

SEALY UNITED KINGDOM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

REGISTERED NUMBER 12867366

**FOR THE FINANCIAL PERIOD FROM 9 SEPTEMBER 2020
(DATE OF INCORPORATION)
TO 30 JUNE 2021**

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SEALY UNITED KINGDOM LIMITED

**For the financial period
from 9 September 2020 (date of incorporation) to 30 June 2021**

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SEALY UNITED KINGDOM LIMITED

**For the financial period
from 9 September 2020 (date of incorporation) to 30 June 2021**

COMPANY INFORMATION

Officers and professional advisors

Directors

Simon J Dyer
David Montgomery
Hugh C Buster III
George A Dyer

Independent auditors

PricewaterhouseCoopers LLP
1 Hardman Square
Manchester
M3 3EB

Banker

Barclays Bank plc

Registered Office

Station Road
Aspatria
CA7 2AS

Registered Number

12867366

SEALY UNITED KINGDOM LIMITED

STRATEGIC REPORT

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

The directors present their strategic report on the Company for the financial period ended 30 June 2021.

Principal activities, Review of Business and Key Performance Indicators

The Company's principal activity is the manufacture, marketing and distribution of bedding products. The Company is the authorized manufacturer and distributor of the Sealy brand in the United Kingdom. The Company's strategy is based on functionally and aesthetically superior mattresses, utilizing unique, proprietary innerspring technology.

The Company was incorporated on 9 September 2020 for the purpose of acquiring the existing Sealy United Kingdom bedding manufacturing and distribution business from its previous owner. The transaction was completed on 30 October 2020.

The directors meet regularly to review all key performance indicators ensuring that the company is maximising outcomes in each area of strategic focus. The main measures referenced include revenue, operating profit, and net cash flow. The first six months of ownership coincided with an extended COVID-19 lockdown and regular retail trade did not resume until late April 2021. Despite these challenging conditions, the Company achieved revenue of £19,239,000 and an operating loss of £544,000. The net cash outflow excluding the proceeds from the shareholders' loan and issues of shares was £3,236,000 due to the purchase of the Sealy UK business and the lease of the factory site. The directors and management are focused on revenue and profit growth to improve the company's performance.

Net assets were £4,451,000 at the end of the financial period. Net current assets, which include a £5,052,000 shareholder loan (comprising £5,000,000 principal and £52,000 accrued interest), are £1,545,000. The directors are confident that the Company has access to sufficient financial resources to meet its liabilities as they fall due and to continue in operational existence for the foreseeable future. In view of this, the financial statements have been prepared on the basis that the Company will continue as a going concern. Please refer to the Report of the Directors and note 2.2 for further information.

During the period, £203,612 was received under the Coronavirus Job Retention Scheme which was wholly used to recompense staff forced to be on reduced hours due to social distancing safety measures. This income is presented gross in Note 8.

Future developments

The UK bedding market will likely face continuing challenges through 2022. Nevertheless, the Company plans to grow its market share by continuing to innovate and invest in products and marketing.

SEALY UNITED KINGDOM LIMITED

STRATEGIC REPORT

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

Principal Risks and Uncertainties

COVID-19

The COVID-19 pandemic had a significant impact across the global economy.

In the United Kingdom, it impacted both bedding retail (through mandated store closures) and manufacturing (through a rise in commodity and freight costs).

A secondary effect was an increased consumer appetite for furniture, bedding and homewares – most likely driven by a decrease in the opportunity for alternative discretionary spending such as travel and entertainment.

That increased appetite translated into a strong demand for Sealy products, despite the retail lockdowns and pandemic uncertainty.

The rising commodity and freight costs have continued to impact the Company's profit levels and are managed for best result in a challenging operating environment.

Raw materials

The Company purchases raw materials to use in the manufacture of bedding, including timber, steel, fabric, fibre and foam. The price of these products has been particularly volatile in 2021 due to the overlaying impacts of the COVID-19 pandemic and Brexit. Management manages this risk through the maintenance of strong and competitive supplier relationships and careful monitoring of stock levels.

Withdrawal of the United Kingdom from the European Union

The uncoupling of the United Kingdom from the European Union has irrevocably changed the regulatory landscape of the UK in many ways. The full impact of the withdrawal will likely take shape over several years but its effects have already been felt primarily through logistical challenges in supply chains for many companies, including Sealy UK, as well as higher prices. Management continues to focus on stock levels and robust raw material supply chains to mitigate short term uncertainty around cross-border trade with EU-based suppliers.

Competitor risk

The Company is exposed to threats from competition, including changes in consumer preferences, new technologies and innovations in bedding product, delivery and marketing. The Company mitigates this risk through a constant focus on product excellence and investment in product innovation.

Cyber security

The Company requires a stable and reliable IT platform to transact with customers and suppliers, and to maintain records. Loss or harm to our technical infrastructure and the use of technology within the organisation could arise from malicious or unintentional sources. A breach could result in a loss of business, litigation or reputational damage as well as financial implications. Management mitigate this risk by maintaining a dedicated security function that support and oversee network security.

SEALY UNITED KINGDOM LIMITED

STRATEGIC REPORT

For the financial period

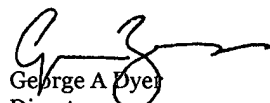
from 9 September 2020 (date of incorporation) to 30 June 2021

Principal Risks and Uncertainties (Continued)

Climate change

Climate change is a pervasive societal issue that affects, and will increasingly impact, all businesses. The Company might be affected by Climate change in several ways. Increased weather volatility could lead to operational disruption and put pressure on supply chains. Regulation aimed at reducing the impact of climate change will create new compliance challenges. The consumption habits of customers may change as societal expectations shift. Management continues to monitor power and water usage and carbon emissions and the impact of climate change is considered in strategic decision making.

This report was approved by the Board and signed on its behalf by:



George A Dyer
Director

28 June 2022

SEALY UNITED KINGDOM LIMITED

REPORT OF THE DIRECTORS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

The directors present their report and the audited financial statements for the financial period ended 30 June 2021.

Results and dividends

See the Strategic Report for the results of the Company and the directors' assessment of said results. No dividends were proposed in the current period or up to the date of this report.

Directors and directors' interests

The directors who held office during the period and up to the date of this report were as follows: Simon J Dyer, David Montgomery, Hugh C Buster III and George A Dyer. All of these individuals were appointed as directors upon incorporation of the Company on 9 September 2020.

Matters covered in the strategic report

The Strategic Report, which can be found on pages 3 to 5 and is incorporated by reference, contains information on the Company's activities during the year and future developments, as well as on the principal risks and uncertainties affecting the business and the financial key performance indicators of the business.

Going Concern

As at 30 June 2021, the company had accumulated losses of £549,000. The directors monitor the liquidity of the Company, including the ability of the Company to meet its debts as they fall due, using cash flow forecasting. The directors' assessment also includes a confirmation which has been received from its two ultimate parent owners, Tempur Sealy International, Inc and Dyer Holdings Pty Ltd, that they will direct that financial support be provided, if required for the Company to meet its debts as they fall due, by Sealy China (Holdings) Limited, which is a related entity of the Company under control of the two ultimate parent owners. This confirmation has been provided covering a period of at least twelve months from the issuance date of these financial statements. In light of this support, the directors therefore believe that preparing the financial statements on the going concern basis is appropriate.

Political donations and political expenditure

The Company has not made any donations to a registered political party, other political organisation in the EU (including the UK) or any independent election candidate.

Research and development

The Company did not incur any research and development costs during the period.

Financial risk management

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and cash flow risks. Refer to note 3 for further discussion.

SEALY UNITED KINGDOM LIMITED

REPORT OF THE DIRECTORS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

Employees and employee engagement

The company engages with employees on financial and economic factors affecting the performance of the company through regular corporate updates from senior management.

Employees are encouraged to contribute to the company's performance through a range of production incentive, sales commission and bonus schemes linked to both individual and overall company performance.

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitude and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is company policy to provide continuing employment where practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Permitted indemnity provisions

A qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006) in the Company's Articles of Association for the benefit of the directors of the Company is currently in force and was in force throughout the year.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

SEALY UNITED KINGDOM LIMITED

REPORT OF THE DIRECTORS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

Post balance sheet events

The Company obtained an additional loan amounting to £3,500,000 from its shareholders in May 2022 to support the Company's operation. The terms of the loan are the same as per disclosure note 25(f).

At the time of signing the accounts, we acknowledge the ongoing war in Ukraine. This does not constitute an adjusting event under IAS 10 'Events after the reporting period'. There has been no material direct or indirect impact to the Company requiring disclosure.

There are no other subsequent events that require disclosure or adjustments to the financial statements.

Directors' confirmations

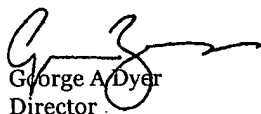
In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf by:


George A. Dyer
Director

28 June 2022

Independent auditors' report to the members of Sealy United Kingdom Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sealy United Kingdom Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its loss and cash flows for the period from 9 September 2020 to 30 June 2021;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2021; the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and report of the directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and report of the directors for the period ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and report of the directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment, health and safety, data protection and fire and furnishings regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to increase revenue or increase profit before tax. Audit procedures performed by the engagement team included:

- obtaining an understanding of the legal and regulatory framework applicable to the company and how the company is complying with that framework;
- discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud, including obtaining an understanding of their responses and corroborating it with the supporting evidence;
- reviewing minutes of meetings of those charged with governance, where available;
- reading any key correspondence with regulatory authorities that has taken place in the year;
- incorporating an element of unpredictability into our audit procedures;
- identifying and testing journal entries, including those with unusual account combinations relating to the principal fraud risks set out above; and
- challenging assumptions and judgements made by management in their significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Kirsty Luke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

28 June 2022

SEALY UNITED KINGDOM LIMITED**STATEMENT OF COMPREHENSIVE INCOME**

**For the financial period
from 9 September 2020 (date of incorporation) to 30 June 2021**

	Note	Period ended 30 June 2021 £'000
Revenue	5(a)	19,239
Cost of sales	6	(14,361)
Gross profit		4,878
Distribution costs	6	(3,344)
Administrative expenses	6	(2,282)
Other income	8	204
Operating loss		(544)
Finance expense	9	(103)
Loss before tax		(647)
Income tax credit	10	98
Loss for the period		(549)
Other comprehensive income for the period, net of tax		-
Total comprehensive loss for the period		(549)

The accompanying notes form an integral part of these financial statements.

SEALY UNITED KINGDOM LIMITED
REGISTERED NUMBER 12867366

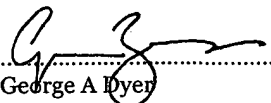
BALANCE SHEET

As at 30 June 2021

	Note	2021 £'000
Non-current assets		
Property, plant and equipment	11	979
Right-of-use assets	12	2,044
Intangible assets	13	1,645
Deferred tax assets	14	142
Total non-current assets		4,810
Current assets		
Inventories	16	2,192
Trade and other receivables	17	3,771
Cash and cash equivalents	18	6,764
Total current assets		12,727
Total assets		17,537
Non-current liabilities		
Lease liabilities	19	(1,695)
Provisions for other liabilities and charges	20	(209)
Total non-current liabilities		(1,904)
Current liabilities		
Trade and other payables	21	(5,217)
Contract liabilities	5 (b)	(398)
Shareholders' loan	25(e)	(5,052)
Lease liabilities	19	(515)
Total current liabilities		(11,182)
Total liabilities		(13,086)
Net assets		4,451
Capital and reserves		
Called up share capital	22	5,000
Accumulated losses	23	(549)
Total equity		4,451

The accompanying notes form an integral part of these financial statements.

These financial statements on pages 12 to 44 were approved by the Board of Directors on 28 June 2022 and signed on its behalf by:


George A Dyer
Director

SEALY UNITED KINGDOM LIMITED

STATEMENT OF CHANGES IN EQUITY

**For the financial period
from 9 September 2020 (date of incorporation) to 30 June 2021**

	Called up share capital £'000	Accumulated losses £'000	Total Equity £'000
At 9 September 2020 (On incorporation)	-	-	-
Issued during the period (Note 22)	5,000	-	5,000
Total comprehensive loss net of tax	-	(549)	(549)
Balance at 30 June 2021	<u>5,000</u>	<u>(549)</u>	<u>4,451</u>

The accompanying notes form an integral part of these financial statements.

SEALY UNITED KINGDOM LIMITED**STATEMENT OF CASH FLOWS**

**For the financial period
from 9 September 2020 (date of incorporation) to 30 June 2021**

	Note	Period ended 30 June 2021 £'000
Cash flows from operating activities		
Cash generated from operations	24(a)	421
Taxation paid		-
Net cash inflow from operating activities		<u>421</u>
Cash flows from investing activities		
Payments for property, plant and equipment	11	(104)
Acquisition of business	26	(3,166)
Net cash outflow from investing activities		<u>(3,270)</u>
Cash flows from financing activities		
Proceeds from shareholders' loan	25(e)	5,000
Proceeds from issues of shares	22	5,000
Principal element of lease payments	24(c)	(335)
Interest element of lease payments	24(c)	(51)
Net cash inflow from financing activities		<u>9,614</u>
Net increase in cash and cash equivalents		<u>6,765</u>
Cash and cash equivalents at incorporation		-
Effect of foreign exchange rate changes		(1)
Cash and cash equivalents at end of the period	18	<u><u>6,764</u></u>

The accompanying notes form an integral part of these financial statements.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

1 General information

Sealy United Kingdom Limited (the "Company") is a private company limited by shares and incorporated in the United Kingdom and domiciled in England and Wales on 9 September 2020. The registered number of the company is 12867366 and the registered address is Station Road, Aspatia CA7 2AS. The principal activity of the company and the nature of its operations is set out in the Strategic report on page 3.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied consistently.

2.1 Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. It requires the use of certain accounting estimates and judgements. These are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements which are disclosed in Note 4.

The financial statements have been prepared on the historical cost basis.

(a) Amendments that are not yet effective and have not been early adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Going concern

The financial statements show net current assets of the Company of £1,545,000 and an operating loss of £544,000. 45% of the Company's current liabilities represent the shareholders' loan. The directors monitor the liquidity of the Company, including the ability of the Company to meet its debts as they fall due, using cash flow forecasting. The directors' assessment also includes a confirmation which has been received from its two ultimate parent owners, Tempur Sealy International, Inc and Dyer Holdings Pty Ltd, that they will direct that financial support will be provided, if required for the Company to meet its debt as they fall due, by Sealy China (Holdings) Limited, which is a related entity of the Company under control of the two ultimate parent owners. This confirmation has been provided covering a period of at least twelve months from the issuance date of these financial statements. In light of this support, the directors therefore believe that preparing the financial statements on the going concern basis is appropriate.

2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. The consideration transferred for the acquisition of a business comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Company
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the Company.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

2 Summary of significant accounting policies (continued)

2.3 Business combination (continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. To the extent that consideration is contingent on future performance of assets acquired, this is held as a liability on the balance sheet as contingent consideration. Any adjustments to the above estimates are charged to the income statement unless they fall within the hindsight period, in which case they are taken against goodwill.

Identifiable intangibles are those which can be sold separately, or which arise from legal or contractual rights regardless of whether those rights are separable and are initially recognised at fair value. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Any acquisition-related costs directly attributable to the business combination are expensed as incurred. £104,225 in Acquisition-related costs were incurred during the period and have been recognized within operating costs in the statement of comprehensive income.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Pounds Sterling ("GBP"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income for the period and are classified in the income statement in accordance with the monetary item giving rise to them.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items, including the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Plant and machinery	- 5- 10 years
Fixtures fittings and equipment	- 5-10 years
Right of use assets	- over the life of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.6 Intangible assets - Goodwill

Goodwill is measured as described in note 2.3 and is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments. The Company consists of a single operating segment in the current reporting period.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

2 Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets

The carrying amounts of the Company's assets are tested for impairment. Goodwill has an indefinite useful life and so is not subject to amortisation but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. To determine the value in use, management estimates expected future cash flows and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset and reflect current market assessments of the time value of money and asset-specific risk.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

(a) Classification

The Company classifies its financial assets into one of three categories: those to be measured at amortised cost, fair value through profit or loss, and fair value through other comprehensive income. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets of the Company include trade receivables, other receivables and cash and cash equivalents. All of the Company's financial assets are currently classified as measured at amortised cost.

(b) Recognition and derecognition

Regular way purchases and sale of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of comprehensive income.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(d) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. Credit risk factors and mitigating controls are discussed in note 3.1(b).

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment of other financial assets at amortised cost are measured as either 12-month expected or lifetime credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises actual invoiced purchase cost and is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable rebates, discounts and other variable selling expenses.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Other receivables include rebates from suppliers. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. No trade receivables contain significant financing components at the date of reporting. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. The Statement of cash flows has been prepared using the indirect method by classifying cash flows based on operating, investing and financing activities. Interest is classified as a financing activity.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

2 Summary of significant accounting policies (continued)

2.12 Share capital

Ordinary shares are classified as equity. Share capital represents the nominal (par) value of shares that have been issued.

2.13 Retained earnings/accumulated losses

Retained earnings includes all current and prior period retained profits and losses. All transactions with owners of the parent are recorded separately within equity. Dividends are recognised when approved or, in the case of interim dividends, when the dividend has been paid. No interim dividend has been paid in the year. The Directors do not recommend the payment of a final dividend.

2.14 Financial liabilities

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

The Company's leases, shareholders' loan, trade and most other payables fall into this category of financial instruments. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless the Company has an unconditional right to defer payment until at least 12 months after the end of the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate in the UK adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax expense or credit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

2 Summary of significant accounting policies (continued)

2.16 Current and deferred income tax (continued)

(b) Deferred income tax

Deferred income tax is calculated based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax balances are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is measured on a non-discounted basis.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss.

2.17 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Warranty provision

A warranty provision has been recorded to reflect the Company's legal commitment to replace or repair products in the event of a defect, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

2 Summary of significant accounting policies (continued)

2.18 Leases (as the lessee)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate for each lease, the Company used indicative quotes for third-party financing of the type used for that asset.

Lease payments are allocated first to settle accrued interest with the residual paying down the principal. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Subsequent to initial measurement, the liability is measured at amortised cost; it will be reduced for payments made and increased for interest using the effective interest method. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is reassessed, the corresponding adjustment is reflected in the right-of-use asset, or comprehensive income if the right-of-use asset is already reduced to zero. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit-or-loss. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

2 Summary of significant accounting policies (continued)

2.19 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amount received for goods sold, stated net of value-added tax, discounts, rebates and returns.

Sales of goods

The Company manufactures and sells mattresses and bedding accessories in the United Kingdom and Ireland. The Company bears the inventory risk and credit risk and is the primary obligor to its customers. Revenue from the sale of goods is recognised when the performance obligation is met at the point that the product is delivered to the customer. Accumulated experience is used to estimate and provide for sales returns and volume rebates at the time of sale.

No element of financing is deemed present as the sales are made with credit terms which are consistent with market practice and no payment terms exceed one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Contract assets and liabilities

Upon entering into a contract with a customer, the Company obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods to the customer. Payment terms vary by customer and order type, and can be received in advance of the performance obligation being satisfied, in which case the amount received from the customer is recognized as a contract liability. Revenue is subsequently recognized when control of the goods is transferred to the customer. Any revenue recognized prior to an invoice being raised to a customer is recognized as a contract asset.

2.20 Government grants

Government grants are recognised in the statement of comprehensive income when there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Income from the UK government's Coronavirus Job Retention Scheme ('CJRS') is recognised within other income in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

2.21 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave, maternity or other non-accumulating compensated absences are not recognised until the time of leave.

(b) Pension obligations – Defined Contribution Plans

Defined Contribution Plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

2 Summary of significant accounting policies (continued)

2.22 Dividends

Dividends to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial and capital risks management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risks. The Company's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Company's financial performance.

(a) Foreign exchange risk

The Company's business is exposed to foreign exchange risk where transactions, assets and liabilities are denominated in United States Dollar ("USD"), Euro ("EUR") and Australian Dollar ("AUD").

The Company's major currency exposure based on the information provided by management is as follows:

	2021 USD	2021 EUR	2021 AUD	2021 TOTAL
£'000				
Financial assets				
Trade and other receivables	-	245	-	245
Cash and cash equivalents	-	63	-	63
Total financial assets	-	308	-	308
Financial liabilities				
Trade and other payables	(476)	(169)	(342)	(987)
Net exposure	(476)	139	(342)	(679)

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

3 Financial and capital risks management (continued)

3.1 Financial risk factors (continued)

If these currencies changed against the Pound Sterling by 2%, with all other variables including tax rate being held constant, the effect arising from the net financial asset/liability position will be approximately as follows:

	2021 Increase/ (decrease) <u>Net profit</u> £'000
Foreign currencies against GBP	
- strengthened	(11)
- weakened	11
	<hr/>

In the opinion of the directors, United States dollars, Australian dollars and the Euro are reasonably stable with the Pound Sterling under the Linked Exchange Rate System, and accordingly, the Company considers the foreign exchange risk is low. Given the low risk, the Company does not hedge against movements in exchange rates but does take exchange rate movements into account for cash flow forecasting. Management continually monitor for current or potential changes that might necessitate a change in risk management strategy.

(b) Credit risk

Credit risk includes risks resulting from risks of concentration and counterparty default. It mainly arises from deposits with banks, contractual cash flows of debt instruments carried at amortised cost, as well as credit exposures to customers and related companies, including loans and outstanding receivables.

The Company has a large number of customers but does have a small number of significant individual customers which make up a sizeable portion of the Company's revenue. These customers are large, reputable retailers which are considered to present a very low risk of default. The Company has policies in place to ensure that sales of goods are made to customers with an appropriate credit history and to limit the amount of credit exposure to customers to minimise credit risk resulting from counterparty default. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Furthermore, the Company reviews the recoverable amount of each individual customer at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Write offs are made on a case by case basis, subject to board approval. In this regard, the directors are of the opinion that the relevant credit risk is significantly reduced.

The Company's financial assets are subject to the expected credit loss model. While cash at banks are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as they are mainly deposited in reputable and creditworthy banks.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

3 Financial and capital risks management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The credit risk on rental and utility deposits and other receivables are considered to be low by the directors given their nature.

The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experiences. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance for trade receivables as at 30 June 2021 was determined as follows:

	Current	1 to 60 days past due	61 to 120 days past due	More than 120 days past due	Total
	£'000	£'000	£'000	£'000	£'000
30 June 2021					
Expected loss rate	0.1%	0.3%	0.5%	100%	
Gross carrying amount	2,138	1,245	77	-	3,460
Loss allowance	<u>2</u>	<u>4</u>	<u>0</u>	<u>-</u>	<u>6</u>

Movement in loss allowance provision

	2021 £'000
On incorporation	-
Additional during the period	<u>6</u>
At 30 June 2021	<u>6</u>

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances and monitoring the availability of funding generated from the Company's operations. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company periodically reviews and manages its capital structure to ensure optimal capital structure and shareholder returns. Refer to the going concern disclosures in note 2.2 for further analysis.

SEALY UNITED KINGDOM LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the financial period****from 9 September 2020 (date of incorporation) to 30 June 2021****3 Financial and capital risks management (continued)****3.1 Financial risk factors (continued)****(c) Liquidity risk (continued)**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

		< 1 year	1 – 2 year	2 – 5 year	5+ year	Carrying amount
At 30 June 2021	Note	£'000	£'000	£'000	£'000	£'000
Trade and other payables	21	5,217	-	-	-	5,217
Undiscounted lease liabilities	19	514	520	1,114	262	2,410
Shareholder's loan		5,052	-	-	-	-
		<u>10,783</u>	<u>520</u>	<u>1,114</u>	<u>262</u>	<u>12,679</u>

(d) Cash flow interest rate risk

The company holds cash at bank, which carries interest at prevailing market interest rates, and the shareholder's loan, which carries interest at a fixed rate of 1.5% plus the three month average LIBOR rate. The Company has no other significant interest-bearing assets or liabilities. The directors are of the opinion that the Company does not have significant cash flow and fair value interest rate risk as its income and operating cash flows are substantially independent of changes in market interest rates.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company represents equity attributable to owners of the Company, comprising called up share capital, a shareholder loan and retained earnings/accumulated losses.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

3 Financial and capital risks management (continued)

3.2 Capital risk management (continued)

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, negotiate the repayment of the shareholder's loan, return capital to shareholders or issue new shares.

	2021 £'000
Total current assets	12,727
Total current liabilities	(11,182)
Working capital	1,545
Net assets	4,451
Shareholders' loan	(5,052)
Net Capital	(601)

3.3 Fair value estimation

Fair value measurement by level of hierarchy is not disclosed as the Company has no financial instruments measured at fair value on the three level hierarchy basis in the balance sheet.

The carrying value less impairment provision of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgements in applying the company's accounting policies

(a) Lease term

The Company leases a factory located at the Aspatria site on a 7 year fixed term with an option to extend for an additional 3 years. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

As at 30 June 2021, the related lease payments under the extension periods had not been included in the measurement of lease liabilities as the Company is not reasonably certain to exercise the extension options.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

4 Critical accounting estimates and judgements (continued)

Key accounting estimates

- (a) Impairment assessment of non-financial assets, including goodwill

The Company tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.7. The test is performed at the cash-generating unit ("CGU") level, and includes other relevant assets and liabilities as set out under IAS 36 Impairment. The recoverable amount of the Company's single CGU has been determined based on value-in-use calculations. These calculations require the use of estimates as disclosed in note 6. The directors are of the opinion that there is no impairment of goodwill or other non-financial assets as at 30 June 2021.

- (b) Warranty provision

Provisions for other liabilities and charges recognized at the balance sheet date are a warranties provision. The calculation of the warranty provision is based on the past history, trends and subject to a degree of management judgement to make any necessary adjustments to these to reflect expectations of future warranty claims. Although the provision is reviewed on a regular basis and adjusted to reflect management's current best estimate, the future amount settled may be different from the amount provided.

5 Revenue

- (a) Analysis of revenue according to geographical destination

	Period ended 30 June 2021 £'000
United Kingdom	18,008
Europe	1,231
	<hr/> 19,239 <hr/>

- (b) Contract liabilities

	Period ended 30 June 2021 £'000
On incorporation	-
Acquired in business acquisition	528
Movement during the period	(130)
	<hr/> 398 <hr/>
Customers' deposits at end of period	

The contract liabilities relate to cash received from customers in advance of the Company satisfying its performance obligation to provide goods to the customers. Revenue will be recognised when control of goods are transferred to customers.

The movement in contract liability balances is mainly due to the timing differences between receipts of deposits and fulfilment of unsatisfied performance obligations.

- (c) Contract asset

The contract asset relates to commission receivable from an authorized customer in distributing the bedding accessories under "Sealy brand".

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

6 Expenses by nature

	Note	Period ended 30 June 2021 £'000
Fees payable to the company's auditors for tax compliance services		16
Fees payable to the company's auditors for the audit of the financial statements		133
Management fees	25(c)	1,003
Advertising and commission expenses		241
Depreciation of properties, plant and equipment	11	181
Depreciation of right-of-use assets	12	407
Repair and maintenance expenses		430
Warranty expenses	20	412
Employee benefit expenses	7	5,865
Royalty expenses	25(c)	652
Other expenses		10,647
		<hr/>
Total cost of sales, distribution and administrative expenses		19,987
		<hr/> <hr/>

7 Employee benefit expenses

(a) Expenses by nature

	Period ended 30 June 2021 £'000
Wages and salaries	5,651
Social security costs	143
Other pension costs	71
	<hr/>
	5,865
	<hr/> <hr/>

(b) Monthly average number of people (including executive directors) employed:

	2021
Manufacturing	210
Sales & Marketing	33
Administration	18
	<hr/>
	260
	<hr/> <hr/>

For details of directors' emoluments, see note 25.

SEALY UNITED KINGDOM LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the financial period****from 9 September 2020 (date of incorporation) to 30 June 2021****8 Other income**

	Period ended 30 June 2021 £'000
Government grant – Coronavirus Job Retention Scheme	204
Total	<u>204</u>

9 Finance expense

	Period ended 30 June 2021 £'000
Interest on lease liabilities	51
Interest on shareholders' loan	52
Total finance expense	<u>103</u>

10 Income tax credit

	Period ended 30 June 2021 £'000
Current tax expense	5
Deferred tax credit	(103)
Tax credit	<u>(98)</u>

The tax credit recognised on the Company's loss before tax is lower than the amount that would arise using the United Kingdom's standard rate of income tax. The following table shows the effects of non-temporary differences to reach the tax credit shown in the statement of comprehensive income:

	Period ended 30 June 2021 £'000
Loss before tax	(646)
Tax expense calculated at the UK statutory tax rate of 19%	(123)
Effect of:	
Income not subject to tax	-
Expenses not deductible for tax	25
Tax credit	<u>(98)</u>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This proposal was substantively enacted on 24 May 2021, and therefore its effects have been included in the measurement of deferred tax assets and liabilities in the financial statements.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

11 Property, plant and equipment

		Plant & Machinery £'000	Fixture, Fittings & Equipment £'000	Total
Cost				
At 9 September 2020 (On incorporation)		-	-	-
Acquired in business combination	26	998	58	1,056
Additions		98	6	104
		<u>1,096</u>	<u>64</u>	<u>1,160</u>
At 30 June 2021				
Accumulated depreciation				
At 9 September 2020 (On incorporation)		-	-	-
Charge for the period	6	163	18	181
		<u>163</u>	<u>18</u>	<u>181</u>
At 30 June 2021				
Net book value				
Balance at 9 September 2020		-	-	-
		<u>933</u>	<u>46</u>	<u>979</u>
Balance at 30 June 2021				

Depreciation expense of £181,000 has been charged to operating expenses.

12 Right-of-use assets

		Buildings £'000	Motor Vehicles £'000	Total £'000
Cost				
At 9 September 2020 (On incorporation)		-	-	-
Acquired in business combination	26	-	545	545
Additions				
- New leases	19	1,664	242	1,906
		<u>1,664</u>	<u>787</u>	<u>2,451</u>
At 30 June 2021				
Accumulated depreciation				
At 9 September 2020 (On incorporation)		-	-	-
Charge for the period	6	181	226	407
		<u>181</u>	<u>226</u>	<u>407</u>
At 30 June 2021				
Net book value				
Balance at 9 September 2020		-	-	-
		<u>1,483</u>	<u>561</u>	<u>2,044</u>
Balance at 30 June 2021				

SEALY UNITED KINGDOM LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the financial period****from 9 September 2020 (date of incorporation) to 30 June 2021****12 Right-of-use assets (continued)**

Depreciation expense of £407,000 has been charged to operating expenses.

The Company leases various commercial and industrial vehicles, as well as a factory located at the Aspatria site on a 7 year fixed term with an option to extend for an additional 3 years. The related lease payments under the extension periods had not been included in the measurement of lease liabilities as the Company is not reasonably certain to exercise the extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose covenants, but lease assets may not be used as security for borrowing purposes. Details of the maturity analysis of lease liabilities and total cash outflow for leases in the current period are set out in Note 19 and Note 24.

13 Intangible assets

	Note	Goodwill £'000
Cost		
At 9 September 2020 (On incorporation)		-
Acquired during the period	26	1,645
		<hr/>
Balance at 30 June 2021		1,645
		<hr/>
Accumulated amortization and impairment		
At 9 September 2020 (On incorporation)		-
Charge for the period	26	1,645
		<hr/>
Balance at 30 June 2021		1,645
		<hr/>
Net book value		
Balance at 9 September 2020		-
		<hr/>
Balance at 30 June 2021		1,645
		<hr/>

Impairment testing of goodwill

Goodwill is allocated to the Company's single cash-generating unit ("CGU"), which is the manufacture and wholesaling of Sealy branded bedding and associated products acquired by the Company during the period. The recoverable amount of the CGU was determined based on a value-in-use calculation, which required the use of assumptions. This calculation used pre-tax cash flow projections, which are based on a financial budget approved by the Board of Directors, covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rate stated below. The long-term growth rate used does not exceed the long-term average growth rate of the industry in which the CGU operates.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

13 Intangible assets (continued)

The key assumptions used for the value-in-use calculation were as follows:

	2021
Sales growth	10.2%
Pre-tax discount rate	9.1%
Long-term growth rate	1.8%

The directors determined the values assigned to each of the above key assumptions as follows:

- the sales growth assumptions are based upon the Directors' expectations of market development and current business plans;
- the pre-tax discount rate reflects specific risks relating to the industry and the territory in which the CGU operates;
- the long-term growth rate is determined with reference to historic inflation rates and industry forecast reports in the market in which the CGU operates.

The recoverable amount of the CGU is estimated to exceed its carrying amount at 30 June 2021 by £4,672,000. The recoverable amount of the CGU would equal its carrying amount if the key assumptions were to change as follows:

	From	To
Sales growth	10.2%	9.5%
Pre-tax discount rate	9.1%	10.5%
Long-term growth rate	1.8%	0.02%

If the sales growth used in the value-in-use calculation had been 15% lower than the Directors' estimates at 30 June 2021 (8.6% instead of 10.2%), the company would have had to recognise an impairment against the full carrying amount of goodwill.

If the pre-tax discount rate used in the value-in-use calculation had been 1.7pp higher than the Directors' estimates at 30 June 2021 (10.8% instead of 9.1%), the company would have had to recognise an impairment against the carrying amount of goodwill of £633,000.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

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14 Deferred tax assets

Deferred income tax is calculated on temporary differences using the rates of taxation prevailing in the respective jurisdictions in which the Company operates.

The movement of deferred income tax assets/(liabilities) (to be recovered after more than 12 months from the end of the reporting period) during the period is as follows:

		Capital Allowance £'000	Provisions £'000	Total £'000
At 9 September 2020 (On incorporation)				
Acquired in business combination	26	(22)	61	39
Charge for the period	10	(14)	117	103
At 30 June 2021		(36)	178	142

There are no unrecognized deferred tax assets as at 30 June 2021.

15 Financial instruments by category

The Company's financial instruments include the followings:

	Note	2021 £'000
<u>Financial assets</u>		
Financial assets at amortised cost		
- Trade and other receivables	17	3,617
- Cash and cash equivalents	18	6,764
		10,381
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
- Trade and other payables (excluding taxation and social security)	21	5,212
- Lease liabilities	19	2,210
- Shareholders loans	25(e)	5,052
		12,474

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

16 Inventories

	2021 £'000
Raw materials	1,554
Work in progress	129
Goods for resale	509
	<u>2,192</u>

The company recorded a reversal of an inventory provision of £27,350 during the period ended 30 June 2021, which has been included in cost of sales in the statement of comprehensive income.

The cost of inventories recognised as expense and included in cost of sales in the statement of comprehensive income amounted to £9,031,000.

17 Trade and other receivables

	Note	2021 £'000
Trade receivables, gross		3,460
Less: allowance for impairment of receivables	3.1	(6)
Trade receivables		<u>3,454</u>
Contract assets – accrued income		60
Other receivables		103
Financial assets		<u>3,617</u>
Prepayments		154
Total trade and other receivables		<u>3,771</u>

The maximum credit loss is £3,514,000. No trade receivables have been written off during the period.

£20,000 included in other receivables is cash in deposits placed with Barclays Bank plc as a security for custom duty credit with HM Revenue and Customs.

Due to the short-term nature of the trade and other receivables classified as financial assets, their carrying amounts are considered to be same as their fair values as at 30 June 2021 and are denominated in the following currencies:

	2021 £'000
Pound Sterling	3,372
Euro	245
	<u>3,617</u>

SEALY UNITED KINGDOM LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the financial period****from 9 September 2020 (date of incorporation) to 30 June 2021****18 Cash and cash equivalents**

	2021 £'000
Bank balances	6,763
Cash on hand	1
	<hr/>
Cash and cash equivalents	6,764
	<hr/>

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2021 £'000
Pound Sterling	6,701
Euro	63
	<hr/>
	6,764
	<hr/>

19 Lease liabilities

	2021 £'000
Non-current	1,695
Current	515
	<hr/>
	2,210
	<hr/>
Minimum lease payments	
- Within one year	515
- Later than one year and no later than five years	1,896
	<hr/>
Total undiscounted lease liabilities	2,410
Less: total future interest expenses	(200)
	<hr/>
Present value of lease liabilities	2,210
	<hr/>

The nature of the Company's leasing activities by type of right-of-use assets recognised on the balance sheet is detailed in note 12.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

20 Provision for other liabilities and charges

	2021 £'000
Warranties	
On Incorporation	-
Acquired in business combination	109
Charged to the statement of comprehensive income	412
Utilised during the period	(312)
	<hr/>
At 30 June 2021	209
	<hr/> <hr/>

A warranty provision is accrued for the estimated costs of future warranty claims up to 5-year warranty period based on historical experience. Cash outflows are expected to occur each year over that total period, based on the date of a customer's claim. The total costs involved are inherently uncertain as the number of customer claims that will be received in the future, and cost of each claim is not known at the balance sheet date.

21 Trade and other payables

	2021 £'000
Trade payables	2,427
Accruals for:	
- other operating expenses	1,667
- employee benefit expenses	305
- taxation and social security	5
Amount due to related parties	813
	<hr/>
Total trade and other payables	5,217
	<hr/> <hr/>

The carrying amounts of trade and other payables classified as financial liabilities approximate their fair values as at 30 June 2021 and are denominated in the following currencies:

	2021 £'000
Pound Sterling	4,230
US dollars	476
Australian dollars	342
Euro	169
	<hr/>
	5,217
	<hr/> <hr/>

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

22 Called up share capital

	2021 £'000
Authorised, issued and fully paid:	
2,500,000 class A ordinary shares of £1.00 each	2,500
2,500,000 class B ordinary shares of £1.00 each	2,500
	<hr/> 5,000 <hr/>

The company was incorporated on 9 September 2020 with an initial authorised share capital of £100, divided into 50 class A ordinary shares and 50 class B ordinary shares of £1 each. On the date of incorporation, 50 class A ordinary shares and 50 class B ordinary shares were issued at par for cash amounting to £100.

By an ordinary resolution passed on 27 October 2020, the company authorised, issued and fully paid share capital of the company was increased from £100 to £5 million by creation of 2,499,950 class A ordinary shares and 2,499,950 class B ordinary shares of £1 each.

Class "A" and class "B" shares have the same voting rights and rank pari passu with each other in all respects.

23 Accumulated losses

	2021 £'000
On incorporation	
Total comprehensive loss net of tax	(549)
	<hr/>
Balance at 30 June 2021	(549) <hr/>

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

24 Cash flows information

(a) Cash generated from operations

Period ended
30 June 2021
£'000

Loss before tax		(647)
Adjustments for:		
Depreciation of property, plant and equipment	11	181
Depreciation of right-of-use assets	12	407
Provision for warranty expenses	20	412
Exchange differences		(33)
Interest expenses		103
Changes in working capital:		
- Increase in inventories		(754)
- Increase in trade and other receivables		(3,771)
- Increase in trade and other payables		4,653
- Decrease in contract liabilities		(130)
Total cash generated from operations		<u>421</u>

(b) Net debt reconciliation

The Company's analysis of net debt set out as below:

2021
£'000

Cash and cash equivalents	6,764
Lease liabilities	(2,210)
Shareholders' loan	(5,052)
Net debt	<u>(498)</u>

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

24 Cash flows information

(c) Net debt reconciliation (continued)

£'000	Cash & Cash equivalents	Lease Liabilities	Shareholders' loan	Total
On incorporation	-	-	-	-
Business acquisition	-	(640)	-	(640)
Additions in the period	-	(1,906)	-	(1,905)
Cash flows	6,765	386	(5,000)	2,150
Interest expenses	-	(51)	(52)	(103)
Effect of changes in foreign exchange rates	(1)	-	-	(1)
Net debt	6,764	(2,210)	(5,052)	(498)

The additions of right-of-use assets (Note 12) are non-cash financing activities.

25 Related party transactions

(a) Corporate shareholders

The Company is jointly controlled by Madad United Kingdom Pty Ltd (incorporated in Australia), being the owner of the Company's class A ordinary shares, and Tempur-Pedic Management LLC (incorporated in the United States of America), being the owner of the Company's class B ordinary shares, effectively each owning 50% of the Company's share capital. Madad United Kingdom Pty Ltd is controlled by Dyer Holdings Pty Ltd and Tempur-Pedic Management LLC is a subsidiary company of Tempur Sealy International Inc.

(b) Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, either directly or indirectly. The key management personnel of the Company are the Directors of the Company.

During the period, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services (equivalent to key management compensation) were paid or made, directly or indirectly, to the directors; nor are any payable with respect to their services as directors of the Company undertaking or in connection with the management of affairs of the Company undertaking. No consideration was provided to or receivable by third parties for making available directors' services. There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

The remuneration of the directors are paid by the Company's ultimate controlling shareholders, in respect of their services to the larger group which includes the Company. Their services to the Company do not occupy significant portion of their time and are incidental to their responsibilities to the larger group, and on that basis, no apportionment has been made to the Company for the period ended 30 June 2021.

No retirement benefits are accruing in relation to the directors.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

25 Related party transactions (continued)

(c) Transactions with related parties

The following transactions occurred with related parties:

	Period ended 30 June 2021 £'000
Provision of management services by a related company of a corporate shareholder, Madad Pty Ltd	1,003
Royalty expenses charged by a related company of a corporate shareholder, Sealy Technology LLC	652
	<u>1,655</u>

(d) Balances arising from purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	30 June 2021 £'000
Current payables	
Madad Pty Ltd	342
Sealy Technology LLC	471
	<u>813</u>

(e) Shareholders' loan

	Madad United Kingdom Pty Ltd £'000	Tempur-Sealy International Limited £'000	Total £'000
On incorporation	-	-	-
Loan received	2,500	2,500	5,000
Interest charged	26	26	52
	<u>2,526</u>	<u>2,526</u>	<u>5,052</u>

Refer to disclosures in note 3.1 (c) maturity analysis.

(f) Terms and conditions

Goods and services were purchased based on the price lists in force and terms that mutually agreed between the two parties.

Shareholders loans are repayable on demand, bear interest at a rate of 1.5% plus 3 months GBP LIBOR and are not secured against the assets of the Company.

SEALY UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the financial period

from 9 September 2020 (date of incorporation) to 30 June 2021

26 Business combination

On 7th October 2020, the Company entered into an agreement with Silentnight Group Limited to acquire in full the trade and assets of its Sealy United Kingdom operation. The transaction was completed on 30 October 2020. The total consideration was £3,166,000 and was paid in cash.

Acquisition-related costs of £104,225 were incurred during the period and have been recognized within operating costs in the statement of comprehensive income.

The fair values of the assets and liabilities acquired at the acquisition date, are as follows:

	Note	£'000
Fair value of identifiable assets acquired		
- Inventories		1,438
- Property, plant and equipment	11	1,056
- Right of use assets	12	545
- Deferred tax assets	14	39
Total assets		3,078
- Trade and other payables		(280)
- Provision for other liabilities and charges	20	(109)
- Contract liabilities	5(b)	(528)
- Lease liabilities		(640)
Total Liabilities		(1,557)
Net identifiable assets acquired		1,521
Goodwill	13	1,645
Net assets acquired		3,166

The goodwill is attributable to the acquisition of the existing workforce and existing distribution channels.

On 30 June 2021, the acquired business contributed revenue of £19,239,000 and an operating loss of £544,000 to the company from the period 30 October 2020 to 30 June 2021.

We have not disclosed the pro-forma revenue and profit of this business combination as if it had occurred at the start of the period, as required by IFRS 3 paragraph B64(q)(ii), as our determination is that this information is not material to the users of the financial statements.

27 Events occurring after the reporting date

The Company obtained an additional loan amounting to £3,500,000 from its shareholders in May 2022 to support the Company's operation. The terms of the loan are the same as per disclosure note 25(f).

At the time of signing the accounts, we acknowledge the ongoing war in Ukraine. This does not constitute an adjusting event under IAS 10 'Events after the reporting period'. There has been no material direct or indirect impact to the Company requiring disclosure.

There were no other significant events occurring after the reporting date that affect these financial statements.