

REGISTERED NUMBER 02801219  
(ENGLAND & WALES)

**QFH LIMITED**  
**GROUP STRATEGIC REPORT,**  
**REPORT OF THE DIRECTORS AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**



3 Castlegate  
Grantham  
Lincolnshire  
NG31 6SF  
T 01476 591200  
E info@grantham.duntop.co.uk

**DUNCAN  
& TOPLIS**  
CHARTERED ACCOUNTANTS  
AND BUSINESS ADVISERS

Duncan & Toplis is the trading name of Duncan & Toplis Limited, registered in England and Wales, company number 04544710.  
Registered Office: 3 Castlegate, Grantham, Lincolnshire, NG31 6SF.  
Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.  
A list of the directors of Duncan & Toplis Limited is available on our website and at all offices.

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for the Year Ended 31 December 2015**

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**QFH LIMITED**

**COMPANY INFORMATION**  
**for the Year Ended 31 December 2015**

<b>DIRECTORS:</b>	V W Goldberg D N Bramwell
<b>SECRETARY.</b>	D N Bramwell
<b>REGISTERED OFFICE</b>	Alma Park Grantham Lincolnshire NG31 9SE
<b>REGISTERED NUMBER:</b>	02801219 (England and Wales)
<b>SENIOR STATUTORY AUDITOR</b>	Michael Argyle
<b>AUDITORS.</b>	Duncan & Tophis Limited 3 Castlegate Grantham Lincolnshire NG31 6SF
<b>BANKERS</b>	HSBC Bank plc 88 Westgate Grantham Lincolnshire NG31 6LF
<b>SOLICITORS</b>	Browne Jacobson 44 Castle Gate Nottingham NG1 7BJ

**QFH LIMITED**

**GROUP STRATEGIC REPORT  
for the Year Ended 31 December 2015**

The directors present their strategic report of the company and the group for the year ended 31 December 2015

The business is focussed on a limited number of large UK retailers who particularly value design excellence, the benefits of reliably short lead times and the ability to service a wide choice of options for their customers

Competition in the upholstered furniture sector remains intense, including a significant influence from imported products from Central and Eastern Europe. Whilst the economy has clearly improved over the past year, whether this is reflected in the market for big ticket home furnishings items is debateable. Accordingly, the group's growth plans, as in past years, are predicated on growth in its market share.

**REVIEW OF BUSINESS**

The results for the year and the group's financial position are shown in the attached financial statements

The results for 2015 have consolidated the improvements to profitability and cash flow made in 2014. These are anticipated to continue in 2016.

The KPIs of the business are sales, gross profit and cash flow and these are shown in the financial statements

**PRINCIPAL RISKS AND UNCERTAINTIES**

A significant percentage of the group's raw material purchases are denominated in Euros. The company's policy is to hedge 80% of this exposure.

**ON BEHALF OF THE BOARD**



D N Bramwell - Director

Date 19<sup>th</sup> August 2016

## **QFH LIMITED**

### **REPORT OF THE DIRECTORS for the Year Ended 31 December 2015**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2015

#### **PRINCIPAL ACTIVITY**

The company is a holding company for a group engaged in the design and manufacture of upholstered furniture

#### **DIVIDENDS**

Interim dividends per share on the Ordinary £1 shares were paid as follows

13 6p	- 31 January 2015
9 1p	- 10 April 2015
9 1p	- 8 July 2015
<u>13 6p</u>	- 8 October 2015
<u>45 4p</u>	

The directors recommend that no final dividend be paid on these shares

No interim dividend was paid on the Deferred £1 shares The directors recommend that no final dividend be paid on these shares

The total distribution of dividends for the year ended 31 December 2015 will be £250,000

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report

V W Goldberg  
D N Bramwell

#### **EMPLOYEES**

It is the group's policy to ensure that all vacancies are open to disabled persons where the physical requirements of the job permit In the event of an employee becoming disabled the group offers, if appropriate, retraining or suitable alternative employment

The group actively encourages employee involvement in the business, developing appropriate channels of communication Regular management and staff meetings ensure that there is a healthy flow and exchange of information and ideas about the business

#### **OTHER STAKEHOLDER CONSIDERATIONS**

Adherence to all relevant environmental and health & safety regulations is essential Fabrics are tested to UK fire retardancy standards and frames are tested to European standards Timber is supplied from sustainable sources and is traceable to forest Fabrics, foams and fibres are traceable by batch

Waste prevention projects have been implemented and all remaining waste is now recycled Significant expenditure has been made to further improve energy efficiency

## **QFH LIMITED**

### **REPORT OF THE DIRECTORS for the Year Ended 31 December 2015**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

#### **ON BEHALF OF THE BOARD**



D N Bramwell - Director

Date 19<sup>th</sup> August 2016

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF QFH LIMITED**

We have audited the financial statements of QFH Limited for the year ended 31 December 2015 on pages seven to thirty four. 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 Financial Reporting Standard 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 a Report of the Auditors 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 auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 group's and the parent 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 Group Strategic Report and the Report of the Directors 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 group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', 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 Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
QFH LIMITED**

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

*Duncan & Toplis Ltd.*

Michael Argyle BSc ACA (Senior Statutory Auditor)  
for and on behalf of Duncan & Toplis Limited  
3 Castlegate  
Grantham  
Lincolnshire  
NG31 6SF

Date *12 September 2016.*

**QFH LIMITED**

**CONSOLIDATED INCOME STATEMENT  
for the Year Ended 31 December 2015**

		2015		2014 as restated	
	Notes	£'000	£'000	£'000	£'000
<b>TURNOVER</b>			33,162		38,196
Cost of sales			<u>23,270</u>		<u>28,435</u>
<b>GROSS PROFIT</b>			9,892		9,761
Distribution costs		1,042		1,645	
Administrative expenses		<u>7,918</u>		<u>7,483</u>	
			<u>8,960</u>		<u>9,128</u>
<b>OPERATING PROFIT</b>	4		932		633
Interest payable and similar charges	5		<u>(79)</u>		<u>226</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			1,011		407
Tax on profit on ordinary activities	6		<u>171</u>		<u>2</u>
<b>PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP</b>			<u>840</u>		<u>405</u>
Profit attributable to Owners of the parent			<u>840</u>		<u>405</u>

The notes form part of these financial statements

**QFH LIMITED**

**CONSOLIDATED OTHER COMPREHENSIVE INCOME  
for the Year Ended 31 December 2015**


		2015	2014 as restated
	Notes	£'000	£'000
PROFIT FOR THE YEAR		840	405
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>840</u>	<u>405</u>

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 December 2015**

		2015		2014 as restated	
	Notes	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	10		3,066		3,122
Investments	11		-		-
Investment property	12		-		-
			3,066		3,122
<b>CURRENT ASSETS</b>					
Stocks	13	2,011		2,245	
Debtors	14	4,620		5,102	
Cash at bank		67		394	
		6,698		7,741	
<b>CREDITORS</b>					
Amounts falling due within one year	15	6,261		7,907	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			437		(166)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			3,503		2,956
<b>CREDITORS</b>					
Amounts falling due after more than one year	16		(837)		(968)
<b>PROVISIONS FOR LIABILITIES</b>	21		(164)		(76)
<b>NET ASSETS</b>			2,502		1,912
<b>CAPITAL AND RESERVES</b>					
Called up share capital	22		1,023		1,023
Revaluation reserve	23		455		455
Capital redemption reserve	23		227		227
Retained earnings			797		207
<b>SHAREHOLDERS' FUNDS</b>			2,502		1,912

The financial statements were approved by the Board of Directors on 19<sup>th</sup> August 2016 and were signed on its behalf by



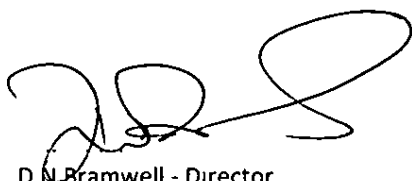
D N Bramwell - Director

The notes form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION  
31 December 2015

		2015	2014
	Notes	£'000	as restated £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	255	245
Investments	11	950	950
Investment property	12	<u>2,000</u>	<u>2,000</u>
		3,205	3,195
<b>CREDITORS</b>			
Amounts falling due within one year	15	<u>503</u>	<u>336</u>
<b>NET CURRENT LIABILITIES</b>		<u>(503)</u>	<u>(336)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,702	2,859
<b>CREDITORS</b>			
Amounts falling due after more than one year	16	(769)	(826)
<b>PROVISIONS FOR LIABILITIES</b>	21	<u>(86)</u>	<u>(76)</u>
<b>NET ASSETS</b>		<u>1,847</u>	<u>1,957</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	1,023	1,023
Capital redemption reserve	23	227	227
Investment property valuation reserve	23	455	455
Retained earnings		<u>142</u>	<u>252</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>1,847</u>	<u>1,957</u>

The financial statements were approved by the Board of Directors on 19<sup>th</sup> August 2016 and were signed on its behalf by



D N Bramwell - Director

**QFH LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the Year Ended 31 December 2015

	Called up share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Total equity £'000
<b>Balance at 1 January 2014</b>	1,023	64	455	227	1,769
Prior year adjustment	-	(87)	-	-	(87)
<b>As restated</b>	<u>1,023</u>	<u>(23)</u>	<u>455</u>	<u>227</u>	<u>1,682</u>
<b>Changes in equity</b>					
Dividends	-	(175)	-	-	(175)
Total comprehensive income	-	405	-	-	405
<b>Balance at 31 December 2014</b>	<u>1,023</u>	<u>207</u>	<u>455</u>	<u>227</u>	<u>1,912</u>
<b>Changes in equity</b>					
Dividends	-	(250)	-	-	(250)
Total comprehensive income	-	840	-	-	840
<b>Balance at 31 December 2015</b>	<u>1,023</u>	<u>797</u>	<u>455</u>	<u>227</u>	<u>2,502</u>

The notes form part of these financial statements

**QFH LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
for the Year Ended 31 December 2015**

	Called up share capital £'000	Retained earnings £'000	Capital redemption reserve £'000	Investment property valuation reserve £'000	Total equity £'000
<b>Balance at 1 January 2014</b>	1,023	387	227	455	2,092
Prior year adjustment	-	16	-	-	16
<b>As restated</b>	<u>1,023</u>	<u>403</u>	<u>227</u>	<u>455</u>	<u>2,108</u>
<b>Changes in equity</b>					
Dividends	-	(175)	-	-	(175)
Total comprehensive income	-	24	-	-	24
<b>Balance at 31 December 2014</b>	<u>1,023</u>	<u>252</u>	<u>227</u>	<u>455</u>	<u>1,957</u>
<b>Changes in equity</b>					
Dividends	-	(250)	-	-	(250)
Total comprehensive income	-	140	-	-	140
<b>Balance at 31 December 2015</b>	<u>1,023</u>	<u>142</u>	<u>227</u>	<u>455</u>	<u>1,847</u>

The notes form part of these financial statements

**QFH LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
for the Year Ended 31 December 2015**

		2015	2014
		£'000	as restated £'000
<b>Cash flows from operating activities</b>	Notes		
Cash generated from operations	1	1,846	1,436
Interest paid		(117)	(148)
Finance costs paid		196	(78)
Tax paid		<u>(187)</u>	<u>-</u>
Net cash from operating activities		<u>1,738</u>	<u>1,210</u>
 <b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		<u>(315)</u>	<u>(221)</u>
Net cash from investing activities		<u>(315)</u>	<u>(221)</u>
 <b>Cash flows from financing activities</b>			
Movement of invoice financing facility		(1,346)	(257)
Loan repayments in year		(61)	(61)
HP financing during the year		(93)	(152)
Equity dividends paid		<u>(250)</u>	<u>(175)</u>
Net cash from financing activities		<u>(1,750)</u>	<u>(645)</u>
 <b>(Decrease)/increase in cash and cash equivalents</b>		 <u>(327)</u>	 <u>344</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>394</u>	<u>50</u>
 <b>Cash and cash equivalents at end of year</b>	2	 <u><u>67</u></u>	 <u><u>394</u></u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the Year Ended 31 December 2015**

**1 RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2015	2014 as restated
	£'000	£'000
Profit before taxation	1,011	407
Depreciation charges	370	363
Finance costs	(79)	226
	<u>1,302</u>	<u>996</u>
Decrease in stocks	234	374
Decrease in trade and other debtors	482	188
Decrease in trade and other creditors	(172)	(122)
	<u>1,846</u>	<u>1,436</u>
<b>Cash generated from operations</b>	<b><u>1,846</u></b>	<b><u>1,436</u></b>

**2 CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Consolidated Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts

**Year ended 31 December 2015**

	31/12/15	1/1/15
	£'000	£'000
Cash and cash equivalents	<u>67</u>	<u>394</u>

**Year ended 31 December 2014**

	31/12/14 as restated	1/1/14
	£'000	£'000
Cash and cash equivalents	<u>394</u>	<u>50</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2015**

**1 GENERAL INFORMATION**

QFH Limited is a limited company incorporated in England and Wales. The address of the registered office is given in the company information on page one of these financial statements. The nature of the group and company's operations and principal activities are detailed in the report of the directors on page three.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The group and the individual financial statements of QFH Limited have been prepared in compliance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Ireland' (FRS 102) in the current year and an explanation of how transition to FRS 102 has affected the reported financial position and performance is given in the notes to the financial statements.

**2 ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

**Basis of consolidation**

The group financial statements consolidate the financial statements of QFH Limited and all its subsidiary undertakings for the year ended 31 December 2015. The consolidated financial statements are based on financial statements of subsidiary undertakings which are coterminous with those of the parent company.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

In accordance with section 408 (2) of the Companies Act 2006, QFH Limited is exempt from the requirement to present its own income statement. The amount of the profit for the financial year for the company as an individual entity is disclosed in the notes to these financial statements.

**Related party exemption**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

**Revenue**

Turnover represents the amounts derived from the provision of goods to third party customers during the year, excluding value added tax. All turnover arose within the United Kingdom. Turnover is recognised on the despatch of goods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**2 ACCOUNTING POLICIES - continued**

**Fixed assets and depreciation**

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	- 2% per annum
Plant and machinery	- 10% - 15% per annum
Fixtures, fittings and equipment	- 15% - 25% per annum
Motor vehicles	- 25% per annum
Computer equipment	- 25% - 33% per annum

Freehold property owned by the parent company and leased to the subsidiary company is accounted for in accordance with Sections 16 and 17 of FRS102

In the parents' own financial statements it is shown as investment property measured at fair value at each reporting date, with changes in fair value recognised in the income statement and revaluation reserve. No depreciation is provided in respect of investment properties

This treatment is not in accordance with the Companies Act but the Directors consider that this accounting policy results in the accounts showing a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified

In the consolidated financial statements it is shown as freehold property measured at fair value at each reporting date, with changes in fair value recognised in other comprehensive income and the revaluation reserve. Depreciation is charged at 2% per annum straight line on the buildings element

**Stocks**

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the group, cost is taken as production cost

**Taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised 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 period end reporting date

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the period end reporting date. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. All exchange differences are taken to the income statement

**Hire purchase and leasing commitments**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**2 ACCOUNTING POLICIES - continued**

**Pension costs and other post-retirement benefits**

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

**Financial instruments**

The group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, 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.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 the income statement.

Basic financial liabilities, including trade and other 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 receipts discounted at a market rate of interest.

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. Accounts 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.

**Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value through the income statement.

The group uses derivatives to mitigate the group's exposure to foreign exchange risks. The fair value is determined by HSBC Bank plc.

**Dividends on shares presented within shareholders' funds**

Dividends unpaid at the year end reporting date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the Year Ended 31 December 2015

**2 ACCOUNTING POLICIES - continued**

**Investments**

Investments are stated at cost, less any amounts written off following an impairment review. Dividends received and receivable are credited to the company's income statement to the extent that they represent a realised profit for the company.

**Critical accounting judgements and estimation uncertainty**

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

**Stock provision**

The subsidiary company manufactures and sells furniture and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of stocks and the associated provisioning required. Stocks are stated after provisions for impairment of £1,410,795 (2014 - £986,634). When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

**Valuation of investment properties**

As described in note 12, the investment property is stated at fair value based on the valuation performed by Chesterton Humberts. The valuer used observable market prices adjusted as necessary for any differences in the future, location or condition of the specific asset.

**3 STAFF COSTS**

	2015	2014 as restated
	£'000	£'000
Wages and salaries	6,582	6,276
Social security costs	531	529
Other pension costs	<u>83</u>	<u>57</u>
	<u>7,196</u>	<u>6,862</u>

The average monthly number of employees during the year was as follows

	2015	2014 as restated
Production	204	201
Administration	102	92
Distribution	<u>22</u>	<u>22</u>
	<u>328</u>	<u>315</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**4 OPERATING PROFIT**

The operating profit is stated after charging

	2015	2014 as restated
	£'000	£'000
Depreciation - owned assets	371	363
Hire of plant and machinery	78	58
Auditors' remuneration (Company 2015 £1,000 Company 2014 £1,000)	<u>16</u>	<u>15</u>

	2015	2014 as restated
	£	£
Directors' remuneration	56,775	154,510
Directors' pension contributions to money purchase schemes	<u>183</u>	<u>-</u>

The number of directors to whom retirement benefits were accruing was as follows

	2015	2014
Money purchase schemes	<u>2</u>	<u>2</u>

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	2015	2014 as restated
	£'000	£'000
Bank interest	95	125
Bank loan interest	22	23
Exchange differences on financial instruments	<u>(196)</u>	<u>78</u>
	<u>(79)</u>	<u>226</u>

**6 TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows

	2015	2014 as restated
	£'000	£'000
Current tax		
UK corporation tax	83	-
Deferred tax	<u>88</u>	<u>2</u>
Tax on profit on ordinary activities	<u>171</u>	<u>2</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**6 TAXATION - continued**

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2015	2014 as restated
	£'000	£'000
Profit on ordinary activities before tax	<u>1,011</u>	<u>407</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014 - 20%)	202	81
Effects of		
Capital allowances in excess of depreciation	(3)	(2)
Utilisation of tax losses in the period	-	(77)
Expenses not deductible for tax purposes	5	-
FRS102 adoption	<u>(33)</u>	<u>-</u>
Total tax charge	<u>171</u>	<u>2</u>

The subsidiary company The Quality Furniture Company Limited has taxable trading losses of £nil (2014 £521,000) available for carry forward against future trading profits

**7 PROFIT OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial year was £140,000 (2014 £24,000)

**8 DIVIDENDS**

	2015	2014 as restated
	£'000	£'000
Ordinary shares of £1 each		
Interim	<u>250</u>	<u>175</u>

**9 PRIOR YEAR ADJUSTMENT**

The prior year adjustments all relate to the change in accounting policy resulting from the adoption of FRS 102. Further details can be found in the transitional information on pages 31 to 34 of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**10 TANGIBLE FIXED ASSETS**

**Group**

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000
<b>COST</b>			
At 1 January 2015	2,000	1,829	418
Additions	<u>-</u>	<u>97</u>	<u>74</u>
At 31 December 2015	<u>2,000</u>	<u>1,926</u>	<u>492</u>
<b>DEPRECIATION</b>			
At 1 January 2015	33	1,058	173
Charge for year	<u>16</u>	<u>178</u>	<u>64</u>
At 31 December 2015	<u>49</u>	<u>1,236</u>	<u>237</u>
<b>NET BOOK VALUE</b>			
At 31 December 2015	<u>1,951</u>	<u>690</u>	<u>255</u>
At 31 December 2014	<u>1,967</u>	<u>771</u>	<u>245</u>
	Motor vehicles £'000	Computer equipment £'000	Totals £'000
<b>COST</b>			
At 1 January 2015	25	946	5,218
Additions	<u>-</u>	<u>144</u>	<u>315</u>
At 31 December 2015	<u>25</u>	<u>1,090</u>	<u>5,533</u>
<b>DEPRECIATION</b>			
At 1 January 2015	25	807	2,096
Charge for year	<u>-</u>	<u>113</u>	<u>371</u>
At 31 December 2015	<u>25</u>	<u>920</u>	<u>2,467</u>
<b>NET BOOK VALUE</b>			
At 31 December 2015	<u>-</u>	<u>170</u>	<u>3,066</u>
At 31 December 2014	<u>-</u>	<u>139</u>	<u>3,122</u>

Included in cost of land and buildings is freehold land of £1,519,000 (2014 - £1,519,000) which is not depreciated

The net book value of tangible fixed assets includes £252,000 (2014 £336,000) in respect of assets held under hire purchase contracts

**QFH LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
for the Year Ended 31 December 2015

**10 TANGIBLE FIXED ASSETS - continued**

**Company**

	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
<b>COST</b>				
At 1 January 2015	236	418	99	753
Additions	<u>-</u>	<u>74</u>	<u>-</u>	<u>74</u>
At 31 December 2015	<u>236</u>	<u>492</u>	<u>99</u>	<u>827</u>
<b>DEPRECIATION</b>				
At 1 January 2015	236	173	99	508
Charge for year	<u>-</u>	<u>64</u>	<u>-</u>	<u>64</u>
At 31 December 2015	<u>236</u>	<u>237</u>	<u>99</u>	<u>572</u>
<b>NET BOOK VALUE</b>				
At 31 December 2015	<u>-</u>	<u>255</u>	<u>-</u>	<u>255</u>
At 31 December 2014	<u>-</u>	<u>245</u>	<u>-</u>	<u>245</u>

**11 FIXED ASSET INVESTMENTS**

**Company**

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2015 and 31 December 2015	<u>950</u>
<b>NET BOOK VALUE</b>	
At 31 December 2015	<u>950</u>
At 31 December 2014	<u>950</u>

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following

**Subsidiary**

**The Quality Furniture Company Limited**

Nature of business Design, manufacture and distribution of furniture

Class of shares	% holding
£1 ordinary shares	100.00

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**12 INVESTMENT PROPERTY**  
**Company**

	Total £'000
<b>FAIR VALUE</b>	
At 1 January 2015	
and 31 December 2015	<u>2,000</u>
<b>NET BOOK VALUE</b>	
At 31 December 2015	<u>2,000</u>
At 31 December 2014	<u>2,000</u>
Cost or valuation at 31 December 2015 is represented by	
	£'000
Valuation in 2015	190
Cost	<u>1,810</u>
	<u>2,000</u>

Investment property was subject to valuation by Chesterton Humberts, professionally qualified independent valuers, at 31 July 2013 on an open market basis. The methods and significant assumptions used to ascertain the fair value of £2,000,000 (2014 - £2,000,000) are as follows:

In accordance with RICS valuation standards, the valuation was prepared having regard to market based evidence for similar properties sold in the local area with the benefit of vacant possession. The directors, who are not professionally qualified valuers, are satisfied that the valuation at 31 December 2015 is not materially different.

**13 STOCKS**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
		<b>as restated</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials	1,455	1,426
Work-in-progress	477	677
Finished goods	<u>79</u>	<u>142</u>
	<u>2,011</u>	<u>2,245</u>

The directors do not consider the estimated replacement cost of stocks to be materially different to their carrying value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**14 DEBTORS**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
		<b>as restated</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year		
Trade debtors	3,877	4,433
Derivative financial instruments	49	-
Corporation tax recoverable	-	1
Prepayments and accrued income	<u>685</u>	<u>668</u>
	<u><b>4,611</b></u>	<u><b>5,102</b></u>
Amounts falling due after more than one year		
Derivative financial instrument	<u>9</u>	<u>-</u>
	<u><b>9</b></u>	<u><b>-</b></u>
Aggregate amounts	<u><b>4,620</b></u>	<u><b>5,102</b></u>

Trade debtors are subject to invoice financing. Where applicable, funds advanced for invoice financing are recorded as payments received on account within creditors.

**15 CREDITORS, AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
		<b>as restated</b>		<b>as restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts (see note 17)	57	61	57	61
Hire purchase contracts (see note 18)	117	136	-	-
Payments on account	500	1,846	-	-
Trade creditors	3,186	3,428	-	-
Amounts owed to group undertakings	-	-	413	274
Corporation tax	85	-	26	1
Other taxes and social security	753	792	-	-
Derivative financial instrument	27	165	-	-
Accruals and deferred income	<u>1,536</u>	<u>1,479</u>	<u>7</u>	<u>-</u>
	<u><b>6,261</b></u>	<u><b>7,907</b></u>	<u><b>503</b></u>	<u><b>336</b></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2015	2014 as restated	2015	2014 as restated
	£'000	£'000	£'000	£'000
Bank loans (see note 17)	769	826	769	826
Hire purchase contracts (see note 18)	<u>68</u>	<u>142</u>	<u>-</u>	<u>-</u>
	<u>837</u>	<u>968</u>	<u>769</u>	<u>826</u>

The bank loan is secured by a fixed charge on the land and buildings and a second charge over receivables and other assets. The bank loan bears interest at 2% over the bank's base rate and is repayable over 20 years. Payments commenced in 2007.

**17 LOANS**

An analysis of the maturity of loans is given below

	<b>Group</b>		<b>Company</b>	
	2015	2014 as restated	2015	2014 as restated
	£'000	£'000	£'000	£'000
Amounts falling due within one year or on demand				
Bank loans	<u>57</u>	<u>61</u>	<u>57</u>	<u>61</u>
Amounts falling due between two and five years				
Bank loans - 2-5 years	<u>244</u>	<u>262</u>	<u>244</u>	<u>262</u>
Amounts falling due in more than five years				
Repayable by instalments				
Bank loans more 5 yr by instal	<u>525</u>	<u>564</u>	<u>525</u>	<u>564</u>

**18 LEASING AGREEMENTS**

**Group**

Minimum lease payments fall due as follows

	<b>Hire purchase contracts</b>	
	2015	2014 as restated
	£'000	£'000
Net obligations repayable		
Within one year	117	136
Between one and five years	<u>68</u>	<u>142</u>
	<u>185</u>	<u>278</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**18 LEASING AGREEMENTS - continued**

The hire purchase contracts relate to various equipment for the furniture manufacturing industry. The remaining lease terms range from one to three years. At the end of the lease, title of the assets passes to the company for a nominal fee.

**Non-cancellable operating leases**

	2015	2014 as restated
	£'000	£'000
Within one year	198	51
Between one and five years	<u>147</u>	<u>105</u>
	<u>344</u>	<u>156</u>

**19 SECURED DEBTS**

The following secured debts are included within creditors

	Group		Company	
	2015	2014 as restated	2015	2014 as restated
	£'000	£'000	£'000	£'000
Bank loans	826	887	826	887
Payments received on account	500	1,846	-	-
Hire-purchase contracts	<u>185</u>	<u>278</u>	<u>-</u>	<u>-</u>
	<u>1,511</u>	<u>3,011</u>	<u>826</u>	<u>887</u>

Banks loans are secured by way of a fixed and floating charge over the group's assets

Hire purchase creditors are secured on the asset to which they relate

Payments received on account are secured by a fixed charge on the company's assets

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**20 FINANCIAL INSTRUMENTS**

The group has the following financial instruments:

	2015 £'000	2014 £'000
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Trade debtors	3,877	4,433
<b>Financial assets at fair value through profit or loss</b>		
Derivative financial statements	58	-
<b>Financial liabilities at fair value through profit or loss</b>		
Derivative financial instruments	27	165
<b>Financial liabilities measured at amortised cost</b>		
Bank loans and overdraft	826	887
Hire purchase contracts	185	278
Payments received on account	500	1,846
Trade creditors	3,186	3,428

The income, expenses, net gains and net losses attributable to the company's financial instruments are summarised as follows

	2015 £'000	2014 £'000
Income and expense		
Financial liabilities at fair value through profit or loss	196	(78)

The total interest income and interest expense for financial assets and financial liabilities that are not measured at fair value through profit or loss was £nil (2014 - £nil) and £117,000 (2014 - £148,000) respectively

**Derivative financial instruments**

The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 December 2015, the outstanding contracts all mature within 14 months (2014 - 10 months) of the year end. The company is committed to purchase €6,400,000 for a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP/EUR.

**Invoice financing**

Trade debtors are subject to invoice financing. Although the debts have been sold to a third party, the risks and rewards of ownership remain with the group as the group continues to bear the bad debt risk. The carrying amounts of trade debtors and the associated liability, payments received on account, are as shown above.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**21 PROVISIONS FOR LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	2015	2014	2015	2014
	£'000	as restated £'000	£'000	as restated £'000
Deferred tax				
Accelerated capital allowances	<u>164</u>	<u>76</u>	<u>86</u>	<u>76</u>

**Group**

	Deferred tax £'000
Balance at 1 January 2015	76
Amount charged/(credited) to the profit and loss account	88
	<u>164</u>
Balance at 31 December 2015	

**Company**

	Deferred tax £'000
Balance at 1 January 2015	76
Amount charged/(credited) to the profit and loss account	10
	<u>86</u>
Balance at 31 December 2015	

**22 CALLED UP SHARE CAPITAL**

	2015	2014 as restated
	£'000	£'000
Allotted, called up and fully paid		
Equity Ordinary shares of £1 each	738	738
Non Equity Deferred shares of £1 each	285	285
	<u>1,023</u>	<u>1,023</u>

The deferred shareholders are not entitled to participate in any distribution of the profits or assets of the company and have no votes. In the event of liquidation of the company, the holders of deferred shares shall only be entitled to participate in the assets of the company after the holders of the ordinary shares have received on a return of the assets the sum of £1,000,000 in respect of each share held by them whereupon they shall be entitled to be repaid at par.

The company has the power and authority at any time to purchase (in accordance with the provisions of the Companies Act 2006) all or any of the deferred shares at their current market value as agreed between the company and the holder of any deferred shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**23 RESERVES**

**Group**

	Retained earnings £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Totals £'000
At 1 January 2015	207	455	227	889
Profit for the year	840			840
Dividends	(250)			(250)
At 31 December 2015	<u>797</u>	<u>455</u>	<u>227</u>	<u>1,479</u>

**Company**

	Retained earnings £'000	Capital redemption reserve £'000	Investment property valuation reserve £'000	Totals £'000
At 1 January 2015	252	227	455	934
Profit for the year	140			140
Dividends	(250)			(250)
At 31 December 2015	<u>142</u>	<u>227</u>	<u>455</u>	<u>824</u>

There is no liability for deferred taxation on revaluation gains because the potential gain is lower than the tax base cost of the freehold property. The aggregate surplus on re-measurement of freehold property, net of any associated deferred tax, is transferred to a separate non-distributable revaluation reserve.

**24 PENSION COMMITMENTS**

The group operates a defined contribution pension scheme. The charge for the year represents contributions payable by the company to the fund and amounted to £83,000 (2014: £57,000). There were no outstanding or prepaid contributions at either the beginning or end of the year.

**25 RELATED PARTY DISCLOSURES**

During the year, total dividends of £250,000 (2014: £175,000) were paid to the directors.

**Key management personnel**

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below.

	2015 £	2014 £
Salaries and other short-term benefits	223,425	320,851
Post employment benefits	<u>10,815</u>	<u>10,607</u>
	<u>234,240</u>	<u>331,458</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2015**

**26 POST BALANCE SHEET EVENTS**

Dividends of £0.10 per share (totalling £75,000) and £1.22 per share (total £900,000) were paid in January and March 2016 respectively. These financial statements do not reflect these dividends paid, which will be accounted for in shareholder's equity as an appropriation of retained earnings in the year ended 31 December 2016.

**27 ULTIMATE CONTROLLING PARTY**

The company is controlled by VW Goldberg the majority shareholder.

**28 FIRST YEAR ADOPTION**

**Transitional relief**

On transition to FRS 102, the group has taken advantage of the following transitional relief:

- to measure investment in subsidiaries at cost determined in accordance with Section 9 Consolidated and Separate Financial Statements

**QFH LIMITED**

**RECONCILIATION OF EQUITY**

**1 January 2014**

**(DATE OF TRANSITION TO FRS 102)**

	Notes	UK GAAP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
<b>FIXED ASSETS</b>				
Tangible assets		<u>3,266</u>	<u>-</u>	<u>3,266</u>
<b>CURRENT ASSETS</b>				
Stocks		2,619	-	2,619
Debtors		4,848	-	4,848
Prepayments and accrued income		442	-	442
Cash at bank		<u>50</u>	<u>-</u>	<u>50</u>
		<u>7,959</u>	<u>-</u>	<u>7,959</u>
<b>CREDITORS</b>				
Amounts falling due within one year	(i)	<u>(8,203)</u>	<u>(87)</u>	<u>(8,290)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(244)</u>	<u>(87)</u>	<u>(331)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,022	(87)	2,935
<b>CREDITORS</b>				
Amounts falling due after more than one year		(1,179)	-	(1,179)
<b>PROVISIONS FOR LIABILITIES</b>		<u>(74)</u>	<u>-</u>	<u>(74)</u>
<b>NET ASSETS</b>		<u>1,769</u>	<u>(87)</u>	<u>1,682</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		1,023	-	1,023
Revaluation reserve		455	-	455
Capital redemption reserve		227	-	227
Retained earnings		<u>64</u>	<u>(87)</u>	<u>(23)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>1,769</u>	<u>(87)</u>	<u>1,682</u>

The notes form part of these financial statements

**QFH LIMITED**

**RECONCILIATION OF EQUITY - continued**  
**31 December 2014**

	Notes	UK GAAP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
<b>FIXED ASSETS</b>				
Tangible assets		<u>3,122</u>	<u>-</u>	<u>3,122</u>
<b>CURRENT ASSETS</b>				
Stocks		2,245	-	2,245
Debtors		5,102	-	5,102
Cash at bank		<u>394</u>	<u>-</u>	<u>394</u>
		<u>7,741</u>	<u>-</u>	<u>7,741</u>
<b>CREDITORS</b>				
Amounts falling due within one year	(i)	<u>(7,742)</u>	<u>(165)</u>	<u>(7,907)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1)</u>	<u>(165)</u>	<u>(166)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,121	(165)	2,956
<b>CREDITORS</b>				
Amounts falling due after more than one year		(968)	-	(968)
<b>PROVISIONS FOR LIABILITIES</b>		<u>(76)</u>	<u>-</u>	<u>(76)</u>
<b>NET ASSETS</b>		<u>2,077</u>	<u>(165)</u>	<u>1,912</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		1,023	-	1,023
Revaluation reserve		455	-	455
Capital redemption reserve		227	-	227
Retained earnings		<u>372</u>	<u>(165)</u>	<u>207</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>2,077</u>	<u>(165)</u>	<u>1,912</u>

The notes form part of these financial statements

**RECONCILIATION OF EQUITY - continued**  
**31 December 2014**

**Notes to the reconciliation of equity**

This is the first year that the group has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

**(i) Derivative financial instruments**

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the group did not recognise these instruments in the financial statements. Accordingly at transition a liability of £87,000 was recognised and a loss of £78,000 was recognised in the income statement for the year ended 31 December 2014. A liability of £165,000 was recognised at that date.

**(ii) Investment properties**

Under previous UK GAAP, properties that were leased to a subsidiary company were accounted for as freehold property. Under FRS 102, the freehold property is treated as an investment property in the company accounts of QFH Limited resulting in depreciation of £33,000 being derecognised of which £17,000 was charged in the income statement of the prior year financial statements. In the group accounts, there has been no change to the accounting policy and therefore no change to the presentation of the property.

**Statement of cash flows**

The group's statement of cash flows reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the statement of cash flows reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.

**QFH LIMITED**

**RECONCILIATION OF PROFIT**  
for the Year Ended 31 December 2014

	Notes	UK GAAP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
<b>TURNOVER</b>		38,196	-	38,196
Cost of sales		<u>(28,435)</u>	<u>-</u>	<u>(28,435)</u>
<b>GROSS PROFIT</b>		9,761	-	9,761
Distribution costs		(1,645)	-	(1,645)
Administrative expenses		<u>(7,483)</u>	<u>-</u>	<u>(7,483)</u>
<b>OPERATING PROFIT</b>		633	-	633
Interest payable and similar charges	(1)	<u>(148)</u>	<u>(78)</u>	<u>(226)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		485	(78)	407
Tax on profit on ordinary activities		<u>(2)</u>	<u>-</u>	<u>(2)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>483</u>	<u>(78)</u>	<u>405</u>
Profit attributable to Owners of the parent		<u>483</u>	<u>(78)</u>	<u>405</u>

The notes form part of these financial statements