Vi-Spring Limited

Annual report and financial statements

Company Registration number 00071430

For the year ended 31 December 2019

Contents

Strategic report

Review of business

Vi-Spring is a British manufacturer of luxury, hand-made beds established in London in 1901 and pioneered the modern-day pocket sprung mattress.

A market-leader in the use of natural materials, each product is handcrafted to order in its Devon factory, using only the finest natural materials; including cashmere, tussah silk, bamboo, horsetail hair and real Shetland wool. Vi-Spring is committed to using the finest natural materials, which are sustainable, and have been responsibly sourced from across the globe.

Results and performance

Vi-Spring had another year of consolidation; overall revenues grew just over 4% (2018: fell just under 3%) but operating profits fell by 12% (2018: growth of 8%) due to increased distribution costs arising from increased focus on export markets (to offset turbulence in the UK economy). Additionally, there was substantial investment in launching a new brand (J.Marshall by Vispring) in the year.

In order to remain competitive in overseas markets, there was some increased promotional activities and higher commercial discounts were applied in China, to tackle a growing grey-imports market. Nevertheless, Vi-Spring preserves its unrivalled standing and is synonymous with quality and craftsmanship.

Business environment

The UK bed market remained highly competitive in 2019 and there was a lot of competitive pressure to increase discounts. Vi-Spring continues to make the case for long-term investment in a bespoke product that helps improves sleep and comfort. UK domestic sales declined by 2% in the year (2018: decline of 8%). Export markets conversely grew by in the year by 11% (2018: growth of 8%), led largely by growth in Europe and Asia, where the demand for quality and British products remains high.

Strategy

Vi-Spring continues to focus its growth strategy in increasing the number of sales outlets overseas while stabilising its share of the UK market. Vi-Spring continues to position itself as a British luxury bed brand whose guiding values are excellence, passion, innovation, authenticity and respect.

Vi-Spring's ambition is to be the global leader, recognised as the best and most profitable high-end bed company, delivering the best possible night's sleep. Sleeping well is life-enhancing. It builds up one's energy, well-being and confidence to live life to the fullest. Vi-Spring wants to enhance people's lives and help them lead a fuller, richer life, by providing each of them with the most comfortable and pleasurable sleep experience.

Key performance indicators

Vi-Spring uses the following alternative performance measures:

EBITDA (calculated as operating profit plus depreciation & exchange differences) - £6,799K (2018: £7,605K)

Unabsorbed Factory Costs (theoretical production value of units less cost to manufacture) – debit of £954K (2018: credit of £93K)

Principal risks and uncertainties

As an exporter of a British handmade luxury product, the UK's exit from the European Union continues to generate uncertainty in terms of the future trading environment, possible cross-border tariffs or delays and foreign exchange risk, all of which might apply after the transition period ending 31 December 2020. The potential risk is being mitigated as a recognised leading exporter by diversifying its overseas customer base and streamlining operations.

To reduce potential border delays and improve overall processes for exports, Vi-Spring has been awarded accreditation as an Authorised Economic Operator ["AEO"] by HM Revenue & Customs. The Company can now utilise simplified customs procedures and is proud to use this internationally recognised quality mark.

With four currencies predominantly in use across overseas establishments, exchange risk can have a material effect on sterling denominated results, but where possible the Company enters into natural hedges so as to minimise potential exposure. As well as exporting finished product, the Company imports some of its high-quality natural raw materials.

Strategic report *(continued)*

Vi-Spring faces risk from movements in commodity prices that impact on raw material prices as well as foreign currency exchange rates. The Company will continue to improve efficiency of the production, distribution and administration processes to ensure that the risk of commodity price rises does not impact on profit margins.

Forecasting units to be manufactured over the medium and long term is a key forecasting uncertainty as it takes Vi-Spring many months to train and develop new master craftspeople to manufacture handmade products.

Around 39% *(2018: 39%)* of net revenues originate from 7 major customers or groups. There would be a significant risk should one of these cease to trade or enter administration, albeit that these return substantially reduced contribution margins.

In 2020, the outbreak of coronavirus around the world presents a risk of disruption due to demand changes, quarantining and travel restrictions. However, at times of home confinement furniture sales and the desire to upgrade beds can increase. The Company and group have stress tested their exposure based on various assumptions of demand reduction and are confident that they have sufficient resources to manage liquidity for the next 12 months, even in the event of ongoing worldwide disruption, which is currently estimated to affect business for at least 4 months. As part of the group's resilience planning additional bank facilities have been agreed.

Future development

Vi-Spring's strategy is to continue to grow its market share in the international luxury bed markets, using its British heritage and hand-craftsmanship as a platform, and will support this by recruiting and retaining appropriately qualified and experienced members of Senior Management.

The Company is committed to following its expansion plans at a suitable pace to ensure that its exemplary level of quality and customer service is maintained at all times. As the Company expands, each bed will continue to be handmade in Devon, thereby further supporting the local economy, and providing opportunities to apprentices, ensuring these specialist skills are nurtured and retained within the UK.

Section 172 statement: enlightened shareholder value

The Directors take an active regard to promote the success of the Company as a whole, and regularly review short-term decision making to appraise annual actions through the prism of likely long-term consequences. The Company and the group have agreed a 5-year plan, which address various stakeholder requirements including shareholders, customers, employees and the environment. Longer-term, the Company remains focused on being a stable and successful UK manufacturer bringing benefits to customers, employees, the environment and shareholders.

The Company continues its practice of retaining at least 3% of profit after tax to finance long-term success and does not rely on any external debt funding. It utilises its credit rating to offer its suppliers a reverse factoring facility whereby they can advance settlements at a competitive rate of interest.

The Company works to cultivate long-standing relationships with both customers and suppliers based on mutual respect, trust and commercial gain. The products manufactured by the Company have minimal environmental impact. Initiatives designed to minimise the Company's impact on the environment include the disposal of waste, recycling and reducing energy consumption.

The Company keeps employees informed on all matters relevant to them as employees through regular briefings and staff meetings. Factors affecting business performance are explained, and issues arising are escalated to the Directors where appropriate. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

At regular monthly Board meetings, the directors review emerging trends together with feedback from customers and other stakeholders. Risks facing the company are registered (as above) and strategies to mitigate them are implemented. The Company implements strong ethical policy and regularly reviews compliance with applicable legislation, standards and benchmarks. Vi-Spring's culture encourages challenge and the airing of different views. The Directors regularly engage with employees of all levels to assess performance from all levels.

Approved by the members and signed on their behalf by:

M Catovsky
Director
20 March 2020

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2019.

Dividends

A dividend of £7,996K *(2018: £9,341K)* was paid during the year. The directors do not recommend the payment of a further dividend.

Directors

The following directors held office during the whole of the period and up to the date of approval of these financial statements: R Gonzalez Betere, A Moreno, A Rauh, J Gerety, C Harrison, G España, M Meehan and M Catovsky.

Branches

The Company operates through branches in Belgium, Spain, Italy, USA and Canada.

Employees

The Company keeps employees informed on all matters relevant to them as employees through regular briefings and staff meetings. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

Disabled employees

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.

Directors' qualifying third party indemnity provisions

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provisions remain in force at the date of approving the directors' report.

No contributions were made to any political parties (2018 - £nil.)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue office.

Approved by the members and signed on their behalf by:

M Catovsky
Director
20 March 2020

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board

M Catovsky
Director
20 March 2020

Registered Office: Ernesettle Trading Estate, Ernesettle Lane, Plymouth PL5 2TT

KPMG LLP
Regus, 4th Floor
Salt Quay House
6 North East Quay
Plymouth
PL4 0HP

Independent auditor's report to the members of Vi-Spring Limited

Opinion

We have audited the financial statements of Vi-Spring Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other matter - Brexit impact

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Andrew Gordon

Andrew Gordon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Regus, 4th Floor
Salt Quay House
6 North East Quay
Plymouth
PL4 0HP

20th March 2020

Profit and loss account
for the year ended 31 December 2019

	Note	**2019 £000**	2018 £000
Turnover	*5*	**44,853**	43,016
Cost of sales		**(20,898)**	(20,166)
Gross profit		**23,955**	22,850
Distribution costs		**(13,635)**	(11,061)
Administrative expenses		**(3,903)**	(4,473)
Operating profit	*6*	**6,417**	7,316
Interest payable and similar expenses	*8*	**(28)**	(30)
Income from shares in group undertakings		**3,496**	4,341
Profit before taxation		**9,885**	11,627
Tax on profit	*9*	**(1,605)**	(1,877)
Profit for the financial year		**8,280**	9,750

There were no acquisitions nor discontinued operations within the Company during 2019 or 2018.

The Company had no items of Other Comprehensive Income in either the current or prior years.

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

Balance sheet
at 31 December 2019

	Note	**2019**	2018
		£000	£000
Fixed assets			
Tangible assets	*10*	**2,069**	1,754
Investments	*11*	**5,837**	5,837
		7,906	7,591
Current assets			
Inventories	*12*	**2,411**	2,224
Debtors	*13*	**5,378**	5,259
Cash at bank and in hand		**3,620**	2,166
		11,409	9,649
Creditors: amounts falling due within one year	*14*	**(9,177)**	(7,477)
Net current assets		**2,232**	2,172
Total assets less current liabilities		**10,138**	9,763
Provisions for liabilities	*15*	**(91)**	-
Net assets		**10,047**	9,763
Capital and reserves			
Called up share capital		**40**	40
Share premium account		**600**	600
Profit and loss account		**9,407**	9,123
Shareholder's funds		**10,047**	9,763

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

These financial statements were approved by the board of directors on 20 March 2020 and were signed on its behalf by:

M Catovsky
Director

Vi-Spring Limited
Company registration number: 00071430

Statement of changes in equity
for the year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	40	600	8,714	9,354
Total comprehensive income for the period:				
Profit for the financial year	-	-	9,750	9,750
Transactions with owners recorded directly in equity:				
Dividends	-	-	(9,341)	(9,341)
Balance at 31 December 2018	40	600	9,123	9,763
Balance at 1 January 2019	**40**	**600**	**9,123**	**9,763**
Total comprehensive income for the period:				
Profit for the financial year	-	-	8,280	8,280
Transactions with owners recorded directly in equity:				
Dividends	-	-	(7,996)	(7,996)
Balance at 31 December 2019	**40**	**600**	**9,407**	**10,047**

The share capital is all authorised, allotted, called up and full paid.

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

Notes
(forming part of the financial statements)

1 General information

Vi-Spring Limited (the "Company") is a company limited by shares and incorporated and domiciled in England and Wales. The registered office and principal place of business is Ernesettle Trading Estate, Ernesettle Lane, Plymouth PL5 2TT. The Company registration number is 00071430.

The Company's principal activity continued to be the manufacture and sale of beds.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

2 Statement of compliance

These financial statements were prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland FRS 102" and the Companies Act 2006.

3 Accounting policies

3.1 Measurement convention

These financial statements are prepared on a going concern basis, under the historical cost convention.

The Company's functional and presentation currency is pound sterling. All amounts in the financial statements are in £ thousands unless otherwise stated.

The company is exempt from producing consolidated accounts under clause s400 of the Companies Act.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Going concern

The Company has considerable financial resources and benefits from having a number of customers and suppliers across different geographic areas and industries. The directors forecast that the Company will continue to generate profits and cash. The Company supplements its internal cash reserves with occasional use of fixed-term loan facilities from its bankers. The Company projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

Further discussion of the impact of Brexit and Coronavirus can be seen in the Strategic Report on page 2.

3.3 Ultimate controlling party

At the year end the ultimate holding company and controlling party was Flex Equipos de Decanso S A, a company incorporated in Spain and which owned 100% of the issued share capital of the Company throughout the period.

Both the smallest and largest group of undertakings for which group financial statements are drawn up is Flex Equipos de Descanso S A, copies of the consolidated group financial statements of Flex Equipos de Decanso S A can be obtained from Oficinas Centrales, Area Empresial Andalucía Sector 7 y 8, C/Rio Almanzora 2, 28906, Getafe, Spain

Notes *(continued)*

3 Summary of significant accounting policies *(continued)*

3.4 Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following FRS 102 disclosure exemptions, as a member of a qualifying group:

- The requirement to prepare a statement of cash flows
- Key management personnel compensation in total
- The disclosure of Financial Instruments not falling within the fair value accounting rules
- Reconciliation of the number of shares outstanding at the beginning and end of the period.

The consolidated financial statements of group include equivalent disclosures.

3.5 Foreign currency

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration receivable for goods supplied, net of: returns; discounts and rebates allowed by the Company; and value added taxes.

The Company recognises revenue when goods are delivered to customers and risks of loss and rewards of ownership are transferred to them.

3.7 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans. Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

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

The Company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

3.8 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Current or deferred taxation assets and liabilities are not discounted. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Deferred tax is recognised on all timing differences at the reporting date.

Notes *(continued)*

3 Summary of significant accounting policies *(continued)*

3.9 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

- Freehold buildings 50 years
- Plant, equipment & vehicles 4 – 10 years depending on individual assets

3.10 Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

3.11 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired.

If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset. The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

3.12 Investments

The investments in the subsidiary companies are held at cost less accumulated impairment losses.

3.13 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost of trading goods is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties, and transport and handling directly attributable to bringing the inventory to its present location and condition.

The cost of manufactured finished goods and work in progress includes raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account.

Notes *(continued)*

3 Summary of significant accounting policies *(continued)*

3.14 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.

3.15 Provisions and contingencies

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 of the obligation can be estimated reliably.

Provision is not made for future operating losses. Neither contingent assets nor liabilities are recognised.

3.16 Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with its parent or with members of the same group that are wholly owned and included in the group consolidated financial statements.

4 Critical accounting judgements and estimation uncertainty

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 assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

The Company designs, manufactures and sells beds and is subject to changing consumer demands and trends. Most products are made to order to reflect individual customer preference in terms of specification as well as regional differences in standard sizes. As a result, it is necessary to consider the recoverability of the cost of any inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors, geographical location of the debtor and historical experience.

Notes *(continued)*

5 Turnover

	2019	2018
	£000	£000
United Kingdom	**23,027**	23,428
Europe	**12,114**	10,896
Rest of the World	**9,712**	8,692
	44,853	43,016

6 Operating profit

	2019	2018
Operating profit is stated after charging:	**£000**	£000
Auditors' remuneration		
Audit of these financial statements	**26**	26
Other services relating to taxation	**31**	48
Net foreign exchange loss	**204**	91

7 Employees and directors

	2019	2018
	£000	£000
By activity		
Wages and salaries	**8,018**	8,437
Compensation for loss of office	**167**	218
Social security costs	**843**	864
Other pension costs	**547**	548
	9,575	10,067

Notes *(continued)*

7 Employees and directors *(continued)*

The average monthly number of persons (including directors) employed by the Company during the year was:

	2019	2018
	No.	No.
By activity		
Administration	**38**	36
Production	**155**	157
Selling and distribution	**23**	39
	216	232

The directors' emoluments were:

	2019	2018
	£000	£000
Aggregate remuneration	**460**	657
Company contributions to defined contribution pension scheme	**43**	18
	503	675

Post-employment benefits are accruing for 2 directors *(2018: 2)* under a defined contribution scheme.

The highest paid directors' emoluments were:

	2019	2018
	£000	£000
Aggregate remuneration	**196**	261
Company contributions to defined contribution pension scheme	**21**	-
	217	261

8 Interest payable

	2019	2018
	£000	£000
Interest payable on short term loans	**28**	30

Notes *(continued)*

9 Taxation

The tax charge is made up as follows:	**2019**	2018
	£000	£000
Current tax		
UK corporation tax on profits in year	**1,279**	1,288
Adjustments in respect of previous periods	**(38)**	88
	1,241	1,376
Double taxation relief	**(180)**	(180)
	1,061	1,196
Foreign tax	**440**	691
Total current tax	**1,501**	1,887
Deferred tax		
Origination and reversal of timing differences	**104**	(10)
Total deferred tax	**104**	(10)
Tax on profit on ordinary activities	**1,605**	1,877

The tax assessed on the profit on ordinary activities for the year is lower *(2018: lower)* than the standard rate of corporation tax in the UK of 19% *(2018: 19%)*. The differences are explained below:

	2019	2018
	£000	£000
Profit for the financial year	**8,280**	9,750
Taxation	**1,605**	1,877
Profit before tax	**9,885**	11,627
Profit multiplied by standard rate of corporation tax of 19% *(2018:19%)*	**1,878**	2,209
Effects of:		
Disallowed expenses and non-taxable income	**(626)**	(809)
Foreign tax credits	**388**	369
Depreciation in excess of capital allowances	**15**	20
Differences on rates	**(12)**	
Adjustments in respect of previous periods	**(38)**	88
Tax charge for the year	**1,605**	1,877

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2018. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2017). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes *(continued)*

10 Tangible fixed assets

	Freehold land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation			
At 1 January 2019	1,855	3,204	5,059
Additions	111	383	494
Disposals		(625)	(625)
At 31 December 2019	1,966	2,962	4,928
Depreciation			
At 1 January 2019	557	2,748	3,305
Charge for year	32	147	179
On disposals		(625)	(625)
At 31 December 2019	589	2,270	2,859
Net book value			
At 31 December 2019	1,377	692	2,069
At 31 December 2018	1,298	456	1,754

11 Investments

	2019 £000	2018 £000
Cost and NBV		
At the start and end of the year	**5,837**	5,837

The Company also holds 100% of the share capital of Vi-Spring North America Inc. a holding company incorporated in the USA. The cost of the investment was £5,837k. Vi-Spring North America Inc. in turn owns 100% of the share capital of E S Kluft & Company Inc. which is also incorporated in the USA. There are no provisions for impairment.

12 Inventories

	2019 £000	2018 £000
Raw materials and consumables	**737**	757
Work in progress	**270**	90
Finished goods and goods for resale	**1,404**	1,377
	2,411	2,224

Inventories are stated after provisions for impairment of £NIL *(2018: £98K).*

Notes *(continued)*

13 Debtors

	2019 **£000**	2018 £000
Trade debtors	**3,876**	4,641
Amounts due from group undertakings	**785**	228
Prepayments and accrued income	**717**	371
Other debtors	**-**	6
Deferred tax asset	**-**	13
	5,378	5,259

Amounts due from group undertakings are on normal commercial terms and are repayable on demand.

Trade debtors are stated after provisions for impairment of £61K *(2018: £186K).*

14 Creditors: amounts falling due within one year

	2019 **£000**	2018 £000
Trade creditors	**6,609**	5,204
Amounts owed to group undertakings	**527**	644
Corporation tax	**912**	607
Other taxation and social security	**639**	525
Accruals and deferred income	**490**	497
	9,177	7,477

Amounts due to group undertakings are on normal commercial terms and repayable on demand.

15 Provisions for liabilities

	2019 **£000**
Deferred taxation	
At beginning of year included in debtors (see note 13)	**(13)**
Charge to the profit and loss account	**104**
At end of year included in provisions	**91**

Deferred taxation provision relates to future liabilities arising from accelerated claims to tax relief.

Notes *(continued)*

16 Financial commitments

Operating leases

At 31 December 2019 the Company had the following minimum lease commitments under non-cancellable operating leases:

	2019	2018
	£000	£000
Within one year	**329**	143
Between one and five years	**1,132**	215
After five years	**166**	180
	1,627	538

In the year £678K was charged to the profit and loss account in respect of operating lease payments *(2018: £548K).*

17 Pensions

The Company contributes to a defined contribution scheme. Contributions of £547K *(2018: £548K)* were payable in the year.

The assets from the scheme are held separately from those of the Company in an independently administered fund. The unpaid contributions outstanding at the year-end were £89K *(2018: £81K).*

18 Related party transactions

The Company is exempt from disclosing related party transactions that are with other companies that were wholly owned within the Group and included in the consolidated financial statements of the group.

A Moreno (director) purchased goods from the Company for £3K during the year, under a staff purchase scheme which is available to all employees after satisfactory completion of probationary period. The goods were paid for in full and there was no amount owing to the Company at either the beginning or end of the year.

There were no other related party transactions during the current or preceding years.