

Company Registration No. 10539330 (England and Wales)

WELCOME FURNITURE GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

WELCOME FURNITURE GROUP LIMITED

COMPANY INFORMATION

Directors	Mr J Peterson Mr M A Balaam
Secretary	Mr S Montague
Company number	10539330
Registered office	1 Cibyn Industrial Estate Caernarfon Gwynedd LL55 2BD
Auditor	Champion Accountants LLP 2nd Floor Refuge House 33-37 Watergate Row Chester CH1 2LE

WELCOME FURNITURE GROUP LIMITED

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WELCOME FURNITURE GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report for the year ended 31 March 2021.

Review of the Business

Group accounts for the period to March 21 reflect incremental changes within the business as it continued its growth trajectory during a very uncertain and challenging period.

Group results are a testament to the hard work and dedication of the entire group's workforce given the trading environment and wider global factors.

Remarkably, group results for the year were in line with original expectations of growth in revenues with turnover increasing by over 18% despite the impact of Covid. This represents a third consecutive reporting period of double-digit growth. With focus on operational efficiencies and service development, the Directors believe further economies of scale are achievable in line with those successfully delivered over the last 12 months.

Growth in this period has come from both the retail and contract markets. With strong performances in the contract sector and the development of both existing and new client relationships, Welcome successfully delivered 12 projects during the year.

The introduction of a direct home delivery service utilising the trading company's own fleet of vehicles made an appreciable contribution to retail division performance significantly increasing customer satisfaction.

In addition to the control and visibility of Welcome Furniture Ltd managing its own transport and fleet to a greater extent than previously, The Group increased retail production and subsequent lead times with significant capital investment in new machinery and increased efficiencies.

With every customer product manufactured to order, Welcome can continue to drive quality assurance whilst maintaining the most effective, short lead times possible.

Despite the challenging market conditions, the Directors consider the outlook to be extremely positive for Welcome and its customers. The accounts have been prepared on a going concern basis.

Principal risks and uncertainties

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

Recent global supply chain issues have highlighted UK reliance on imports with increased costs, particularly in shipping, scarcity of goods and lack of consistency in supply. Despite these challenges, the Directors see a significant opportunity for UK manufacturing and consider the company well placed to increase market share as the UK economy adjusts to these global changes.

WELCOME FURNITURE GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Objectives and policies

Coronavirus

The spread of the Coronavirus pandemic increased uncertainty for the company and impacted on demand during the early part of the trading period. The Directors and senior management team took immediate steps to mitigate the impact on operations, sales and on the welfare of its staff.

Precautionary steps were taken by the directors to increase the liquidity of the business predominantly through support from the company's principal bank in the form of a Covid Business Interruption Loan as well as other government financial assistance.

From May 2020 onwards, turnover recovered remarkably quickly with demand exceeding expectations driven largely by consumer behaviour. That level of demand has continued.

During the period, the Welcome Group have accessed the furlough scheme for assistance which was both short term and low in value in terms of the wage bill for the period. The Welcome group claimed support from the Furlough scheme of under 5% by value of the total wages bill for the year which equates to approximately 3 working weeks.

Objectives and policies

The business' principle financial instruments comprise bank balances, long term loans, trade debtors, 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 the liabilities as they fall due.

Brexit

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

The business currently delivers to customers in the in the UK market and has therefore negligible EU export risk. Raw materials are sourced predominately from UK manufacturers and China with minimal proportion being procured via EU suppliers. Where the business has EU suppliers, stocks have been increased as a precaution.

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

Key performance indicators

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

	2021	2020
Turnover (£)	23,616,252	19,834,708
Gross profit (£)	8,421,069	6,347,885
Gross profit (%)	35.7%	32.0%

WELCOME FURNITURE GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

On behalf of the board

Mr J Peterson
Director

1 October 2021

WELCOME FURNITURE GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

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.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £Nil (2020 - £91,000). The directors do not recommend payment of a further dividend.

Directors

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

Mr J Peterson
Mr M A Balaam

Auditor

Champion Accountants 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 auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Mr J Peterson
Director

1 October 2021

WELCOME FURNITURE GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

WELCOME FURNITURE GROUP LIMITED

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 2021 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including 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 2021 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

WELCOME FURNITURE GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WELCOME FURNITURE GROUP LIMITED

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.

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 its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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, 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

WELCOME FURNITURE GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WELCOME FURNITURE GROUP LIMITED

Extent to which the audit is considered capable of detecting irregularities, including fraud

The responsibility for the prevention and detection of irregularities, including fraud, lies with the directors and with those charged with governance. The objectives of our audit in respect of irregularities and fraud are to assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient, appropriate audit evidence regarding the assessed risks and to respond appropriately to fraud or suspected fraud identified during the audit.

Audit procedures

We determine significant applicable laws and regulations through discussion with those charged with governance and our own knowledge of the industry and design audit procedures to help identify instances of non-compliance with those laws and regulations that may have a material effect on the financial statements.

We consider the applicable laws and regulations to be the financial reporting framework (FRS 102 and the Companies Act 2006), the relevant tax regulations in the UK, employment law and the Health and Safety at Work Act 1974.

We consider the control environment and the procedures in place to address identified risks, including management override, non-compliance with laws and regulations and to prevent and detect fraud or irregularity. Our procedures are designed to provide reasonable assurance that the financial statements are free from material misstatement or error and include: enquiries of management and of staff in key compliance functions; review of minutes of meetings of those charged with governance; review and testing of manual journals and significant transactions outside the normal course of business; review of financial statement disclosures and testing to supporting documentation; performance of analytical procedures.

We are not responsible for preventing non-compliance and due to the inherent limitations of an audit, as described above, the audit cannot be relied upon to detect all instances of non-compliance with laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

Susan Harris MA ACA (Senior Statutory Auditor)
For and on behalf of Champion Accountants LLP

1 October 2021

Chartered Accountants
Statutory Auditor

2nd Floor Refuge House
33-37 Watergate Row
Chester
CH1 2LE

WELCOME FURNITURE GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	3	23,616,252	19,834,708
Cost of sales		(15,195,183)	(13,486,823)
Gross profit		8,421,069	6,347,885
Distribution costs		(2,750,103)	(2,695,161)
Administrative expenses		(3,638,231)	(3,222,761)
Other operating income		421,296	112,309
Operating profit	4	2,454,031	542,272
Interest receivable and similar income	8	6	-
Interest payable and similar expenses	9	(224,417)	(232,850)
Profit before taxation		2,229,620	309,422
Tax on profit	10	(478,697)	(125,964)
Profit for the financial year	27	1,750,923	183,458

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

GROUP BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Goodwill	12	1,932,033		2,272,033	
Tangible assets	13	2,841,750		2,547,001	
			4,773,783		4,819,034
Current assets					
Stocks	17	4,059,820		2,689,353	
Debtors	18	6,438,409		3,954,950	
Cash at bank and in hand		1,211,571		784,514	
			11,709,800		7,428,817
Creditors: amounts falling due within one year	19	(8,483,807)		(6,875,295)	
Net current assets			3,225,993		553,522
Total assets less current liabilities			7,999,776		5,372,556
Creditors: amounts falling due after more than one year	20	(2,347,859)		(1,818,167)	
Provisions for liabilities					
Provisions	23	254,946		-	
Deferred tax liability	24	224,037		132,378	
			(478,983)		(132,378)
Net assets			5,172,934		3,422,011
Capital and reserves					
Called up share capital	26		2		2
Other reserves	27		2,840,000		2,840,000
Profit and loss reserves	27		2,332,932		582,009
Total equity			5,172,934		3,422,011

The financial statements were approved by the board of directors and authorised for issue on 1 October 2021 and are signed on its behalf by:

Mr J Peterson
Director

WELCOME FURNITURE GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Investments	14		5,738,265		5,738,265
Current assets					
Debtors	18	2,882,443		2,134,943	
Creditors: amounts falling due within one year	19	(2,152,639)		(2,424,785)	
Net current assets/(liabilities)			729,804		(289,842)
Total assets less current liabilities			6,468,069		5,448,423
Creditors: amounts falling due after more than one year	20		-		(75,000)
Net assets			6,468,069		5,373,423
Capital and reserves					
Called up share capital	26		2		2
Other reserves	27		2,840,000		2,840,000
Profit and loss reserves	27		3,628,067		2,533,421
Total equity			6,468,069		5,373,423

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,094,646 (2020 - £414,911 profit).

The financial statements were approved by the board of directors and authorised for issue on 1 October 2021 and are signed on its behalf by:

Mr J Peterson
Director

Company Registration No. 10539330

WELCOME FURNITURE GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

		Share capital	Other reserves	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 April 2019		2	2,840,000	489,551	3,329,553
Year ended 31 March 2020:					
Profit and total comprehensive income for the year		-	-	183,458	183,458
Dividends	11	-	-	(91,000)	(91,000)
Balance at 31 March 2020		2	2,840,000	582,009	3,422,011
Year ended 31 March 2021:					
Profit and total comprehensive income for the year		-	-	1,750,923	1,750,923
Balance at 31 March 2021		2	2,840,000	2,332,932	5,172,934

WELCOME FURNITURE GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

		Share capital	Other reserves	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 April 2019		2	2,840,000	2,209,510	5,049,512
Year ended 31 March 2020:					
Profit and total comprehensive income for the year		-	-	414,911	414,911
Dividends	11	-	-	(91,000)	(91,000)
Balance at 31 March 2020		2	2,840,000	2,533,421	5,373,423
Year ended 31 March 2021:					
Profit and total comprehensive income for the year		-	-	1,094,646	1,094,646
Balance at 31 March 2021		2	2,840,000	3,628,067	6,468,069

WELCOME FURNITURE GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	32	802,432		1,547,473	
Interest paid		(224,417)		(232,850)	
Income taxes paid		(162,708)		(108,215)	
Net cash inflow from operating activities		<u>415,307</u>		<u>1,206,408</u>	
Investing activities					
Purchase of tangible fixed assets		(859,695)		(1,085,520)	
Proceeds on disposal of tangible fixed assets		23,849		87,874	
Receipts arising from loans made		1,879		(1,879)	
Interest received		6		-	
Net cash used in investing activities		<u>(833,961)</u>		<u>(999,525)</u>	
Financing activities					
Repayment of borrowings		(454,066)		(442,997)	
Repayment of bank loans		1,118,484		440,404	
Payment of finance leases obligations		(291,691)		333,909	
Dividends paid to equity shareholders		-		(91,000)	
Net cash generated from financing activities		<u>372,727</u>		<u>240,316</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(45,927)</u>		<u>447,199</u>	
Cash and cash equivalents at beginning of year		(1,973,358)		(2,420,557)	
Cash and cash equivalents at end of year		<u>(2,019,285)</u>		<u>(1,973,358)</u>	
Relating to:					
Cash at bank and in hand		1,211,571		784,514	
Bank overdrafts included in creditors payable within one year		<u>(3,230,856)</u>		<u>(2,757,872)</u>	

WELCOME FURNITURE GROUP LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	33	411,176		354,097	
Interest paid		-		(30,909)	
Income taxes paid		(76,176)		(63,188)	
Net cash inflow from operating activities		335,000		260,000	
Investing activities					
Dividends received		-		91,000	
Net cash (used in)/generated from investing activities			-		91,000
Financing activities					
Repayment of borrowings		(335,000)		(260,000)	
Dividends paid to equity shareholders		-		(91,000)	
Net cash used in financing activities		(335,000)		(351,000)	
Net increase in cash and cash equivalents			-		-
Cash and cash equivalents at beginning of year			-		-
Cash and cash equivalents at end of year			-		-

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Welcome Furniture Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 1 Cibyn Industrial Estate, Caernarfon, Gwynedd, 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.

1.1 Accounting convention

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

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

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

1.2 Business combinations

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.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Welcome Furniture Group Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 March 2021. 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 GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.4 Going concern

The directors have considered the on-going situation with regard to COVID-19 as part of their going concern assessment. The view of the directors is that, while they acknowledge the significant disruption that the pandemic will bring over the coming weeks and months, the directors believe that the company is well placed to negotiate the unique set of conditions currently facing the UK economy.

In reaching their conclusion, the directors have reviewed the company's monthly cash flows, applied sensitivity analyses as appropriate, and considered the various financial support measures that have been announced by the UK government.

After consideration of all factors, the directors continue to adopt the going concern basis in preparing the financial statements.

1.5 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 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 dispatch 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.

1.6 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.

1.7 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
Short Leasehold land and buildings	12 years on a straight line basis
Plant and equipment	7 years on a straight line basis
Fixtures and fittings	33.33% on a straight line basis
Motor vehicles	25% on a straight line basis

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

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 recognised in the profit and loss account.

Included within land and buildings is land of £311,850.

1.8 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 the 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.

1.9 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.

1.10 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 the lower of cost and replacement 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.

1.11 Cash and cash equivalents

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

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

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

Other financial assets

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

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.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Basic financial liabilities

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.13 Equity instruments

Equity instruments issued by the group are recorded at the 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.

1.14 Taxation

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

Current tax

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

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Deferred tax

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

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

1.15 Provisions

The provision is included in the financial statements based on post year end expenditure relating to additional contract work carried out. The provision also takes into consideration costs incurred in the year, which potentially could result in similar additional expenditure work in future periods.

1.16 Employee benefits

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

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

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

1.17 Retirement benefits

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

1.18 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 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.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.19 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.

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.21 Research and development

All research and development costs are written off as incurred.

1.22 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.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

2 Judgements and key sources of estimation uncertainty

(Continued)

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 assets and assess the amortisation period to be 10 years. This will be reviewed each financial year to ensure the useful economic life remains appropriate.

Returns provision

An estimate of post year end returns is included in the financial statements based on credit notes issued post year end. Actual returns may differ to this but will not be materially different.

Contract contingency provision

The provision is included in the financial statements based on post year end expenditure relating to additional contract work carried out. The provision also takes into consideration costs incurred in the year, which potentially could result in similar additional expenditure work in future periods.

3 Turnover and other revenue

	2021 £	2020 £
Turnover analysed by class of business		
Sale of furniture	23,616,252	19,834,708
	<u>23,616,252</u>	<u>19,834,708</u>
	2021 £	2020 £
Other significant revenue		
Interest income	6	-
Grants received	355,354	46,076
Economic Resilience Fund	65,000	-
	<u>420,360</u>	<u>46,076</u>
	2021 £	2020 £
Turnover analysed by geographical market		
United Kingdom	23,616,252	19,834,708
	<u>23,616,252</u>	<u>19,834,708</u>

Grants received during the year relate to monies received under the government furlough scheme and the Single Investment Fund in Wales.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

4 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	10,153	981
Government grants	(355,354)	(46,076)
Depreciation of owned tangible fixed assets	357,728	378,344
Depreciation of tangible fixed assets held under finance leases	202,374	114,340
(Profit)/loss on disposal of tangible fixed assets	(19,005)	24,105
Amortisation of intangible assets	340,000	340,000
Operating lease charges	27,262	72,843
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	-	5,000
Audit of the financial statements of the company's subsidiaries	14,500	13,000
	<u> </u>	<u> </u>
	14,500	18,000
	<u> </u>	<u> </u>

6 Employees

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

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Number of distribution staff	44	22	-	-
Number of administrative staff	26	26	5	5
Number of other staff	135	129	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	205	177	5	5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	6,081,179	4,660,586	419,937	234,305
Social security costs	482,237	398,057	21,777	3,083
Pension costs	158,226	80,898	61,828	1,491
	<u>6,721,642</u>	<u>5,139,541</u>	<u>503,542</u>	<u>238,879</u>

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	238,150	132,000
Company pension contributions to defined contribution schemes	61,828	1,491
	<u>299,978</u>	<u>133,491</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	<u>217,900</u>	<u>120,000</u>

8 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Other interest income	<u>6</u>	<u>-</u>

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

9 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	104,610	97,525
Other interest on financial liabilities	5,796	5,796
	<u>110,406</u>	<u>103,321</u>
Other finance costs:		
Interest on finance leases and hire purchase contracts	45,073	27,120
Other interest	68,938	102,409
	<u>224,417</u>	<u>232,850</u>

10 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	392,114	116,340
Adjustments in respect of prior periods	(4,117)	(14,355)
	<u>387,997</u>	<u>101,985</u>
Deferred tax		
Origination and reversal of timing differences	90,700	23,979
	<u>478,697</u>	<u>125,964</u>

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

	2021 £	2020 £
Profit before taxation	<u>2,229,620</u>	<u>309,422</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	423,628	58,790
Tax effect of expenses that are not deductible in determining taxable profit	2,909	5,234
Adjustments in respect of prior years	(4,117)	(14,355)
Amortisation on assets not qualifying for tax allowances	64,600	64,600
Research and development tax credit	(35,432)	(22,306)
Fixed asset differences	27,109	21,289
Change in tax rate	-	12,712
	<u>478,697</u>	<u>125,964</u>

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

11 Dividends

	2021	2020	2021	2020
Recognised as distributions to equity holders:	Per share	Per share	Total	Total
	£	£	£	£
Ordinary shares				
Final paid	-	379.17	-	91,000

12 Intangible fixed assets

Group	Goodwill
	£
Cost	
At 1 April 2020 and 31 March 2021	3,402,070
Amortisation and impairment	
At 1 April 2020	1,130,037
Amortisation charged for the year	340,000
At 31 March 2021	1,470,037
Carrying amount	
At 31 March 2021	1,932,033
At 31 March 2020	2,272,033

The company had no intangible fixed assets at 31 March 2021 or 31 March 2020.

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.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

13 Tangible fixed assets

Group	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2020	1,481,675	404,810	1,529,601	96,620	489,733	4,002,439
Additions	85,575	-	325,500	-	448,620	859,695
Disposals	-	-	-	-	(88,250)	(88,250)
At 31 March 2021	1,567,250	404,810	1,855,101	96,620	850,103	4,773,884
Depreciation and impairment						
At 1 April 2020	193,085	102,775	796,923	67,254	295,401	1,455,438
Depreciation charged in the year	99,921	38,576	233,111	22,597	165,897	560,102
Eliminated in respect of disposals	-	-	-	-	(83,406)	(83,406)
At 31 March 2021	293,006	141,351	1,030,034	89,851	377,892	1,932,134
Carrying amount						
At 31 March 2021	1,274,244	263,459	825,067	6,769	472,211	2,841,750
At 31 March 2020	1,288,590	302,035	732,678	29,366	194,332	2,547,001

The company had no tangible fixed assets at 31 March 2021 or 31 March 2020.

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

	Group 2021 £	2020 £	Company 2021 £	2020 £
Plant and equipment	388,457	401,926	-	-
Motor vehicles	65,195	131,600	-	-
	453,652	533,526	-	-

Included in freehold land and buildings is land valued at £311,850 which is not depreciated.

14 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	15	-	-	5,738,265	5,738,265

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

14 Fixed asset investments (Continued)

Movements in fixed asset investments	Shares in subsidiaries
Company	£
Cost or valuation	
At 1 April 2020 and 31 March 2021	5,738,265
Carrying amount	
At 31 March 2021	5,738,265
At 31 March 2020	5,738,265

15 Subsidiaries

Details of the company's subsidiaries at 31 March 2021 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held
				Direct Indirect
Welcome Furniture Limited	1	Furniture manufacturer	Ordinary shares	0 100.00
Welcome Holdings Limited	1	Holding company	Ordinary shares	100.00 -

Registered office addresses (all UK unless otherwise indicated):

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

Welcome Furniture Limited is owned 100% by Welcome Holding Limited.

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

16 Financial instruments

	Group 2021 £	2020 £	Company 2021 £	2020 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	6,102,938	3,830,850	2,882,443	2,134,943
Carrying amount of financial liabilities				
Measured at amortised cost	9,323,731	7,884,672	1,895,870	2,423,608

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.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

17 Stocks

	Group 2021 £	2020 £	Company 2021 £	2020 £
Raw materials and consumables	3,196,586	2,377,167	-	-
Finished goods and goods for resale	863,234	312,186	-	-
	<u>4,059,820</u>	<u>2,689,353</u>	<u>-</u>	<u>-</u>

18 Debtors

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts falling due within one year:				
Trade debtors	5,752,631	3,463,584	-	-
Amounts owed by group undertakings	-	-	2,882,443	2,134,943
Other debtors	253,630	263,474	-	-
Prepayments and accrued income	332,528	122,969	-	-
	<u>6,338,789</u>	<u>3,850,027</u>	<u>2,882,443</u>	<u>2,134,943</u>
Deferred tax asset (note 24)	2,090	1,131	-	-
	<u>6,340,879</u>	<u>3,851,158</u>	<u>2,882,443</u>	<u>2,134,943</u>
Amounts falling due after more than one year:				
Other debtors	97,530	103,792	-	-
	<u>97,530</u>	<u>103,792</u>	<u>-</u>	<u>-</u>
Total debtors	<u>6,438,409</u>	<u>3,954,950</u>	<u>2,882,443</u>	<u>2,134,943</u>

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

19 Creditors: amounts falling due within one year

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans and overdrafts	21	3,543,188	2,832,498	-	-
Obligations under finance leases	22	136,285	371,071	-	-
Other borrowings	21	222,145	382,030	-	260,000
Trade creditors		2,310,412	1,898,413	-	-
Amounts owed to group undertakings		-	-	1,895,870	2,088,608
Corporation tax payable		392,115	166,826	256,769	76,177
Other taxation and social security		1,115,820	641,964	-	-
Other creditors		79,759	167,057	-	-
Accruals and deferred income		684,083	415,436	-	-
		<u>8,483,807</u>	<u>6,875,295</u>	<u>2,152,639</u>	<u>2,424,785</u>

20 Creditors: amounts falling due after more than one year

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans and overdrafts	21	1,626,187	745,409	-	-
Obligations under finance leases	22	134,612	191,517	-	-
Other borrowings	21	587,060	881,241	-	75,000
		<u>2,347,859</u>	<u>1,818,167</u>	<u>-</u>	<u>75,000</u>

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

Payable by instalments	178,922	346,548	-	-
	<u>178,922</u>	<u>346,548</u>	<u>-</u>	<u>-</u>

21 Loans and overdrafts

	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans	1,938,519	820,035	-	-
Invoice financing	3,230,856	2,757,872	-	-
Other loans	809,205	1,263,271	-	335,000
	<u>5,978,580</u>	<u>4,841,178</u>	<u>-</u>	<u>335,000</u>
Payable within one year	3,765,333	3,214,528	-	260,000
Payable after one year	2,213,247	1,626,650	-	75,000
	<u>5,978,580</u>	<u>4,841,178</u>	<u>-</u>	<u>335,000</u>

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

21 Loans and overdrafts

(Continued)

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. Other loans of £809,205 (2020 - £928,281) relate to a loan from Finance Wales which 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 bank loan of £1,200,000 (2020 - £Nil) is repayable over 5 years and bears interest at 4.09% 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 charges dated 08 July 2011 and 11 October 2019 over freehold property and composite multilateral guarantee dated 30 January 2017 between Welcome Furniture Limited, Welcome Holdings Limited and Welcome Furniture Group Limited.

22 Finance lease obligations

	Group 2021 £	2020 £	Company 2021 £	2020 £
Future minimum lease payments due under finance leases:				
Within one year	149,945	412,109	-	-
In two to five years	140,564	204,330	-	-
	290,509	616,439	-	-
Less: future finance charges	(19,612)	(53,851)	-	-
	270,897	562,588	-	-

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.

23 Provisions for liabilities

	Group 2021 £	2020 £	Company 2021 £	2020 £
Contract contingency provision	254,946	-	-	-
Movements on provisions:				
Group				£
Additional provisions in the year				254,946

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

23 Provisions for liabilities

(Continued)

Contract contingency provision

The provision is included in the financial statements based on post year end expenditure relating to additional contract work carried out. The provision also takes into consideration costs incurred in the year, which potentially could result in similar additional expenditure work in future periods.

24 Deferred taxation

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

	Liabilities 2021	Liabilities 2020	Assets 2021	Assets 2020
Group	£	£	£	£
Accelerated capital allowances	193,202	96,793	-	-
Revaluations	35,585	35,585	-	-
Retirement benefit obligations	-	-	-	1,131
Provisions	(4,750)	-	2,090	-
	<u>224,037</u>	<u>132,378</u>	<u>2,090</u>	<u>1,131</u>

The company has no deferred tax assets or liabilities.

	Group 2021	Company 2021
Movements in the year:	£	£
Liability at 1 April 2020	131,247	-
Charge to profit or loss	90,700	-
Liability at 31 March 2021	<u>221,947</u>	<u>-</u>

25 Retirement benefit schemes

	2021	2020
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	<u>158,226</u>	<u>80,898</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.

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

26 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 1p each	240	240	2	2
	<u>240</u>	<u>240</u>	<u>2</u>	<u>2</u>

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

27 Reserves

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.

28 Operating lease commitments

Lessee

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 2021 £	2020 £	Company 2021 £	2020 £
Within one year	135,186	60,000	-	-
Between two and five years	369,212	240,000	-	-
In over five years	180,000	240,000	-	-
	<u>684,398</u>	<u>540,000</u>	<u>-</u>	<u>-</u>

29 Related party transactions

Transactions with related parties

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

	Purchases 2021 £	2020 £
Group		
Other related parties	32,400	57,448
	<u>32,400</u>	<u>57,448</u>

At the year end the amount due to other related parties was £Nil (2020 - £10,800).

Other information

Remuneration paid to close family members in the year amounted to £63,345 (2020: £43,125)

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

30 Directors' transactions

During the year the directors have received advances and made repayments on the loan account. At the year end the amount owed to the directors was £11,879 (2020: £1,879 owed) which is included in other creditors.

31 Controlling party

The ultimate controlling party is Mr J A Peterson.

32 Cash generated from group operations

	2021 £	2020 £
Profit for the year after tax	1,750,923	183,458
Adjustments for:		
Taxation charged	478,697	125,964
Finance costs	224,417	232,850
Investment income	(6)	-
(Gain)/loss on disposal of tangible fixed assets	(19,005)	24,105
Amortisation and impairment of intangible assets	340,000	340,000
Depreciation and impairment of tangible fixed assets	560,102	492,684
Increase in provisions	254,946	-
Movements in working capital:		
Increase in stocks	(1,370,467)	(133,782)
(Increase)/decrease in debtors	(2,484,379)	62,239
Increase in creditors	1,067,204	219,955
Cash generated from operations	802,432	1,547,473

33 Cash generated from operations - company

	2021 £	2020 £
Profit for the year after tax	1,094,646	414,911
Adjustments for:		
Taxation charged	256,768	77,023
Finance costs	-	30,909
Investment income	-	(91,000)
Movements in working capital:		
Increase in debtors	(747,500)	(527,415)
(Decrease)/increase in creditors	(192,738)	449,669
Cash generated from operations	411,176	354,097

WELCOME FURNITURE GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

34 Analysis of changes in net debt - group

	1 April 2020	Cash flows 31 March 2021	
	£	£	£
Cash at bank and in hand	784,514	427,057	1,211,571
Bank overdrafts	(2,757,872)	(472,984)	(3,230,856)
	(1,973,358)	(45,927)	(2,019,285)
Borrowings excluding overdrafts	(2,083,306)	(664,418)	(2,747,724)
Obligations under finance leases	(562,588)	291,691	(270,897)
	(4,619,252)	(418,654)	(5,037,906)

35 Analysis of changes in net debt - company

	1 April 2020	Cash flows 31 March 2021	
	£	£	£
Borrowings excluding overdrafts	(335,000)	335,000	-

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.