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# Sofa Brands International Limited

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Annual Report &  
Financial Statements  
30 June 2017

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Registered number 05456332

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# Sofa Brands International Limited

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# **Sofa Brands International Limited**

## **Strategic report for the year ended 30 June 2017**

The Directors present their strategic report on Company for the year ended 30 June 2017

### **Principal activity**

The principal activity of the company is to act as a holding company.

### **Review of business and future developments**

Following the acquisition of Sofa Brands International Ltd by 1869 Ltd on 29<sup>th</sup> January 2015, the full group consolidated financial statements are reported in 1869 Ltd. As such from the year ended 30<sup>th</sup> June 2017, the company has decided to exercise its rights under section 400 of the Companies Act 2006 not to prepare consolidated financial statements in Sofa Brands International Limited. These financial statements only reflect the trading costs and revenues of Sofa Brands International Limited

The turnover reported relates to royalties and management fees which have reduced by 5% from £3.4m in 2016 to £3.3m in 2017.

Administrative expenses have reduced year on year by an equivalent reduction to turnover (5%) mainly due to payroll costs reducing over the period.

Operating profit before interest and tax of £1.5m is a £60k reduction on the previous year and a reflection of the reduced turnover.

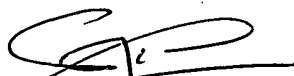
The group continues to use a range of well-established and appropriate key performance indicators (KPIs) to monitor the progress of the business from both a quantitative and qualitative perspective. The key KPIs for the business are turnover, gross margins and operating profit and these are referred to above.

### **Principal risks and uncertainties**

The directors consider the principal risks and uncertainties for the business relate primarily to the performance of the UK economy and competition in the upholstery market.

The directors will continually monitor the principal and other risks and uncertainties for the business.

This report was approved by the board on 5 December 2017 and signed on its behalf.



**C McMahon**  
Director

# **Sofa Brands International Limited**

## **Directors' report for the year ended 30 June 2017**

The directors present their report and the audited financial statements of the company for the year ended 30 June 2017. The principal activity of the company, review of the business and future developments are explained in the strategic report on page 1.

### **Results and dividends**

The profit for the financial year amounted to £151,542 (2016: £5,336,229).

The directors do not recommend the payment of a dividend in respect of the year.

### **Going concern**

The financial statements have been prepared on a going concern basis as the Company's parent undertaking, which owns the Company's entire share capital, has committed to continue to support the Company for the foreseeable future, in order that it can meet its liabilities as they fall due.

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk and liquidity risk. The company has in place a risk management programme that seeks to limit any adverse effects on the financial performance of the company by monitoring such areas closely.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a subcommittee of management. The policies and procedures, as set by the Board, and the 1869 Ltd group are implemented by the company's finance department.

### **Market prices**

The company is exposed to market prices for certain purchased materials. The company has appropriate facilities to hedge its exposure arising from the purchase of raw materials denominated in foreign currencies.

### **Credit risk**

The company has implemented policies that require appropriate levels of credit check on potential customers before sales are made in addition to having in place an insurance policy to cover losses arising from the insolvency or default of its customers.

### **Liquidity risk**

The company currently maintains short term debt finance that is designed to ensure the company has sufficient funds available for operations.

### **Directors of the company**

The directors who were in office during the year and up to the date of signing the financial statements were as follows:

I Oliver

M R Clarke

M W Burt

C N Kenyon-Brown

C A McMahon

J Neal

resigned 28 July 2017

# Sofa Brands International Limited

## Directors' report for the year ended 30 June 2017 (*continued*)

### Employees

It is the board's policy to employ disabled persons whenever suitable vacancies arise, to continue employment of employees who become disabled and to provide for such employees the appropriate level of training and career progression within the group.

The directors recognise the importance of communications with the group's employees and therefore hold regular meetings with the employees' representatives and the directors make it their policy to be accessible to all employees.

### Statement of 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 auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent auditors

Ernst & Young LLP were appointed as auditors during the year and have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

This report was approved by the Board on 5 December 2017 and signed on its behalf by



E Jones  
**Company Secretary**

5 December 2017

1 Hampton Park West  
Melksham  
Wiltshire  
SN12 6GU

# Sofa Brands International Limited

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) 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;
- state whether applicable UK Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; 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 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 to 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.

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

By order of the Board



E Jones  
**Company Secretary**

5 December 2017

1 Hampton Park West  
Melksham  
Wiltshire  
SN12 6GU

# **Sofa Brands International Limited**

## **Independent auditors' report to the members of Sofa Brands International Limited**

We have audited the financial statements of Sofa Brands International Limited for the year ended 30 June 2017 which comprise the Statement of total comprehensive income, the Balance Sheet and the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

# Sofa Brands International Limited

## Independent auditors' report to the members of Sofa Brands International Limited

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or 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.

*Ernst & Young LLP*

**Paul Mapleston (Senior statutory auditor)**  
**for and on behalf of Ernst & Young LLP, Statutory Auditor**  
**Bristol**

**Date:** *7 December 2017*



# Sofa Brands International Limited

## Statement of total comprehensive income

for the year ended 30 June 2017

		2017	2016
		£	£
	Note		
Turnover	4	3,282,269	3,441,876
Gross profit			
Administration expenses		(1,756,665)	(1,858,690)
Operating profit before interest	5	1,525,604	1,583,186
Net interest (payable)/receivable	7	(1,195,207)	2,027,413
Profit before taxation		330,397	3,610,599
Tax on profit	8	(178,855)	1,725,630
Total comprehensive income for the financial year		151,542	5,336,229

# Sofa Brands International Limited

## Balance sheet as at 30 June 2017

		30 June 2017		30 June 2016	
	Note	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	9		1,064,411		925,973
Tangible assets	10		2,114		4,044
Investments	11		<u>35,990,160</u>		<u>35,990,159</u>
			37,056,685		36,920,176
<b>Current assets</b>					
Debtors: Amounts falling due within one year	12	7,936,981		6,158,758	
Debtors: Amounts falling due after one year	12	1,416,765		1,181,480	
Cash at bank and in hand		<u>1,138,807</u>		<u>1,547,028</u>	
		10,492,553		8,887,266	
<b>Current liabilities</b>					
Creditors: Amounts falling due within one year	13	<u>(13,049,865)</u>		<u>(13,459,611)</u>	
<b>Net current liabilities</b>			(2,557,312)		(4,572,345)
<b>Total assets less current liabilities</b>			34,499,373		32,347,831
Creditors: Amounts falling due after one year	14		<u>(1,725)</u>		<u>(1,725)</u>
<b>Net assets</b>			<u>34,497,648</u>		<u>32,346,106</u>
<b>Capital and reserves</b>					
Called up share capital	16		1,063,040		1,063,040
Retained earnings			<u>33,434,608</u>		<u>31,283,066</u>
<b>Total equity</b>			<u>34,497,648</u>		<u>32,346,106</u>

These financial statements on pages 7 to 21 were approved by the board of directors on 5 December 2017 and were signed on its behalf by:



C McMahon  
Director

Sofa Brands International Limited  
Registered number: 5456332

# Sofa Brands International Limited

## Statement of changes in equity for the year ended 30 June 2017

	Called up share capital £	Retained earnings £	Total equity £
Balance as at 1 July 2015	1,063,040	25,946,837	27,009,877
Total comprehensive income for the year	-	5,336,229	5,336,229
Balance at 30 June 2016	1,063,040	31,283,066	32,346,106
Balance at 1 July 2016	1,063,040	31,283,066	32,346,106
Dividends received during the year	-	2,000,000	2,000,000
Total comprehensive income for the year	-	151,542	151,542
Balance at 30 June 2017	1,063,040	33,434,608	34,497,648

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017

### 1 General Information

Sofa Brands International Limited is a holding company.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 1 Hampton Park West, Melksham, Wiltshire, SN12 6GU.

The company financial statements are presented in £, which is also the company's functional currency, and all values are rounded to the nearest pound (£).

### 2 Statement of compliance

The individual financial statements of Sofa Brands International Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### ***Basis of preparation***

These financial statements have been prepared on a going concern basis under the historical cost convention as modified for the revaluation of certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in compliance 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 Group and Company 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.

The company's accounting reference date is 30 June. It is the company's policy to prepare financial statements for the accounting year to either the Sunday before or after this date. The accounting year covers 52 weeks from 4<sup>th</sup> July 2016 to 2 July 2017. The comparative data covers 53 weeks to 3 July 2016.

#### ***Going concern***

The financial statements have been prepared on a going concern basis as the Company's parent undertaking, which owns the Company's entire share capital, has committed to continue to support the Company for the foreseeable future, in order that it can meet its liabilities as they fall due.

#### ***Exemptions for qualifying entities under FRS 102***

The company is a qualifying entity and has adopted the following disclosure exemptions under FRS 102:

- The requirement to present a statement of cash flows and related notes;
- Financial instruments disclosures; and
- Key management personnel compensation.

This information is included in the consolidated financial statements of 1869 Limited as at 30 June 2017.

The company is exempt from disclosing related party transactions with other group companies as consolidated accounts of 1869 Limited are publicly available.

#### ***Consolidated financial statements***

The company is a wholly owned subsidiary of 1869 Limited. It is included in the consolidated financial statements of 1869 Limited which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

#### ***Intangible assets***

Computer software and website costs are stated at cost less accumulated amortisation and accumulated impairment losses. Software and website development are amortised over their estimated useful lives, of between 3 and 5 years, on a straight line basis.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 (*continued*)

### 3 Summary of significant accounting policies (*continued*)

#### *Intangible assets (continued)*

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful lives have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

#### *Turnover*

Turnover represents the recharge of head office activities and excludes value added tax.

#### *Tangible assets*

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

Depreciation on assets is calculated, using the straight line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Fixtures and fittings	10% to 33⅓% per annum
Office & computer equipment	20% to 33⅓ % per annum

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

Tangible assets are derecognised on disposal or when no future economics are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and included in "Other operating (losses)/gains".

#### *Exceptional items*

The Group classifies certain one-off charges or credits that have a material impact on the Company's financial results as "exceptional items". These are disclosed separately to provide further understanding of the financial performance of the company.

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction or, at an average rate where this rate approximates the actual rate at the date of the transaction.

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.

Foreign exchange gains and losses resulting from the settlements of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 (*continued*)

### 3 Summary of significant accounting policies (*continued*)

#### ***Operating leased assets***

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 income statement on a straight line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight line basis over the period of the lease.

#### ***Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits on call with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

#### ***Financial instruments***

Basic financial assets, including trade and other receivables, cash and bank balances, are recognised at transaction price including transaction costs.

Basic financial liabilities, including trade and other payables, bank loans and loan notes, are initially recognised at transaction price including transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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. Fair values are determined by reference to the market value which is supplied by the counter party.

#### ***Taxation***

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### ***(i) Current tax***

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

##### ***(ii) Deferred tax***

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except that unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 (*continued*)

### 3 Summary of significant accounting policies (*continued*)

#### *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 rendered.

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

The company operates an annual bonus plan for employees. An expense is recognised in the income statement 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.

#### *Investments*

Investment in a subsidiary company is held at cost less accumulated impairment losses.

#### *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.

#### *Key accounting estimates and assumptions*

The Group 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 material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### *Impairment of intangible assets and goodwill*

The Group considers whether intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also a selection of appropriate discount rates in order to calculate the net present values of those cash flows.

##### *Deferred tax asset*

A deferred tax asset is recognised if, in the management's opinion, it is probable that it will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### 4 Turnover

All turnover and profits arise in the UK and are management fees and income from royalties.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 5 Operating profit

	2017 £	2016 £
Operating profit is stated after charging/(crediting):		
Wages and salaries	619,987	760,385
Social security costs	99,704	86,452
Other pension costs	16,214	23,265
<b>Staff costs</b>	<b>735,906</b>	<b>870,103</b>
Depreciation of tangible assets (charged to admin expenses)	1,930	2,211
Amortisation of intangible assets (charged to admin expenses)	58,797	58,797
Operating lease charges	20,966	21,166
Foreign exchange losses/(gains)	(48,971)	(210,109)
Audit fees payable of the company's auditor	14,500	17,550

In accordance with SI 2008/489 the company has not disclosed the fees payable to the company's auditor for "Other services" as this information is included in the consolidated financial statements of 1869 Limited.

### 6 Employee information

#### Employees

The monthly average number of employees, including directors, during the year was as follows:

	2017 Number	2016 Number
Management	4	5
Administration	3	2
	<b>7</b>	<b>7</b>

#### Directors

The directors' emoluments were as follows:	2017 £	2016 £
Aggregate emoluments	421,402	443,983
Company contributions to defined contribution pension scheme	5,969	22,489
Compensation for loss of office	-	100,000

During the year retirement benefits were accruing to 2 directors (2016: 3) in respect of defined contribution pension schemes.

<b>Highest paid director:</b>	2017 £	2016 £
Total amount of emoluments	243,266	291,523
Company contributions to defined contribution pension scheme	-	12,382



# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 (continued)

7	Net interest expense	2017 £	2016 £
	<b>Interest receivable and similar income</b>		
	Bank interest received	-	5,690
	Total interest income on financial assets not measured at fair value through profit or loss	-	5,690
	Gains on derivative financial instruments	-	2,034,607
	<b>Total interest receivable and similar income</b>	-	2,040,297
	<b>Interest payable and similar charges</b>		
	Interest expense on bank loans and overdraft	(8,902)	(12,884)
	Total interest expense on financial liabilities not measured at fair value through profit or loss	(8,902)	(12,884)
	Losses on derivative financial instruments	(1,186,305)	-
	<b>Total interest payable and similar charges</b>	(1,195,207)	(12,884)
	<b>Net interest</b>		
	Interest receivable and similar income	-	2,040,297
	Interest payable and similar charges	(1,195,207)	(12,884)
	<b>Net interest (expense)/income</b>	(1,195,207)	2,027,413

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 8 Tax on profit on ordinary activities

#### a) Tax on expense included in profit or loss

	2017 £	2016 £
Current tax		
- Adjustment in respect of prior years	-	(17,040)
Total current tax	-	(17,040)
Deferred tax		
- Origination and reversal of timing differences	82,030	(1,966,222)
- Impact of changes in tax rate	96,825	216,499
- Adjustments in respect of prior years	-	41,133
Total deferred tax	178,855	(1,708,590)
<b>Tax on profit on ordinary activities</b>	<b>178,855</b>	<b>(1,725,630)</b>

#### b) Reconciliation of tax charge

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19.75% (2016: 20%) for the year. The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	330,397	3,610,599
Profit multiplied by standard rate of corporation tax in the UK of 19.75% (2016: 20. %)	65,256	722,120
Effects of:		
- Expenses not deductible for tax purposes	16,772	3,989
- Deferred tax on losses not previously recognised	-	(1,975,403)
- Tax rate changes	96,827	216,499
- Utilisation of losses	-	(716,928)
- Adjustments in respect of previous periods	-	24,093
<b>Tax charge for the year</b>	<b>178,855</b>	<b>(1,725,630)</b>

#### c) Tax rate changes

The July 2015 budget announced changes to the UKCT rate which will reduce the main rate of tax 19% from April 2017 and 18% from April 2020. In addition the March 2016 budget statement announced a further change to the UKCT rate which will now reduce the main rate of corporation tax to 17% from 2020.

As the change has not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. Relevant deferred tax balances are measured at 17% as the majority of timing differences are assumed not to reverse until 2020 or later.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 9 Intangible assets

	Trademarks £	Software & Websites £	Total £
<b>Cost</b>			
At 1 July 2016	1,175,924	25,547	1,201,471
Additions	-	197,235	197,235
Disposals	-	-	-
<b>At 30 June 2017</b>	<b>1,175,924</b>	<b>222,782</b>	<b>1,398,706</b>
<b>Accumulated amortisation</b>			
At 1 July 2016	249,951	25,547	275,498
Charge for the year	58,797	-	58,797
<b>At 30 June 2017</b>	<b>308,748</b>	<b>25,547</b>	<b>334,295</b>
<b>Net carrying amount at 30 June 2017</b>	<b>867,176</b>	<b>197,235</b>	<b>1,064,411</b>
Net carrying amount at 30 June 2016	925,973	-	925,973

### 10 Tangible assets

	Fixtures, fittings, office & computer equipment £
<b>Cost</b>	
At 1 July 2016	12,791
Additions	-
<b>At 30 June 2017</b>	<b>12,791</b>
<b>Accumulated depreciation</b>	
At 1 July 2016	8,747
Charge for year	1,930
<b>At 30 June 2017</b>	<b>10,677</b>
<b>Net book value</b>	
<b>At 30 June 2017</b>	<b>2,114</b>
At 30 June 2016	4,044

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 (*continued*)

### 11 Investments

Company	2017 £	2016 £
<b><i>Shares in group undertakings</i></b>		
At 1 July & 30 June	<b>35,990,160</b>	35,990,159

Investments by the parent in group undertakings are stated at cost less provisions for impairment. See note 19 for a list of the undertakings.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

### 12 Debtors

	30 June 2017 £	30 June 2016 £
<b><i>Amounts falling due within one year:</i></b>		
Amounts owed by group undertakings	<b>6,710,542</b>	3,577,062
Corporation tax	<b>616,323</b>	406,175
Derivative financial instruments	<b>106,327</b>	1,292,632
Deferred tax	<b>493,116</b>	870,493
Prepayments and accrued income	<b>10,673</b>	12,396
<b><i>Amounts falling due after one year:</i></b>		
Amounts owed by parent company	<b>140,243</b>	103,480
Deferred tax	<b>1,276,522</b>	1,078,000
	<b>9,353,746</b>	7,340,238

Amounts due by group companies are unsecured and interest-free.

#### Deferred tax

	2017 £	2016 £
At 1 July 2016	<b>1,948,493</b>	239,904
Deferred tax (charge)/credit in profit and loss account for the year	<b>(178,855)</b>	1,708,589
<b>At 30 June 2017</b>	<b>1,769,638</b>	1,948,493
	<b>30 June 2017 £</b>	<b>30 June 2016 £</b>
Fixed asset timing differences	<b>2,353</b>	2,774
Non-trading timing differences	<b>(18,075)</b>	(228,821)
Losses	<b>1,785,360</b>	2,174,540
<b>Deferred tax provision/(asset)</b>	<b>1,769,638</b>	1,948,493

The company has a deferred tax asset of £668,891 which has not been recognised due to the uncertainty surrounding its recoverability.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 13 Creditors: Amounts falling due within one year

	30 June 2017 £	30 June 2016 £
Bank overdraft (note 15)	12,588,501	9,793,057
Trade creditors	17,066	189,875
Other taxation and social security	309,372	464,699
Amounts owed to group undertakings	-	2,733,661
Accruals	134,926	278,319
	<b>13,049,865</b>	<b>13,459,611</b>

Amounts owed to group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

### 14 Creditors: Amounts falling due after one year

	30 June 2017 £	30 June 2016 £
Amounts owed to group company	1,725	1,725

Amounts owed to group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

### 15 Loans and other borrowings

	30 June 2017 £	30 June 2016 £
Bank overdraft	12,588,501	9,793,057

#### Bank facilities

The 1869 Group entered into a credit agreement with Yorkshire Bank on 9 June 2016.

Yorkshire Bank has made available a £5 million cross currency overdraft on a group pooled facility.

Security is by way of fixed and floating charges over the assets of the 1869 Group.

### 16 Called up share capital

	30 June 2017 £	30 June 2016 £
<b>Allotted and fully paid</b>		
71,223,640 (2016: 71,223,640) ordinary 'A' shares of 1p (2016: 1p) each	712,236	712,236
35,080,301 (2016: 35,080,301) ordinary 'B' shares of 1p (2016: 1p) each	350,803	350,803
1 (2016: 1) ordinary share of £1 each	1	1
	<b>1,063,040</b>	<b>1,063,040</b>

The A shareholders and ordinary shareholders have the same voting rights, rights to dividends and same rights on winding up.

The B shareholders have the same rights to dividends and rights on winding up as the A shareholders but have no voting rights.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 17 Capital and other commitments

The company had capital commitments of £Nil at 30 June 2017 (2016: £Nil).

At 30 June 2017 the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	30 June 2017 £	30 June 2016 £
On leases which expire:		
Not later than one year	24,269	37,352
Later than one year and not later than five years	11,962	62,270
Later than five years	-	-
	<hr/> 36,231 <hr/>	<hr/> 99,622 <hr/>

### 18 Post-employment benefits

Eligible employees are members of the Sofa Brands International Group Personal Pension Plan which is a defined contribution scheme.

The contributions made to the scheme during the year were £16,121 (2016: £23,265). At the end of the year contributions outstanding were £Nil (2016: £70).

### 19 Controlling party

The immediate parent undertaking is 1869 Limited, a company incorporated in the United Kingdom and registered in England and Wales. 1869 Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of 1869 Limited can be obtained from the Company Secretary at 1 Hampton Park West, Melksham, Wiltshire SN12 6GU.

The ultimate parent undertaking is Tyrolese (789) Limited.

The ultimate controlling party is Templeco 672 Limited.

### 20 Subsidiary undertakings

The following represent the subsidiary undertakings of Sofa Brands International Limited. Percentages indicate ownership by Sofa Brands International Limited of the undertakings' ordinary share capital, directly or indirectly. Details of the country of incorporation and principal operations and the main activity of each undertaking are also given.

Subsidiary Undertakings	Country of Incorporation or Registration	Business	% Owned
Parker Knoll Upholstery Limited*	England & Wales	Upholstery manufacturer	100
Duresta Upholstery Limited*	England & Wales	Upholstery manufacturer	100
G Plan Upholstery Limited*	England & Wales	Upholstery manufacturer	100
The Lounge Co. (Furniture) Limited	England & Wales	Furniture retailer	100
UAB Sofa Brands**	Lithuania	Upholstery components manufacturer	100
G Plan Limited*	England & Wales	Dormant	100
Parker Knoll Cabinets Limited*	England & Wales	Dormant	100
Parker Knoll Limited*	England & Wales	Dormant	100
The Contemporary Furniture Company Limited*	England & Wales	Dormant	100
Derwent Upholstery Limited*	England & Wales	Dormant	100

\* The above companies have a registered address of 1 Hampton Park West, Melksham, Wiltshire, SN12 6GU.

\*\* The above company has a registered address of Naujoji G. 132, LT-62175, Alytus, Lithuania.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2017 *(continued)*

### 21 Related party transactions

Advantage has been taken of the exemption not to disclose transactions that are within the 1869 Limited group. A copy of the accounts of 1869 Limited can be obtained from the Company Secretary at 1 Hampton Park West, Melksham, Wiltshire SN12 6GU.

1898 Limited owns 100% of the share capital in 1869 Limited, SBI's parent company. During the year SBI paid professional fees of £36,763 (2016: £64,239) on behalf of 1898 Limited. At the year end the amount owed to SBI by 1898 Limited was £140,243 (2016: £103,480).

### 22 Contingent liabilities

The company has in place a cross guarantee and debenture which effectively means that there is a fixed and floating charge over all of its assets in relation to the bank borrowings and loan notes of 1869 Limited, its parent company. The bank borrowings of the 1869 Limited Group at 30 June 2017 were £16,666,666 (2016: £18,333,332) and the loan notes were £54,378,503 (2016: £51,788,599).