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# Collins and Hayes Furniture Limited

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Annual Report &  
Financial Statements  
30 June 2020

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Registered number 10879511

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# **Collins and Hayes Furniture Limited**

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# Collins and Hayes Furniture Limited

## Strategic report for the year ended 30 June 2020

The directors submit their strategic report on the company for the year ended 30 June 2020.

### Principal activity

The principal activity of the company is the design and sale of upholstered furniture.

### Review of business and future developments

Gross invoiced sales reduced from £1,783k in the previous year to £1,643k in the current year. The majority of sales remain in the UK. The sales reduction is largely due to the economic impact of COVID-19 on the company's fourth quarter.

Gross margin reduced from £506k in the previous year to £436k in the current year.

Administrative expenses reduced from £1,059k in the previous year to £939k in the current year. A small reduction was also seen in distribution costs. The resulting Operating loss before tax reduced from a £597k loss in the previous year to a £544k loss in the current year.

The company has introduced a range of well-established and appropriate key performance indicators (KPIs) as used by the other companies in the Sofa Brands International Group, to monitor the progress of the business from both a quantitative and qualitative perspective. The key KPIs for the business are gross sales, gross margin, overheads and pre-tax profit and these are referred to above.

The company's cash reserves together with the working capital facilities made available through its parent company are more than adequate to meet the requirements of the business during the year ahead.

### Principal risks and uncertainties

The directors consider the principal risks and uncertainties for the business relate primarily to the performance of the UK economy.

The full business and trading implications of Brexit continue to remain uncertain. Risks arising from the Brexit outcome continue to be a key focus area for management in the next financial year. Currency fluctuation, trading arrangements, consumer impact and employment issues that become apparent over time will be monitored by management and mitigation put in place where possible.

In 2020, the global economy has been deeply hit by COVID-19. The closure of customers' retail stores and disruptions to the supply chain have significantly impacted business. To mitigate the financial impact, the Company has, wherever appropriate, accessed the UK governments financial support measures. The Company has responded promptly to changes in government advice and action has been taken to ensure we meet all appropriate rules and guidance to safeguard our employees.

The directors will continually monitor the principal and other risks and uncertainties for the business.

### Section 172 Statement

This statement by the Board of Directors describes how they have approached their responsibilities under S172(1) (a) to (f) of the Companies Act 2006 in the financial period ending 30 June 2020.

The directors promote the success of the company for the benefit of the shareholders whilst taking into account, amongst other matters, the items headed up below.

#### *Consequences of any decision in the long term*

The Board of Directors monitor and review strategic objectives, against long term growth plans. Regular reviews are held across key business areas including; financial performance, risks and opportunities, health & safety, human resources and operations. The company's performance and progress are reviewed regularly at board meetings.

#### *Interests of the company's employees*

Employees are the company's main asset. We aim to be a responsible employer in our approach to the pay and the benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.

# Collins and Hayes Furniture Limited

## Strategic report for the year ended 30 June 2020 *(continued)*

### Section 172 Statement *(continued)*

#### *Customers*

The company places a high value on its customer relationships. Forming strong relationships with our customers has enabled the business to grow where it is today. We maintain frequent communication with our customers to understand their needs and collaborate with them to design and deliver products that satisfy the consumer.

#### *Suppliers*

We rely on our suppliers to provide materials and services that meet both our and our customers' high-quality standards. We balance the benefits of maintaining strong partnerships with key suppliers alongside the need to obtain value for money for our investors without compromising on quality and service.

#### *Investors*

The input of and continued access to capital and debt funding has been essential in facilitating the company's growth to date. The investors rely on us to protect their investment and deliver sustainable, profitable growth.

All strategic decisions and the implications of them are discussed with the shareholders at the monthly board meetings and regular meetings are held with the bank in order to keep them apprised of our trading performance.

#### *Communities and the environment*

We have a number of initiatives aimed at reducing the adverse impact of our business on the environment and the communities in which we operate.

#### *Maintaining a reputation for high standards of business conduct*

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours.

This report was approved by the board on 30 June 2021 and signed on its behalf.



**D S Miller**  
Director

# Collins and Hayes Furniture Limited

## Directors' report for the year ended 30 June 2020

The directors submit their report and the audited financial statements of the company for the year ended 30 June 2020. The principal risks, review of the business and future developments are explained in the Strategic report on page 2.

### Directors of the company

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

J Slaven	
I Oliver	
C A McMahon	(resigned 31 December 2019)
D S Miller	(appointed 1 January 2020)

### Results and dividends

The loss for the financial year amounted to £441,623 (2019: £483,961).

There were no dividends paid during the year. The directors recommend that no final dividend be paid.

### Going concern

After making appropriate enquiries, the directors have, at the time of approving the financial statements, formed a judgement that there is a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

In adopting the going concern basis, the directors have considered the risks, uncertainties, and impact of COVID-19 on business activities as set out below.

The directors have prepared a comprehensive forecasting model and by testing various scenarios, are satisfied that the Group has headroom in its existing committed facilities to respond to various realistic sensitivities, whilst maintaining compliance with financial covenants. The directors forecasted 4 scenarios as follows:

- a 15% reduction in base turnover between October 2021 and June 2022 which would need overhead and labour savings of 5% in order to pass the bank covenants;
- a 20% reduction in turnover between October 2021 and June 2022 which would need overhead and labour savings of 7.5% to pass the bank covenants;
- a 25% reduction in turnover between October 2021 and June 2022 which would need overhead and labour savings of 10% to pass the bank covenants; and finally
- a 30% reduction on turnover between October 2021 and June 2022 which would need overhead savings of 15% and labour savings of 12.5% to pass the bank covenants.

Reverse stress testing has been carried out on the forecasting model and this process has identified that the business could withstand a drop in sales of up to 30% compared to forecast in the period to 30 June 2022, should we enter an extended lock down period as with the first wave. However, given the current roll out of vaccinations, the directors consider the possibility of a fall in sales by this magnitude to be implausible.

In recognition of the uncertain times, the Group has been working closely with its bank funder and in September 2020 extended its facilities for a further 3 years. At the same time, additional loan notes of £2.5 million were also raised to provide additional headroom should it be needed.

Management are confident in the level of sales based on the high opening orderbook and the experience gained in 2020 (where the management reacted quickly to reduce its cost base) gives it confidence to be able to react similarly in the future.

The Group continues to be monitored quarterly by their bank on Ebitda, leverage, cashflow cover and capital expenditure.

### Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk and liquidity risk. The company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the company by monitoring such areas closely.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a subcommittee of management. The policies and procedures, as set by the Board and the 1869 Limited group, are implemented by the company's finance department.

# Collins and Hayes Furniture Limited

## Directors' report for the year ended 30 June 2020

### **Market prices**

The company is exposed to market prices for certain purchased materials. The company has appropriate facilities from its parent company to manage its exposure arising from the purchase of raw materials denominated in foreign currencies.

### **Credit risk**

The company has implemented policies that require appropriate levels of credit check on potential customers before sales are made in addition to having in place an insurance policy to cover any losses arising from the insolvency or default of its customers wherever possible.

### **Liquidity risk**

The company and group actively maintains a mixture of long term and short term debt finance that is designed to ensure the company and group have sufficient funds available for day to day operations.

### **Employees**

The directors recognise the importance of communication with the company's employees and therefore hold regular meetings with the employees' representatives, and the directors make it their policy to be accessible to all employees.

It is the board's policy to employ disabled persons whenever suitable vacancies arise, to continue employment of employees who become disabled and to provide for such employees the appropriate level of training and career progression within the company.

### **Engagement with suppliers, customers and others**

The company is fully committed to pursuing the best environmental practice and conducting its activities in a way that fully recognises its responsibilities to the environment. Policies to benefit the community include encouraging the use of local suppliers where possible and supporting local charities.

### **Events after the end of the reporting period**

Since the end of the reporting period, the country has once again been severely impacted by COVID-19 with two more national lockdowns. The impact of these is a non-adjusting post balance sheet event. The directors have considered whether it would result in the change of recognition or measurement of assets and liabilities and are satisfied that there are no material changes to the position reported.

On 7 September 2020 the parent company of the Group, 1869 Limited, completed a refinancing with Clydesdale Bank, securing funding of £12 million term debt and an overdraft facility of £5 million. 1869 Limited also issued £2.5 million of 6.75% loan notes.

### **Statement of disclosure of information to auditors**

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

### **Independent auditors**

Ernst & Young LLP were appointed as auditors during the year and have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

*Duncan Miller*

**D S Miller**  
Director

30 June 2021

1 Hampton Park West  
Melksham  
Wiltshire  
SN12 6GU

# Collins and Hayes Furniture Limited

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

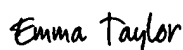
In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



E Taylor  
**Company Secretary**

30 June 2021

1 Hampton Park West  
Melksham  
Wiltshire  
SN12 6GU

# Collins and Hayes Furniture Limited

## Independent auditors' report to the members of Collins and Hayes Furniture Limited

### Opinion

We have audited the financial statements of Collins and Hayes Furniture Limited for the year ended 30 June 2020 which comprise the Statement of total comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2020 and of its loss 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter - Effects of COVID-19

We draw attention to Notes 1 of the financial statements, which describe the financial and operational consequences the company is facing as a result of COVID-19 and the commitment of the ultimate parent company to provide continued support for a period of at least 12 months from the date of approval of the statement of financial position. Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



# Collins and Hayes Furniture Limited

## Independent auditors' report to the members of Collins and Hayes Furniture Limited

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

### 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 or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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.

*Paul Mapleston*

Paul Mapleston (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol  
30 June 2021

# Collins and Hayes Furniture Limited

## Statement of Total Comprehensive Income

for the year ended 30 June 2020

	Note	2020 £	2019 £
<b>Gross sales</b>	5	<b>1,642,756</b>	1,782,511
Rebates and discounts	5	(80,352)	(81,864)
<b>Turnover</b>	5	<b>1,562,404</b>	1,700,647
Cost of sales		(1,126,761)	(1,195,039)
<b>Gross profit</b>		<b>435,643</b>	505,608
Distribution costs		(41,130)	(43,654)
Administrative expenses		(938,852)	(1,059,304)
<b>Operating loss before taxation</b>	6	<b>(544,339)</b>	(597,350)
Tax on loss	8	102,716	113,389
<b>Total comprehensive loss for the financial year</b>		<b>(441,623)</b>	(483,961)

# Collins and Hayes Furniture Limited

## Balance sheet

as at 30 June 2020

	Note	2020		2019	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	9	2,032,021		2,227,994	
Tangible assets	10	51,116		107,432	
		<u>2,083,137</u>		<u>2,335,426</u>	
<b>Current assets</b>					
Debtors	11	292,697		330,646	
Cash at bank and in hand		17,263		267,340	
		<u>309,960</u>		<u>597,986</u>	
<b>Creditors: Amounts falling due within one year</b>	12	<u>(151,683)</u>		<u>(62,593)</u>	
<b>Net current assets</b>			<u>158,277</u>		<u>535,393</u>
<b>Total assets less current liabilities</b>			<u>2,241,414</u>		<u>2,870,819</u>
<b>Creditors: Amounts falling due after one year</b>	13	<u>(3,524,640)</u>		<u>(3,712,422)</u>	
<b>Net liabilities</b>		<u>(1,283,226)</u>		<u>(841,603)</u>	
<b>Capital and reserves</b>					
Called up share capital	14	1		1	
Retained earnings		(1,283,227)		(841,604)	
<b>Total equity</b>		<u>(1,283,226)</u>		<u>(841,603)</u>	

The notes on pages 12 to 21 are an integral part of these financial statements.

The financial statements on pages 9 to 21 were approved by the board of directors on 30 June 2021 and were signed on its behalf by:

*Duncan Miller*

**D S Miller**  
**Director**

**Collins and Hayes Furniture Limited**  
**Registered number: 10879511**

# Collins and Hayes Furniture Limited

## Statement of changes in equity for the year ended 30 June 2020

	Called up share capital	Retained earnings/ (accumulated losses)	Total equity
	£	£	£
Balance at 1 July 2018	1	(357,643)	(357,642)
Total comprehensive loss for the financial year	-	(483,961)	(483,961)
Balance at 30 June 2019	1	(841,604)	(841,603)
Balance at 30 June 2019	1	(841,604)	(841,603)
Total comprehensive loss for the financial year	-	(441,623)	(441,623)
Balance at 30 June 2020	1	(1,283,227)	(1,283,226)

# Collins and Hayes Furniture Limited

## Notes to the financial statements for the year ended 30 June 2020

### 1 General Information

Collins and Hayes Furniture Limited designs and sells furniture.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 1 Hampton Park West, Melksham, Wiltshire, SN12 6GU, United Kingdom.

The company financial statements are presented in Sterling, which is also the company's functional currency, and all values are rounded to the nearest pound (£).

### 2 Statement of compliance

The individual financial statements of Collins and Hayes Furniture Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### 3 Summary of significant accounting policies

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

#### ***Basis of preparation***

These financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The company's accounting reference date is 30 June. It is the company's policy to prepare financial statements for the accounting year to either the Sunday before or after this date. The accounting year covers 52 weeks from 1 July 2019 to 28 June 2020. The comparative data covers 52 weeks to 30 June 2019.

#### ***Going concern***

After making appropriate enquiries, the directors have, at the time of approving the financial statements, formed a judgement that there is a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

In adopting the going concern basis, the directors have considered the risks, uncertainties, and impact of COVID-19 on business activities as set out below.

The directors have prepared a comprehensive forecasting model and by testing various scenarios, are satisfied that the Group has headroom in its existing committed facilities to respond to various realistic sensitivities, whilst maintaining compliance with financial covenants. The directors forecasted 4 scenarios as follows:

- a 15% reduction in base turnover between October 2021 and June 2022 which would need overhead and labour savings of 5% in order to pass the bank covenants;
- a 20% reduction in turnover between October 2021 and June 2022 which would need overhead and labour savings of 7.5% to pass the bank covenants;
- a 25% reduction in turnover between October 2021 and June 2022 which would need overhead and labour savings of 10% to pass the bank covenants; and finally
- a 30% reduction on turnover between October 2021 and June 2022 which would need overhead savings of 15% and labour savings of 12.5% to pass the bank covenants.

Reverse-stress testing has been carried out on the forecasting model and this process has identified that the business could withstand a drop in sales of up to 30% compared to forecast in the period to 30 June 2022, should we enter an extended lock down period as with the first wave. However, given the current roll out of vaccinations, the directors consider the possibility of a fall in sales by this magnitude to be implausible.

# Collins and Hayes Furniture Limited

## Notes to the financial statements for the year ended 30 June 2020 (continued)

### 3 Summary of significant accounting policies (continued)

In recognition of the uncertain times, the Group has been working closely with its bank funder and in September 2020 extended its facilities for a further 3 years. At the same time, additional loan notes of £2.5 million were also raised to provide additional headroom should it be needed.

Management are confident in the level of sales based on the high opening orderbook and the experience gained in 2020 (where the management reacted quickly to reduce its cost base) gives it confidence to be able to react similarly in the future.

The Group continues to be monitored quarterly by their bank on Ebitda, Leverage, Cashflow cover and Capital expenditure.

#### **Exemptions for qualifying entities under FRS 102**

The company is a qualifying entity and has adopted the following disclosure exemptions under FRS 102:

- The requirement to present a statement of cash flows and related notes;
- Financial instruments disclosures; and
- Key management personnel compensation.

This information is included in the consolidated financial statements of 1869 Limited as at 30 June 2020.

The company is exempt from disclosing related party transactions with other group companies as consolidated accounts of 1869 Limited are publicly available.

#### **Turnover and gross sales**

Turnover represents gross sales, less rebates and discounts and excludes value added tax. Gross sales represents the invoiced value of goods supplied by the company and is recognised on delivery of the goods.

Where discounts relate to the timing of settlement of invoices, they are recognised at the time of invoicing by a reduction of gross sales. Settlement of the invoice is net of the discount if the payment terms are met. Where rebates are volume related, an accrual is made for rebates as earned, which is also deducted from gross sales.

#### **Operating leased assets**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight line basis over the year of the lease.

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight line basis over the year of the lease.

#### **Taxation**

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### **(i) Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

##### **(ii) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in years different from those in which they're recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

# Collins and Hayes Furniture Limited

## Notes to the financial statements for the year ended 30 June 2020 (continued)

### 3 Summary of significant accounting policies (continued)

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

#### **Employee benefits**

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the year in which the service is rendered.

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

The company operates an annual bonus plan for employees. An expense is recognised in the income statement when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

#### **Exceptional items**

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as "exceptional items". These are disclosed separately to provide further understanding of the financial performance of the company.

#### **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Acquired trademarks are amortised over their estimated useful lives, of twenty years, on a straight line basis.

Software and website development costs are amortised over their estimated useful lives, of between three and five years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful lives have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

Development costs relating to projects have been capitalised if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably. The costs are not amortised until the project is complete. Once complete the assets are amortised over their estimated useful lives, of between 3 and 5 years, on a straight line basis.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

#### **Tangible assets**

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation on assets is calculated, using the straight line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Fixtures and fittings	10% to 50% per annum
Computer equipment	20% to 33⅓% per annum

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting year.

# Collins and Hayes Furniture Limited

## Notes to the financial statements for the year ended 30 June 2020 (*continued*)

### 3 Summary of significant accounting policies (*continued*)

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset, where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available to use.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and included in "Other operating (losses)/gains".

#### **Provisions**

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

#### **Foreign currencies**

The company's functional and presentational currency is the pound sterling.

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction or, at an average rate where this rate approximates the actual rate at the date of the transaction.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlements of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### **Financial instruments**

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

Basic financial liabilities, including trade and other payables, bank loans and loan notes, 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.

### 4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Key accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **Provisions and accrued expenses**

Provision is made for contingencies and warranties. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.



# Collins and Hayes Furniture Limited

## Notes to the financial statements for the year ended 30 June 2020 (continued)

### 5 Turnover

The analysis of turnover by geographical area is:

	2020 £	2019 £
United Kingdom	1,455,964	1,629,412
Rest of Europe	106,440	71,235
Turnover	1,562,404	1,700,647

All turnover and profits arise from one class of business being the manufacture and sale of furniture.

### 6 Operating loss

	2020 £	2019 £
Operating loss is stated after charging:		
Wages and salaries	339,479	333,359
Social security costs	31,635	32,497
Other pension costs	11,369	10,466
<b>Staff costs</b>	<b>382,483</b>	<b>376,322</b>
Depreciation of tangible fixed assets	59,352	58,753
Amortisation of intangible assets	195,973	204,531
Audit fees payable to the company's auditor	15,000	8,000

In accordance with SI 2008/489 the company has not disclosed the fees payable to the company's auditor for "Other services" as this information is included in the consolidated financial statements of 1869 Limited.

### 7 Employees and directors

#### Employees

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

By activity	2020 Number	2019 Number
Administration & senior management (including directors)	7	7
Production & distribution	5	5
	12	12

#### Directors

The directors' emoluments were as follows:

	2020 £	2019 £
Aggregate emoluments	97,941	104,145
Company contributions to defined contribution pension scheme	3,213	3,482

During the year retirement benefits were accruing to 1 (2019:1) director in respect of defined contribution pension schemes.

# Collins and Hayes Furniture Limited

## Notes to the financial statements for the year ended 30 June 2020 (continued)

### 7 Employees and directors (continued)

#### Highest paid director:

The highest paid director's emoluments were as follows:

	2020 £	2019 £
Total amount of emoluments	94,697	104,145
Company contributions to defined contribution pension scheme	3,213	3,482

### 8 Tax on loss

#### a) Tax on expense included in profit or loss

	2020 £	2019 £
<b>Current tax:</b>		
- UK corporation tax on profit for the year	-	(113,332)
- Adjustment in respect of previous periods	739	870
Total current tax	739	(112,462)
<b>Deferred tax:</b>		
- Origination and reversal of timing differences	(103,425)	(165)
- Changes in tax rates or laws	(30)	17
- Adjustment in respect of previous periods	-	(779)
Total deferred tax (Note 11)	(103,455)	(927)
<b>Tax credit on loss</b>	<b>(102,716)</b>	<b>(113,389)</b>

#### b) Reconciliation of tax charge

The tax assessed for the year is different than the standard rate of corporation tax in the UK of 19% (2019:19%). The differences are explained below:

	2020 £	2019 £
Loss before taxation	(544,339)	(597,350)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2019:19%)	(103,425)	(113,497)
<b>Effects of:</b>		
- Tax rate changes	(30)	17
- Adjustment in respect of previous periods	739	91
<b>Total tax credit for the year</b>	<b>(102,716)</b>	<b>(113,389)</b>

#### c) Tax rate changes

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date. The 2021 Finance Bill announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%. This change to the future tax rate was substantively enacted at the balance sheet date.

# Collins and Hayes Furniture Limited

## Notes to the financial statements for the year ended 30 June 2020 (continued)

### 9 Intangible assets

	Trademark £	Development costs £	Software & website £	Total £
<b>Cost</b>				
At 1 July 2019 and 30 June 2020	2,026,032	365,266	64,854	2,456,152
<b>Accumulated amortisation</b>				
At 1 July 2019	118,186	85,301	24,671	228,158
Charge for year	101,302	73,053	21,618	195,973
<b>At 30 June 2020</b>	<b>219,488</b>	<b>158,354</b>	<b>46,289</b>	<b>424,131</b>
<b>Net book value</b>				
At 30 June 2020	1,806,544	206,912	18,565	2,032,021
At 30 June 2019	1,907,846	279,965	40,183	2,227,994

Development costs relate to the creation of new prototypes and models along with associated systems. £316,551 of the costs were internally generated.

### 10 Tangible fixed assets

	Fixtures, fittings, office & computer equipment £
<b>Cost</b>	
At 1 July 2019	176,524
Transferred from group	3,794
<b>At 30 June 2020</b>	<b>180,318</b>
<b>Accumulated depreciation</b>	
At 1 July 2019	69,092
Charge for year	59,352
Transferred from group	758
<b>At 30 June 2020</b>	<b>129,202</b>
<b>Net book value</b>	
At 30 June 2020	51,116
At 30 June 2019	107,432

# Collins and Hayes Furniture Limited

## Notes to the financial statements for the year ended 30 June 2020 (continued)

### 11 Debtors: Amounts falling due within one year

	2020 £	2019 £
Trade debtors	63,314	210,864
Amounts owed by group undertakings	123,704	6,191
Corporation tax – group relief receivable	-	113,332
Prepayments and other debtors	1,965	-
Deferred tax asset	103,714	259
	<u>292,697</u>	<u>330,646</u>

Amounts due from group companies are unsecured and interest-free. An impairment provision of £2k (2019: £1k) is included in trade debtors.

Deferred tax asset/(provision)	2020 £	2019 £
At 1 July 2019	259	(668)
Additions dealt with in income statement	103,455	927
	<u>103,714</u>	<u>259</u>
At 30 June 2020	103,714	259

The deferred tax provision can be analysed as follows:

Fixed asset timing differences	581	259
	<u>103,133</u>	<u>-</u>
Deferred tax asset	103,714	259

### 12 Creditors: Amounts falling due within one year

	2020 £	2019 £
Amounts owed to group undertakings	19,284	20,657
Corporation tax – group relief payable	739	-
Accruals and deferred income	131,660	41,936
	<u>151,683</u>	<u>62,593</u>

Amounts owed to group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

### 13 Creditors: Amounts falling due in more than one year

	2020 £	2019 £
Amounts owed to group undertakings	<u>3,524,640</u>	<u>3,712,422</u>

Amounts owed to group undertakings are unsecured and interest free.

# Collins and Hayes Furniture Limited

## Notes to the financial statements for the year ended 30 June 2020 (continued)

### 14 Called up share capital

	2020 £	2019 £
<b>Allotted and fully paid</b>		
1 ordinary share of £1 each (2019:1)	1	1

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

### 15 Capital and other commitments

The company had capital commitments of £Nil at 30 June 2020 (2019: £Nil).

At 30 June 2020 the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
On leases which expire:		
Not later than one year	12,790	6,000
Later than one year and not later than five years	26,020	15,500
	<b>38,810</b>	<b>21,500</b>

### 16 Contingent liabilities

The company has in place a cross guarantee and debenture which effectively means that there is a fixed and floating charge over all of its assets in relation to the bank borrowings and loan notes of 1869 Limited, the parent company of Sofa Brands International Limited. The bank borrowings of the 1869 Limited Group at 30 June 2020 were £12,083,332 (2019: £13,333,333) and the loan notes were £69,311,332 (2019 £63,392,538).

### 17 Post-employment benefits

Eligible employees are members of the Sofa Brands International Group Personal Pension Plan which is a defined contribution scheme.

The contributions made to the scheme during the year were £11,369 (2019:£10,466). At the end of the year there were no contributions outstanding (2019: £Nil).

### 18 Controlling parties

The immediate parent undertaking is Sofa Brands International Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The smallest and largest group to consolidate these financial statements is 1869 Limited. Copies of the consolidated financial statements of 1869 Limited can be obtained from the Company Secretary at 1 Hampton Park West, Melksham, Wiltshire SN12 6GU.

The ultimate controlling party is Templeco 672 Limited.

### 19 Related party transactions

The company is exempt from disclosing related party transactions that are with other companies that are wholly owned within the Group. Balances with Group Company's at the year end can be found in notes 11 to 13.

The key management of the business are also the directors and remuneration is disclosed in note 7.

# Collins and Hayes Furniture Limited

## Notes to the financial statements for the year ended 30 June 2020 *(continued)*

### 20 Events after the end of the reporting period

Since the end of the reporting period, the country has once again been severely impacted by COVID-19 with two more national lockdowns. The impact of these is a non-adjusting post balance sheet event. The directors have considered whether it would result in the change of recognition or measurement of assets and liabilities and are satisfied that there are no material changes to the position reported.

On 7 September 2020, 1869 Limited, restructured its existing bank facilities with Clydesdale Bank (previously Yorkshire Bank).

A loan facility totalling £12 million has been made available to 1869 Limited. £4 million of the facility is repayable on a quarterly basis (£333,334) starting in December 2020 with the final quarterly payment and the remaining £8 million to be repaid on 30 September 2023. Interest is payable on the facility at LIBOR plus a 4.75% margin. The bank have a suite of quarterly covenants on which the Group's performance will be measured including Ebitda, cashflow cover, leverage and capital expenditure.

As part of the restructure, the existing loan notes redemption date was extended to 1 October 2023 and a further £2.5 million loan notes were issued. The additional loan notes are 6.75%, secured redeemable loan notes and the interest will either be paid in kind (by the issue of additional loan notes) or paid on a quarterly basis. The loan notes are redeemable on 1 October 2023, but early redemption can be made under certain conditions.