

DFS Furniture Holdings Plc

Report and Accounts for the period
ended 30 July 2016

Registered number 07218977

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Strategic report

The directors present their strategic report for the period ended 30 July 2016.

Business review and future developments

The financial statements cover the 52 week period ended 30 July 2016. Comparative figures relate to the 52 weeks ended 1 August 2015.

The Company's profit on ordinary activities before taxation was £19.4m (2015: £42.6m) whilst interim dividends of £27.3m (2015: £20.0m) were paid during the year.

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

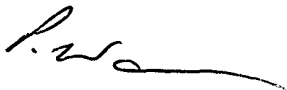
Key performance indicators

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 Group ("the Group"), 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

23 January 2017

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

Directors' report

The directors present their report together with the audited financial statements for the year ended 30 July 2016.

Principal Activities

The Company acts as an intermediate holding company.

Dividends

An interim dividend of £27.3m (2015:£20.0m) was paid during the year. The directors do not recommend the payment of a final dividend (2015: £nil).

Directors

The directors of the Company are listed below.

I.F. Filby	
W.R. Barnes	(resigned 30 July 2016)
N.J. Bancroft	(appointed 1 August 2016)

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 ultimate parent DFS Furniture plc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the DFS Furniture plc group 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 DFS Furniture plc, 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.

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
23 January 2017

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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 MEMBERS OF DFS FURNITURE HOLDINGS PLC

We have audited the financial statements of DFS Furniture Holdings Plc for the year ended 30 July 2016 set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 July 2016 and of its profit for the year 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.

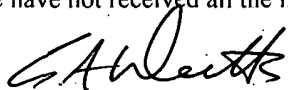
Opinion on other matter prescribed by the Companies Act 2006

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

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
23 January 2017

Income Statement
for period ended 30 July 2016

	<i>Note</i>	2016 £m	2015 £m
Revenue	1	0.1	0.1
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		0.1	0.1
Administrative expenses		0.2	(8.9)
		<hr/>	<hr/>
Operating profit	2	0.3	(8.8)
Finance income	3	-	-
Finance expenses	3	(8.2)	(28.6)
Investment income		27.3	80.0
		<hr/>	<hr/>
Profit before tax		19.4	42.6
Taxation	4	-	-
		<hr/>	<hr/>
Profit for the year		19.4	42.6
		<hr/> <hr/>	<hr/> <hr/>

Statement of Comprehensive Income
for year ended 30 July 2016

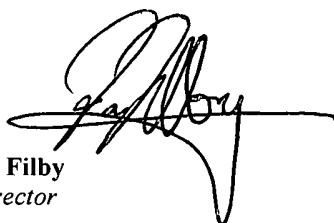
	<i>Note</i>	2016 £m	2015 £m
Profit for the year		19.4	42.6
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedges		(7.4)	1.3
Net change in fair value of cash flow hedges reclassified to profit or loss		-	-
Income tax on items that are or may be reclassified subsequently to profit or loss		1.4	(0.3)
		<hr/>	<hr/>
Other comprehensive income for the year, net of income tax		(6.0)	1.0
		<hr/>	<hr/>
Total comprehensive income for the year		13.4	43.6
		<hr/> <hr/>	<hr/> <hr/>

Profit for the year and total comprehensive income for the year are entirely attributable to the shareholders of the Company.

Balance Sheet
at 30 July 2016

	Note	2016 £m	2015 £m
Non-current assets			
Investments	5	519.9	519.9
Other financial assets	6	-	1.3
Deferred tax assets	7	1.1	-
		<u>521.0</u>	<u>521.2</u>
Current assets			
Trade and other receivables	8	0.1	0.1
Other financial assets	6	3.1	1.9
		<u>3.2</u>	<u>2.0</u>
Total assets		<u><u>524.2</u></u>	<u><u>523.2</u></u>
Current liabilities			
Trade payables and other liabilities	9	(207.5)	(200.0)
Other financial liabilities	10	(3.1)	(1.9)
		<u>(210.6)</u>	<u>(201.9)</u>
Non-current liabilities			
Interest bearing loans and borrowings	11	(198.3)	(197.9)
Other financial liabilities	10	(6.1)	-
Deferred tax liabilities		-	(0.3)
		<u>(204.4)</u>	<u>(198.2)</u>
Total liabilities		<u><u>(415.0)</u></u>	<u><u>(400.1)</u></u>
Net assets		<u><u>109.2</u></u>	<u><u>123.1</u></u>
Equity attributable to equity holders of the parent			
Share capital	12	102.3	102.3
Share premium		5.9	5.9
Cash flow hedge reserve		(6.1)	1.3
Retained earnings		7.1	13.6
Total equity		<u><u>109.2</u></u>	<u><u>123.1</u></u>

These financial statements were approved by the board of directors on 23 January 2017 and were signed on its behalf by:



I F Filby
Director



N J Bancroft
Director

Company registered number: 07218977

Statement of Changes in Equity

	Share capital £m	Share Premium £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 2 August 2014	102.3	5.9	-	(8.7)	99.5
Profit for the year	-	-	-	42.6	42.6
Other comprehensive income	-	-	1.3	(0.3)	1.0
Total comprehensive income for the year	-	-	1.3	42.3	43.6
Dividends	-	-	-	(20.0)	(20.0)
Balance at 1 August 2015	102.3	5.9	1.3	13.6	123.1
Profit for the year	-	-	-	19.4	19.4
Other comprehensive income	-	-	(7.4)	1.4	(6.0)
Total comprehensive income for the year	-	-	(7.4)	20.8	13.4
Dividends	-	-	-	(27.3)	(27.3)
Balance at 30 July 2016	102.3	5.9	(6.1)	7.1	109.2

Notes to the financial statements

1 Accounting policies

DFS Furniture Holdings Plc (the “Company”) is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 14.

The Company’s ultimate parent undertaking, DFS Furniture plc includes the Company in its consolidated financial statements. The consolidated financial statements of DFS Furniture plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 1 Rockingham Way, Redhouse Interchange, Adwick-le-Street, Doncaster, DN6 7NA.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of DFS Furniture plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 2 August 2014 for the purposes of the transition to FRS 101.

Notes to the financial statements

1.1 Revenue

Revenue represents management charge levied on the Company's subsidiary undertaking, DFS Trading Ltd.

1.2 Expenses

Finance income and expenses

Finance expenses comprise bank fees and interest payable on the Company's borrowings. Finance income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the Company's right to receive payments is established.

1.3 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised on deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.4 Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on qualifying cash flow hedges, which are recognised directly in other comprehensive income.

1.5 Impairment

The carrying amounts of the Company's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements

1.6 Investments

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

1.7 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.8 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.9 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Derivatives linked to investments in equity instruments that do not have a quoted market price in an active market, and that must be settled by delivery of the unquoted equity instrument are measured at cost where the fair value is not reliably measurable.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss remains in the hedging reserve and is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For other cash flow hedges the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged

Notes to the financial statements

transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

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 £nil (2015: £0.9m).

3 Finance income and expense

	2016 £m	2015 £m
<i>Finance expense</i>		
Senior secured notes	-	(14.3)
Senior loan facility	(7.9)	(2.8)
Bank fees	(0.3)	(0.5)
Refinancing fee	-	(11.0)
Total finance expense	<u>(8.2)</u>	<u>(28.6)</u>

Notes to the financial statements

4 Taxation

Recognised in the income statement

	2016 £m	2015 £m
<i>Current tax</i>		
Current year tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
Current tax expense	-	-

Reconciliation of effective tax rate

	2016 £m	2015 £m
Profit before tax for the year	19.4	42.6
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 20.00 % (2015: 20.67%)	3.9	8.8
Permanently disallowable items	(1.6)	0.2
Non taxable income	(5.5)	(16.5)
Group relief	3.2	7.5
	<hr/>	<hr/>
Total tax expense	-	-
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 30 July 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the future current tax charge accordingly.

Notes to the financial statements

5 Investments

Name	Ordinary share holding	Principal activity
DFS Trading Limited	100%	Furniture Retailer
Coin Retail Limited	100%	Holding Company
Coin Furniture Limited (Investment held by Coin Retail Limited)	100%	Furniture Retailer
The Sofa Workshop Limited	100%	Furniture Retailer
DFS Spain Limited	100%	Furniture Retailer
DFS Furniture Company Limited	100%	Holding Company
Northern Upholstery Limited	100%	*
Galegrove Limited	100%	*
C.F. Ward Limited	100%	*

* Denotes subsidiary companies in member's 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.

Cost and net book value:

	2016 £m	2015 £m
Shares in DFS Furniture Company Limited	519.9	519.9

6 Other financial assets

	2016 £m	2015 £m
Non-current		
Interest rate derivatives	-	1.3
Foreign exchange contracts	-	-
	<u> </u>	<u> </u>
Current		
Foreign exchange contracts	3.1	1.9
	<u> </u>	<u> </u>

Foreign exchange contracts comprise forward contracts which are used to hedge exchange risk arising from the Group's overseas purchases. Interest rate derivatives are used to hedge interest rate risk on the Company's floating rate debt.

Notes to the financial statements

7 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2016 £m	2015 £m
Revaluation of derivatives to fair value	1.1	(0.3)
Net tax assets/(liabilities)	<u>1.1</u>	<u>(0.3)</u>

The deferred tax movement in the year is as follows:

	2016 £m	2015 £m
At July 2015	(0.3)	-
Recognised in the statement of comprehensive income	1.4	(0.3)
At July 2016	<u>1.1</u>	<u>(0.3)</u>

Notes to the financial statements

8 Trade and other receivables

	2016 £m	2015 £m
Current		
Prepayments and accrued income	0.1	0.1
	<u>0.1</u>	<u>0.1</u>
	<u><u>0.1</u></u>	<u><u>0.1</u></u>

9 Trade payables and other liabilities

	2016 £m	2015 £m
Current		
Amounts owed to Group companies	205.5	196.1
Accruals and deferred income	2.0	3.9
	<u>207.5</u>	<u>200.0</u>
	<u><u>207.5</u></u>	<u><u>200.0</u></u>

10 Other financial liabilities

	2016 £m	2015 £m
Current		
Foreign exchange contracts	3.1	1.9
	<u>3.1</u>	<u>1.9</u>
Non-current		
Interest rate derivatives	6.1	-
Foreign exchange contracts	-	-
	<u>6.1</u>	<u>-</u>
	<u><u>6.1</u></u>	<u><u>-</u></u>

Foreign exchange contracts comprise forward contracts which are used to hedge exchange risk arising from the Group's overseas purchases. Interest rate derivatives are used to hedge interest rate risk on the Company's floating rate debt.

11 Interest bearing loans and borrowings

	2016 £m	2015 £m
Non-Current		
Senior loan facility	200.0	200.0
Unamortised issue costs	(1.7)	(2.1)
	<u>198.3</u>	<u>197.9</u>
	<u><u>198.3</u></u>	<u><u>197.9</u></u>

As at 30 July 2016, the company had a £200.0m facility with 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).

Notes to the financial statements

12 Share capital

Share capital

Ordinary shares of £1 each

	Number of shares		Ordinary shares	
	2016 000s	2015 000s	2016 £m	2015 £m
Allotted, called up and fully paid	102,275	102,275	102.3	102.3

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

13 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 DFS Furniture Plc.

14 Explanation of transition to FRS 101

These are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 July 2016, the comparative information presented in these financial statements for the year ended 1 August 2015 and in the preparation of an opening FRS 101 balance sheet at 2 August 2014 (the Company's date of transition).

In preparing its opening FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out below.

Principal FRS 101 adjustments are described below:

a) Financial instruments

The Company is party to a number of forward foreign exchange contracts and interest rate derivatives which were not recognised in the balance sheet under UK GAAP. FRS 101 requires derivative instruments to be recognised in the balance sheet at their fair value. Movements in the fair value of derivatives which are qualifying cash flow hedges of future purchases are deferred in equity until the related transaction occurs.

b) Tax

The tax effects of the adjustments above have been reflected, in addition to other tax adjustments required from the differences in the recognition and presentation of deferred tax under FRS 101.

The transition to FRS 101 had no effect on reported income, expense or profit for the year ended 1 August 2015. The following tables show the effect on reported assets and liabilities at 2 August 2014 and 1 August 2015.

Notes to the financial statements

14 Explanation of transition to FRS 101 (continued)

Reconciliation of equity: 2 August 2014

	UK GAAP £m	Foreign exchange Financial instruments £m	Effect of transition to FRS 101 £m	FRS 101 £m
Non-current assets				
Investments	519.9	-	-	519.9
Other financial assets	-	0.1	0.1	0.1
	<u>519.9</u>	<u>0.1</u>	<u>0.1</u>	<u>520.0</u>
Current assets				
Trade and other receivables	3.0	-	-	3.0
Other financial assets	-	3.1	3.1	3.1
	<u>3.0</u>	<u>-</u>	<u>3.1</u>	<u>6.1</u>
Total assets	<u>522.9</u>	<u>-</u>	<u>3.2</u>	<u>526.1</u>
Current liabilities				
Trade and other liabilities	(116.8)	-	-	(116.8)
Other financial liabilities	-	(3.1)	(3.1)	(3.1)
Current tax liabilities	-	-	-	-
	<u>(116.8)</u>	<u>(3.1)</u>	<u>(3.1)</u>	<u>(119.9)</u>
Non-current liabilities				
Interest bearing loans and borrowings	(306.6)	-	-	(306.6)
Other financial liabilities	-	(0.1)	(0.1)	(0.1)
	<u>(306.6)</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>(306.7)</u>
Total liabilities	<u>(423.4)</u>	<u>(3.2)</u>	<u>(3.2)</u>	<u>(426.6)</u>
Net assets	<u>99.5</u>	<u>-</u>	<u>-</u>	<u>99.5</u>
Share capital	102.3	-	-	102.3
Share Premium	5.9	-	-	5.9
Cash flow hedging reserve	-	-	-	-
Retained earnings	(8.7)	-	-	(8.7)
Total equity	<u>99.5</u>	<u>-</u>	<u>-</u>	<u>99.5</u>

Notes to the financial statements

14 Explanation of transition to FRS 101 (continued)

Reconciliation of equity: 1 August 2015

	UK GAAP £m	Opening FRS 101 adjustment £m	Foreign exchange Financial instruments £m	Interest rate Financial instruments £m	Effect of transition to FRS 101 £m	FRS 101 £m
Non-current assets						
Investments	519.9	-	-	-	-	519.9
Other financial assets	-	0.1	(0.1)	1.3	1.3	1.3
Deferred tax assets	-	-	-	-	-	-
	<u>519.9</u>	<u>0.1</u>	<u>(0.1)</u>	<u>1.3</u>	<u>1.3</u>	<u>521.2</u>
Current assets						
Trade and other receivables	0.1	-	-	-	-	0.1
Other financial assets	-	3.1	(1.2)	-	1.9	1.9
	<u>0.1</u>	<u>3.1</u>	<u>(1.2)</u>	<u>-</u>	<u>1.9</u>	<u>2.0</u>
Total assets	<u>520.0</u>	<u>3.2</u>	<u>(1.3)</u>	<u>1.3</u>	<u>3.2</u>	<u>523.2</u>
Current liabilities						
Trade payables and other liabilities	(200.0)	-	-	-	-	(200.0)
Other financial liabilities	-	(3.1)	1.2	-	(1.9)	(1.9)
Current tax liabilities	-	-	-	-	-	-
	<u>(200.0)</u>	<u>(3.1)</u>	<u>1.2</u>	<u>-</u>	<u>(1.9)</u>	<u>(201.9)</u>
Non-current liabilities						
Interest bearing loans and borrowings	(197.9)	-	-	-	-	(197.9)
Other financial liabilities	-	(0.1)	0.1	-	-	-
Deferred tax liabilities	-	-	-	(0.3)	(0.3)	(0.3)
	<u>(197.9)</u>	<u>(0.1)</u>	<u>0.1</u>	<u>(0.3)</u>	<u>(0.3)</u>	<u>(198.2)</u>
Total liabilities	<u>(397.9)</u>	<u>(3.2)</u>	<u>1.3</u>	<u>(0.3)</u>	<u>(2.2)</u>	<u>(400.1)</u>
Net assets	<u>122.1</u>	<u>-</u>	<u>-</u>	<u>1.0</u>	<u>1.0</u>	<u>123.1</u>
Share capital	102.3	-	-	-	-	102.3
Share Premium	5.9	-	-	-	-	5.9
Cash flow hedging reserve	-	-	-	1.3	1.3	1.3
Retained earnings	13.9	-	-	(0.3)	(0.3)	13.6
Total equity	<u>122.1</u>	<u>-</u>	<u>1.0</u>	<u>-</u>	<u>1.0</u>	<u>123.1</u>