Vi-Spring Limited

Annual report and financial statements

Company Registration number 00071430

For the year ended 31 December 2021

Contents

Strategic report

Review of business

Vispring (Vi-Spring Limited) 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. Vispring is committed to using the sustainable materials which have been responsibly sourced from across the globe. Vispring 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

Since the first quarter of 2020, all businesses have been 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, Vispring 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 2020 and approved. Following this initial full close, the factory reopened at 50% capacity for a further period of 8 weeks, before returning to full capacity from July 2020, and with full adoption of covid-safe working practices has remained fully operational since then. Many of Vispring's customers have been obliged, as non-essential retailers, to remain closed for different periods, depending on the lockdown regulations in force from time to time in their geographical areas.

Having remained open for business throughout 2021 no amounts were received under the Coronavirus Job Retention Scheme (*2020 - £1,027K*) which last year was wholly used to recompense staff forced to be inactive and on "furlough leave" due to the period of operational closure. 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 increased by 13 full-time equivalent ["*FTE*"] positions (*2020 – reduced by 14 FTE*) to cope with additional order intake.

Despite various periods of closure of its customers' stores, Vispring received orders during the year 24% higher (*2020 – 10% lower*) than the previous year. This was due to the ongoing online sales and the pent-up demand for its products realised when stores reopened.

Results and performance

Vispring's revenue grew by just over 25% (*2020: fell by just under 15%*) which is higher than the growth in order intake because of some clearance backorders, which had arisen in 2020 due to the period of shutdown. UK domestic sales increased by 10% in the year (*2020: declined by 17%*) following heavy lockdown disruption the previous year, and export markets increased by 40% (*2020: decline of 13%*), with markedly strong growth outside Europe.

Gross Margin increased to 68.2% (*2020 – fell to 63.8%*) as revenue from export sales includes carriage charges receivable, while delivery costs payable are shown in distribution costs. Relative weight of carriage charges for worldwide customers is higher than for domestic ones.

Operating profits increased by 156% (*2020: fell by 35%*) following the cost saving programmes implemented in 2020, which included reductions in headcount.

COVID-19 response

Vispring makes the safety of its staff, customers and partners its primary focus. The Company instigated a full shut-down from 23 March 2020 for six-weeks 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, as has been the adoption of all safe-working guidelines

Strategic report *(continued)*

Whenever required by Government guidance, 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.

At the start of the pandemic, all uncommitted non-critical capital expenditure projects were halted when the pandemic crisis started in order to preserve cash for staff and suppliers. During 2021 the Company undertook an ambitious project of improvement to its plant, to provide a better and safer working environment for our team. Whenever control measures have permitted, Vispring has returned to actively encouraging trade customers to visit our site, to witness first-hand the care and attention paid to producing our products by hand.

Strategy

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

Vispring'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. Vispring 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

Vispring uses the following alternative performance measures: adjusted EBITDA (being operating profit plus depreciation, and severance payments) – 2021: £11,059K (*2020: £4,798K*).

Further information regarding key performance indicators is included within the results and performance section above.

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. Vispring 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. Vispring does not enter into any speculative financial transactions.

Vispring 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 Vispring many months to train and develop new master craftspeople to manufacture handmade products.

Around 39% (*2020: 42%*) 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.

The Board considers that it has adequate policies and controls in place to manage financial, commercial, operational and other risks, and that it has an on-going process for identifying them, such systems having been in place for the whole of the year ended 31 December 2021. These procedures are subject to regular review.

Strategic report *(continued)*

The outbreak of coronavirus around the world in 2020 presented a risk of disruption due to demand changes, quarantining and travel restrictions. Vispring 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, substantial long-term pandemic restrictions (such as retail store closures) 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. Despite having online sales channels, our customers benefit from their stores being open as Vispring's products are high touch, and benefit from being seen and tested in showrooms so that the quality and comfort can be witnessed.

The Company held £8,366K (*2020 - £5,107K*) 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 2020, 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 was payable by instalments in 2021, with the final tranche falling into 2022. In addition, the Company has agreed financing facilities with its bankers of £6,000K (*2020 - £7,000K*) 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 continued to migrate further functions to within the group's control (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 Vispring'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. However, we are never complacent about competitor risk.

Future development

Vispring 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 2021, Vispring had an order book on hand of £7,187K (*2020 - £4,488K*) awaiting production and delivery. This increase is due to ongoing increased demand for product coupled with our continue care into the manufacture of each piece.

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 reasonable 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.

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. This plan is due for renewal in 2022. 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.

Vispring is committed to ensuring a healthy and safe environment for future generations, and works to minimise its impact on the planet, making sure that its products, supply chain and production methods support us in contributing to a sustainable society. In 2021, the Company completed a full environmental review, including a revised management plan. A dedicated environmental working group was founded to oversee improvements, and with the aim of being carbon neutral by 2025. Broad ranging environmental initiatives being implemented are already showing positive results including:

- LED lighting installed in 2020 reduced energy consumption by 12.5%
- Water saving measures reduce consumption by 15.3%
- Solar panelled roof was installed in 2021, which generates surplus energy fed back into the grid
- Vispring packaging has been switched to a product containing 30% recycled product and all bags used are fully recyclable. "Zero to landfill" waste management policy is followed
- Pallets that cannot be reused are recycled into animal bedding or compost. In 2021, 22 tonnes (*2020 – 20 tonnes*) was recycled to compost on the fields of Devon and Cornwall to promote growth and water retention
- Supplier directory to record the transport footprint of each so that carbon footprint can be monitored
- A supply agreement with Shetland Island Crofters sees almost 100 per cent of Shetland white wool fleece used to fill its luxury beds, as part of Vispring's social corporate responsibility commitment.
- Going further in its support of suppliers, Vispring's Limited Edition Lana mattress is made using locally sourced, pure fleece wool from a minority breed, the Exmoor Horn. For every Lana sold, Vispring gives back directly to Exmoor Horn farmers.
- Work is currently underway to gain ISO 14001 (Environmental Standards) accreditation.

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. Vispring'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 2021, there were 211 (*2020* – 198) 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 continue its apprenticeship programme.

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 board of directors and signed on their behalf by:

M Catovsky
Director
7 March 2022

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 December 2021.

Considerations around going concern are discussed within the strategic report on page 3 as well as in note 3.2.

Dividends

A dividend of £10,000K *(2020: £7,696K)* was paid during the year.

The directors do not recommend the payment of a further dividend for the year.

Future development

This subject is disclosed within the strategic report on page 3.

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, 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.

Engagement with suppliers, customers and others in a business relationship with the Company

This subject is disclosed within the S172 statement on page 4.

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 (*2020 - £NIL*).

Disclosure of information to auditors

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.

Independent auditors

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

Directors' report *(continued)*

Streamlined Energy and Carbon Reporting

This is the second year of reporting under the requirements of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. However, with the material disruption on account of the global pandemic, 2020 is not considered a representative baseline year of normal operations, and hence the baseline has been restated to 2019 figures. The factors affecting greenhouse gas emissions have also been widened in scope to include the effects of waste as well.

UK Greenhouse Gas (GHG) Emissions & Energy use Financial Year ending 31 December 2021						
	2019 (new baseline)		**2020 (as restated)**		**2021**	
	Tonnes CO2e	**kWh**	**Tonnes CO2e**	**kWh**	**Tonnes CO2e**	**kWh**
Distribution	428.64	1,691,697	296.04	1,104,643	398.54	1,473,359
Electricity	149.69	704,996	123.44	529,483	89.10	419,624
Gas combustion	128.56	702,533	127.66	626,588	62.81	343,238
Vehicle mileage	15.55	90,616	8.47	49,358	12.37	56,619
Waste	2.80	132	4.59	216	3.64	231
Total	**725.24**	**3,189,974**	**560.20**	**2,310,288**	**566.46**	**2,293,071**
Intensity ratio	**0.039**		**0.036**		**0.031**	
Change on baseline			**-6.4%**		**-13.3%**	

Intensity ratio is calculated as total tonnes of CO2e per £K of production value.

Methodology

Greenhouse gas emissions are reported in gross tonnes CO2e 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 (2021 version 1.0) to convert from kWh to CO2 equivalent emissions. Emissions from electricity report grid purchased electricity including associated transmission and distribution losses.

Fuel conversion factors based on litres of fuel used have been applied for distribution costs. Vehicle fuel is calculated from mileage in company vehicles for business purposes and miles done in personal/hire cars on business use.

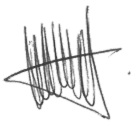
Energy efficiency

During the year, the Company installed solar panels over part of the roof of its factory. Further installations of the same are planned for 2022, during which year further carbon savings from this investment will be achieved.

Grid supplied electricity continues to be provided through a contract utilising 36% renewable energy sources.

Vispring continues to focus on local sourcing initiatives and in 2021 78% (*2020 - 64%*) of its suppliers were sourced from the UK.

The financial statements on pages 11 to 23 were approved by the board of directors on 7 March 2022 and signed on its behalf by:



M Catovsky
Director
7 March 2022

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

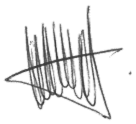
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

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

By order of the board



M Catovsky
Director
7 March 2022

Registered Office: Ernesettle Lane, Plymouth PL5 2TT

Independent auditors' report to the members of Vi-Spring Limited

Report on the audit of the financial statements

Opinion

In our opinion, Vi-Spring Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2021; the Profit and Loss Account and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Discussions with management and the Directors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant minutes of director board meetings;
- Evaluating management's controls designed to prevent and detect irregularities, in particular the whistleblowing policy and employee code of conduct;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the recoverability of trade debtors and stock provisioning; and
- Identifying and testing journal entries, in particular any entries posted with unusual account combinations.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Stephen Patey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
7 March 2022

Profit and loss account

for the year ended 31 December 2021

	Note	**2021 £000**	2020 £000
Turnover	*5*	**47,758**	38,161
Cost of sales		**(15,207)**	(13,807)
Gross profit		**32,551**	24,354
Distribution costs		**(2,668)**	(2,201)
Administrative expenses		**(19,575)**	(19,146)
Other operating income		**367**	1,155
Operating profit	*6*	**10,675**	4,162
Income from shares in group undertakings		**4,507**	3,713
Interest payable and similar expenses	*8*	**(23)**	(31)
Profit before taxation		**15,159**	7,844
Tax on profit	*9*	**(2,267)**	(1,312)
Profit for the financial year		**12,892**	6,532

There were no acquisitions nor discontinued operations within the Company during 2021 or 2020.

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

The notes on pages 14 to 23 form an integral part of these financial statements.

Balance sheet
at 31 December 2021

	Note	**2021 £000**	2020 £000
Fixed assets			
Tangible assets	*10*	**2,615**	1,945
Investments	*11*	**5,837**	5,837
		8,452	7,782
Current assets			
Inventories	*12*	**1,874**	1,725
Debtors	*13*	**4,782**	4,452
Cash at bank and in hand		**8,366**	5,107
		15,022	11,284
Creditors: amounts falling due within one year	*14*	**(11,462)**	(10,061)
Net current assets		**3,560**	1,223
Total assets less current liabilities		**12,012**	9,005
Provisions for liabilities	*15*	**(237)**	(122)
Net assets		**11,775**	8,883
Capital and reserves			
Called up share capital	*16*	**40**	40
Share premium account		**600**	600
Profit and loss account		**11,135**	8,243
Total shareholders' funds		**11,775**	8,883

The notes on pages 14 to 23 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 7 March 2022 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 2021

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
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
Balance at 1 January 2021	**40**	**600**	**8,243**	**8,883**
Total comprehensive income for the period:				
Profit for the financial year	-	-	12,892	12,892
Transactions with owners recorded directly in equity:				
Dividends	-	-	(10,000)	(10,000)
Balance at 31 December 2021	**40**	**600**	**11,135**	**11,775**

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

The notes on pages 14 to 23 form an integral part of these financial statements.

Notes to the financial statements
(forming part of the financial statements)

1 General information

Vi-Spring Limited (the "Company") is a private company limited by shares and incorporated in the United Kingdom. The registered office and principal place of business is 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 s401 (2020 – 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 reasonable possible downsides, 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 25% reduction in order intake value 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.

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 indirectly owned 100% of the issued share capital of the Company at the start and end of the period, with intermediary holding company – Flex Premium Bedding S LU – sitting between the two in the group structure.

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 to the financial statements *(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 preparing accounts under an equivalent to Part 15 of the Companies Act (see note 3.3).

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 the risks of loss and rewards of ownership are transferred to them.

Payments received from customers in advance of supply of goods are shown as deferred income, and revenue from services performed but not yet invoiced are shown as accrued income.

3.7 Grant income

In 2020, sums receivable under the Coronavirus Job Retention Scheme Grant has been disclosed as other operating income in the profit and loss account. Nothing was received in 2021 as there were no periods of factory shutdown.

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. 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 scheme 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 to the financial statements *(continued)*

3 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, plus costs directly attributable to bringing the asset to its working condition for its intended use.

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, and 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 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.

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). Cost is determined on the first-in, first-out basis.

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 to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

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 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

3.17 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.

3.18 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 to the financial statements *(continued)*

5 Turnover

	2021 £000	2020 £000
United Kingdom	**21,043**	19,070
Europe	**12,724**	10,435
Rest of the World	**13,991**	8,656
	47,758	38,161

6 Operating profit

Operating profit is stated after charging:	**2021 £000**	2020 £000
Auditors' remuneration		
Audit of these financial statements	**50**	40
Other services relating to taxation	**37**	42
Depreciation of fixed assets	**320**	266
Net foreign exchange gain	**(150)**	(109)

7 Employees and directors

	2021 £000	2020 £000
By activity		
Wages and salaries	**8,097**	7,905
Compensation for loss of office	**64**	370
Social security costs	**873**	808
Other pension costs	**551**	553
	9,585	9,636

Notes to the financial statements *(continued)*

7 Employees and directors *(continued)*

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

	2021 No.	2020 No.
By activity		
Administration	**48**	35
Production	**142**	148
Selling and distribution	**16**	21
	206	204

The directors' emoluments were:

	2021 £000	2020 £000
Aggregate remuneration	**529**	489
Company contributions to defined contribution pension scheme	**89**	43
	618	532

Post-employment benefits are accruing for 3 directors *(2020: 3)* under a defined contribution scheme.

The highest paid director's emoluments were:

	2021 £000	2020 £000
Aggregate remuneration	**221**	221
Company contributions to defined contribution pension scheme	**59**	15
	280	236

1 (*2020: 1*) director receives consideration from Vi-Spring Limited and provides services to other Flex group companies; the proportion attributable for their services to this company is management's best estimate of time relating to Vi-Spring Limited. Certain other directors are also directors or officers of additional Flex group companies. The directors' services to this company do not occupy a significant amount of their time and they do not receive emoluments for their services to this company *(2020: £NIL)*.

8 Interest payable and similar expenses

	2021 £000	2020 £000
Interest payable on short term loans	**23**	31

Notes to the financial statements *(continued)*

9 Tax on profit

The tax charge is made up as follows:	**2021**	2020
	£000	£000
Current tax		
UK corporation tax on profits in year	**1,947**	743
Adjustments in respect of previous periods	**-**	83
	1,947	826
Double taxation relief	**(461)**	(158)
	1,486	668
Foreign tax	**666**	613
Total current tax	**2,152**	1,281
Deferred tax		
Origination and reversal of timing differences	**67**	31
Effect of changes in tax rates	**48**	-
Total deferred tax	**115**	31
Tax on profit	**2,267**	1,312

The tax assessed on the profit for the year is lower *(2020: lower)* than the standard rate of corporation tax in the UK of 19% *(2020: 19%)*. The differences are explained below:

	2021	2020
	£000	£000
Profit for the financial year	**12,892**	6,532
Taxation	**2,267**	1,312
Profit before tax	**15,159**	7,844
Profit multiplied by standard rate of corporation tax of 19% *(2020:19%)*	**2,880**	1,490
Effects of:		
Disallowed expenses and non-taxable income	**(857)**	(698)
Effects of overseas tax rates	**205**	417
Depreciation in (deficit) / excess of capital allowances	**(9)**	14
Tax rate changes	**48**	6
Adjustments in respect of previous periods	**-**	83
Tax charge for the year	**2,267**	1,312

A UK corporation rate of 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, an increase from the 19% rate that has been effective since 1 April 2020. This will increase the company's future current tax charge accordingly. Due to differences in when the position will unwind, the deferred liability at 31 December 2021 has been calculated at a blended rate of 23.5% (*2020: 19%*).

Notes to the financial statements *(continued)*

10 Tangible assets

	Freehold land and buildings £000	Plant, equip., and vehicles £000	Total £000
Cost or valuation			
At 1 January 2021	1,966	3,104	5,070
Additions	499	491	990
Disposals	-	(47)	(47)
At 31 December 2021	2,465	3,548	6,013
Accumulated depreciation			
At 1 January 2021	630	2,495	3,125
Charge for year	63	257	320
Elimination on disposals	-	(47)	(47)
At 31 December 2021	693	2,705	3,398
Net book value			
At 31 December 2021	**1,772**	**843**	**2,615**
At 31 December 2020	1,336	609	1,945

11 Investments

	2021 £000	2020 £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, and whose registered office is at 11096 Jersey Boulevard, Rancho Cucamonga, California 91730. The cost of the investment (10,000 common stock shares) was £5,837K (*2020: £5,837K*). There are no provisions for impairment.

12 Inventories

	2021 £000	2020 £000
Raw materials and consumables	**976**	967
Work in progress	**47**	73
Finished goods and goods for resale	**851**	685
	1,874	1,725

Inventories are stated after provisions for impairment of £261K *(2020: £100K).*

Impairment losses of £64K (*2020: £100K*) were recognised in profit and loss during the year.

Notes to the financial statements *(continued)*

13 Debtors

	2021 **£000**	2020 £000
Trade debtors	**3,554**	3,724
Amounts owed by group undertakings	**1,026**	561
Prepayments and accrued income	**202**	167
	4,782	4,452

Amounts owed by group undertakings are for the provision of goods and services and are on normal commercial terms.

Trade debtors are stated after provisions for impairment arising from credit risk of £611K *(2020: £477K).*

14 Creditors: amounts falling due within one year

	2021 **£000**	2020 £000
Trade creditors	**5,977**	6,200
Amounts owed to group undertakings	**650**	487
Corporation tax	**1,023**	776
Other taxation and social security	**776**	1,127
Accruals and deferred income	**3,036**	1,471
	11,462	10,061

Amounts due to group undertakings are for the provision of goods and services and are on normal commercial terms.

15 Provisions for liabilities

	2021 **£000**	2020 £000
Deferred taxation		
At beginning of year	122	91
Charge to the profit and loss account	115	31
At end of year included in provisions	237	122

The net deferred tax liability expected to reverse in 2022 is £78K (*2021: £41K*). This relates to the reversal of timing differences on capital allowances. There are no unused tax losses or unused tax credits.

Notes to the financial statements *(continued)*

16 Called up share capital

	2021	2020
	£000	£000
Authorised, allotted, called up and fully paid		
40,000 (*2020: 40,000*) ordinary shares of £1 each	**40**	40

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

17 Financial commitments

Operating leases

At 31 December 2021 the Company had the following minimum lease commitments under non-cancellable operating leases:

	2021	2020
	£000	£000
Within one year	**314**	333
Between one and five years	**718**	983
After five years	**45**	90
	1,077	1,406

In the year £477K was charged to the profit and loss account in respect of operating lease payments *(2020: £523K).*

18 Pensions

The Company contributes to a defined contribution scheme. Contributions of £551K *(2020: £553K)* 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 £82K *(2020: £76K).*

19 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.

Directors are able to purchase goods from the Company under a staff purchase scheme which is available to all employees after satisfactory completion of probationary period. There were no such purchases in 2021 (*in 2020 J Gerety purchased goods for £4K and M Catovsky £350*). 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.