

Company Registration No. 02826071 (England and Wales)

UTOPIA FURNITURE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016



UTOPIA FURNITURE LIMITED

COMPANY INFORMATION

Directors	Mr D Conn Mr I Hall Mrs B Boulton	(Appointed 1 June 2017)
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Company number	02826071
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Registered office	Utopia House Springvale Avenue Springvale Business Park Bilston West Midlands WV14 0QL
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Auditor	Ormerod Rutter Limited The Oakley Kidderminster Road Droitwich Worcestershire WR9 9AY
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UTOPIA FURNITURE LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2016

The directors present the strategic report for the period ended 31 December 2016.

Fair review of the business

The principal activity and strategic focus of the group remains the design and manufacture of bathroom furniture, a market where the group retains an excellent reputation for both the quality of its product and service delivery.

The company continues to perform satisfactorily in what have been difficult conditions following the uncertainty created by the Brexit Referendum result. Sales levels remain on target as the strategic focus has been to accelerate the development of new product ranges to be brought to market sooner in order to maintain the company's leading position in the market place. The company continues to retain and grow business with existing customers, and to develop new customer relationships and routes to market. Future margins will be adversely affected short term by the fall in value of sterling following the Brexit vote as the company tries to absorb what costs it can whilst working to offset the longer term impact.

Key performance indicators (KPIs)

The company utilises a range of different KPI's at an operational level which are used by the management team to monitor performance on a regular basis. The main KPI's are as follows:

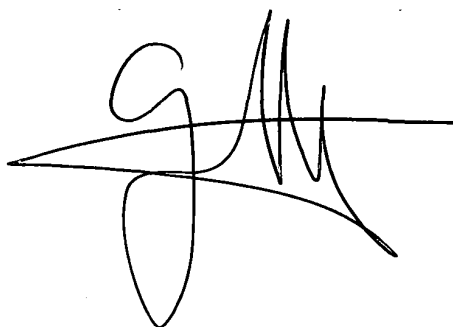
	31 Dec 2016 £'000	30 Jun 2016 £'000
Sales activity	7,882	15,565
EBITDA (earnings before interest, taxation, depreciation and amortisation)	513	1,014
Working capital (exclusive of amounts due to/from group undertakings)	1,218	1,283

Principal risks and uncertainties

The principal risk for the company relates to the difficult general economic conditions and the performance of the construction and home improvement markets.

On behalf of the board

Mr I Hall
Director
15 December 2017



UTOPIA FURNITURE LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2016

The directors present their annual report and financial statements for the period ended 31 December 2016.

Principal activities

The principal activity of the company continued to be that of design and manufacture of bathroom furniture. The business continues to have an excellent reputation for design, quality and service and supplies a significant number of bathroom outlets in the UK.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr M Oldham	(Resigned 13 February 2017)
Mr D Conn	
Mr S Jaques	(Resigned 9 June 2017)
Mr I Hall	
Mrs B Boulton	(Appointed 1 June 2017)

Results and dividends

The results for the period are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Research and development

The company routinely investigates new materials and production techniques in the development of new ranges of bathroom furniture.

Future developments

There are no significant anticipated future changes to the operations of the company.

Auditor

The auditors, Ormerod Rutter Limited, will be proposed for re-appointment in accordance with Section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

UTOPIA FURNITURE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2016

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Disclosure in the Strategic Report

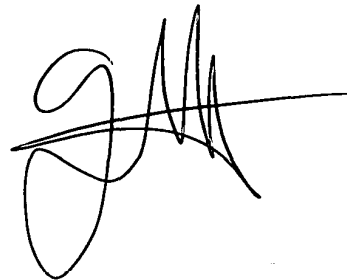
A separate Strategic Report has been prepared in compliance with Companies Act 2006 and contains information about the company's operations and financial performance throughout the period, and an assessment of the principal risks and uncertainties to the company.

On behalf of the board

Mr I Hall

Director

15 December 2017

A handwritten signature in black ink, consisting of a large, stylized 'I' followed by a series of loops and a horizontal line extending to the right.

UTOPIA FURNITURE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UTOPIA FURNITURE LIMITED

Opinion

We have audited the financial statements of Utopia Furniture Limited (the 'company') for the period ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

UTOPIA FURNITURE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF UTOPIA FURNITURE LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Responsibilities of directors

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

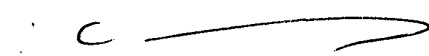
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company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

Auditor's responsibilities for the audit of the financial statements

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

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

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



Colm McGrory FCA (Senior Statutory Auditor)
for and on behalf of Ormerod Rutter Limited

15 December 2017

Chartered Accountants
Statutory Auditor

The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

UTOPIA FURNITURE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016

		Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
	Notes		
Turnover	3	7,882	15,565
Cost of sales		(5,085)	(10,287)
Gross profit		2,797	5,278
Administrative expenses		(2,396)	(4,627)
Other operating income		3	106
Operating profit	4	404	757
Interest payable and similar expenses	8	(18)	(46)
Profit before taxation		386	711
Taxation	9	(1)	(59)
Profit for the financial period	20	385	652

The profit and loss account has been prepared on the basis that all operations are continuing operations.

UTOPIA FURNITURE LIMITED

BALANCE SHEET

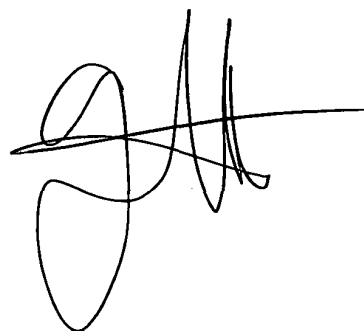
AS AT 31 DECEMBER 2016

		31 December 2016		30 June 2016	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		894		936
Current assets					
Stocks	11	1,578		1,338	
Debtors	12	8,469		8,674	
Cash at bank and in hand		269		263	
		10,316		10,275	
Creditors: amounts falling due within one year	13	(2,377)		(2,640)	
Net current assets			7,939		7,635
Total assets less current liabilities			8,833		8,571
Creditors: amounts falling due after more than one year	14		(182)		(305)
Net assets			8,651		8,266
Capital and reserves					
Called up share capital	18		20		20
Capital redemption reserve	19		3		3
Profit and loss reserves	20		8,628		8,243
Total equity			8,651		8,266

The financial statements were approved by the board of directors and authorised for issue on 15 December 2017 and are signed on its behalf by:

Mr I Hall
Director

Company Registration No. 02826071



UTOPIA FURNITURE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2016

	Share capital £'000	Capital redemption reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 July 2015	20	3	7,591	7,614
Year ended 30 June 2016:				
Profit and total comprehensive income for the year	-	-	652	652
Balance at 30 June 2016	20	3	8,243	8,266
Period ended 31 December 2016:				
Profit and total comprehensive income for the period	-	-	385	385
Balance at 31 December 2016	20	3	8,628	8,651

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

Utopia Furniture Limited is a private company limited by shares incorporated in England and Wales. The registered office is Utopia House, Springvale Avenue, Springvale Business Park, Bilston, West Midlands, WV14 0QL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly-available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Reporting period

The company's reporting period has been shortened to six months in order to align the company's year end with the year end of its major customers and suppliers.

The financial statements present the results of the company for the six month period ending 31 December 2016. The comparative information presented in the financial statements relates to the year ending 30 June 2016. Therefore, the comparative amounts are not entirely comparable.

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually when goods are delivered to the customer), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	50% on cost and 20% on NBV
Fixtures and fittings	50% on NBV and 33% on NBV
Computer Equipment	50% on NBV
Motor vehicles	20% on NBV

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of labour and fixed and variable production overheads.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock

The group consistently monitors and provides against stock where appropriate to ensure stock is held at the lower of cost and NRV. Provisions are applied on a consistent basis which is based on historical experience and expected use, specifically ageing of stock, quantity in hand, usage and changes in customer demand are considered and reflected within the provided amounts.

Depreciation

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful lives and residual values are reassessed annually. They are amended when necessary, to reflect current estimates.

In the opinion of the directors there are no critical judgements or key sources of estimation uncertainty not addressed as part of the above accounting policies.

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
Turnover		
Sale of goods	7,882	15,565
	<u> </u>	<u> </u>
Other significant revenue		
Grants received	-	100
	<u> </u>	<u> </u>

Turnover analysed by geographical market

	Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
United Kingdom	7,770	15,353
Europe	112	212
	<u> </u>	<u> </u>
	7,882	15,565
	<u> </u>	<u> </u>

4 Operating profit

	Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
Operating profit for the period is stated after charging/(crediting):		
Research and development costs	65	276
Government grants	-	(100)
Depreciation of owned tangible fixed assets	62	132
Depreciation of tangible fixed assets held under finance leases	54	130
Profit on disposal of tangible fixed assets	(6)	(5)
Cost of stocks recognised as an expense	3,035	5,834
Operating lease charges	229	460
	<u> </u>	<u> </u>

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

5 Auditor's remuneration

	Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	9	12
For other services		
Taxation compliance services	4	4
All other non-audit services	19	13
	23	17

6 Employees

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

	Period ended 31 December 2016 Number	Year ended 30 June 2016 Number
Administration	53	54
Production	118	124
	171	178

Their aggregate remuneration comprised:

	Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
Wages and salaries	2,062	4,378
Social security costs	193	424
Pension costs	67	129
	2,322	4,931

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

7 Directors' remuneration

	Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
Remuneration for qualifying services	40	78
Company pension contributions to defined contribution schemes	3	6
	<u>43</u>	<u>84</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (Year ended 30 June 2016 - 1).

Key management personnel

During the period key management personnel (including directors remuneration) received gross wages of £146,000 (30 June 2016 - £283,000) and employer pension contributions of £7,000 (30 June 2016 - £13,000).

8 Interest payable and similar expenses

	Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
Interest on bank overdrafts and loans	3	9
Interest on finance leases and hire purchase contracts	15	37
	<u>18</u>	<u>46</u>

9 Taxation

	Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
Current tax		
UK corporation tax on profits for the current period	1	1
	<u>1</u>	<u>1</u>
Deferred tax		
Origination and reversal of timing differences	-	58
	<u>-</u>	<u>58</u>
Total tax charge	<u>1</u>	<u>59</u>

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2016

9 Taxation

(Continued)

The actual charge for the period can be reconciled to the expected charge for the period based on the profit or loss and the standard rate of tax as follows:

	Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
Profit before taxation	386	711
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (Year ended 30 June 2016: 20.00%)	77	142
Tax effect of expenses that are not deductible in determining taxable profit	4	3
Tax effect of income not taxable in determining taxable profit	(1)	-
Tax effect of utilisation of tax losses not previously recognised	(64)	-
Adjustments in respect of prior years	(1)	(37)
Permanent capital allowances in excess of depreciation	(14)	-
Research and development tax credit	-	(55)
Fixed Assets additions deemed taxable under capital gains tax	-	6
Taxation charge for the period	1	59

10 Tangible fixed assets

	Plant and equipment £'000	Fixtures and fittings £'000	Computer Equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 July 2016	7,383	1,134	556	164	9,237
Additions	34	37	3	-	74
Disposals	-	-	-	(40)	(40)
At 31 December 2016	7,417	1,171	559	124	9,271
Depreciation and impairment					
At 1 July 2016	6,572	1,061	533	135	8,301
Depreciation charged in the period	89	17	6	4	116
Eliminated in respect of disposals	-	-	-	(40)	(40)
At 31 December 2016	6,661	1,078	539	99	8,377
Carrying amount					
At 31 December 2016	756	93	20	25	894
At 30 June 2016	811	73	23	29	936

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

10 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	31 December 2016 £'000	30 June 2016 £'000
Plant and equipment	466	518
Motor vehicles	17	19
	<u>483</u>	<u>537</u>
Depreciation charge for the period in respect of leased assets	54	130
	<u>54</u>	<u>130</u>

Ownership of these assets transfer to the company on full repayment of the hire purchase loans. None of the hire purchase agreements contain clauses relating to contingent rent, renewal, escalation clauses, subleases, or restrictions imposed on use of the assets.

11 Stocks

	31 December 2016 £'000	30 June 2016 £'000
Raw materials and consumables	1,219	957
Work in progress	252	237
Finished goods and goods for resale	107	144
	<u>1,578</u>	<u>1,338</u>

12 Debtors

	31 December 2016 £'000	30 June 2016 £'000
Amounts falling due within one year:		
Trade debtors	1,122	1,642
Amounts due from group undertakings	6,728	6,358
Prepayments and accrued income	176	231
	<u>8,026</u>	<u>8,231</u>
Deferred tax asset (note 16)	443	443
	<u>8,469</u>	<u>8,674</u>

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

13 Creditors: amounts falling due within one year

		31 December 2016 £'000	30 June 2016 £'000
	Notes		
Obligations under finance leases	15	252	255
Trade creditors		1,423	1,468
Amounts due to group undertakings		6	6
Corporation tax		2	1
Other taxation and social security		293	323
Other creditors		137	116
Accruals and deferred income		264	471
		<u>2,377</u>	<u>2,640</u>

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

Included in other creditors is £137,000 (30 June 2016 - £116,000) secured by various fixed and floating charges over the company's assets and undertakings.

14 Creditors: amounts falling due after more than one year

		31 December 2016 £'000	30 June 2016 £'000
	Notes		
Obligations under finance leases	15	182	305
		<u>182</u>	<u>305</u>

15 Finance lease obligations

	31 December 2016 £'000	30 June 2016 £'000
Future minimum lease payments due under finance leases:		
Within one year	252	255
In two to five years	182	305
	<u>434</u>	<u>560</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Amounts due under hire purchase and finance lease contracts are secured over the assets to which they relate.

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 31 December 2016 £'000	Assets 30 June 2016 £'000
Balances:		
Accelerated capital allowances	64	64
Tax losses	377	377
Short term timing differences	2	2
	<u>443</u>	<u>443</u>

There were no deferred tax movements in the period.

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

17 Retirement benefit schemes

	Period ended 31 December 2016 £'000	Year ended 30 June 2016 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	67	130
	<u>67</u>	<u>130</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Accrued employer pension contributions as at the period end amounted to £9,000 (30 June 2016 - £12,000).

18 Share capital

	2016 £'000	2016 £'000
Ordinary share capital		
Issued and fully paid		
20,000 Ordinary A Shares of £1 each	20	20
	<u>20</u>	<u>20</u>

19 Capital redemption reserve

31 December	30 June
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UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2016

19 Capital redemption reserve (Continued)

	2016 £'000	2016 £'000
At beginning and end of period	3	3

20 Profit and loss reserves

	31 December 2016 £'000	30 June 2016 £'000
At the beginning of the period	8,243	7,591
Profit for the period	385	652
At the end of the period	8,628	8,243

21 Financial commitments, guarantees and contingent liabilities

As a result of the Group refinancing that took place in July 2009, the company guarantees related party loans made by Halcon Properties Limited to the ultimate parent company Utopia Bathroom Group Limited. The balance balance of these borrowings at 31 December 2016 amounted to £2,213,000 (30 June 2016 - £2,539,000).

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2016 £'000	30 June 2016 £'000
Within one year	310	291
Between two and five years	317	392
	627	683

23 Related party transactions

Transactions with related parties

Mr I. Hall and Mr D. Conn each have a significant shareholding in the ultimate parent company, Utopia Bathroom Group Limited, as well as significant interest in Halcon Properties Limited, IDM Partnership and IH Business Consultancy.

During the period the company entered into the following transactions with related parties:

UTOPIA FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2016

23 Related party transactions

(Continued)

Halcon Properties Limited

During the period the company incurred rent and related expenses charged at less than market rate payable to the related party totalling £60,000 (30 June 2016 - £168,000).

IDM Partnership

During the period the company incurred expenses on normal trading terms payable to the related party totalling £96,706 (30 June 2016 - 141,000).

IH Business Consultancy

During the period the company incurred expenses on normal trading terms payable to the related party totalling £nil (30 June 2016 - £11,000).

Amounts owed to/by related parties

The following amounts were outstanding at the reporting end date:

	Amount owed to		Amounts owed by	
	31 December 2016 £'000	30 June 2016 £'000	31 December 2016 £'000	30 June 2016 £'000
Halcon Properties Limited	38	-	-	-
IDM Partnership	32	18	-	-

24 Controlling party

The immediate parent company is Utopia Group Limited, a company registered in England and Wales.

The ultimate parent undertaking is Utopia Bathroom Group Limited, a company registered in England and Wales, which heads the largest and smallest group to consolidate the financial statements of the company. Copies of the consolidated financial statements, which include the company are available from the Company Secretary at Utopia House, Springvale Avenue, Springvale Business Park, Bilston, Wolverhampton, WV14 0QL.