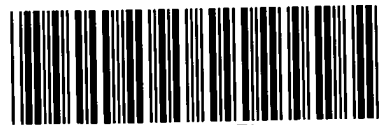


Company Registration No. 06455834 (England and Wales)

REALLY COMFY BEDS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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COMPANIES HOUSE

REALLY COMFY BEDS LIMITED

COMPANY INFORMATION

Directors C Marshall
T Parfitt
H Pigott (Appointed 15 December 2016)
R White (Appointed 15 December 2016)

Secretary M Marshall

Company number 06455834

Registered office 2nd Floor
Studio Building
Evesham Street
London
W11 4AJ

Auditor Mercer & Hole
Fleet Place House
2 Fleet Place
London
EC4M 7RF

REALLY COMFY BEDS LIMITED

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REALLY COMFY BEDS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present the strategic report for the year ended 31 March 2017.

Fair review of the business

Really Comfy Beds Limited designs and sells home furniture and furnishings. The products are sourced from manufacturers mostly in the UK and Far East and made exclusively for the company. The products are sold to customers in the UK via a website www.loaf.com and over the telephone. Customers can visit the company's showrooms in London to view a selection of the product range.

Some sofas and some beds are made in the UK to fulfil customer orders - the remainder of the products are sold from stock. The company partners with Wincanton Plc to provide delivery direct to customers' homes.

The company makes use of a range of marketing strategies to attract customers. These include press and outdoor advertising, internet marketing and cold mailing brochures.

Principal risks and uncertainties

Competition in the online furniture market has increased in recent years with more companies entering the market place. These new entrants typically adopt aggressive marketing strategies to acquire new customers.

The company uses forward contracts to hedge against fluctuations in the value of the US dollar compared to sterling. This limited the impact of the relative drop in sterling during the financial year. Work was also carried out during the year to renegotiate supplier costs and price engineer new products in order to maintain product margins in the following year.

The directors believe that the impact of the UK government's exit negotiations with the EU could create uncertainty in the UK which could potentially lead to lower consumer spending. At the same time the directors believe that if a certain level of positive certainty is achieved this could lead to a more favourable exchange rate and improved product margins. The directors feel that it is therefore important to concentrate on maintaining the company's strong brand identity and innovating in product differentiation in order to continue to perform well.

Development and performance

The company invested substantially in IT during the year in order to improve operational efficiencies and de-risk the business from its incumbent bespoke solution. This was launched in the second half of the year and teething problems were experienced which were gradually resolved. The company is continuing to invest in this area so that the business can offer an unrivalled customer experience and significant supply-chain efficiencies.

Building on the success of its first Loaf Shack the company opened a second showroom in July 2016 and a third in May 2017. These are both located in London (Ladbroke Grove and Spitalfields respectively). A fourth is planned to open in Guildford in February 2018.

Key performance indicators

The Directors consider the key financial performance indicators to be as follows:

| | 2017 | 2016 |
|-------------------|-------|-------|
| Turnover | £35m | £27m |
| Growth | 28% | 22% |
| Gross profit | 49% | 52% |
| Profit before tax | £3.8m | £2.9m |
| Increase in cash | £1.7m | £3.4m |

REALLY COMFY BEDS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

On behalf of the board



.....
C Marshall

Director

..... 14/9/17

REALLY COMFY BEDS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and financial statements for the year ended 31 March 2017.

Principal activities

The principal activity of the company continued to be retail of household furniture.

Directors

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

C Marshall

T Parfitt

H Pigott

R White

(Appointed 15 December 2016)

(Appointed 15 December 2016)

Results and dividends

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

Ordinary dividends were paid amounting to £600,000. The directors do not recommend payment of a final dividend.

Auditor

The Auditors, Mercer & Hole, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



C Marshall

Director

14/9/17

REALLY COMFY BEDS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

REALLY COMFY BEDS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REALLY COMFY BEDS LIMITED

We have audited the financial statements of Really Comfy Beds Limited for the year ended 31 March 2017 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

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.

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 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

REALLY COMFY BEDS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF REALLY COMFY BEDS LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept, 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.

Andrew Crook

Andrew Crook BA ACA (Senior Statutory Auditor)
for and on behalf of Mercer & Hole

18 September 2017

Chartered Accountants
Statutory Auditor

.....
Fleet Place House
2 Fleet Place
London
EC4M 7RF

REALLY COMFY BEDS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

| | Notes | 2017 £ | 2016 £ |
|--|-------|-------------------------|-------------------------|
| Turnover | 3 | 34,509,265 | 26,900,801 |
| Cost of sales | | (17,533,006) | (12,956,302) |
| Gross profit | | <u>16,976,259</u> | <u>13,944,499</u> |
| Distribution costs | | (3,055,436) | (2,327,781) |
| Administrative expenses | | (10,147,594) | (8,697,208) |
| Operating profit | 4 | <u>3,773,229</u> | <u>2,919,510</u> |
| Interest receivable and similar income | 7 | 21,901 | 13,154 |
| Interest payable and similar expenses | 8 | - | (2,138) |
| Profit before taxation | | <u>3,795,130</u> | <u>2,930,526</u> |
| Taxation | 9 | (784,919) | (588,194) |
| Profit for the financial year | | <u><u>3,010,211</u></u> | <u><u>2,342,332</u></u> |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

REALLY COMFY BEDS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2017

| | Notes | 2017 | | 2016 | |
|--|-------|-------------------|-------------------|-------------------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 11 | | 522,971 | | 119,274 |
| Tangible assets | 12 | | 1,275,236 | | 870,342 |
| | | | <u>1,798,207</u> | | <u>989,616</u> |
| Current assets | | | | | |
| Stocks | 14 | 3,420,888 | | 2,031,535 | |
| Debtors | 15 | 774,385 | | 658,596 | |
| Cash at bank and in hand | | 12,416,801 | | 10,669,395 | |
| | | <u>16,612,074</u> | | <u>13,359,526</u> | |
| Creditors: amounts falling due within one year | 16 | (8,119,156) | | (6,689,936) | |
| Net current assets | | | <u>8,492,918</u> | | <u>6,669,590</u> |
| Total assets less current liabilities | | | <u>10,291,125</u> | | <u>7,659,206</u> |
| Creditors: amounts falling due after more than one year | 17 | | (122,928) | | (43,813) |
| Provisions for liabilities | 18 | | (438,501) | | (295,908) |
| Net assets | | | <u>9,729,696</u> | | <u>7,319,485</u> |
| Capital and reserves | | | | | |
| Called up share capital | 22 | | 115 | | 115 |
| Share premium account | | | 1,724,265 | | 1,724,265 |
| Profit and loss reserves | | | 8,005,316 | | 5,595,105 |
| Total equity | | | <u>9,729,696</u> | | <u>7,319,485</u> |

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

 14/9/17

C Marshall
Director

Company Registration No. 06455834

REALLY COMFY BEDS LIMITED

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

| | Notes | Share capital £ | Share premium account £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|-------------------------------|-------------------------------------|------------|
| Balance at 1 April 2015 | | 115 | 1,724,265 | 3,502,773 | 5,227,153 |
| Year ended 31 March 2016: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 2,342,332 | 2,342,332 |
| Dividends | 10 | - | - | (250,000) | (250,000) |
| Balance at 31 March 2016 | | 115 | 1,724,265 | 5,595,105 | 7,319,485 |
| Year ended 31 March 2017: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 3,010,211 | 3,010,211 |
| Dividends | 10 | - | - | (600,000) | (600,000) |
| Balance at 31 March 2017 | | 115 | 1,724,265 | 8,005,316 | 9,729,696 |

REALLY COMFY BEDS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

| | Notes | 2017 | | 2016 | |
|--|-------|--------------------|---|-------------------|---|
| | | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 28 | 4,219,761 | | 5,116,215 | |
| Interest paid | | - | | (2,138) | |
| Income taxes paid | | (580,490) | | (632,830) | |
| Net cash inflow from operating activities | | 3,639,271 | | 4,481,247 | |
| Investing activities | | | | | |
| Purchase of intangible assets | | (557,852) | | (63,350) | |
| Purchase of tangible fixed assets | | (756,379) | | (738,455) | |
| Proceeds on disposal of tangible fixed assets | | 465 | | - | |
| Interest received | | 21,901 | | 13,154 | |
| Net cash used in investing activities | | (1,291,865) | | (788,651) | |
| Financing activities | | | | | |
| Dividends paid | | (600,000) | | (250,000) | |
| Net cash used in financing activities | | (600,000) | | (250,000) | |
| Net increase in cash and cash equivalents | | 1,747,406 | | 3,442,596 | |
| Cash and cash equivalents at beginning of year | | 10,669,395 | | 7,226,799 | |
| Cash and cash equivalents at end of year | | 12,416,801 | | 10,669,395 | |

REALLY COMFY BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

Really Comfy Beds Limited is a private company limited by shares incorporated in England and Wales. The registered office is 2nd Floor, Studio Building, Evesham Street, London, W11 4AJ.

1.1 Accounting convention

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

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

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

1.2 Going concern

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

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account discounts, refunds and returns.

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

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation 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:

| | |
|-------------|-----------------------|
| Software | 4 years straight line |
| Domain name | 5 years straight line |

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|--------------------------------|---|
| Leasehold improvements | Over the length of the lease, or until the first tenant break |
| Plant and machinery | 3 years straight line |
| Fixtures, fittings & equipment | 5 years straight line |

REALLY COMFY BEDS LIMITED

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

1 Accounting policies (Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed 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).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price. Cost comprises the cost of finished goods.

Cost is calculated using current replacement cost where this approximates historic cost on a first in first out basis.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 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 balance sheet 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.

Basic financial assets

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

REALLY COMFY BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

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.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

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.

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

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

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

Trade creditors 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

REALLY COMFY BEDS LIMITED

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

1 Accounting policies

(Continued)

Other financial liabilities

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

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

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.

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 profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The 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 profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset 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.

REALLY COMFY BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations offered by the company are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the company's obligation.

1.13 Employee benefits

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

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

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

1.14 Retirement benefits

During the year the company paid no pension contributions. The company does not operate a defined benefit or contribution scheme.

1.15 Leases

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.

1.16 Foreign exchange

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

REALLY COMFY BEDS LIMITED

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

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Warranty and sales returns provision

The warranty and sales returns provision has been estimated with reference to historical data in respect of the rates of return up to the period end.

3 Turnover and other revenue

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

| | 2017 | 2016 |
|----------------------------------|-------------------|-------------------|
| | £ | £ |
| Turnover | | |
| Sales of furniture | 33,935,218 | 26,495,863 |
| Insurance | 574,047 | 404,938 |
| | <u>34,509,265</u> | <u>26,900,801</u> |
| | | |
| Other significant revenue | | |
| Interest income | <u>21,901</u> | <u>13,154</u> |

4 Operating profit

| | 2017 | 2016 |
|---|------------------|------------------|
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange gains | (135,337) | (303,928) |
| Fees payable to the company's auditor for the audit of the company's financial statements | 25,543 | 18,000 |
| Depreciation of owned tangible fixed assets | 351,020 | 202,464 |
| Amortisation of intangible assets | 154,155 | 99,919 |
| Cost of stocks recognised as an expense | 16,294,972 | 12,310,678 |
| Operating lease charges | <u>1,520,689</u> | <u>1,011,441</u> |

REALLY COMFY BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

5 Employees

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

| | 2017 Number | 2016 Number |
|-----------|----------------|----------------|
| Office | 72 | 59 |
| Sales | 24 | 17 |
| Warehouse | 3 | 2 |
| | <u>99</u> | <u>78</u> |

Their aggregate remuneration comprised:

| | 2017 £ | 2016 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,861,818 | 2,456,726 |
| Social security costs | 232,555 | 203,755 |
| Pension costs | - | 55,000 |
| | <u>3,094,373</u> | <u>2,715,481</u> |

6 Directors' remuneration

| | 2017 £ | 2016 £ |
|--------------------------------------|----------------|----------------|
| Remuneration for qualifying services | <u>183,547</u> | <u>154,440</u> |

7 Interest receivable and similar income

| | 2017 £ | 2016 £ |
|---------------------------|---------------|---------------|
| Interest income | | |
| Interest on bank deposits | <u>21,901</u> | <u>13,154</u> |

Investment income includes the following:

| | | |
|--|---------------|---------------|
| Interest on financial assets not measured at fair value through profit or loss | <u>21,901</u> | <u>13,154</u> |
|--|---------------|---------------|

REALLY COMFY BEDS LIMITED

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

8 Interest payable and similar expenses

| | 2017 | 2016 |
|-----------------------------|----------|--------------|
| | £ | £ |
| Other finance costs: | | |
| Other interest | - | 2,138 |
| | <u>-</u> | <u>2,138</u> |

9 Taxation

| | 2017 | 2016 |
|--|----------------|----------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax on profits for the current period | 771,111 | 591,000 |
| | <u>771,111</u> | <u>591,000</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 13,808 | 1,877 |
| Adjustment in respect of prior periods | - | (4,683) |
| | <u>13,808</u> | <u>(2,806)</u> |
| Total deferred tax | 13,808 | (2,806) |
| | <u>13,808</u> | <u>(2,806)</u> |
| Total tax charge | 784,919 | 588,194 |
| | <u>784,919</u> | <u>588,194</u> |

The Finance Act 2016, substantively enacted on 6 September 2016 and enacted on 15 September 2016, included a decrease in corporation tax rates to 19% from 1 April 2017 and 17% from 1 April 2020.

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

| | 2017 | 2016 |
|--|------------------|------------------|
| | £ | £ |
| Profit before taxation | 3,795,130 | 2,930,526 |
| | <u>3,795,130</u> | <u>2,930,526</u> |
| Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%) | 759,026 | 586,105 |
| Tax effect of expenses that are not deductible in determining taxable profit | 4,881 | 2,547 |
| Gains not taxable | (74) | - |
| Adjustments in respect of prior years | - | (83) |
| Permanent capital allowances in excess of depreciation | (63,864) | - |
| Depreciation on assets not qualifying for tax allowances | 70,204 | 12,816 |
| Amortisation on assets not qualifying for tax allowances | 1,052 | - |
| Adjustments in respect of financial assets | 13,694 | - |
| Deferred tax adjustments in respect of prior years | - | (4,683) |
| Adjust deferred tax to average rate of 20% | - | (8,508) |
| | <u>784,919</u> | <u>588,194</u> |
| Taxation charge for the year | 784,919 | 588,194 |
| | <u>784,919</u> | <u>588,194</u> |

REALLY COMFY BEDS LIMITED

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

10 Dividends

| | 2017 £ | 2016 £ |
|--------------|-----------|-----------|
| Interim paid | 600,000 | 250,000 |

11 Intangible fixed assets

| | Software £ | Domain name £ | Total £ |
|------------------------------------|---------------|------------------|------------|
| Cost | | | |
| At 1 April 2016 | 340,305 | 26,304 | 366,609 |
| Additions - separately acquired | 557,852 | - | 557,852 |
| At 31 March 2017 | 898,157 | 26,304 | 924,461 |
| Amortisation and impairment | | | |
| At 1 April 2016 | 229,376 | 17,959 | 247,335 |
| Amortisation charged for the year | 148,894 | 5,261 | 154,155 |
| At 31 March 2017 | 378,270 | 23,220 | 401,490 |
| Carrying amount | | | |
| At 31 March 2017 | 519,887 | 3,084 | 522,971 |
| At 31 March 2016 | 110,929 | 8,345 | 119,274 |

REALLY COMFY BEDS LIMITED

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

12 Tangible fixed assets

| | Leasehold improvements | Plant and machinery | Fixtures, fittings & equipment | Total |
|------------------------------------|---------------------------|------------------------|--------------------------------------|-----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 April 2016 | 815,594 | 232,452 | 183,795 | 1,231,841 |
| Additions | 680,712 | 27,146 | 48,521 | 756,379 |
| Disposals | - | - | (2,341) | (2,341) |
| At 31 March 2017 | 1,496,306 | 259,598 | 229,975 | 1,985,879 |
| Depreciation and impairment | | | | |
| At 1 April 2016 | 166,812 | 140,251 | 54,436 | 361,499 |
| Depreciation charged in the year | 249,991 | 62,451 | 38,578 | 351,020 |
| Eliminated in respect of disposals | - | - | (1,876) | (1,876) |
| At 31 March 2017 | 416,803 | 202,702 | 91,138 | 710,643 |
| Carrying amount | | | | |
| At 31 March 2017 | 1,079,503 | 56,896 | 138,837 | 1,275,236 |
| At 31 March 2016 | 648,782 | 92,201 | 129,359 | 870,342 |

13 Financial instruments

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Carrying amount of financial assets | | |
| Debt instruments measured at amortised cost | 221,286 | 189,196 |
| Carrying amount of financial liabilities | | |
| Measured at amortised cost | 3,006,475 | 1,408,344 |

14 Stocks

| | 2017 £ | 2016 £ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 3,420,888 | 2,031,535 |

15 Debtors

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Amounts falling due within one year: | | |
| Other debtors | 221,286 | 189,196 |
| Prepayments and accrued income | 553,099 | 469,400 |
| | 774,385 | 658,596 |

REALLY COMFY BEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

16 Creditors: amounts falling due within one year

| | Notes | 2017 £ | 2016 £ |
|------------------------------------|-------|------------------|------------------|
| Trade creditors | | 2,294,995 | 1,408,344 |
| Corporation tax | | 528,898 | 341,083 |
| Other taxation and social security | | 271,036 | 625,686 |
| Deferred income | 20 | 4,435,675 | 3,626,565 |
| Other creditors | | 15,640 | - |
| Accruals | | 572,912 | 688,258 |
| | | <u>8,119,156</u> | <u>6,689,936</u> |

17 Creditors: amounts falling due after more than one year

| | 2017 £ | 2016 £ |
|------------------------------|----------------|---------------|
| Accruals and deferred income | <u>122,928</u> | <u>43,813</u> |

18 Provisions for liabilities

| | Notes | 2017 £ | 2016 £ |
|--|-------|----------------|----------------|
| Warranty provisions | | 330,395 | 216,791 |
| Contingent liability on forwards contracts | | 12,375 | - |
| | | <u>342,770</u> | <u>216,791</u> |
| Deferred tax liabilities | 19 | 95,731 | 79,117 |
| | | <u>438,501</u> | <u>295,908</u> |

Movements on provisions apart from retirement benefits and deferred tax liabilities:

| | Warranty provisions £ | Contingent liability on forwards contracts £ | Total £ |
|-----------------------------------|-----------------------------|--|----------------|
| At 1 April 2016 | 216,791 | - | 216,791 |
| Additional provisions in the year | 330,395 | 12,375 | 342,770 |
| Utilisation of provision | (216,791) | - | (216,791) |
| At 31 March 2017 | <u>330,395</u> | <u>12,375</u> | <u>342,770</u> |

REALLY COMFY BEDS LIMITED

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

19 Deferred taxation

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

| | Liabilities 2017 £ | Liabilities 2016 £ |
|--|-----------------------------------|-----------------------------------|
| Balances: | | |
| Timing differences in relation to fixed assets | 107,974 | 87,004 |
| Other short term timing differences | (12,243) | (7,887) |
| | <u>95,731</u> | <u>79,117</u> |
| | | 2017 £ |
| Movements in the year: | | |
| Liability at 1 April 2016 | | 79,117 |
| Charge to profit or loss | | 13,808 |
| Other | | 2,806 |
| Liability at 31 March 2017 | | <u>95,731</u> |

20 Deferred income

| | 2017 £ | 2016 £ |
|--------------------------------|-------------------|-------------------|
| Arising from customer deposits | <u>4,435,675</u> | <u>3,626,565</u> |

This represents monies received in advance of goods being delivered.

21 Retirement benefit schemes

| | 2017 £ | 2016 £ |
|---|-------------------|-------------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>-</u> | <u>55,000</u> |

The company does not operate a pension scheme. The pension payments in prior periods relate to a private pension scheme of an employee.

REALLY COMFY BEDS LIMITED

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

22 Share capital

| | 2017 | 2016 |
|--------------------------------|------------|------------|
| | £ | £ |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 51,000 A ordinary of 0.1p each | 51 | 51 |
| 27,571 B ordinary of 0.1p each | 28 | 28 |
| 35,715 C ordinary of 0.1p each | 36 | 36 |
| | <u>115</u> | <u>115</u> |

A, B and C shares rank pari passu in all respects but constitute separate classes of shares.

In any financial year and subject to the company having distributable profits and the Board having considered the cashflow requirements of the business, the Company is entitled to distribute annually, 20% of the net profit of the Company and such annual dividend shall be paid to the shareholders in the following order of priority:

1. First to the A shareholders up to the amount of £250,000; apportioned between shareholders A1 and A2 as resolved by the Company;
2. Second, to the holders of the A, B and C shares pro rata, as if they constituted one class of share.

23 Financial commitments, guarantees and contingent liabilities

Charges over assets

The company uses an international trade finance facility for payments to overseas suppliers. The use of this facility is secured by fixed and floating charges over all assets of the company.

24 Operating lease commitments

Lessee

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 | 451,662 | 330,170 |
| Between two and five years | 1,107,788 | 903,223 |
| In over five years | 600,000 | 566,555 |
| | <u>2,159,450</u> | <u>1,799,948</u> |

REALLY COMFY BEDS LIMITED

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

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

| | 2017 £ | 2016 £ |
|------------------------|----------------|----------------|
| Aggregate compensation | <u>368,589</u> | <u>452,590</u> |

26 Directors' transactions

Dividends totalling £371,585 (2016 - £110,000) were paid in the year in respect of shares held by the company's directors.

27 Controlling party

During the year the company was under the ultimate control of Mr and Mrs Marshall by virtue of their joint shareholding.

28 Cash generated from operations

| | 2017 £ | 2016 £ |
|--|-------------------------|-------------------------|
| Profit for the year after tax | 3,010,211 | 2,342,332 |
| Adjustments for: | | |
| Taxation charged | 784,919 | 588,194 |
| Finance costs | - | 2,138 |
| Investment income | (21,901) | (13,154) |
| Amortisation and impairment of intangible assets | 154,155 | 99,919 |
| Depreciation and impairment of tangible fixed assets | 351,020 | 202,464 |
| Movements in working capital: | | |
| (Increase) in stocks | (1,389,353) | (245,887) |
| (Increase) in debtors | (115,790) | (293,557) |
| Increase in creditors | 637,389 | 753,330 |
| Increase in deferred income | 809,111 | 1,680,436 |
| Cash generated from operations | <u><u>4,219,761</u></u> | <u><u>5,116,215</u></u> |