £'000
Raw materials and consumables	2,161	2,200
Work-in-progress	404	455
Finished goods	1,575	1,575
	4,140	4,230

There is no material difference between the balance sheet value of stocks and their replacement cost. Cost of stock recognised as an expense amounted to £54,096,000 (2020: £64,273,000) in the period.

Company

There are no amounts in respect of the company

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

15. Debtors

	2021 £'000	2020 £'000
Trade debtors	10,265	15,212
Corporation Tax	358	38
Deferred tax (see note 18)	360	56
Prepayments and accrued income	742	1,799
Derivative financial assets	-	65
	11,725	17,170

All amounts included in debtors above, are falling due within one year with the exception of deferred tax.

Company

There are no amounts in respect of the company.

16. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans	3,906	3,275
Obligations under finance leases (secured)	326	615
Trade creditors	11,357	14,835
Other taxation and social security	3,407	3,837
Defined contribution pension scheme	129	72
Provisions	1,190	
Accruals and deferred income	9,501	6,591
	29,816	29,225

The finance leases are secured on the assets to which they relate and are included in Commercial Vehicles.

Company

There are no amounts in respect of the company.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

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

		2021 *£'000*	*2020* *£'000*
Bank loans	*(a)*	7,241	3,585
Obligations under finance leases (secured)	*(b)*	567	273
		7,808	3,858

(a) Bank loans

Amounts falling due:		
In one year or less	3,906	3,275
In more than one year but not more than two years	4,436	3,360
In more than two years but not more than five years	2,805	225
	11,147	6,860
Less: included in creditors: amounts falling due within one year	(3,906)	(3,275)
	7,241	3,585

In July 2019 a series of Bank Loans were taken out with Close Brothers. A cash flow loan for £4,000,000 repayable over 3 years was taken out, together with a £2,000,000 loan secured against plant and machinery, also repayable over 3 years and a £2,000,000 loan secured against the company's Brand, which was repayable over 12 months. In October 2020 a CLBILS loan of £10,000,000 was taken out with Close Brothers. At the same time the cash flow loan of £4,000,000 and the brand loan of £2,000,000 was repaid.

In April 2021 there was a reorganisation of the ownership structure with the ultimate controlling party changing between different HIG Funds. As part of this reorganisation the existing borrowings in the Company with Close Brothers was repaid and new long term external finance facility of £25m "the Facility" was taken out by a new UK intermediate holding company, Kiboko Bidco Limited, which was then lent on to the Company and its immediate parent company.

(b) Finance leases	*2021* *£'000*	*2020* *£'000*
Amounts falling due:		
In one year or less	326	615
In more than one year but not more than two years	267	163
In more than two years but not more than five years	300	110
	893	888
Less: included in creditors: amounts falling due within one year	(326)	(615)
	567	273

The finance leases are secured by the fixed assets to which they relate.

Company

There are no amounts in respect of the company.

Notes to the financial statements (continued)
for the 52 weeks ended 30 January 2021

18. Deferred tax

	Total *£'000*
At 1 February 2020	56
Credited to the income statement in the financial period	304
At 30 January 2021	360

Deferred taxation is included in the financial statements as follows:

	2021 *Amount provided* *£'000*	*2020* *Amount provided* *£'000*
Depreciation in excess of capital allowances	333	40
Other timing differences	26	15
Losses	1	1
	360	56

The deferred tax assets relating to tax losses and short term timing differences of £333,000 (2020: £40,000) and fixed asset timing differences of £26,000 (2020: asset of £15,000) are included within debtors (note 15).

Company

There are no amounts in respect of the company.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

19. Called-up share capital

	2021 £'000	2020 £'000
Allotted, called-up and fully paid:		
3,000 'A' ordinary share of 0.001p each	-	-
	-	
200 'B' ordinary share of 0.001p each	-	-
800 'C' ordinary share of 0.001p each		-
Total	-	-

All shares carry the same voting rights and no right to fixed income.

20. Reserves

The profit and loss reserve represents cumulative profits and losses, net of dividends paid and other adjustments.

21. Lease commitments

At 30 January 2021 the Group had total commitments under operating leases expiring as follows:

	2021 £'000	2020 £'000
(a) Land and buildings		
Expiring within one year	782	1,553
Expiring in 2 to 5 years	3,185	5,704
Expiring in over 5 years	692	885
	4,659	8,142
(b) Plant and machinery		
Expiring within one year	415	443
Expiring within 1 to 2 years	424	105
	839	548

The main property lease is in respect of the manufacturing operations at Barnoldswick, Lancashire. The lease is for 15 years expiring on 17 February 2027, at total commitment of £3,215,000. The showroom at Manchester (expiring April 2025) forms a total commitment of £303,000.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

22. Financial instruments

The carrying value of the Company's financial assets and liabilities are summarised by category below:

	52 weeks ended 30 January 2021 £'000	*52 weeks ended 1 February 2020 £'000*
Financial assets		
Measured at amortised cost		
Trade debtors (see note 15)	10,265	15,212
Measured at fair value		
Derivative financial assets (see note 23)	-	65
	10,265	15,277
Financial liabilities		
Measured at amortised cost		
Loans payable (see notes 16,17)	11,147	6,859
Trade creditors (see note 16)	11,357	14,835
Obligations under finance leases (see notes 16,17)	893	888
	23,397	22,582

23. Derivative financial instruments

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

There were no gains / losses in the period with respect to currency contracts (2020: gain of £32,000).

24. Pensions

The company operates a number of defined contribution pension schemes. These schemes are funded by contributions from the company and employees and the assets are held in separate, trustee administered funds.

The total pension cost for the company was £768,000 (2020: £900,000).

The unpaid contributions outstanding at the period end in respect of the UK defined contribution schemes, included in creditors (note 16), are £129,000 (2020: £72,000).

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

25. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	52 weeks ended 30 January 2021 £'000	52 weeks ended 1 February 2020 £'000
Operating loss	(1,779)	(483)
Adjustment for:		
Depreciation of plant and equipment	2,116	2,328
Amortisation of intangible assets	562	562
Proceeds of sale of Assets	-	(4)
Difference between pension charge and cash contributions	70	(6)
Decrease in stocks	90	177
Decrease/(increase) in debtors	6,344	(934)
(Decrease)/increase in creditors	(389)	4,849
Cash from operating operations	7,014	6,489
Tax paid	(229)	(1,040)
Interest paid	(703)	(344)
Net cash inflow from operating activities	6,082	5,105

Analysis of changes in net debt

	01 February 2020	Cash Flow	30 January 2021
Cash at bank	1,331	16,893	18,224
Cash Equivalents	4,636	(4,636)	-
	5,967	12,257	18,224
Bank Loans	(6,860)	(4,287)	(11,147)
Finance Leases	(888)	(5)	(893)
	(7,748)	(4,292)	(12,040)
Total	(1,781)	7,965	6,184

Notes to the financial statements (continued)
for the 52 weeks ended 30 January 2021

26. Contingent liabilities

Following settlement of the TPR case against the company in February 2021, there are no further contingent liabilities

27. Ultimate holding company

The company's ultimate parent undertaking is H.I.G Europe Capital Partners L.P., a Cayman Islands Exempted Limited Partnership. The largest and smallest Group in which the results of the company are consolidated is this set of financial statements for Silentnight Holdings Limited, see page 1 for the registered address.

On 30th April 2021 Silentnight Groups ultimate parent undertaking changed to H.I.G Europe Capital Partners III, LP, incorporated in Canada. Silentnight Holdings immediate parent company is now Kiboko Bidco, registered in the United Kingdom.

28. Related party transactions

The company has taken advantage of the exemption given under FRS 102 – Section 33, Related Party Disclosures – in not disclosing transactions with entities that are part of the Group or investees of the Group qualifying as related parties and wholly owned by a member of that Group.

The following balances are included in creditors, within accruals and deferred income:

	2021 £'000	*2020 £'000*
H.I.G. Capital LLC	300	-

During the period the following transactions took place on an arm's length basis:

	52 weeks ended 31 January 2021 £'000	*52 weeks ended 1 February 2020 £'000*
Consulting fees:		
H.I.G. Capital LLC	300	300

29. Events after the balance sheet date

In April 2021, the Group's owners HIG completed the sale the group from Fund 1 within its portfolio to fund 3. At the same time the company repaid its outstanding loans with Close Brothers and entered into an intergroup loan with Silentnight Holdings Limited new holding company, Kiboko Bidco of £15,450,000.

Notes to the financial statements (continued)

for the 52 weeks ended 30 January 2021

30. *Subsidiary undertakings*

Companies incorporated in the United Kingdom and registered in England and Wales

(i) **Silentnight Group Limited** (Registered number 07525259) – 100% (1 ordinary share of £0.01 directly held) which trades as:

Silentnight Brands	Barnoldswick, Lancashire

The subsidiary undertaking listed above is involved in the manufacture and distribution of bedroom products, including mattresses, divans and headboards.

(ii) **The Branded Beds Group Limited** (Registered number 07625055) – 100% (1 ordinary share of £0.01 directly held). The subsidiary is dormant.

(iii) **Silentnight Limited** (Registered number 07627200) – 100% (1 ordinary share of £0.01 indirectly held). The subsidiary is dormant.

The registered office for all subsidiaries is Long Ing Business Park, Long Ing Lane, Barnoldswick, Lancashire, BB18 6BJ.