Vi-Spring Limited

Annual report and financial statements

Company Registration number 00071430

For the year ended 31 December 2020

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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 sustainable materials which have been responsibly sourced from across the globe. Vi-Spring continues to make the case for long-term investment in a bespoke product that helps improves sleep and comfort, and remains synonymous with quality and craftsmanship.

Business environment

In 2020, all businesses were faced with a very different landscape from that which could have been envisaged a few years ago due to the global coronavirus pandemic. On the announcement of the first UK lockdown, Vi-Spring closed its factory fully from 23 March for a period of 6 weeks, while preparations were made to re-open in a covid-secure manner, fully compliant with government guidance in this area. These changes to working practices and risk assessments were reviewed by the Health & Safety Executive in the year and approved. Following this initial full close, the factory reopened at 50% capacity for a further period of 8 weeks, before returning to full operational capacity from July 2020. However, many of Vi-Spring's customers were obliged, as non-essential retailers, to remain closed for different periods, depending on the lockdown regulations in force from time to time in their regions.

During the year £1,027K (*2019 - £NIL*) was received under the Coronavirus Job Retention Scheme which was wholly used to recompense staff forced to be inactive and on "furlough leave" due to the period of operational closure, both full and half. This is shown within other operating income in the profit and loss account on page 11; there was however no benefit to this income for the Company, as all funds were paid over to staff who otherwise would have been placed on leave without pay or their roles would have been lost. During the year headcount was reduced by 14 full-time equivalent ["*FTE*"] positions (*2019 – 12 FTE*) as the Company prepared itself for the "new normal" post-lockdown.

Despite the length periods of closure of its customers' stores, Vi-Spring received orders during the year 10% lower (*2019 – 2% higher*) than the previous year. This was due to the ongoing online sales and the pent-up demand for its products manifested during periods when stores reopened.

Results and performance

Vi-Spring's revenue fell by just under 15% (*2019: grew by 4%*) which is higher than the falls in order intake because production and distribution continued in a cautious manner with higher priority being given to safety than delivery – see below. UK domestic sales declined by 17% in the year (*2019: 2%*) and export markets conversely by 13% (*2019: growth of 11%*), with Asia leading the recovery from coronavirus disruption.

Gross Margin fell to 63.8% (*2019 as restated – 65.1%*) due to increased price pressures on raw materials, not fully recovered by increases in wholesale prices. These numbers exclude added value on manufacturing – see note 19.

Operating profits fell by 35% (*2019: 12%*) despite the cost saving programmes implemented in the year, which included as above putting inactive staff on furlough and making reductions in headcount. In addition, most directors and senior managers agreed voluntary pay reductions of 20% over the 4-month period when furlough was in use. There was a corollary reduction in management fees payable to group during the year.

COVID-19 response

Vi-Spring takes the safety of its staff, customers and partners as its primary focus. This is why the Company instigated a full shut-down from 23 March: in order to instigate safe working practices.

The Company benefits from being a member of a large bedding group – Flex – which has been robust in its response to the pandemic and management of the crisis. The group procured from the Far East containers of personal protective equipment ["*PPE*"] and these have been distributed as required amongst all subsidiaries. The correct use of PPE has been mandatory at the Company's premises.

In addition, Vi-Spring has invested in infra-red temperature control cameras, as well as automatic doors, gates and hand-sanitiser dispensers. Production workflows have been reconfigured to enable fixed cell-working, so that on any cases of possible or confirmed COVID, identifiable teams can be asked to self-isolate. External visitors, unless essential for business continuity (such as essential repairs and maintenance) have been banned from site, and where they did need to attend, were required to use PPE.

Strategic report *(continued)*

The Company engaged a private healthcare professional to attend site on a weekly basis and offer lateral-flow tests to all staff on site that day. Where these tests showed a positive result, the cell was asked to isolate and the individual to take a full polymerase chain reaction ["*PCR*"] test to confirm the result. A programme of enhanced sick pay was introduced so as to encourage staff with possible COVID or relevant symptoms to self-isolate. Furlough periods were extended for those staff advised to shield after the full operational recommencement.

Maintaining cooperative relationships with all suppliers has been essential, including agreeing extended payment terms during periods when we were unable to deliver goods to customers, such as during the first full lockdown period.

Where possible, arrangements have been made for staff not directly involved in the manufacture or movement of goods to work from home, and focus has been given to ensure all employees' well-being, including mental health; teams have been encouraged to stay in touch and to use video conferencing where practical to do so.

All uncommitted non-critical capital expenditure projects were halted when the pandemic crisis started in order to preserve cash for staff and suppliers. In 2021 the Company is embarking on an ambitious project of improvement to its plant, which will provide a better and safer working environment for our team. Once virus control measures are fully withdrawn in the second half of the year, Vi-Spring will return to actively encouraging trade customers to visit our site, to witness first-hand the care and attention paid to producing our products by hand.

The Company did not encounter any material customer insolvencies in the year despite the closure requirements for retails, but nevertheless has increased its rate of provisioning for expected credit losses – see note 4.

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: normalised EBITDA (being operating profit plus depreciation, exchange differences, severance payments and other atypical costs) – 2020: £4,729K *(2019: £7,061K).*

Principal risks and uncertainties

As an exporter of a British handmade luxury product, the UK's exit from the European Union and the end of the transition period generated some short-term disruption to the Company's distribution while our staff and partners practiced compliance with the new administrative requirements. Vi-Spring has held accreditation as an Authorised Economic Operator since 2019. The Company utilises 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. Vi-Spring does not enter into any speculative financial transactions.

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. With disruption in international supply chains due to Brexit and COVID, the Company engages numerous tactics for ensuring continuity of supply (including mixed vendors, stockpiling offsite where necessary, and call-off stock arrangements).

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 42% *(2019: 39%)* of net revenues originate from 7 major customers or groups. There would be a significant risk were one of these to cease to trade or enter administration.

Strategic report *(continued)*

In 2020, the outbreak of coronavirus around the world presents a risk of disruption due to demand changes, quarantining and travel restrictions. Vi-Spring has however experienced substantial bounce-backs in demand for its products following periods of lockdown, as consumer expenditure is diverted to home improvements (including furniture) from other sectors such as travel and leisure. Nevertheless, further lockdowns substantially beyond the first quarter of 2021 would present a significant risk to the company's ability to generate cash, albeit that the effects of a severe but plausible downside to its current forecasts has been assessed within its going concern. Mitigation of infection risk arising from the global pandemic is discussed above under "COVID-19 response". Despite having online sales channels, our customers benefit from their stores being open as Vi-Spring's products are high touch, and benefit from being seen and tested in showroom so that the quality and comfort can be witnessed.

The Company held £5,107K (*2019 - £3,620K*) of cash at the end of the year, arising from undistributed earnings. Cash availability remains a limited risk due to the terms from its suppliers. During the year, the Company benefitted from deferring payment of its first quarters' VAT liability of £324K under the automatic scheme available to all UK VAT registered businesses. This is payable by instalments in 2021. In addition, the Company has agreed financing facilities with its bankers of £7,000K (*2019 - £5,000K*) albeit that these are undrawn and in place for emergency use only.

Loss of critical data through IT failure would be a significant risk, and hence the group have invested heavily in system-back up and redundancy protocols. During the year the Company migrated further functions to within the group's ERP environment.

Credit risk is managed with running credit checks on new customers and actively monitoring all credit status of existing customers. When trading with customers with low rating or in territories where credit collection has historically been challenging, this is done on the prepayment basis only. Collection is actively managed.

Competitor risk is present and recognised, however due to Vi-Spring's history and reputation as an established brand and its consistent production of high-quality products, it is difficult for new entrants to challenge in a substantial manner.

Future development

Vi-Spring plans 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 always maintained. 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.

At 31 December 2020, Vi-Spring had an order book on hand of £4,488K (*2019 - £1,775K*) awaiting production and delivery. This increase is due to the measured and safety-first approach, coupled with some end of EU exit transition disruption, and is confident of revenue moving forward.

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 can supplement 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. Therefore, the directors believe that the Company is well placed to manage its business risks successfully.

Following HM Government's "COVID-19 Response Spring 2021" (published February 2021) and the timetable to allow non-essential UK shops to reopen after 12 April, there has been no impairment to fixed assets or inventories which can be sold for at least their carrying amounts.

Strategic report *(continued)*

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 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. During the year £135K was invested in projects to reduce energy consumption and improve air-quality for manufacturing staff. The Company operates a "zero to landfill" waste policy.

There is regular dialogue with both customers and suppliers, and agreements are in place with both to ensure expected operational and quality standards are met.

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 policies 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. As at 31 December 2020, there were 198 (*2019* – 212) staff employed by the Company around the world.

Over-and-above health & safety and minimising infection risk, employee welfare is considered a priority as is developing all team-members' skills and knowledge. The Company intends to restart its apprenticeship programme after the pandemic is fully behind us.

The Directors regularly address the compliance by the company with its corporate governance codes and reinforce the requirement that its business be conducted to all due ethical standards and with integrity.

Approved by the members and signed on their behalf by:

M Catovsky
Director
14 April 2021

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2020.

Considerations around going concern are discussed within the strategic report on pages 1 – 4 as well as in note 3.2.

Dividends

A dividend of £7,696K *(2019: £7,996K)* was paid during the year. This was considered valid as the only coronavirus funding received had been the furlough grants over the course of the second quarter, which was wholly used to support the income levels for inactive employees, forced to be so by the mandatory lockdown.

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 (*2019 - £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.

Directors’ report *(continued)*

Streamlined Energy and Carbon Reporting

This is the first year of reporting under the requirements of the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Future reports will compare performance against the previous year.

UK Greenhouse Gas (GHG) Emissions & Energy use Financial Year ending 31 December 2020		
	Tonnes CO_2e	**kWh**
Scope 1		
Gas Combustion	127.66	626,588
Vehicle Fuel	296.04	1,104,643
Scope 2		
Electricity	123.44	529,483
Scope 3		
Transport	3.27	49,358
Transmission & distribution	12.56	
Total	**562.97**	**2,310,072**
Intensity Ratio	0.036 total tonnes (CO_2e) per £K of Production Value	

Methodology

Greenhouse gas emissions are reported in gross tonnes CO_2e in line with the requirements of large unquoted companies as set out in the UK Government’s Environmental Reporting Guidelines and have used the UK Government GHG (Green House Gas) Conversion Factors for Company Reporting (2020 version 1.0) to convert from kWh to CO_2 equivalent emissions. Emissions from electricity report grid purchased electricity (scope 2) including associated transmission and distribution losses.

Fuel conversion factors based on litres of fuel used have been applied for vehicle fuel (scope 1). Transport (scope 3) is calculated from mileage in company vehicles for business purposes and miles done in personal/hire cars on business use.

Energy efficiency

During the year, the company upgraded its lighting to LEDs to assist in reducing carbon emissions. This is expected to save 35 tonnes of CO_2e during a full year of operation.

The Company is installing solar panels on the roof of its factory in Plymouth, reducing CO_2e by a further 54 tonnes per annum once operational.

Grid supplied electricity is provided through a contract utilising 36% renewable energy sources.

Approved by the members and signed on their behalf by:

M Catovsky
Director
14 April 2021

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
14 April 2021

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

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 2020 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 2020 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.

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”).

In our evaluation of the directors’ conclusions, we considered the inherent risks to the company’s business model and analysed how those risks might affect the company’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company’s high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that component management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the design and implementation of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries made to unrelated accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), discussed with the directors policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 7, 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.

Ian Brokenshire (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

15 April 2021

Profit and loss account

for the year ended 31 December 2020

	Note	**2020**	2019 (Restated*)
		£000	£000
Turnover	*5*	**38,161**	44,853
Cost of sales		**(13,807)**	(15,651)
Gross profit		**24,354**	29,202
Distribution costs		**(2,201)**	(2,347)
Administrative expenses		**(19,146)**	(20,746)
Other operating income		**1,155**	308
Operating profit	*6*	**4,162**	6,417
Interest payable and similar expenses	*8*	**(31)**	(28)
Income from shares in group undertakings		**3,713**	3,496
Profit before taxation		**7,844**	9,885
Tax on profit	*9*	**(1,312)**	(1,605)
Profit for the financial year		**6,532**	8,280

There were no acquisitions nor discontinued operations within the Company during 2020 or 2019.

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

*See note 19

The notes on pages 14 to 24 form an integral part of these financial statements.

Balance sheet
at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	*10*	**1,945**	2,069
Investments	*11*	**5,837**	5,837
		7,782	7,906
Current assets			
Inventories	*12*	**1,725**	2,411
Debtors	*13*	**4,452**	5,378
Cash at bank and in hand		**5,107**	3,620
		11,284	11,409
Creditors: amounts falling due within one year	*14*	**(10,061)**	(9,177)
Net current assets		**1,223**	2,232
Total assets less current liabilities		**9,005**	10,138
Provisions for liabilities	*15*	**(122)**	(91)
Net assets		**8,883**	10,047
Capital and reserves			
Called up share capital		**40**	40
Share premium account		**600**	600
Profit and loss account		**8,243**	9,407
Shareholder's funds		**8,883**	10,047

The notes on pages 14 to 24 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 14 April 2021 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 2020

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
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
Balance at 1 January 2020	**40**	**600**	**9,407**	**10,047**
Total comprehensive income for the period:				
Profit for the financial year	-	-	6,532	6,532
Transactions with owners recorded directly in equity:				
Dividends	-	-	(7,696)	(7,696)
Balance at 31 December 2020	**40**	**600**	**8,243**	**8,883**

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

The notes on pages 14 to 24 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 Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. These forecasts, which incorporate reasonably possible downsides as a result of the COVID-19 pandemic, reflect the latest view of the Company's markets and indicate that the Company will have sufficient funds to meet its liabilities as they fall due for that period. The Directors have also forecast a severe but plausible downside scenario (of 17% reduction in revenue from the baseline forecast) which demonstrate the company will be able to meet its liabilities as they fall due in this scenario. On this basis the directors have prepared these financial statements on a going concern basis.

Further discussion of the impact of COVID-19 and Brexit can be seen in the Strategic Report on pages 1 - 4.

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 directly owned 100% of the issued share capital of the Company at the start of the period, and indirectly owned the same at the end of the period, with an intermediary holding company – Flex Premium Bedding S.L.U – having been inserted in the group structure during 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.

The Company, as an intermediate parent, is exempt from preparing group accounts as the accounts of both the Company and its subsidiary are included in the consolidated accounts of a parent in the European Economic Area (see note 3.3) under S400 Companies Act 2006.

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 Grant income

The Coronovirus Job Retention Scheme Grant has been disclosed as other operating income in the profit and loss account.

3.8 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.

Notes *(continued)*

4 Summary of significant accounting policies *(continued)*

3.9 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.

3.10 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

3.11 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.

3.12 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.

3.13 Investments

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

3.14 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).

Notes *(continued)*

3 Summary of significant accounting policies *(continued)*

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.

3.15 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.

3.16 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.

3.17 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. The estimation of expected credit losses has increased during the COVID-19 pandemic as our customers (retailers) have been forced to close for extended periods, and this has naturally increased their liquidity risk. This is why the provisions for impairment have increased by £416K in the year (see note 13.)

Notes *(continued)*

5 Turnover

	2020 **£000**	2019 £000
United Kingdom	**19,070**	23,027
Europe	**10,435**	12,114
Rest of the World	**8,656**	9,712
	38,161	44,853

6 Operating profit

Operating profit is stated after charging:	**2020** **£000**	2019 £000
Auditors' remuneration		
Audit of these financial statements	**40**	26
Other services relating to taxation	**42**	31
Net foreign exchange (gain) / loss	**(109)**	204

7 Employees and directors

By activity	**2020** **£000**	2019 £000
Wages and salaries	**7,905**	8,018
Compensation for loss of office	**370**	167
Social security costs	**808**	843
Other pension costs	**553**	547
	9,636	9,575

Notes *(continued)*

7 Employees and directors *(continued)*

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

	2020	2019
	No.	No.
By activity		
Administration	**35**	38
Production	**148**	155
Selling and distribution	**21**	23
	204	216

The directors' emoluments were:

	2020	2019
	£000	£000
Aggregate remuneration	**489**	460
Company contributions to defined contribution pension scheme	**43**	43
	532	503

Post-employment benefits are accruing for 3 directors *(2019: 2)* under a defined contribution scheme.

The highest paid directors' emoluments were:

	2020	2019
	£000	£000
Aggregate remuneration	**221**	196
Company contributions to defined contribution pension scheme	**15**	21
	236	217

8 Interest payable

	2020	2019
	£000	£000
Interest payable on short term loans	**31**	28

Notes *(continued)*

9 Taxation

The tax charge is made up as follows:	**2020**	2019
	£000	£000
Current tax		
UK corporation tax on profits in year	**743**	1,279
Adjustments in respect of previous periods	**83**	(38)
	826	1,241
Double taxation relief	**(158)**	(180)
	668	1,061
Foreign tax	**613**	440
Total current tax	**1,281**	1,501
Deferred tax		
Origination and reversal of timing differences	**31**	104
Total deferred tax	**31**	104
Tax on profit on ordinary activities	**1,312**	1,605

The tax assessed on the profit on ordinary activities for the year is lower *(2019: lower)* than the standard rate of corporation tax in the UK of 19% *(2019: 19%)*. The differences are explained below:

	2020	2019
	£000	£000
Profit for the financial year	**6,532**	8,280
Taxation	**1,312**	1,605
Profit before tax	**7,844**	9,885
Profit multiplied by standard rate of corporation tax of 19% *(2019:19%)*	**1,490**	1,878
Effects of:		
Disallowed expenses and non-taxable income	**(698)**	(626)
Foreign tax credits	**417**	388
Depreciation in excess of capital allowances	**14**	15
Differences on rates	**6**	(12)
Adjustments in respect of previous periods	**83**	(38)
Tax charge for the year	**1,312**	1,605

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2020 has been calculated at 19% (*2019: 17%*).

Notes *(continued)*

10 Tangible fixed assets

	Freehold land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation			
At 1 January 2020	1,966	2,962	4,928
Additions	-	142	142
At 31 December 2020	1,966	3,104	5,070
Depreciation			
At 1 January 2020	589	2,270	2,859
Charge for year	41	225	266
At 31 December 2020	630	2,495	3,125
Net book value			
At 31 December 2020	**1,336**	**609**	**1,945**
At 1 January 2020	1,377	692	2,069

11 Investments

	2020 £000	2019 £000
Cost and NBV		
At the start and end of the year	**5,837**	5,837

The Company holds 100% of the share capital of E S Kluft & Company Inc. a company incorporated in the USA. The cost of the investment was £5,837k. There are no provisions for impairment.

12 Inventories

	2020 £000	2019 £000
Raw materials and consumables	**967**	737
Work in progress	**73**	270
Finished goods and goods for resale	**685**	1,404
	1,725	2,411

Inventories are stated after provisions for impairment of £100K *(2019: £Nil).*

Notes *(continued)*

13 Debtors

	2020 **£000**	2019 £000
Trade debtors	**3,724**	3,876
Amounts due from group undertakings	**561**	785
Prepayments and accrued income	**167**	717
	4,452	5,378

Amounts due from group undertakings are on normal commercial terms.

Trade debtors are stated after provisions for impairment of £477K *(2019: £61K).*

14 Creditors: amounts falling due within one year

	2020 **£000**	2019 £000
Trade creditors	**6,200**	6,609
Amounts owed to group undertakings	**487**	527
Corporation tax	**776**	912
Other taxation and social security	**1,127**	639
Accruals and deferred income	**1,471**	490
	10,061	9,177

Amounts due to group undertakings are on normal commercial terms.

15 Provisions for liabilities

	2020 **£000**
Deferred taxation	
At beginning of year	91
Charge to the profit and loss account	31
At end of year included in provisions	122

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

Notes *(continued)*

16 Financial commitments

Operating leases

At 31 December 2020 the Company had the following minimum lease commitments under non-cancellable operating leases:

	2020	2019
	£000	£000
Within one year	**333**	329
Between one and five years	**983**	1,132
After five years	**90**	166
	1,406	1,627

In the year £523K was charged to the profit and loss account in respect of operating lease payments *(2019: £678K).*

17 Pensions

The Company contributes to a defined contribution scheme. Contributions of £553K *(2019: £547K)* 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 £76K *(2019: £89K).*

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.

Two directors purchased goods from the Company under a staff purchase scheme which is available to all employees after satisfactory completion of probationary period: J Gerety for £4K (*2019: £NIL*) and M Catovsky £350 (*2019: £NIL*). 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 from either director.

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

19 Restatement

Management has reviewed the presentation of the profit and loss account and considered whether it continues to provide relevant and reliable information to stakeholders. It was concluded that there should be an update to how certain expenses were classified and therefore the Company is voluntarily changing its accounting policy for expense classifications for Cost of sales, Distribution costs, Administrative expenses and Other operating income.

Under the prior year accounting policy, Cost of sales were presented including the value-added element of manufacturing. Distribution costs were also presented including costs that did not relate to the direct variable costs of moving goods to resellers and customers. Administrative expenses were also presented including recharges for labour costs around the group.

These changes are intended to improve the relevance of the Company’s financial statements and the policy is now in line with group policy.

Notes *(continued)*

This change in accounting policy has been accounted for retrospectively and the comparative information has been restated. The restatement has no overall impact on net assets at 31 December 2019, nor on profit for the year then ended, nor the opening net assets at 1 January 2019. The effect of the change is shown in the table below for 2019:

	As previously reported	**Change in Accounting policy**	**Restated**
	£000	**£000**	**£000**
Cost of Sales	(20,898)	5,247	**(15,651)**
Distribution costs	(13,635)	11,288	**(2,347)**
Administrative expenses	(3,903)	(16,843)	**(20,746)**
Other operating income	-	308	**308**
Profit for the financial year	**8,280**	**-**	**8,280**