Grant Thornton

Financial Statements
Sofa.com Midco Limited

For the year ended 28 February 2017

Registered number: 09341801

FRIDAY

L6IVIDPC

LD2 10/11/2017 #21

COMPANIES HOUSE

Company Information

Directors	Mr R J E Holmes (appointed on 24 May 2017) Mr V A Gunn
Company secretary	Mr R J E Holmes
Registered number	09341801
Registered office	35 Chelsea Wharf 15 Lots Road London SW10 0QJ
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP

Contents

Directors' Report
For the Year Ended 28 February 2017

The directors present their report and the financial statements for the year ended 28 February 2017.

Directors' responsibilities statement

The directors are responsible for preparing 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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 have been followed, subject to any material departures disclosed and explained in the 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 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.

Principal activity

The company's principal activity during the year was that of a holding company.

Results and dividends

The loss for the year, after taxation, amounted to £10,366,917 (2016: loss £24,585).

The impact of uncertain market conditions on current and expected trading performance are considered by management to be an indicator of impairment. As such management have carried out a value in use impairment review based on detailed management budgets for three years, management forecasts for years four and five and country growth rates thereafter. This has resulted in an impairment of £10,365,687 on the amounts owed by group undertaking debtor carrying value.

Directors' Report
For the Year Ended 28 February 2017

Directors

The directors who served during the year were:

Mr E M Knighton (resigned on 3 April 2017)
Mr V A Gunn
Mr R J E Holmes (appointed on 24 May 2017)

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

Going concern

Based on the Company's and Group's budgets and financial projections for a period of at least 12 months for the date of signing of the financial statements, which include an additional £3.0m of loan notes issued post year end to facilitate growth, the opening of new showrooms and to rectify a technical covenant breach at the year end, the Directors are satisfied that the business is a going concern despite having net liabilities as at 28 February 2017. The board has a reasonable expectation that the company and group, have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on the going concern basis.

Small companies

In preparing this report, the directors have taken advantage of the small companies exemptions provided by Section 415A of the Companies Act 2006.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 11 July 2017 and signed on its behalf.

Mr R J E Holmes
Director

Grant Thornton

Independent Auditor's Report to the Shareholders of Sofa.com Midco Limited

We have audited the financial statements of Sofa.com Midco Limited for the year ended 28 February 2017 which comprise the statement of comprehensive income, statement of financial position, the statement of changes in equity and the related notes. 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 1, 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

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

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 28 February 2017 and of the company's loss 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.

Opinion on other matters 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 Directors' Report.

Grant Thornton

Independent Auditor's Report to the Shareholders of Sofa.com Midco Limited

Matters on which we are required to report by exception
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 company, 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.
- the directors were not entitled to prepare financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Grant Thornton UK LLP

Marc Summers, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 11 July 2017

Statement of Comprehensive Income

For the Year Ended 28 February 2017

	Note	Year ended 28 February 2017 £	Period ended 29 February 2016 £
Administrative expenses		**(1,080)**	(15,542)
Exceptional other operating charges	7	**(10,365,687)**	-
Operating loss	3	**(10,366,767)**	(15,542)
Interest receivable and similar income	5	**4,556,419**	4,447,605
Interest payable and expenses	6	**(4,556,569)**	(4,456,648)
Loss before tax		**(10,366,917)**	(24,585)
Tax on loss		**-**	-
Loss for the period		**(10,366,917)**	(24,585)
Other comprehensive income for the period		**-**	-
Total comprehensive income for the period		**(10,366,917)**	(24,585)

There were no recognised gains and losses for 2017 (2016: £nil) other than those included in the income statement. The notes on pages 8 to 14 form part of these financial statements.

Sofa.com Midco Limited
Registered number:09341801

Statement of Financial Position
As at 28 February 2017

	Note		28 February 2017 £		29 February 2016 £
Fixed assets					
Investments	8		**55,980**		55,980
Current assets					
Debtors: amounts falling due after more than one year	9	**33,082,361**		38,947,610	
Debtors: amounts falling due within one year	9	**170**		56,150	
Cash at bank and in hand	10	**3,428**		8	
		33,085,959		39,003,768	
Creditors: amounts falling due within one year	11	**(378,711)**		(181,072)	
Net current assets			**32,707,248**		38,822,696
Total assets less current liabilities			**32,763,228**		38,878,676
Creditors: amounts falling due after more than one year	12		**(43,098,749)**		(38,847,280)
Net (liabilities)/assets			**(10,335,521)**		**31,396**
Capital and reserves					
Called up share capital	15		**55,981**		55,981
Profit and loss account			**(10,391,502)**		(24,585)
Shareholders' (deficit)/funds			**(10,335,521)**		**31,396**

The Company's financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

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

Mr R J E Holmes
Director
Date: 11 July 2017

The notes on pages 8 to 14 form part of these financial statements.

Sofa.com Midco Limited
Registered number:09341801

Statement of Changes in Equity

For the year ended 28 February 2017

	Share capital £	Retained earnings £	Total equity £
At 1 March 2016	55,981	(24,585)	31,396
Comprehensive income for the period			
Loss for the period	-	(10,366,917)	(10,366,917)
Total comprehensive income for the period	-	(10,366,917)	(10,366,917)
Shares issued during the period	-	-	-
At 28 February 2017	55,981	(10,391,502)	(10,335,521)

Statement of Changes in Equity

For the period ended 29 February 2016

	Share capital £	Retained earnings £	Total equity £
Comprehensive income for the period			
Loss for the period	-	(24,585)	(24,585)
Total comprehensive income for the period	-	(24,585)	(24,585)
Shares issued during the period	55,981	-	55,981
At 29 February 2016	55,981	(24,585)	31,396

The notes on pages 8 to 14 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 28 February 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The company has taken advantage of the following disclosure exemption in preparing these financial statements as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" The requirements of Section 7 Statement of Cash Flows.

1.2 Going concern

Based on the Company's and Group's budgets and financial projections for a period of at least 12 months for the date of signing of the financial statements, which include an additional £3.0m of loan notes issued post year end to facilitate growth, the opening of new showrooms and to rectify a technical covenant breach at the year end, the Directors are satisfied that the business is a going concern despite having net liabilities as at 28 February 2017. The board has a reasonable expectation that the company and group, have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the accounts are prepared on the going concern basis.

1.3 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the Financial Statements

For the Year Ended 28 February 2017

Accounting policies (continued)

1.6 Financial instruments

The basic financial instruments transactions that the Company enters into result in the recognition of financial assets and liabilities that comprise trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

1.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.8 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.9 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Notes to the Financial Statements
For the Year Ended 28 February 2017

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets, liabilities as at the balance sheet date and the amounts reported for expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Given the uncertain market conditions the directors have carried out an impairment review as discussed in Note 9. This impairment review has a number of significant estimates and judgements within it.

3. Operating loss

During the period, no directors received any emoluments. Audit fees are borne by other group companies

4. Employees

The Company has no employees other than the directors, who did not receive remuneration.

5. Interest receivable

	Year ended 28 February 2017	Period ended 29 February 2016
	£	£
Interest receivable from group companies	**4,556,419**	4,447,605

6. Interest payable and similar charges

	Year ended 28 February 2017	Period ended 29 February 2016
	£	£
Loan note interest	**4,556,419**	4,456,648
Other interest payable	**150**	-
	4,556,569	4,456,648

Notes to the Financial Statements

For the Year Ended 28 February 2017

7. Exceptional items

	Year ended 28 February 2017 £	Period ended 29 February 2016 £
Impairment of intercompany borrowings	**10,365,687**	-

8. Fixed asset investments

	Investment in subsidiary companies £
Cost or valuation	
At 1 March 2016	55,980
At 28 February 2017	55,980
Net book value	
At 28 February 2017	**55,980**
At 29 February 2016	55,980

Name	Country of Incorporation	Class of Shares	Holding	Principal activity
Zaparoh Sp.Z.o.o	Poland	Ordinary	100%	Manufacturing
GT Lines B.V	Holland	Ordinary	100%	Sale of sofas
Sofa.com Limited	United Kingdom	Ordinary	100%	Sale of sofas
Sofa.com Bidco Limited	United Kingdom	Ordinary	100%	Holding company

Notes to the Financial Statements

For the Year Ended 28 February 2017

9. Debtors

	2017	2016
	£	£
Due after more than one year		
Amounts owed by group undertakings	**33,082,361**	38,947,610

An impairment loss of £10,365,687 on investment carrying value was recognised in exceptional other operating charges during the year. The impact of uncertain market conditions on current and expected trading performance are considered by management to be an indicator of impairment. As such management have carried out a value in use impairment review based on detailed management budgets for three years, management forecasts for years four and five and country growth rates thereafter.

	2017	2016
	£	£
Due within one year		
Amounts owed by group undertakings	**-**	55,980
Other debtors	**170**	170
	170	56,150

10. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	**3,428**	8

11. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Amounts owed to group undertakings	**377,169**	179,530
Taxation and social security	**1,542**	1,542
	378,711	181,072

Notes to the Financial Statements

For the Year Ended 28 February 2017

12. Creditors: Amounts falling due after more than one year

	2017	2016
	£	£
Shareholders loans	**43,098,749**	38,847,280

13. Loans

Analysis of the maturity of loans is given below:

	2017	2016
	£	£
Amounts falling due within 2-5 years		
Shareholders loans	**43,098,749**	38,847,280

14. Financial instruments

	2017	2016
Financial assets	£	£
Financial assets measured at fair value through profit or loss	**3,428**	8
Financial assets that are debt instruments measured at amortised cost	**33,082,531**	39,003,760
	33,085,959	39,003,768

	2017	2016
Financial liabilities	£	£
Financial liabilities measured at amortised cost		
	(43,475,918)	(39,026,810)

Notes to the Financial Statements

For the Year Ended 28 February 2017

15. Share capital

	2017	2016
	£	£
Allotted, called up and fully paid		
55,981 Ordinary shares of £1 each	**55,981**	55,981

The Company issued share capital during the year totalling nil (2016: 55,981) Ordinary shares.

16. Reserves

Profit and loss account

Includes all current and prior period retained profit and losses.

17. Related party transactions

As a wholly owned subsidiary enterprise the Company has taken exemption from disclosing transactions with members of the same group which are also wholly owned.

18. Controlling party

The immediate parent undertaking of Sofa.com Midco Limited is Sofa.com Topco Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking is CBPE Capital Fund VIII. CBPE Capital LLP is the manager of CBPE Capital Fund VIII.