

Company Registration No. 03670521 (England and Wales)

DAVID PHILLIPS FURNITURE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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DAVID PHILLIPS FURNITURE LTD

COMPANY INFORMATION

Director	N C R Gill
Secretary	N C R Gill
Company number	03670521
Registered office	Units 24-32 London Industrial Park Eastbury Road Beckton London E6 6LP
Auditor	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

DAVID PHILLIPS FURNITURE LTD

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DAVID PHILLIPS FURNITURE LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The director presents the strategic report and audited financial statements for the year ended 31 March 2017.

Fair review of the business

David Phillips's vision is to be the property market's premier furnishing service. We are the largest specialist design-led provider of furniture, appliances, design and related services to the residential property sector. We focus on 3 major markets:

- (a) the Private Rented Sector, comprising landlords, investors, agents, developers, house builders and Build to Rent participants;
- (b) Social Housing; and
- (c) Student Accommodation.

We offer a full range of services including:

- (i) complete furniture packages;
- (ii) furniture replacement;
- (iii) furniture rental; and
- (iv) bespoke interior design

with all items delivered, assembled and installed for the customer and old furniture removed and disposed of.

We benefit from a broad customer base, encompassing some of the largest developers and house builders in the UK, individual landlords, and including a full spectrum of sales, lettings and managing agents, both large and small. Our strategy is to focus on higher-margin design-led project.

During the year, we made progress in building a platform for future growth; however, there is much to be done. The markets in which David Phillips operate remain strong with long term positive trends.

Principal risks and uncertainties

We are subject to several risks. Principal among these are

- (i) competition - we operate in a competitive market which is subject to pricing pressure from customers as well as our competitors;
- (ii) supply chain management - inventory management is key to our business and we must continue to ensure we maintain a responsive and flexible supply chain; and
- (iii) the health and development of the broad housing sector.

A formal risk management policy has been established and the directors are closely involved in running the business and are proactive in identifying and responding to relevant risks.

On behalf of the board



N C R Gill

Director

28 February 2018

DAVID PHILLIPS FURNITURE LTD

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The director presents his report and audited financial statements for the year ended 31 March 2017.

Principal activities

The principal activity of the company continued to be that of property services.

Director

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

N C R Gill

A N Gordon

R Francis

(Resigned 9 July 2016)

(Appointed 29 March 2017 and resigned 31 August 2017)

Results and dividends

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

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Going concern

The financial statements have been prepared on a going concern basis, further information is disclosed in Note 1 to the financial statements.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through meetings and discussing matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

DAVID PHILLIPS FURNITURE LTD

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Statement of director's responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Audit opinion

The directors note the independent auditor's report to the members of David Phillips Furniture Ltd and the opinion on the financial statements stated therein.

The opinion provided by the Company's auditor is reflective of the operationally challenging nature of the year ended 31 March 2017. The Company experienced significant top and bottom line growth, placing pressure upon the Company's operational and finance functions. These factors were exacerbated by changes in key staff members, as highlighted by the auditors in their opinion, which resulted in a delay of the preparation of these accounts.

Since the end of the review period, the Company has put in place a structured plan to significantly improve aspects of the operational and financial functions. To this end, the directors believe that the underlying causes of the auditor's opinion are in the process of being resolved. Further the business has benefited from a £4.6 million injection of shareholder funding in December 2017.

DAVID PHILLIPS FURNITURE LTD

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

On behalf of the board



.....
N C R Gill

Director

28 January 2016

DAVID PHILLIPS FURNITURE LTD

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DAVID PHILLIPS FURNITURE LTD

Report on the financial statements

Disclaimer of opinion

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on David Phillips Furniture Ltd financial statements (the "financial statements").

Basis for disclaimer of opinion

As a result of a control environment breakdown during the year, change of key staff members and inadequate record keeping we are unable to reach an opinion as the Company's accounting records do not provide sufficient evidence. There were no satisfactory audit procedures that we could have performed to obtain reasonable assurance over these financial statements. As a result, we were unable to determine whether any adjustments would be required in respect of the year-end position and the related elements making up the statements of financial position, comprehensive income, cash flows and changes in equity.

What we were engaged to audit

The financial statements, including within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 March 2017;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

During the course of our audit we found significant deficiencies in the accounting records. In our opinion adequate accounting records were not kept.

Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion, based on the work undertaken in the course of the audit:

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

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Arising from the limitation of our work referred to in the Basis for disclaimer of opinion paragraph above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

DAVID PHILLIPS FURNITURE LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF DAVID PHILLIPS FURNITURE LTD

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the director

As explained more fully in the Statement of Director's Responsibilities set out on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We were engaged to audit the financial statements in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Mark Jordan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
28/2/18

DAVID PHILLIPS FURNITURE LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £	2016 £
Revenue	3	47,633,167	37,275,600
Cost of sales		(24,905,757)	(17,476,785)
Gross profit		22,727,410	19,798,815
Administrative expenses		(24,619,674)	(21,927,781)
Operating loss	4	(1,892,264)	(2,128,966)
Investment income	7	-	2,111
Finance costs	8	(28,988)	(31,063)
Other gains and losses	9	(200)	-
Loss before taxation		(1,921,452)	(2,157,918)
Taxation on (loss) on ordinary activities	10	(156,957)	(30,999)
Loss for the financial year		(2,078,409)	(2,188,917)
Other comprehensive income		-	-
Total comprehensive (expense) for the year		(2,078,409)	(2,188,917)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

DAVID PHILLIPS FURNITURE LTD

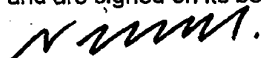
STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 £	2016 £
Fixed assets			
Goodwill	11	866,004	1,129,853
Property, plant and equipment	12	2,502,876	2,605,899
Investments	13	-	200
		<u>3,368,880</u>	<u>3,735,952</u>
Current assets			
Inventories	15	2,841,642	3,376,950
Trade and other receivables	16	7,461,575	8,593,765
Cash at bank and in hand		135,213	435,575
		<u>10,438,430</u>	<u>12,406,290</u>
Creditors: amounts falling due within one year	17		
Bank loan and overdraft	19	1,000,000	1,000,000
All other creditors	20	11,738,325	11,953,752
		<u>12,738,325</u>	<u>12,953,752</u>
Net current (liabilities)/assets excluding bank loan		<u>(1,299,895)</u>	<u>452,538</u>
Net current liabilities		<u>(2,299,895)</u>	<u>(547,462)</u>
Total assets less current liabilities		<u>1,068,985</u>	<u>3,188,490</u>
Creditors: amounts falling due after more than one year	18	-	(41,096)
Provisions for liabilities	21	(291,328)	(291,328)
Net assets		<u>777,657</u>	<u>2,856,066</u>
Equity			
Called up share capital	24	10	10
Other reserves	25	62,400	62,400
Retained earnings		715,247	2,793,656
Total equity		<u>777,657</u>	<u>2,856,066</u>

The financial statements on pages 7 to 26 were approved by the Board on 28 February 2018

The financial statements were approved by the board of directors and authorised for issue on 28 February 2018 and are signed on its behalf by:



N C R Gill
Director

Company Registration No. 03670521

DAVID PHILLIPS FURNITURE LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Called up share capital £	Other reserves £	Retained earnings £	Total equity £
Balance at 1 April 2015		10	62,400	4,982,573	5,044,983
Year ended 31 March 2016:					
Loss and total comprehensive income for the financial year		-	-	(2,188,917)	(2,188,917)
Balance at 31 March 2016		10	62,400	2,793,656	2,856,066
Year ended 31 March 2017:					
Loss and total comprehensive expense for the financial year		-	-	(2,078,409)	(2,078,409)
Balance at 31 March 2017		10	62,400	715,247	777,657

DAVID PHILLIPS FURNITURE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company Information

David Phillips Furniture Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Units 24-32 London Industrial Park, Eastbury Road, Beckton, London, E6 6LP.

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with 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 has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

David Phillips Furniture Ltd is a wholly owned subsidiary of David Phillips Holdings Limited and the results of David Phillips Furniture Ltd are included in the consolidated financial statements of David Phillips Holdings Limited which are available from Companies House.

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

1.2 Revenue

Turnover represents amounts receivable from furniture wholesale and services rendered for furniture rentals net of VAT and trade discounts.

Furniture sales income represents revenue earned by the sale of furniture to customers. Income from furniture rentals is recognised in the financial statements in the period the rental occurs.

1.3 Intangible fixed assets - goodwill

Purchased goodwill is written off in equal annual instalments over its estimated useful economic life of 5 years.

1.4 Property, plant and equipment

Property, plant and equipment 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:

Leasehold property	over the term of the lease
Plant and machinery	3 to 10 years on cost
Computer equipment	33% on cost
Rental assets	50% on cost

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.

DAVID PHILLIPS FURNITURE LTD

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

1 Accounting policies

(Continued)

1.5 Non-current investments

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 company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Impairment of non-current assets

At each reporting period end date, the company 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.

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.

1.7 Inventories

Inventories are stated at the lower of cost and estimated selling price. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories 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.

1.8 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.

1.9 Financial Instruments

The company 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 company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

DAVID PHILLIPS FURNITURE LTD

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

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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 company 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 company after deducting all of its liabilities.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

DAVID PHILLIPS FURNITURE LTD

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

1 Accounting policies

(Continued)

Other financial liabilities

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 company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 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 income statement 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

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 income statement, 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 when the company has 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.

1.12 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 non-current 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.

DAVID PHILLIPS FURNITURE LTD

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

1 Accounting policies

(Continued)

1.13 Retirement benefits

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

1.14 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 the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

All accounting policies have been applied consistently.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is 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.

DAVID PHILLIPS FURNITURE LTD

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

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated economic useful lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property, plant and equipment, and note 1.4 for the useful economic lives for each class of assets.

Inventory provisioning

The company's products are subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

Useful economic life of goodwill

The annual amortisation charge for goodwill is sensitive to changes in the estimated economic useful life. This is amended when necessary to reflect current estimates. See note 10 for the carrying value and note 1.3 for the useful economic life of goodwill.

3 Revenue

An analysis of the company's revenue is as follows:

	2017 £	2016 £
Revenue analysed by class of business		
Property services	47,633,167	37,275,600
	<u> </u>	<u> </u>
	2017 £	2016 £
Other significant revenue		
Interest income	-	2,111
	<u> </u>	<u> </u>

DAVID PHILLIPS FURNITURE LTD

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

4 Operating loss

	2017 £	2016 £
Operating loss for the year is stated after charging/(crediting):		
Exchange gains/(losses)	-	11,268
Fees payable to the company's auditors for the audit of the company's financial statements	59,998	76,575
Depreciation of owned property, plant and equipment	1,049,029	1,592,368
Depreciation of property, plant and equipment held under finance leases	23,618	23,823
Profit on disposal of property, plant and equipment	(614,239)	(324,171)
Amortisation of intangible assets	263,849	189,393
Cost of inventories recognised as an expense	24,905,757	17,476,785
Operating lease charges	1,636,582	1,340,009

5 Employees

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

	2017 Number	2016 Number
Sales and distribution	313	278
Administration	57	50
	<u>370</u>	<u>328</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	13,303,467	11,081,040
Social security costs	1,324,487	1,130,560
Other pension costs	162,693	147,970
	<u>14,790,647</u>	<u>12,359,570</u>

6 Director's remuneration

	2017 £	2016 £
Remuneration for qualifying services	232,594	355,875
Company pension contributions to defined contribution schemes	4,400	6,900
	<u>236,994</u>	<u>362,775</u>

DAVID PHILLIPS FURNITURE LTD

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

6 Director's remuneration

(Continued)

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

	2017 £	2016 £
Remuneration for qualifying services	232,594	225,218
Company pension contributions to defined contribution schemes	4,400	4,400
	<u>237,000</u>	<u>229,618</u>

7 Investment income

	2017 £	2016 £
Interest income		
Interest on bank deposits	-	2,111
	<u>-</u>	<u>2,111</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	-	2,111
	<u>-</u>	<u>2,111</u>

8 Finance costs

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	11,438	9,322
Interest on finance leases and hire purchase contracts	11,389	13,995
	<u>22,827</u>	<u>23,317</u>
Other finance costs:		
Other interest	6,161	7,746
	<u>28,988</u>	<u>31,063</u>

9 Other gains and losses fixed asset Investments

	2017 £	2016 £
Other gains and losses	(200)	-
	<u>(200)</u>	<u>-</u>

DAVID PHILLIPS FURNITURE LTD

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

10 Taxation on (loss)/profit on ordinary activities

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current year	-	(142,712)
Adjustments in respect of prior years	156,957	(40,302)
Total current tax	<u>156,957</u>	<u>(183,014)</u>
Deferred tax		
Origination and reversal of timing differences	-	214,013
Total tax charge	<u>156,957</u>	<u>30,999</u>

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

	2017 £	2016 £
Loss on ordinary activities before taxation	<u>(1,921,452)</u>	<u>(2,157,918)</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%)	(365,076)	(431,584)
Tax effect of expenses that are not deductible in determining taxable profit	63,930	56,690
Adjustments in respect of prior years	-	(40,302)
Effect of change in corporation tax rate	-	(16,593)
Group relief	16,994	137,076
Deferred tax adjustments in respect of prior years	-	83,389
Temporary difference in respect of fixed assets	(32,595)	250,538
Other temporary differences	-	(1,419)
Temporary difference in respect of losses	473,704	(6,796)
Tax (credit)/charge for the year	<u>156,957</u>	<u>30,999</u>

DAVID PHILLIPS FURNITURE LTD

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

11 Goodwill

	Goodwill £
Cost	
At 1 April 2016 and 31 March 2017	1,751,189
Amortisation and impairment	
At 1 April 2016	621,336
Amortisation charged for the year	263,849
At 31 March 2017	885,185
Carrying amount	
At 31 March 2017	866,004
At 31 March 2016	1,129,853

12 Property, plant and equipment

	Leasehold property £	Plant and machinery £	Computer equipment £	Rental assets £	Total £
Cost					
At 1 April 2016	636,627	638,834	1,670,773	3,056,112	6,002,346
Additions	42,459	11,358	71,725	1,472,287	1,597,829
Disposals	-	(97,561)	-	(1,008,147)	(1,105,708)
At 31 March 2017	679,086	552,631	1,742,498	3,520,252	6,494,467
Accumulated depreciation and impairment					
At 1 April 2016	169,952	512,223	943,405	1,770,867	3,396,447
Depreciation charged in the year	89,902	49,870	424,544	508,331	1,072,647
Eliminated in respect of disposals	-	(87,434)	-	(390,069)	(477,503)
At 31 March 2017	259,854	474,659	1,367,949	1,889,129	3,991,591
Carrying amount					
At 31 March 2017	419,232	77,972	374,549	1,631,123	2,502,876
At 31 March 2016	466,675	126,611	727,368	1,285,245	2,605,899

DAVID PHILLIPS FURNITURE LTD

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

12 Property, plant and equipment

(Continued)

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

	2017 £	2016 £
Plant and machinery	-	11,411
Rental assets	155,066	175,292
	<u>155,066</u>	<u>186,703</u>
Depreciation charge for the year in respect of leased assets	<u>23,618</u>	<u>23,823</u>

13 Fixed asset investments

	2017 £	2016 £
Investments in subsidiaries	-	200

Movements in non-current investments

	Shares in group undertakings £
Cost or valuation	
At 1 April 2016	200
Disposals	(200)
At 31 March 2017	-
Carrying amount	
At 31 March 2017	-
At 31 March 2016	<u>200</u>

14 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>7,035,172</u>	<u>8,401,633</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>11,757,966</u>	<u>11,845,535</u>

DAVID PHILLIPS FURNITURE LTD

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

15 Inventories

	2017 £	2016 £
Finished goods and goods for resale	2,841,642	3,376,950

16 Trade and other receivables

	2017 £	2016 £
Amounts falling due within one year:		
Trade receivables	530,156	3,596,285
Amounts owed by group undertakings	4,275,392	3,856,641
Other receivables	2,229,624	948,707
Prepayments and accrued income	425,126	190,855
	7,460,298	8,592,488

Amounts falling due after one year:

Deferred tax asset (note 22)	1,277	1,277
Total debtors	7,461,575	8,593,765

Amounts owed by group undertakings are repayable on demand. No interest is payable on these loans.

17 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	19	1,000,000	1,000,000
Obligations under finance leases	20	41,055	55,710
Trade payables		3,364,032	5,740,914
Amounts owed to group undertakings		3,997,465	2,718,033
Corporation tax		-	38,496
Other taxation and social security		980,359	1,110,817
Other payables		310,713	376,909
Accruals and deferred income		3,044,701	1,912,873
		12,738,325	12,953,752

Amounts due to group undertakings are repayable on demand and interest free.

The loan is secured by a debenture comprising fixed and floating charge over the assets of the company and its group companies.

DAVID PHILLIPS FURNITURE LTD

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

18 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Obligations under finance leases	20	-	41,096

19 Borrowings

	2017 £	2016 £
Bank loans	1,000,000	1,000,000
Payable within one year	1,000,000	1,000,000

The bank loan is secured by fixed and floating charges over all the assets and undertakings of David Phillips Furniture Limited and other David Phillips Group companies.

20 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Within one year	41,096	67,052
In two to five years	-	50,236
	41,096	117,288
Less: future finance charges	(41)	(20,482)
	41,055	96,806

Finance lease payments represent rentals payable by the company 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 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

21 Provisions for liabilities

	Note	2017 £	2016 £
Deferred tax liabilities	22	291,328	291,328
		291,328	291,328

DAVID PHILLIPS FURNITURE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

22 Deferred taxation

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

	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Balances:				
ACAs	291,328	291,328	-	-
Pension contributions	-	-	1,277	1,277
	<u>291,328</u>	<u>291,328</u>	<u>1,277</u>	<u>1,277</u>

There were no deferred tax movements in the year.

The deferred tax asset set out above is expected to reverse within 5 years and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is expected to reverse within 5 years and relates to accelerated capital allowances that are expected to mature within the same period.

23 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>162,693</u>	<u>147,970</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

24 Called up share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
10 (2016: 10) Ordinary shares of £1 each	<u>10</u>	<u>10</u>

25 Other reserves

The Other Reserve in the Statement of Changes in Equity is a capital contribution reserve as a result of equity settled employee benefits in regard to share options granted by the Company to its employees under its employee share option plan.

DAVID PHILLIPS FURNITURE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

26 Financial commitments, guarantees and contingent liabilities

There is an unlimited composite company guarantee relating to the bank overdraft and bank loans of the group companies David Phillips Furniture Limited and Occam Wile Limited. At 31 March 2017 the amount covered by the guarantee was £4,700,000 (2016: £5,064,425) in respect of bank loans to the immediate parent company Occam Wile Limited.

There is a debenture comprising fixed and floating charges over all the assets and undertaking of David Phillips Furniture Limited.

27 Operating lease commitments

Lessee

The operating leases represent leases of property and other assets from third parties. The leases are negotiated over terms of 5-10 years on property and 3-6 years on other assets.

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

	2017 £	2016 £
Within one year	1,327,027	986,413
Between two and five years	3,965,775	2,075,882
In over five years	3,101,302	511,922
	<u>8,394,104</u>	<u>3,574,217</u>

DAVID PHILLIPS FURNITURE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

28 Events after the reporting date

Pre-acquisition funding

On 3 May 2017, David Phillips Group Limited ("DPGL") (an indirect parent of the Company) issued £499,934.80 loan notes under the instrument entered into by DPGL on 28 April 2016 ("2016 Loan Instrument") to investors. Subscribing investors also received 6,520 A shares issued by David Phillips Holdings Limited ("DPHL", the ultimate parent of David Phillips Furniture Limited).

On 29 June 2017, 5,479,855 preference shares of £1.00 each in the capital of DPHL were re-designated as 547,985,500 A shares of £0.01 each in the capital of DPHL. There was no entitlement to receive payment of any dividend on these preference shares, as DPHL had not had the requisite distributable reserves. The re-designation of the preference shares represents a reduction in the DPHL non-current liabilities by their nominal amount (£5,479,855.00).

On 29 June 2017, DPGL entered into a secured, fixed rate loan note instrument ("2017 Loan Instrument") with maturity in 2020. Under the 2017 Loan Instrument, DPGL issued loan notes with an aggregate nominal value of £1,060,000.00 on 29 June 2017, issued loan notes with an aggregate nominal value of £552,005.33 on 14 July 2017, issued loan notes with an aggregate nominal value of £651,710.30 on 21 July 2017 and issued loan notes with an aggregate nominal value of £6,284.37 on 28 July 2017. Following the above actions, under the 2017 Loan Note Instrument, loan notes of £2,070,000 were issued to investors.

Acquisition

On 18 December 2017 Hamsard 3462 Limited ("BidCo") acquired 100% of the share capital of DPHL, and Hamsard 3463 Limited advanced £4,600,000 debt financing to David Phillips Furniture Limited (together the "Transaction").

Following the Transaction, Hamsard 3464 Limited (the "TopCo") holds 100% of the share capital of the Group (indirectly, by its subsidiaries).

As part of the Transaction, the 2016 Loan Instrument and the 2017 Loan Instrument were amended to remove the payment or accrual of interest to the holders of these loan notes and to extend their term to 2022. Following the Transaction, the loan notes issued pursuant to these instruments are all held by the economic beneficiaries of TopCo.

Following the transaction TopCo is the sole beneficial owner of David Phillips Holdings Limited and all of its subsidiaries and none of the Group's borrowings are payable within one year of the transaction.

29 Related party transactions

Transactions with related parties

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

	Purchase of goods	
	2017	2016
	£	£
Entities with control, joint control or significant influence over the company	7,510	36,012
Other related parties	76,175	76,854
	<u>83,685</u>	<u>112,866</u>

DAVID PHILLIPS FURNITURE LTD

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

29 Related party transactions

(Continued)

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2017 £	2016 £
Entities with control, joint control or significant influence over the company	27,012	27,012
Other related parties	7,841	-
	<u>34,853</u>	<u>27,012</u>

No guarantees have been given or received.

30 Controlling party

The immediate holding company is Occam Wile Limited. Up until 18 December 2017 David Phillips Holdings Limited was the ultimate holding company. Consolidated financial statements for the year ending 31 March 2017 have been prepared for David Phillips Holdings Limited.

The company's immediate parent undertaking is Hamsard 3464 Limited and ultimate parent undertaking Hamsard 3462 Limited, limited liability companies incorporated in England and Wales. No one person has overall control.