

Company Registration No. 07053896 (England and Wales)

WELCOME HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017

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WELCOME HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr J Peterson Mr Martin Balaam
Secretary	Mr S Montague
Company number	07053896
Registered office	Welcome Furniture 1 Cibyn Industrial Estate Caernarfon Gwynedd United Kingdom LL55 2BD
Auditor	RSM UK Audit LLP Chartered Accountants One City Place Queens Road Chester CH1 3BQ

WELCOME HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present the strategic report for the year ended 31 March 2017.

Fair review of the business

In the context of a year that brought political uncertainty impacting on consumer confidence, the Directors are very satisfied with success in maintaining turnover levels of £13.2m, an increase in turnover of 0.5% or £62k (2016: £13.1m). Operating costs, many outside the control of the Directors, increased during the year impacting on profit performance although this remained respectable. Profit before tax of £821k (2016: £956k).

During the financial year, long term debt was secured of £1.9m to enable a new holding company to purchase the shares of retiring Director R Matthews. This long term debt, provided by Finance Wales and HSBC, underlines the Directors' confidence, and that of its funders, in achieving the Group's long term strategic growth aims.

Despite their confidence, the directors recognise the potential for difficult trading conditions ahead. Potential for increased oil prices and exchange market uncertainties cause particular concern. Inflationary pressures on raw materials, in particular wood based raw materials must be recognised and these have been affected by supply issues due to the heavy demand for wood from the subsidised biomass industry.

Principal risks and uncertainties

The key risk to the company is considered to relate to the performance of the UK retail economy. This would be in the form of a downturn in consumer spending and a significant increase in interest rates.

Objectives and policies

The business' principal financial instruments comprise bank balances, long term loans, trade debtors, long term loans, trade creditors, invoice financing, hire purchase and finance lease agreements.

Financial instruments are managed in such a way as to ensure that there are sufficient funds available to meet liabilities as they fall due.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk is managed by careful monitoring of the costs of raw materials and production costs.

Credit risk of debtors is managed by careful consideration of each debtor before selecting credit facilities available to trade debtors, regular monitoring of debtor balances and insurance of significant debtors.

Liquidity risk is managed by using invoice financing facilities available to the company to meet the cash needs of the business.

Cash flow risk is managed by careful cash flow forecasting, planning and monitoring.

WELCOME HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Key performance indicators

Matters of strategic importance

The company's key financial and other performance indicators during the year were as follows:

	2017	2016
Turnover (£)	13,171,953	13,109,493
Gross profit (£)	4,064,204	4,079,363
Gross profit (%)	30.8%	31.1%

The directors are pleased with the results, with KPI's remaining consistent with prior years.

On behalf of the board



Mr J Peterson

Director



WELCOME HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and financial statements for the year ended 31 March 2017.

Principal activities

The principal activity of the group continued to be that of manufacturing furniture.

Directors

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

Mr R Matthews	(Resigned 30 January 2017)
Mr J Peterson	
Mr Martin Balaam	(Appointed 30 January 2017)

Results and dividends

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

Ordinary dividends were paid amounting to £387,000. The Directors do not recommend payment of a final dividend.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed appointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors 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.

On behalf of the board



Mr J Peterson

Director


WELCOME HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 group and company, and of the profit or loss of the group 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELCOME HOLDINGS LIMITED

Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 6 to 30. 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 FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2017 and of the group's profit for the year 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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 and, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Respective responsibilities of directors and auditor

As more fully explained 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 (APB's) Ethical Standards for Auditors.

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.

RSM UK Audit LLP

Michael Fairhurst FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
One City Place
Queens Road
Chester
CH1 3BQ

6 October 2017

WELCOME HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Turnover	2	13,171,953	13,109,492
Cost of sales		(9,107,749)	(9,030,130)
Gross profit		4,064,204	4,079,362
Distribution costs		(1,437,538)	(1,221,119)
Administrative expenses		(1,853,194)	(1,888,082)
Other operating income		138,810	106,090
Operating profit	5	912,282	1,076,251
Interest payable and similar expenses	7	(91,344)	(120,156)
Profit before taxation		820,938	956,095
Taxation	8	(166,376)	(186,685)
Profit for the financial year	23	654,562	769,410

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

WELCOME HOLDINGS LIMITED**CONSOLIDATED BALANCE SHEET****AS AT 31 MARCH 2017**

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	10	2,292,075		2,674,499	
Current assets					
Stocks	13	2,002,721		1,688,663	
Debtors	14	4,818,374		2,221,783	
Cash at bank and in hand		46,403		70,450	
		6,867,498		3,980,896	
Creditors: amounts falling due within one year	15	(4,729,506)		(3,995,768)	
Net current assets/(liabilities)		2,137,992		(14,872)	
Total assets less current liabilities		4,430,067		2,659,627	
Creditors: amounts falling due after more than one year	16	(1,890,684)		(349,935)	
Provisions for liabilities	20	(119,320)		(157,191)	
Net assets		2,420,063		2,152,501	
Capital and reserves					
Called up share capital	22	100		100	
Share premium account	23	150,000		150,000	
Revaluation reserve	23	113,357		123,662	
Profit and loss reserves	23	2,156,606		1,878,739	
Total equity		2,420,063		2,152,501	

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



Mr J Peterson
Director

S^h October 2017

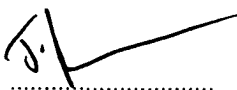
WELCOME HOLDINGS LIMITED**COMPANY BALANCE SHEET****AS AT 31 MARCH 2017**

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	10	2,292,075		2,674,499	
Investments	11	100		100	
		<u>2,292,175</u>		<u>2,674,599</u>	
Current assets					
Debtors	14	846,133		24,682	
Cash at bank and in hand		122		23,336	
		<u>846,255</u>		<u>48,018</u>	
Creditors: amounts falling due within one year	15	<u>(619,397)</u>		<u>(721,218)</u>	
Net current assets/(liabilities)		<u>226,858</u>		<u>(673,200)</u>	
Total assets less current liabilities		<u>2,519,033</u>		<u>2,001,399</u>	
Creditors: amounts falling due after more than one year	16	(592,749)		(349,935)	
Provisions for liabilities	20	<u>(120,448)</u>		<u>(159,889)</u>	
Net assets		<u><u>1,805,836</u></u>		<u><u>1,491,575</u></u>	
Capital and reserves					
Called up share capital	22	100		100	
Revaluation reserve	23	113,357		123,662	
Profit and loss reserves	23	<u>1,692,379</u>		<u>1,367,813</u>	
Total equity		<u><u>1,805,836</u></u>		<u><u>1,491,575</u></u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £701,261 (2016 - £820,275 profit).

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

S^r October 2017



Mr J Peterson
Director

WELCOME HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2015		100	150,000	134,223	1,684,165	1,968,488
Year ended 31 March 2016:						
Profit and total comprehensive income for the year		-	-	-	769,410	769,410
Dividends	9	-	-	-	(589,143)	(589,143)
Transfers		-	-	-	14,307	14,307
Other movements		-	-	(10,561)	-	(10,561)
Balance at 31 March 2016		100	150,000	123,662	1,878,739	2,152,501
Year ended 31 March 2017:						
Profit and total comprehensive income for the year		-	-	-	654,562	654,562
Dividends	9	-	-	-	(387,000)	(387,000)
Transfers		-	-	-	10,305	10,305
Other movements		-	-	(10,305)	-	(10,305)
Balance at 31 March 2017		100	150,000	113,357	2,156,606	2,420,063

WELCOME HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2015		100	134,223	1,122,374	1,256,697
Year ended 31 March 2016:					
Profit and total comprehensive income for the year		-	-	820,275	820,275
Dividends	9	-	-	(589,143)	(589,143)
Transfers		-	-	14,307	14,307
Other		-	(10,561)	-	(10,561)
Balance at 31 March 2016		100	123,662	1,367,813	1,491,575
Year ended 31 March 2017:					
Profit and total comprehensive income for the year		-	-	701,261	701,261
Dividends	9	-	-	(387,000)	(387,000)
Transfers		-	-	10,305	10,305
Other		-	(10,305)	-	(10,305)
Balance at 31 March 2017		100	113,357	1,692,379	1,805,836

WELCOME HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	28		(1,392,160)		1,715,732
Interest paid			(91,344)		(120,156)
Income taxes paid			(147,487)		(193,679)
Net cash (outflow)/inflow from operating activities			(1,630,991)		1,401,897
Investing activities					
Purchase of tangible fixed assets		(182,924)		(451,849)	
Proceeds on disposal of tangible fixed assets		3,000		22,000	
Net cash used in investing activities			(179,924)		(429,849)
Financing activities					
Proceeds from borrowings		1,950,000		-	
Repayment of bank loans		(115,871)		(74,162)	
Payment of finance leases obligations		(180,196)		(252,549)	
Dividends paid to equity shareholders		(387,000)		(589,143)	
Net cash generated from/(used in) financing activities			1,266,933		(915,854)
Net (decrease)/increase in cash and cash equivalents			(543,982)		56,194
Cash and cash equivalents at beginning of year			(1,237,959)		(1,294,153)
Cash and cash equivalents at end of year			(1,781,941)		(1,237,959)
Relating to:					
Cash at bank and in hand			46,403		70,450
Bank overdrafts included in creditors payable within one year			(1,828,344)		(1,308,409)

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

Welcome Holdings Limited is a company limited by shares incorporated in England and Wales. The registered office is 1 Cibyn Industrial Estate, Caernarfon, Gwynedd, United Kingdom, LL55 2BD.

The group consists of Welcome Holdings Limited and all of its subsidiaries.

The company's and the group's principal activities are disclosed in the Directors' Report.

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards modified to include the revaluation of freehold land and buildings.

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 £.

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

In accordance with FRS 102, the individual company's has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flow' - Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & 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 changed recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

The financial statements of the parent company are consolidated in the group financial statements of Welcome Holdings Limited. The consolidated financial statements of Welcome Holdings Limited are available from its registered office as noted above in company information.

Basis of consolidation

The consolidated financial statements incorporate those of Welcome Holdings Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Going concern

The financial statements have been prepared on a going concern basis. The directors believe that the group is well placed to manage its business risks successfully, despite the current uncertain economic outlook, and have reasonable expectations that the group has adequate resources to continue in operational existence for the foreseeable future.

The directors have reviewed and approved financial projections including cash flow forecasts for the period ended March 2019, and the finance requirements of the business in this period. Following this review the directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents amounts chargeable, net of value added tax and trade discounts, in respect of the sale of goods and services to customers. Turnover is recognised when the goods are dispatched to the customer.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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:

Freehold land and buildings	Land is not depreciated, buildings over 12 years straight line basis
Property improvements	12 years on a straight line basis
Plant and machinery	15% - 50% on a straight line basis or over the life of the lease
Fixtures, fittings and equipment	33.33% on a straight line basis
Motor vehicles	25% on a straight line basis

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.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill.

All unrealised profit or losses on transactions with the associate are eliminated to the extent of the group's interest, except where unrealised losses provide evidence of an impairment. Where necessary, adjustments are made to bring the accounting policies of the associate into line with those used by the group.

Dividends received from the associate reduce the carrying amount of the investment.

Losses in an associate that reduce the carrying amount of the investment in the associate to below zero are not recognised, but a provision is recognised to the extent that the group has an obligation or has made payments on behalf of the associate.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

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.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The group 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 when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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 trade and other receivables 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.

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 group 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.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of 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 group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies (Continued)

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.

Retirement benefits

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

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.

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.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

Research and development

All research and other development costs are written off as incurred.

Debt factoring

The group has entered into debt factoring arrangements with the bank, where a proportion of the debts have been legally transferred but the benefits and risks are retained by the company. Gross receivables are included within debtors and a corresponding liability in respect of the proceeds received from the bank are shown within liabilities. The interest element of the bank's charges are recognised as they accrue and included in the profit and loss account within other interest payable.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

2 Turnover and other revenue

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

	2017 £	2016 £
Turnover analysed by class of business		
Sale of furniture	13,171,953	13,109,492
Other revenue		
Grants received	54,594	54,594
Turnover analysed by geographical market		
	2017 £	2016 £
United Kingdom	13,171,953	13,109,492

3 Employees

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

	2017 Number	2016 Number
Number of Distribution staff	18	19
Number of Administration staff	28	30
Number of Other staff	105	105
	151	154

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	3,248,216	3,031,709
Social security costs	248,220	220,976
Pension costs	76,608	73,820
	3,609,609	3,426,497

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

4 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	80,173	38,198
Company pension contributions to defined contribution schemes	36,565	99,992
	<u>116,738</u>	<u>138,190</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2016 - 2).

5 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(54,594)	(54,594)
Depreciation of owned tangible fixed assets	448,454	448,749
Depreciation of tangible fixed assets held under finance leases	116,894	74,820
Profit on disposal of tangible fixed assets	(3,000)	(15,822)
Cost of stocks recognised as an expense	5,722,558	5,718,986
Stocks impairment losses recognised or reversed	48,499	58,946
Operating lease charges	43,035	35,519
	<u></u>	<u></u>

6 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	-	-
Audit of the company's subsidiaries	11,800	11,500
	<u></u>	<u></u>

7 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	53,068	95,485
Other finance costs:		
Interest on finance leases and hire purchase contracts	20,857	24,671
Other interest	17,419	-
	<u></u>	<u></u>
Total finance costs	<u>91,344</u>	<u>120,156</u>

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

8 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	212,314	171,014
Adjustments in respect of prior periods	(8,067)	(5,704)
Total current tax	<u>204,247</u>	<u>165,310</u>
Deferred tax		
Origination and reversal of timing differences	<u>(37,871)</u>	<u>21,375</u>
Total tax charge	<u>166,376</u>	<u>186,685</u>

The total tax charge for the year included in the profit and loss account can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	<u>820,938</u>	<u>956,095</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	164,188	191,219
Tax effect of expenses that are not deductible in determining taxable profit	1,667	9,839
Tax effect of income not taxable in determining taxable profit	(4,999)	(4,999)
Adjustments in respect of prior years	(8,067)	(5,704)
Other permanent differences	(1,973)	-
Tax at marginal rate	-	(589)
Pension contributions not deductible	16,477	13,062
Origination and reversal of timing differences	-	(2,423)
Effect of changes in tax rate	-	300
Adjust closing deferred tax rate	(917)	(14,020)
Taxation for the year	<u>166,376</u>	<u>186,685</u>

9 Dividends

	2017 £	2016 £
Final paid	<u>387,000</u>	<u>589,143</u>

A final dividend of £3,870 (2015: £5,891) per share was paid to shareholders.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

10 Tangible fixed assets

Group	Freehold land and buildings	Property improvements	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2016	945,000	348,172	1,924,377	42,723	226,606	3,486,878
Additions	-	9,736	58,928	8,260	106,000	182,924
At 31 March 2017	945,000	357,908	1,983,305	50,983	332,606	3,669,802
Depreciation and impairment						
At 1 April 2016	108,334	33,437	608,279	-	62,329	812,379
Depreciation charged in the year	52,764	29,619	414,570	-	68,395	565,348
At 31 March 2017	161,098	63,056	1,022,849	-	130,724	1,377,727
Carrying amount						
At 31 March 2017	783,902	294,852	960,456	50,983	201,882	2,292,075
At 31 March 2016	836,666	314,735	1,316,098	42,723	164,277	2,674,499

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

10 Tangible fixed assets (Continued)

Company	Freehold land and buildings	Property improvements	Plant and machinery	Fixtures, Motor vehicles fittings and equipment	Total	
	£	£	£	£	£	£
Cost						
At 1 April 2016	945,000	348,172	1,924,377	42,723	226,606	3,486,878
Additions	-	9,736	58,928	8,260	106,000	182,924
At 31 March 2017	945,000	357,908	1,983,305	50,983	332,606	3,669,802
Depreciation and impairment						
At 1 April 2016	108,334	33,437	608,279	-	62,329	812,379
Depreciation charged in the year	52,764	29,619	414,570	-	68,395	565,348
At 31 March 2017	161,098	63,056	1,022,849	-	130,724	1,377,727
Carrying amount						
At 31 March 2017	783,902	294,852	960,456	50,983	201,882	2,292,075
At 31 March 2016	836,666	314,735	1,316,098	42,723	164,277	2,674,499

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

10 Tangible fixed assets (Continued)

The carrying value of land and buildings comprises:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Freehold	295,000	295,000	295,000	295,000

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £116,894 (2016: £74,820).

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Plant and machinery	384,728	448,532	384,728	448,532
Motor vehicles	66,673	77,808	66,673	77,808
Leasehold improvements	93,607	102,372	93,607	102,372
	<u>545,008</u>	<u>628,712</u>	<u>545,008</u>	<u>628,712</u>

11 Fixed asset investments

		Group		Company	
		2017	2016	2017	2016
	Notes	£	£	£	£
Investments in subsidiaries	12	-	-	100	100

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 April 2016 and 31 March 2017	100
Carrying amount	
At 31 March 2017	100
At 31 March 2016	100

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

12 Subsidiaries

Details of the company's subsidiaries at 31 March 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Welcome Furniture Limited	UK	Manufacturer of furniture	Ordinary shares	100.00	

The registered office of Welcome Furniture Limited is 1 Cibyn Industrial Estate, Caernarfon, Gwynedd, United Kingdom, LL55 2BD.

13 Stocks

	Group 2017 £	2016 £	Company 2017 £	2016 £
Raw materials and consumables	1,733,528	1,546,390	-	-
Finished goods and goods for resale	269,193	142,273	-	-
	<u>2,002,721</u>	<u>1,688,663</u>	<u>-</u>	<u>-</u>

14 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
Amounts falling due within one year:				
Trade debtors	2,615,001	2,064,692	-	-
Amount owed by group undertakings	1,885,000	-	814,025	-
Other debtors	220,524	88,468	32,108	24,682
Prepayments and accrued income	77,062	68,623	-	-
	<u>4,797,587</u>	<u>2,221,783</u>	<u>846,133</u>	<u>24,682</u>
Amounts falling due after more than one year:				
Other debtors	<u>20,787</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debtors	<u>4,818,374</u>	<u>2,221,783</u>	<u>846,133</u>	<u>24,682</u>

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

15 Creditors: amounts falling due within one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans and overdrafts	17	1,956,357	1,383,601	128,013	75,192
Obligations under finance leases	18	144,386	258,219	144,386	258,219
Other borrowings	17	174,196	-	-	-
Trade creditors		1,427,365	1,448,706	-	71,070
Amounts due to group undertakings		-	-	-	9,141
Corporation tax payable		227,773	171,013	130,562	36,566
Other taxation and social security		411,327	353,816	-	-
Other creditors		9,027	18,066	-	-
Accruals and deferred income		379,075	362,347	216,436	271,030
		<u>4,729,506</u>	<u>3,995,768</u>	<u>619,397</u>	<u>721,218</u>

16 Creditors: amounts falling due after more than one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans and overdrafts	17	502,565	193,388	502,565	193,388
Obligations under finance leases	18	90,184	156,547	90,184	156,547
Other borrowings	17	1,297,935	-	-	-
		<u>1,890,684</u>	<u>349,935</u>	<u>592,749</u>	<u>349,935</u>

The HSBC commercial mortgage loan is secured by way of a first legal charge on the freehold property. Interest is charged on the loan at 1.96% above the Bank of England base rate.

Amounts included above which fall due after five years are as follows:

Payable by instalments	<u>695,654</u>	<u>-</u>	<u>229,867</u>	<u>-</u>
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WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

17 Borrowings

	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans	630,578	268,580	630,578	268,580
Bank overdrafts	1,828,344	1,308,409	-	-
Other loans	1,472,131	-	-	-
	<u>3,931,053</u>	<u>1,576,989</u>	<u>630,578</u>	<u>268,580</u>
Payable within one year	2,130,553	1,383,601	128,013	75,192
Payable after one year	<u>1,800,500</u>	<u>193,388</u>	<u>502,565</u>	<u>193,388</u>
Amounts included above which fall due after five years:				
Payable by instalments	<u>695,654</u>	<u>-</u>	<u>229,867</u>	<u>-</u>

HSBC Invoice Finance Limited, who provide invoice financing and loans, have a fixed charge over purchased debt and a floating charge over all assets of Welcome Furniture Limited. Finance Wales also have a fixed and floating charge over the assets of Welcome Furniture Limited.

18 Finance lease obligations

	Group 2017 £	2016 £	Company 2017 £	2016 £
Future minimum lease payments due under finance leases:				
Less than one year	156,410	276,312	156,410	276,312
Between one and five years	<u>95,731</u>	<u>165,608</u>	<u>95,731</u>	<u>165,608</u>
	252,141	441,920	252,141	441,920
Less: future finance charges	<u>(17,571)</u>	<u>(27,154)</u>	<u>(17,571)</u>	<u>(27,154)</u>
	<u>234,570</u>	<u>414,766</u>	<u>234,570</u>	<u>414,766</u>

Finance lease payments represent rentals payable by the company or group 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 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

19 Financial instruments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	4,741,312	2,153,160	846,133	24,682
Carrying amount of financial liabilities				
Measured at amortised cost	5,530,084	3,549,844	630,578	763,557

20 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2017 £	Liabilities 2016 £
ACAs	88,440	125,958
Revaluations	31,839	33,712
Other timing differences	(959)	(2,479)
	119,320	157,191
	Liabilities 2017 £	Liabilities 2016 £
Company		
ACAs	88,609	126,177
Revaluations	31,839	33,712
	120,448	159,889
	Group 2017 £	Company 2017 £
Movements in the year:		
Liability at 1 April 2016	157,191	159,889
Credit to profit or loss	(37,871)	(39,441)
Liability at 31 March 2017	119,320	120,448

Within the deferred tax liability set out above is £38,000 which is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

21 Retirement benefit schemes

	2017	2016
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	76,608	73,820
	<u> </u>	<u> </u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

22 Share capital

	Group and company	
	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
100 Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

23 Reserves

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

24 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain of its properties. Leases are negotiated for an average term of 10 years.

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

	Group 2017 £	2016 £	Company 2017 £	2016 £
Within one year	120,000	120,000	-	-
Between two and five years	480,000	480,000	-	-
In over five years	-	120,000	-	-
	<u>600,000</u>	<u>720,000</u>	<u>-</u>	<u>-</u>

25 Financial commitments, guarantees and contingent liabilities

The company has given a composite guarantee to HSBC plc in respect of the bank liabilities of Welcome Holdings Limited, Welcome Furniture Group Limited and Welcome Furniture Limited.

26 Controlling party

On the 30 January 2017 a new holding company, Welcome Furniture Group Limited, acquired the shares of Welcome Holdings Limited, therefore becoming the ultimate parent undertaking.

The ultimate controlling party of Welcome Furniture Group Limited is considered to be Mr J A Peterson.

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2017 £	2016 £
Aggregate compensation	<u>119,903</u>	<u>138,190</u>

The directors, being the shareholders of the company (up to the 29 January 2017), have received dividends of £342,000 (2016: £589,143). Included within other debtors at the year end is an amount of £8,737 owed by a director.

A payment was made to Jigsaw 24 Limited for £3,000 during the year, there was no outstanding balance at the year end. Mr M Balaam is a director of this entity.

WELCOME HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

28	Cash generated from operations	2017	2016
		£	£
	Profit for the year after tax	654,562	769,410
	Adjustments for:		
	Taxation charged	166,376	186,685
	Finance costs	91,344	120,156
	Gain on disposal of tangible fixed assets	(3,000)	(15,822)
	Depreciation and impairment of tangible fixed assets	565,348	523,569
	Movements in working capital:		
	(Increase)/decrease in stocks	(314,058)	5,121
	(Increase) in debtors	(2,596,591)	(57)
	Increase in creditors	43,859	126,671
	Cash (absorbed by)/generated from operations	(1,392,160)	1,715,733
