

Company Registration No. 10539330 (England and Wales)

WELCOME FURNITURE GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019



WELCOME FURNITURE GROUP LIMITED

COMPANY INFORMATION

Directors	Mr M A Balaam Mr J A Peterson
Secretary	Mr S Montague
Company number	10539330
Registered office	Welcome Furniture 1 Cibyn Industrial Estate Caernarfon Gwynedd United Kingdom LL55 2BD
Auditor	RSM UK Audit LLP Chartered Accountants 5th Floor One City Place Queens Road Chester CH1 3BQ

WELCOME FURNITURE GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present the strategic report for the year ended 31 March 2019.

Review of the Business

Group accounts for the period ending 31 March 2018 reported on the first fifteen months of the Group's existence. Direct comparison between that account period and the period now under consideration, the twelve months to 31 March 2019, is therefore difficult. However, the Directors are extremely gratified to report turnover for the Group of £17,169k for the latest twelve month period compared to £16,318k for the previous fifteen month period. Even taking a conservative view it is reasonable to suggest that in real terms, there has been an increase in turnover of over 25%. Gross profit margins are consistent and pre-tax profit is £641k for the twelve months compared to £344k for the previous fifteen month period.

In the Directors' view, this excellent result fully justifies the investment of time, financial resource and effort of the previous two years during which there was a restructuring of company ownership, diversification into new markets and consolidation of traditional business lines.

The Directors are far from complacent. They fully recognise the significant business and economic risks of trading in a volatile environment and the potential for increased operating costs outside their control, notably raw material costs, fuel and employment law. Nevertheless, the Directors are confident that the business, which is now recognised as a notable player in the supply and fitting of furniture to major contracting clients, is well placed to achieve further growth and profitability.

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.

Brexit

The Directors have considered the potential impact of Brexit on the business and whilst the wider effects on the UK economy are uncertain, the Directors believe the business has taken reasonable precautions to ensure that factors within the business's control are acted upon to minimise any negative impact.

The business currently primarily delivers into the UK market and has therefore negligible EU export risk. Raw materials are predominantly sourced from UK manufacturers and China with minimal proportion being acquired from EU suppliers. Where the business has EU suppliers, stocks have been increased as a precaution.

The business employs a proportion of its workforce that are EU citizens and has taken the proactive approach to assisting these employees who wish to apply for the necessary consents to remain in the UK post Brexit.

WELCOME FURNITURE GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Key performance indicators

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

	2019	2018
Turnover (£)	17,168,984	16,318,455
Gross profit (£)	5,620,937	5,307,119
Gross profit (%)	32.74%	32.5%

The directors are pleased with the results, as KPI's are in line with expectations.

On behalf of the board



Mr J A Peterson

Director

Date: 2/12/19

WELCOME FURNITURE GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of the company is that of a holding company and the group activity 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 M A Balaam

Mr J A Peterson

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £91,000. The directors do not recommend payment of a further dividend.

Auditor

RSM UK Audit LLP were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of key risks and performance criteria.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director 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 A Peterson

Director

Date: 2/12/19

WELCOME FURNITURE GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

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 FURNITURE GROUP LIMITED

Opinion

We have audited the financial statements of Welcome Furniture Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit LLP

Michael Fairhurst FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
5th Floor
One City Place
Queens Road
Chester
CH1 3BQ

...3/12/19

WELCOME FURNITURE GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

		12 month Period ended 31 March 2019 £	15 month Period ended 31 March 2018 £
	Notes		
Turnover	3	17,168,984	16,318,455
Cost of sales		(11,548,047)	(11,011,336)
Gross profit		5,620,937	5,307,119
Distribution costs		(2,211,198)	(2,028,248)
Administrative expenses		(2,635,291)	(2,819,909)
Other operating income		117,097	161,381
Operating profit	7	891,545	620,343
Interest payable and similar expenses	9	(251,035)	(276,665)
Profit before taxation		640,510	343,678
Tax on profit	10	(170,292)	(175,137)
Profit for the financial year		470,218	168,541

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 FURNITURE GROUP LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Goodwill	12	2,612,033		2,952,241	
Tangible assets	13	2,066,144		2,209,037	
		<u>4,678,177</u>		<u>5,161,278</u>	
Current assets					
Stocks	16	2,555,571		2,490,404	
Debtors	17	4,014,959		3,431,975	
Cash at bank and in hand		28,744		7,228	
		<u>6,599,274</u>		<u>5,929,607</u>	
Creditors: amounts falling due within one year	18	<u>(6,474,637)</u>		<u>(5,907,433)</u>	
Net current assets		<u>124,637</u>		<u>22,174</u>	
Total assets less current liabilities		<u>4,802,814</u>		<u>5,183,452</u>	
Creditors: amounts falling due after more than one year	19	(1,365,213)		(2,151,145)	
Provisions for liabilities	23	<u>(108,048)</u>		<u>(102,236)</u>	
Net assets		<u><u>3,329,553</u></u>		<u><u>2,930,071</u></u>	
Capital and reserves					
Called up share capital	25	2		2	
Revaluation reserve	26	-		(9,100)	
Other reserves	26	2,840,000		2,840,000	
Profit and loss reserves	26	489,551		99,169	
Total equity		<u><u>3,329,553</u></u>		<u><u>2,930,071</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 2/12/19 and are signed on its behalf by:



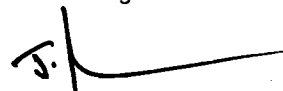
Mr J A Peterson
Director

WELCOME FURNITURE GROUP LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Investments	14	5,738,265		5,738,265	
Current assets					
Debtors	17	1,607,528		-	
Creditors: amounts falling due within one year	18	(2,296,281)		(363,899)	
Net current liabilities			(688,753)		(363,899)
Total assets less current liabilities		5,049,512		5,374,366	
Creditors: amounts falling due after more than one year	19		-		(595,000)
Net assets		5,049,512		4,779,366	
Capital and reserves					
Called up share capital	25		2		2
Other reserves	26	2,840,000		2,840,000	
Profit and loss reserves	26	2,209,510		1,939,364	
Total equity		5,049,512		4,779,366	

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 £340,882 (2018 - £2,017,836 profit).

The financial statements were approved by the board of directors and authorised for issue on 21/2/19 and are signed on its behalf by:



Mr J A Peterson
Director

WELCOME FURNITURE GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Revaluation reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2017		2	-	-	-	2
Period ended 31 March 2018:						
Profit and total comprehensive income for the period		-	-	-	168,541	168,541
Dividends	11	-	-	-	(78,472)	(78,472)
Transfers		-	(9,100)	2,840,000	9,100	2,840,000
Balance at 31 March 2018		2	(9,100)	2,840,000	99,169	2,930,071
Period ended 31 March 2019:						
Profit and total comprehensive income for the period		-	-	-	470,218	470,218
Dividends	11	-	-	-	(91,000)	(91,000)
Credit to equity for equity settled share-based payments	6	-	-	-	20,264	20,264
Transfers		-	9,100	-	(9,100)	-
Balance at 31 March 2019		2	-	2,840,000	489,551	3,329,553

WELCOME FURNITURE GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2017		2	-	-	2
Period ended 31 March 2018:					
Profit and total comprehensive income for the period		-	-	2,017,836	2,017,836
Dividends	11	-	-	(78,472)	(78,472)
Transfers		-	2,840,000	-	2,840,000
Balance at 31 March 2018		2	2,840,000	1,939,364	4,779,366
Period ended 31 March 2019:					
Profit and total comprehensive income for the period		-	-	340,882	340,882
Dividends	11	-	-	(91,000)	(91,000)
Credit to equity for equity settled share-based payments	6	-	-	20,264	20,264
Balance at 31 March 2019		2	2,840,000	2,209,510	5,049,512

WELCOME FURNITURE GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

		31 March 2019	31 March 2018
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	27	1,384,861	2,705,573
Interest paid		(251,035)	(276,665)
Income taxes paid		(325,660)	(147,648)
Net cash inflow from operating activities		<u>808,166</u>	<u>2,281,260</u>
Investing activities			
Purchase of business		-	(3,704,394)
Purchase of tangible fixed assets		(138,134)	(249,731)
Proceeds on disposal of tangible fixed assets		-	8,300
Proceeds from other investments and loans		4,938	(4,938)
Net cash used in investing activities		<u>(133,196)</u>	<u>(3,950,763)</u>
Financing activities			
Repayment of borrowings		(208,542)	(508,877)
Repayment of bank loans		(350,000)	-
Payment of finance leases obligations		(116,132)	(73,001)
Dividends paid to equity shareholders		(91,000)	(78,472)
Net cash used in financing activities		<u>(765,674)</u>	<u>(660,350)</u>
Net decrease in cash and cash equivalents		<u>(90,704)</u>	<u>(2,329,853)</u>
Cash and cash equivalents at beginning of year		(2,329,853)	-
Cash and cash equivalents at end of year		<u>(2,420,557)</u>	<u>(2,329,853)</u>
Relating to:			
Cash at bank and in hand		28,744	7,228
Bank overdrafts included in creditors payable within one year		(2,449,301)	(2,337,081)

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

Welcome Furniture Group Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office and principal place of business is Welcome Furniture, 1 Cibyn Industrial Estate, Caernarfon, Gwynedd, United Kingdom, LL55 2BD.

The group consists of Welcome Furniture Group Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

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

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

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

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

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Welcome Furniture Group 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 2019. 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 FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

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.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

Going concern

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

Reporting period

During the period the company acquired the group formally headed by Welcome Holdings Limited. Welcome Furniture Group Limited as changed its year end to 31 March in order to aligned itself with the year end of the group.

Turnover

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

All turnover originates in the UK.

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

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

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	12 years on a straight line basis, Land is not depreciated
Leasehold land and buildings	12 years on a straight line basis
Plant and equipment	15% - 50% on a straight line basis
Fixtures and fittings	33.33% 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.

Included within land and buildings is land of £295,000.

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.

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 FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

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 debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

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

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the 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.

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 creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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 proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

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 calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

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

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

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 statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss 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 profit or loss 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 leased 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.

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

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1. Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Research and development

All research and development costs are written off as incurred.

Debt factoring

The company 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.

2. Judgements and key sources of estimation uncertainty

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

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

Goodwill on acquisition

The recoverable amount of goodwill and other intangible assets is based on value in use which requires estimates in respect of the allocation of goodwill to cash generating units, the future cash flows and an appropriate discount rate. The directors have assessed the useful economic life of the intangible asset and assess the amortisation period to be 10 year. This will be reviewed each financial year to ensure the useful economic life remains appropriate.

Returns provision

The estimate of post year end returns is included in the financial statements based on the first 6 weeks credit notes issued post year end. Actual returns may differ to this but are not materially different.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

3 Turnover and other revenue

	12 months 2019 £	15 months 2018 £
Turnover analysed by class of business		
Sale of furniture	17,168,984	16,318,455
	<u> </u>	<u> </u>
	12 months 2019 £	15 months 2018 £
Other revenue		
Grants received	40,243	54,532
	<u> </u>	<u> </u>
	12 months 2019 £	15 months 2018 £
Turnover analysed by geographical market		
United Kingdom	17,168,984	16,318,455
	<u> </u>	<u> </u>

4 Employees

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

	Group 12 months 2019 Number	15 months 2018 Number	Company 12 months 2019 Number	15 months 2018 Number
Number of distribution staff	20	23	-	-
Number of administrative staff	29	25	5	2
Number of other staff	114	106	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	163	154	5	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	Group 12 months 2019 £	15 months 2018 £	Company 12 months 2019 £	15 months 2018 £
Wages and salaries	4,125,146	3,955,556	243,133	149,612
Social security costs	356,210	371,652	15,815	15,433
Pension costs	49,152	31,232	886	326
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	4,530,508	4,358,440	259,834	165,371
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

5 Directors' remuneration

	12 months 2019 £	15 months 2018 £
Remuneration for qualifying services	132,000	165,371
Company pension contributions to defined contribution schemes	886	-
	<u>132,886</u>	<u>165,371</u>

6 Share-based payment transactions

The group has a share option scheme for certain employees (including directors). Options are exercisable at a price of £2,366 per share, on the occurrence of a sale or listing of the company and are based on certain performance criteria. No share based compensation charge under Section 26: 'Share-based payment' of FRS 102 has been recognised within the financial statements as it is deemed immaterial in value.

As at 31 March 2019 there were 60 'C' share options outstanding.

	Group 12 months 2019 £	15 months 2018 £	Company 12 months 2019 £	15 months 2018 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	20,264	-	20,264	-
	<u>20,264</u>	<u>-</u>	<u>20,264</u>	<u>-</u>

7 Operating profit

	12 months 2019 £	15 months 2018 £
Operating profit for the period is stated after charging/(crediting):		
Exchange losses	929	-
Government grants	(40,243)	(54,532)
Depreciation of owned tangible fixed assets	378,418	488,019
Depreciation of tangible fixed assets held under finance leases	49,965	79,648
Profit on disposal of tangible fixed assets	-	(5,125)
Amortisation of intangible assets	340,208	449,829
Cost of stocks recognised as an expense	7,047,338	6,936,440
Share-based payments	20,264	-
Operating lease charges	66,607	69,386
	<u>7,802,169</u>	<u>7,853,685</u>

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

8 Auditor's remuneration

	12 months 2019	15 months 2018
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	1,850	2,000
Audit of the financial statements of the company's subsidiaries	11,550	12,500
	<u>13,400</u>	<u>14,500</u>

9 Interest payable and similar expenses

	12 months 2019	15 months 2018
	£	£
Interest on bank overdrafts and loans	101,368	107,491
Other interest on financial liabilities	5,796	6,761
Interest on finance leases and hire purchase contracts	15,139	19,023
Other interest	128,732	143,390
	<u>251,035</u>	<u>276,665</u>

10 Taxation

	12 months 2019	15 months 2018
	£	£
Current tax		
UK corporation tax on profits for the current period	186,073	252,384
Adjustments in respect of prior periods	(21,532)	(21,573)
	<u>164,541</u>	<u>230,811</u>
Deferred tax		
Origination and reversal of timing differences	5,751	(55,674)
	<u>170,292</u>	<u>175,137</u>

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

10 Taxation (Continued)

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

	12 months 2019 £	15 months 2018 £
Profit before taxation	640,510	343,678
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	121,697	65,299
Tax effect of expenses that are not deductible in determining taxable profit	12,616	2,025
Adjustments in respect of prior years	(21,532)	(21,573)
Amortisation on assets not qualifying for tax allowances	64,640	85,467
Research and development tax credit	(22,547)	-
Tax at marginal rate	7	1,443
Fixed asset differences	15,411	-
Exempt dividends	-	(9,514)
Pre-acquisition expenses	-	51,990
Taxation charge	170,292	175,137

11 Dividends

Recognised as distributions to equity holders:

	2019 Per share £	2018 Per share £	2019 Total £	2018 Total £
Ordinary shares				
Final paid	379.17	326.97	91,000	78,472
Total dividends				
Final paid			91,000	78,472

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

12 Intangible fixed assets

Group	Goodwill £
Cost	
Additions - business combinations	3,402,070
At 31 March 2019	3,402,070
Amortisation and impairment	
At 1 April 2018	449,829
Amortisation charged for the year	340,208
At 31 March 2019	790,037
Carrying amount	
At 31 March 2019	2,612,033
At 31 March 2018	2,952,241

The company had no intangible fixed assets at 31 March 2019 or 31 March 2018.

The goodwill balance includes goodwill acquired on the acquisition of the Welcome Holdings Limited group and the customer list and knowhow used by the company on a daily basis.

13 Tangible fixed assets

Group	Freehold land and buildings £	Leasehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost						
At 1 April 2018	940,000	317,191	1,151,118	50,983	297,137	2,756,429
Additions	-	27,293	146,674	5,340	106,183	285,490
At 31 March 2019	940,000	344,484	1,297,792	56,323	403,320	3,041,919
Depreciation and impairment						
At 1 April 2018	61,559	35,557	369,889	-	80,387	547,392
Depreciation charged in the year	52,764	31,954	211,738	25,711	106,216	428,383
At 31 March 2019	114,323	67,511	581,627	25,711	186,603	975,775
Carrying amount						
At 31 March 2019	825,677	276,973	716,165	30,612	216,717	2,066,144
At 31 March 2018	878,441	281,634	781,229	50,983	216,750	2,209,037

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

13 Tangible fixed assets (Continued)

The company had no tangible fixed assets at 31 March 2019 or 31 March 2018.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Plant and equipment	95,578	166,940	-	-
Motor vehicles	129,292	126,841	-	-
	<u>224,870</u>	<u>293,781</u>	<u>-</u>	<u>-</u>

14 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	15	-	-	5,738,265	5,738,265

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 April 2018 and 31 March 2019	<u>5,738,265</u>
Carrying amount	
At 31 March 2019	<u>5,738,265</u>
At 31 March 2018	<u>5,738,265</u>

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

15 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Welcome Furniture Limited* 1		Manufacturer of furniture	Ordinary shares		100.00
Welcome Holdings Limited 1		Holding company	Ordinary shares	100.00	

* Welcome Furniture Limited is owned 100% by Welcome Holdings Limited

1 1 Cibyn Industrial Estate, Caernarfon, Gwynedd, LL55 2BD.

16 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Raw materials and consumables	2,176,145	2,213,766	-	-
Finished goods and goods for resale	379,426	276,638	-	-
	<u>2,555,571</u>	<u>2,490,404</u>	<u>-</u>	<u>-</u>

17 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	3,566,667	2,984,738	-	-
Amounts owed by group undertakings	-	-	1,607,528	-
Other debtors	274,736	257,679	-	-
Prepayments and accrued income	116,346	114,281	-	-
	<u>3,957,749</u>	<u>3,356,698</u>	<u>1,607,528</u>	<u>-</u>
Deferred tax asset (note 23)	780	719	-	-
	<u>3,958,529</u>	<u>3,357,417</u>	<u>1,607,528</u>	<u>-</u>
Amounts falling due after more than one year:				
Other debtors	56,430	74,558	-	-
	<u>56,430</u>	<u>74,558</u>	<u>-</u>	<u>-</u>
Total debtors	<u>4,014,959</u>	<u>3,431,975</u>	<u>1,607,528</u>	<u>-</u>

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

17 Debtors (Continued)

Included within trade debtors is a provision of £30,000 (2018: £20,000 against bad debts).

18 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	20	2,510,913	2,482,798	-	-
Obligations under finance leases	21	92,460	113,244	-	-
Other borrowings	20	795,292	431,789	595,000	245,000
Trade creditors		2,020,574	1,795,024	-	-
Amounts owed to group undertakings		-	-	1,638,939	98,333
Corporation tax payable		173,056	334,175	62,342	20,566
Other taxation and social security		444,337	355,575	-	-
Other creditors		26,715	2,917	-	-
Accruals and deferred income		411,290	391,911	-	-
		<u>6,474,637</u>	<u>5,907,433</u>	<u>2,296,281</u>	<u>363,899</u>

19 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	20	318,019	955,733	-	595,000
Obligations under finance leases	21	136,218	84,210	-	-
Other borrowings	20	910,976	1,111,202	-	-
		<u>1,365,213</u>	<u>2,151,145</u>	<u>-</u>	<u>595,000</u>

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

Payable by instalments	<u>141,689</u>	<u>408,777</u>	<u>-</u>	<u>-</u>
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WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

20 Borrowings

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	379,631	1,101,450	-	595,000
Bank overdrafts	2,449,301	2,337,081	-	-
Other loans	1,706,268	1,542,991	595,000	245,000
	<u>4,535,200</u>	<u>4,981,522</u>	<u>595,000</u>	<u>840,000</u>
Payable within one year	3,306,205	2,914,587	595,000	245,000
Payable after one year	<u>1,228,995</u>	<u>2,066,935</u>	<u>-</u>	<u>595,000</u>

HSBC Invoice Financing (UK) Limited, who provide invoice financing, have a fixed charge over purchased debt and a floating charge over all assets of Welcome Furniture Limited. Finance Wales loan is repayable over 7 years and bears interest at 7%, and is secured by a fixed and floating charge over the assets of Welcome Furniture Limited.

The long-term loans are secured by first legal charge dated 08/07/2011 over freehold property and composite multilateral guarantee dated 30/01/2017 between Welcome Furniture Limited, Welcome Holdings Limited and Welcome Furniture Group Limited.

21 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Less than one year	104,402	114,153	-	-
Between one and five years	<u>143,004</u>	<u>97,898</u>	<u>-</u>	<u>-</u>
	247,406	212,051	-	-
Less: future finance charges	<u>(18,728)</u>	<u>(14,597)</u>	<u>-</u>	<u>-</u>
	<u>228,678</u>	<u>197,454</u>	<u>-</u>	<u>-</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 2 - 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

22 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	3,898,553	3,316,975	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	6,993,779	7,171,374	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

23 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Group				
Accelerated capital allowances	108,048	102,236	780	719

The company has no deferred tax assets or liabilities.

	Group 2019 £	Company 2019 £
Movements in the year:		
Liability at 1 April 2018	101,517	-
Acquired deferred tax liability	119,320	-
Charge to profit or loss	5,751	-
Liability at 31 March 2019	226,588	-

The deferred tax liability of £18k above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

24 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	49,152	36,565

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.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

25 Share capital

	Group and company	
	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
240 Ordinary shares of 1p each	2	2

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

26 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Other reserves

Other reserves represent the fair value of the shares exchanged as part of the group restructure.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

27 Cash generated from group operations

	2019	2018
	£	£
Profit for the year after tax	470,218	168,541
Adjustments for:		
Taxation charged	170,292	175,137
Finance costs	251,035	276,665
Gain on disposal of tangible fixed assets	-	(5,125)
Amortisation and impairment of intangible assets	340,208	449,829
Depreciation and impairment of tangible fixed assets	428,383	567,667
Equity settled share based payment expense	20,264	-
Movements in working capital:		
(Increase) in stocks	(65,167)	(857,779)
(Increase)/decrease in debtors	(587,861)	1,375,279
Increase in creditors	357,489	555,359
Cash generated from operations	1,384,861	2,705,573

The principal non-cash transactions are new finance leases of £147,356 (2018 - £122,738).

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

28 Related party transactions

Remuneration of key management personnel

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

	2019 £	2018 £
Aggregate compensation	148,681	296,603

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Sales		Purchases	
	2019 £	2018 £	2019 £	2018 £
Group				
Entities with control, joint control or significant influence over the group	3,000	-	34,750	-

Remuneration paid to close family members in the year amounted to £43,125 (2018: £nil)

29 Directors' transactions

During the year the directors have received advances and made repayments on the loan account. At the year end the amount due was £465 (2018: £4,938 owed) which is included within other creditors.

30 Controlling party

The ultimate controlling party is Mr J A Peterson.