

DFS FURNITURE HOLDINGS PLC

REPORT AND ACCOUNTS

1 AUGUST 2015

Company no 7218977

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Strategic report

The directors present their strategic report for the year ended 1 August 2015

Business review and future developments

The financial statements cover the 52 week period ended 1 August 2015. Comparative figures relate to the 53 weeks ended 2 August 2014.

During the year the Company's parent company, DFS Furniture plc, completed an IPO and its ordinary shares were admitted to trading on the main market of the London Stock Exchange on 11 March 2015. Shortly after the IPO the Company refinanced the existing £310.0m senior secured notes with a £200.0m senior loan facility. Costs related to the IPO resulted in the increase in administrative expenses whilst a refinancing fee is included in interest payable.

The Company's profit on ordinary activities before taxation was £42.6m (2014: £14.8m). After paying an interim dividend of £20.0m (2014: £20.0m) during the year, an amount of £22.6m has been transferred to reserves (2014: £5.2m transferred from reserves).

The Company's income comprises management charges payable by other group companies.

Key performance indicators

The Company is a wholly owned indirect subsidiary of DFS Furniture plc, and the management and reporting of key performance indicators is undertaken at the group level. For this reason, the directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of its business. The development, performance and position of the DFS Furniture plc which includes the Company, is discussed in the Group's annual report, which does not form part of this report.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's annual report which does not form part of this report.

By order of the Board



P A Walker
Company Secretary

1 Rockingham Way
Redhouse Interchange
Adwick-le-Street
Doncaster
South Yorkshire
DN6 7NA

25 November 2015

Directors' report

The directors present their report together with the audited financial statements for the year ended 1 August 2015

Principal activities

The Company acts as an intermediate holding company

Dividends

An interim dividend of £20.0m (2014 £20.0m) was paid during the year. The directors do not recommend the payment of a final dividend (2014 £nil)

Directors

The directors of the Company are listed below

I F Filby
J H Massey (resigned 1 October)
W R Barnes

Political and charitable donations

The Company made no political or charitable donations during the current or prior period

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out above. The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its subsidiaries.

The directors, having assessed the responses of the directors of the Company's parent Diamond Holdco 7 Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Diamond Holdco 7 Limited to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Diamond Holdco 7 Limited, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report (continued)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board



P A Walker
Company Secretary

1 Rockingham Way
Redhouse Interchange
Adwick-le-Street
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South Yorkshire
DN6 7NA

25 November 2015

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 their profit or loss for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

Independent auditor's report to the shareholder of DFS Furniture Holdings plc

We have audited the financial statements of DFS Furniture Holdings plc for the 52 weeks ended 1 August 2015 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 1 August 2015 and of its profit for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the shareholder of DFS Furniture Holdings plc (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Greg Watts
Senior Statutory Auditor
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

25 November 2015

Profit and loss account

52 weeks ended 1 August 2015 (53 weeks ended 2 August 2014)

	Notes	2015 £m	2014 £m
Turnover	1 2	0 1	0 1
Cost of sales		-	-
Gross profit		<u>0 1</u>	<u>0 1</u>
Administrative expenses		(8.9)	(1 2)
Operating loss		<u>(8.8)</u>	<u>(1 1)</u>
Net interest payable and similar charges	3	(28.6)	(24 1)
Income from shares in group undertakings		80.0	40 0
Profit on ordinary activities before taxation	2	<u>42.6</u>	<u>14 8</u>
Tax charge on ordinary activities	4	-	-
Profit for the period	10	<u><u>42.6</u></u>	<u><u>14 8</u></u>

All activities were continuing throughout both the current and previous periods

There were no recognised gains or losses in either period other than those reported in the profit and loss account

The notes on pages 10 to 14 form part of these financial statements

Balance sheet

as at 1 August 2015 (2 August 2014)

	Notes	2015 £m	2014 £m
Fixed assets			
Investments	5	519.9	519.9
		<u>519.9</u>	<u>519.9</u>
Current assets			
Debtors due within one year	6	0.1	3.0
		<u>0.1</u>	<u>3.0</u>
Creditors: amounts falling due within one year	7	(200.0)	(116.8)
Net current liabilities		<u>(199.9)</u>	<u>(113.8)</u>
Total assets less current liabilities		<u>320.0</u>	<u>406.1</u>
Creditors: amounts falling due after more than one year	8	(197.9)	(306.6)
Net assets		<u>122.1</u>	<u>99.5</u>
Capital and reserves			
Called up share capital	9	102.3	102.3
Share premium	10	5.9	5.9
Profit and loss account	10	13.9	(8.7)
Shareholder's funds		<u>122.1</u>	<u>99.5</u>

The notes on pages 10 to 14 form part of these financial statements

The financial statements were approved by the Board on 25 November 2015 and were signed on its behalf by


IF Filby
Director


WR Barnes
Director

Company number 7218977

Reconciliation of movements in shareholder's funds

52 weeks ended 1 August 2015 (53 weeks ended 2 August 2014)

	2015 £m	2014 £m
Profit for the period	42.6	14.8
Dividends paid on equity shares	(20.0)	(20.0)
Issue of equity share capital	-	5.9
	<hr/>	<hr/>
Net addition to shareholder's funds	22.6	0.7
Shareholder's funds at the beginning of the period	99.5	98.8
	<hr/>	<hr/>
Shareholder's funds at the end of the period	122.1	99.5
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 14 form part of these financial statements

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company. Where it is necessary to choose between accounting policies, those selected are judged by the directors to be the most appropriate to the Company's particular circumstances for the purpose of giving a true and fair view.

1.1 Basis of preparation

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice under the historical cost accounting rules.

The Company's intermediate parent company, DFS Furniture plc, has complied with the requirements for FRS 1 (Revised) in producing a Group cash flow statement. The Company has taken advantage of the exemption available in FRS 1 (Revised) and does not present its own cash flow statement.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group financial statements.

1.2 Turnover

Turnover represents a management charge levied on the Company's subsidiary undertaking, DFS Furniture Company Ltd.

1.3 Investments

Investments are stated at cost, less provision for any impairment.

1.4 Taxation

The charge for taxation is based on the profit for the period and takes into account deferred tax balances.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except where otherwise required by FRS 19 "Deferred Tax".

2 Profit on ordinary activities before taxation

Auditor's remuneration in respect of the statutory audit of the Company was £nil. Audit fees are borne by another group undertaking.

Fees paid to the auditor and its associates in respect of non-audit services amounted to £0.9m (2014: £0.6m).

3 Net interest payable and similar charges

	2015 £m	2014 £m
Interest payable		
Senior secured notes	(14.3)	(23.6)
Senior loan facility	(2.8)	-
Bank fees	(0.5)	(0.5)
Refinancing fee	(11.0)	-
	<u>(28.6)</u>	<u>(24.1)</u>
Net interest payable	<u>(28.6)</u>	<u>(24.1)</u>

Notes *(continued)*

4 Tax charge on ordinary activities

4.1 Analysis of charge for the period	2015 £m	2014 £m
UK corporation tax		
Current tax on income for the period	-	-
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>
Deferred tax		
Current period	-	-
	<hr/>	<hr/>
Total deferred tax charge	-	-
	<hr/>	<hr/>
Total tax charge	-	-
	<hr/> <hr/>	<hr/> <hr/>

4.2 Factors affecting the current tax credit for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 20.67% (2014 22.33%). The differences are explained below

	2015 £m	2014 £m
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 20.67% (2014 22.33%)	8.8	3.3
Permanently disallowable items	0.2	(1.4)
Non taxable income	(16.5)	(8.9)
Group relief	7.5	7.0
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

5 Investments

<i>Cost and net book value</i>		Shares in subsidiary undertakings £m
As at 1 August 2015 and 2 August 2014		519.9
Name	Ordinary share holding	Principal activity
DFS Furniture Company Limited	100%	Intermediate holding company
DFS Trading Limited	100%	Furniture retailer
Coin Retail Limited (Jersey)	100%	Intermediate holding company
Coin Furniture Limited	100%	Furniture retailer
The Sofa Workshop Limited	100%	Furniture retailer
Northern Upholstery Limited	100%	*
Galegrove Limited	100%	*
New DFS Furniture Limited	100%	*
CF Ward Limited	100%	*

* Denotes subsidiary companies in members' voluntary liquidation as part of the Group reorganisation subsequent to the Group's IPO

All subsidiary undertakings are incorporated in Great Britain with the exception of Coin Retail Limited which is incorporated in Jersey

6 Debtors: due within one year

	2015 £m	2014 £m
Amounts owed by parent company	-	2.9
Prepayments and accrued income	0.1	0.1
	0.1	3.0

7 Creditors: amounts falling due within one year

	2015 £m	2014 £m
Amounts owed to group undertakings	196.1	108.5
Accruals and deferred income	3.9	8.3
	200.0	116.8

Notes (continued)

8 Creditors: amounts falling due after more than one year

	2015 £m	2014 £m
Senior loan facility	200 0	-
7.625% senior secured fixed rate notes due August 2018	-	200 0
Senior secured floating rate notes due August 2018	-	110 0
	<u>200 0</u>	<u>310 0</u>
Unamortised issue costs	(2.1)	(3.4)
	<u>197.9</u>	<u>306.6</u>

Included in unamortised issue costs are amounts falling due within one year of £0.5m, between one and two years of £0.5m and between two and five years of £1.2m

As at 1 August 2015, the Company had a £200.0m senior loan facility. The facility has a maturity date of 12 March 2020 on which date all amounts will be repayable. Interest accrues at LIBOR plus 2.5% and is payable quarterly on 12 March, 12 June, 12 September and 12 December.

The facility is secured on the share capital and substantially all of the assets of the issuer and guarantors (DFS Furniture Company Limited, DFS Trading Limited, DFS Furniture plc, Diamond Holdco 2 Limited and Diamond Holdco 7 Limited).

As at 2 August 2014, the Group had in issue £310.0m of senior secured notes listed on the Luxembourg Stock Exchange. During the year, the £310.0m senior secured notes were refinanced with the £200.0m senior loan facility.

9 Called up share capital

	Number '000	2015 £m	Number '000	2014 £m
Ordinary shares of £1 each				
Authorised	102,275	102.3	102,275	102.3
	<u>102,275</u>	<u>102.3</u>	<u>102,275</u>	<u>102.3</u>
Allotted, called up and fully paid	102,275	102.3	102,275	102.3
	<u>102,275</u>	<u>102.3</u>	<u>102,275</u>	<u>102.3</u>

10 Reserves

	Share premium account £m	Profit and loss account £m
As at 2 August 2014	5.9	(8.7)
Profit for the period	-	42.6
Dividends paid on equity shares	-	(20.0)
	<u>5.9</u>	<u>13.9</u>
As at 1 August 2015	<u>5.9</u>	<u>13.9</u>

Notes *(continued)*

11 Related party transactions

The Company has taken advantage of the exemption conferred by paragraph 3(c) of FRS 8 “Related Party Transactions” not to disclose transactions with other wholly owned Group companies

12 Ultimate parent company and controlling party

The Company is a direct subsidiary undertaking of Diamond Holdco 7 Limited which is registered in England and Wales. The largest group in which the results of the Company are consolidated is that headed by DFS Furniture plc, incorporated in England and Wales. Copies of its group accounts, which include the Company are available on www.dfscorporate.co.uk. The ultimate holding company and controlling party is Advent Diamond (Cayman) Limited which is registered in The Cayman Islands.