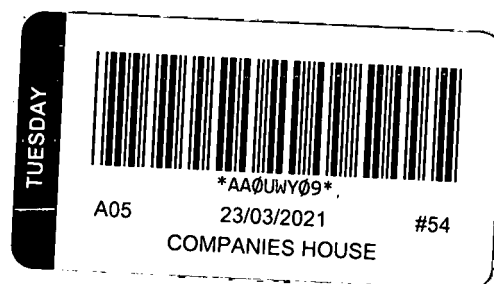


# Richer Sounds Limited

## REPORT AND FINANCIAL STATEMENTS

52 week period ended  
2 May 2020



Company Registration No. 01402643

# Richer Sounds Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

J Richer  
D Robinson  
R Bamforth  
J Abraham (Appointment 27 Oct 2020)

### SECRETARY

R Bamforth

### COMPANY REGISTRATION NUMBER

01402643

### REGISTERED OFFICE

Richer House  
Hankey Place  
London SE1 4BB

### AUDITOR

RSM UK Audit LLP  
Statutory Auditors  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

# Richer Sounds Limited

## STRATEGIC REPORT

for the 52 weeks ended 2 May 2020

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### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company during the period was that of retailers of hi-fi, home cinema, flat panel TV and related equipment.

Turnover slightly increased by 2.8% over last period, but with a small decrease in margin this resulted in an increase in gross profit by 1.8%. However, increases in Operating expenses led to a decrease in Operating Profit before profit sharing, directors' bonus and charities, from £10.9m to £9.9m, a decrease of 9.7 %.

In July 2020 the company paid back the £4,750,000 remaining amount of the bank loan.

Richer Sounds has previously won the Which? Retailer of the Year award in 2010, 2011 and 2015 and recently picked up the award for 2020. Praised for its 'excellent prices and helpful staff', Richer Sounds achieved impressive scores on-line and in-store.

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and the UK subsequently entered a period of "lockdown". This resulted in Richer Sounds Ltd having to temporarily close all of its stores. During this time the company was able to continue trading through Telesales, Internet and store managers working from home. From 15<sup>th</sup> June 2020 the company began a phased reopening of the stores to the public. The stores then closed again during the second lockdown in November 2020 and a third lockdown in January 2021. Again during this time the company was able to continue trading through Telesales, Internet and reduced numbers of colleagues working in store for Click & Collect.

In order to mitigate the impact of the pandemic, the company has put in place substantial measures, including cost cutting and accessing Government reliefs including the COVID retail sector grants, HMRC time to pay arrangements, plus Business rates holidays.

As at 2<sup>nd</sup> May 2020 Richer Sounds traded from 52 wholly owned stores and one franchise in Northern Ireland.

Since the year end, despite COVID disruption the company has continued to be profitable and managed its cash flow.

Following the recent Brexit deal, the company's supply chain is not expected to be significantly impacted by the UK's exit from the EU.

# Richer Sounds Limited

## STRATEGIC REPORT

for the 52 weeks ended 2 May 2020

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### KEY PERFORMANCE INDICATORS OF THE COMPANY

	2020 (52 weeks) £	2019 (53 weeks) £	2018 (52 weeks) £
Gross turnover (including VAT)	211,213,919	205,472,711	188,992,196
Gross margin (excluding VAT)	25.6%	25.9%	25.4%
Gross profit	45,140,067	44,354,868	40,065,088
Net profit on ordinary activities before profit sharing, directors' bonus, charities, exceptional items and tax	9,667,257	11,198,635	9,687,566
Net margin (excluding VAT)	5.5%	6.5%	6.2%
Gross sales per colleague	418,245	412,596	384,130
Profit on ordinary activities per colleague	19,143	22,487	19,690
Return on capital employed on ordinary activities before profit sharing, directors' bonus, charities, exceptional items and tax	33.9%	32.2%	33.6%
Earnings per share on ordinary activities before profit sharing, directors' bonus, charities, exceptional items and tax	193.35	223.97	193.75
Total taxes collected: PAYE, NIC, VAT, corporation tax	13,742,266	14,947,063	13,929,252
Average supplier credit period in days	23	18	20
Charitable donations as a percentage of profit before donations and tax	22.57%	13.77%	15.08%

### PRINCIPAL RISKS

The key business risks affecting the company are considered to be the following:

**Economic and financial conditions:** The Company may be affected by falls in consumer confidence and changes in buying habits. The Company continues to build its business through all of its channels to mitigate the effect of each channel and offer a broad range of products to mitigate the decline of individual product categories.

**Competition from national, independent and internet-based retailers:** The Company operates in a competitive market and so continues to differentiate itself through the knowledge and expertise of its sales colleagues, which it maintains through its programmes of training and high standards of recruitment; offering the best value for money it can; and its commitment to second to none customer service.

**Stability of the supply chain:** Relationships with our suppliers, which are very good, are key to the business. The Company is in constant contact with its suppliers to ensure continuity of the supply chain over the whole range of the products it sells and that any problems are managed appropriately and in a timely manner.

**Retention of Colleagues:** The Company considers motivation of colleagues of all levels as a crucial element of its success and consequently has a far lower level of colleague turnover, along with stock shrinkage, absenteeism and customer complaints, than the industry average.

# Richer Sounds Limited

## STRATEGIC REPORT

for the 52 weeks ended 2 May 2020

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### MATTERS OF STRATEGIC IMPORTANCE

Our strategy continues to be to consolidate our position with the aim of making a profit by (1) working hard at giving our customers value for money and a service second to none and (2) looking after our colleagues.

### SECTION 172 COMPANIES ACT STATEMENT

Section 172 Statement of the Companies Act 2006 requires each director to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term
- The interests of the colleagues
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company.

### ***Our stakeholders – Employee Owned Trust***

We are proud that Richer Sounds Limited is controlled by an Employee Ownership Trust who owns 60% of the company, giving all employees an indirect stake in the business in perpetuity. The Richer Sounds Trustee Board Directors entrust the management of the business to the Richer Sounds Management Board, who consult with the Colleague's Advisory Council on a regular basis about the performance and running of the business and other important operational changes to the business.

### ***Our colleagues - Fair pay***

We firmly believe that **happy colleagues = happy customers** and we are committed to providing our colleagues with secure, well-paid jobs in a stimulating, equal opportunities environment. We are proud to be one of the only retailers to be an accredited Living Wage employer and refuse to issue zero hour contracts to our valued colleagues.

Further information is included within the Directors' report.

### ***External stakeholders - Customer and Suppliers***

Every one of our sales colleagues signs an ethical selling pledge when they start working with us, so the customer can be sure that we're giving the best possible guidance. All of our stores have experience rooms where customers can listen to their choices and take their time while making that all-important buying decision.

We are proud to have long-term, good business relations with our key suppliers due to our on-time payment agreement and regular consultation.

### ***Business Conduct***

The Company aims to conduct all its business relationships with integrity and courtesy and to scrupulously honour every business agreement.

# Richer Sounds Limited

## STRATEGIC REPORT

for the 52 weeks ended 2 May 2020

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### **Environment – Streamlined Energy & Carbon Reporting**

#### **Energy and Greenhouse Gas Report**

Richer Sounds has appointed Carbon Footprint Ltd, a leading carbon and energy management company, to independently assess its Greenhouse Gas (GHG) emissions in accordance with the UK Government's 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting requirements'.

The assessment has used the 2019 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment methodology used is ISO14064-1:2018 and the financial control approach has been used.

The table below summarises the GHG emissions for reporting year: 1st May 2019 to 30th April 2020. Richer Sounds has been assessing its GHG emissions since 2018, and has provided the 2018 reporting year assessment results for comparison.

Element	Assessment Year		% change on previous year (2018)
	2018	2019/20*	
Site electricity	567.74	447.76	-21.10%
Grey fleet	68.87	60.39	-12.30%
Other (gas and oil consumption)	27.58	25.03	-10.20%
Total tonnes of CO <sub>2</sub> e	664.19	533.18	-19.70%
Total tonnes of CO <sub>2</sub> e per employee	1.33	1.35	1.40%
Total tonnes of CO <sub>2</sub> e per £M turnover	4.12	3.12	-24.20%
Total energy consumption (kwh)	2,256,734	1,994,307	-11.63%

\* Assessment period was adjusted to align with company financial year

#### **Energy Efficiency Actions**

During the past financial year, Richer Sounds has implemented various energy efficiency actions such as: a "closed-door" policy to avoid unnecessary energy consumption for heating/cooling, a "switch off at night" policy and has implemented LED energy efficient lighting in an additional 11 of its retail stores which has helped to reduce electricity consumption across the stores.

#### **Carbon Neural Status**

Richer Sounds is proud to be a carbon neutral company. The company's 2019/20 operational emissions have been offset by supporting VCS certified clean energy projects in India which will reduce carbon emissions via the reduction of fossil fuels; helping to combat climate change and sustain our environment for future generations.

By order of the board



D Robinson  
Director

18 March 2021

# Richer Sounds Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of Richer Sounds Limited for the 52 weeks ended 2 May 2020. (2019: 53 weeks ended 4 May 2019)

### DIVIDENDS

Dividends of £nil were paid in the period (2019: £710,000).

### DIRECTORS

The following directors have held office during the period:

J Richer  
D Robinson  
R Bamforth

### THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

### GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2 - 5. The company has adequate cash resources and funding together with a strong customer base and an excellent reputation within the sector. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The directors have reviewed cash flow forecasts of the company and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The company repaid its bank loan subsequent to the year end and has no external debt.

Despite 3 national lockdowns the company has adapted and pushed sales through other channels such as the website and telephone sales. Through the hard work of colleagues throughout the business the company continues to be profitable and results are in line with expectations. Through careful control the company remains debt free and in secure financial position.

Having taken into account the information available to them to the date of signing the financial statements, the directors are satisfied that the company remains a going concern.

### COLLEAGUE REMUNERATION POLICY

The company has been paying the 'Real' Living Wage since November 2014 and has been fully accredited by the Living Wage Foundation since November 2015. The higher rates of pay are earned (as a minimum) by all colleagues after a 3 month training period.

The salary of the highest paid colleague for the year was 18 times (2019: 21 times) that of the Living Wage.

The company does not believe in, and no colleagues are employed under, zero-hour contracts.

# Richer Sounds Limited

## DIRECTORS' REPORT

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### DISABLED COLLEAGUES

The company employs disabled colleagues and every effort is made to ensure that they are given full and fair consideration when suitable vacancies arise. There is a training scheme in operation so that colleagues who have been injured or disabled in the course of their employment can, where possible, continue in employment with the company.

The company currently employs 35 colleagues with a disability which comprises 7% of its total colleagues.

### COLLEAGUE INVOLVEMENT

The company encourages the involvement of its colleagues in its management through regular meetings between the colleagues and involving senior staff. There is a "Colleague Forum" which consists of a number of members across both stores and departments and is open to all colleagues. Its role is to comment on any proposed changes within the business so the company can evaluate feedback and implement improvements/adjustments before a change or new scheme is launched.

The company also has an active suggestion scheme in place, where colleague suggestions are reviewed by senior management. A large number of these have been implemented in the past.

The company has a Helping Hand Fund that makes loans or grants available to colleagues in cases of hardship.

### PAYMENT TO CREDITORS

It is the company's policy to negotiate payment terms with its suppliers and to ensure that they all know, when the business is agreed, the terms on which payment will take place. It is our policy to abide by these terms.

Creditor days, based on the average creditors throughout the period were 23 days (2019: 19 days).

### CHARITABLE CONTRIBUTION

During the period the company made charitable donations of £1,890,917 (2019: £1,326,034).

### SLAVE FREE ALLIANCE

We hold a zero tolerance approach to slavery and human trafficking and are committed to acting ethically and with integrity in all our business dealings.

### LAND AND BUILDINGS

The directors consider that the market value of land and buildings is significantly more than the value shown on the balance sheet, but they do not consider that there is any benefit to shareholders in the company paying for a professional valuation to quantify the difference.

### TAX POLICY

The company is accredited by the Fair Tax Mark for transparency over tax disclosures and the amount it pays. It has pledged the following:

1. It will pay all the tax it owes. Not just with regards to the letter of the law, but in the spirit of the law, too.
2. It will pay the right amount of tax (no more, no less), at the right rate, in the right place and at the right time. It will aim to do this by being completely transparent in the way it reports its tax affairs, and making sure that the tax it pays accurately reflects the business that it does.



# Richer Sounds Limited

## DIRECTORS' REPORT

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3. It won't take advantage of legal loopholes, or look for tax breaks that undermine the spirit of our tax laws. It won't look to do business or specific deals with the sole or main purpose of gaining tax advantages that otherwise wouldn't be available.
4. It won't do business or transactions that would need to be reported to HM Revenue & Customs under the Disclosure of Tax Avoidance Schemes Regulations or be party to any arrangement that might be reasonably expected to fall under the UK's General Anti-Abuse Rule.
5. It believes that tax havens undermine the UK's tax system. It might do business with customers and suppliers located in areas that are considered to be tax havens, but it won't use those places to get a tax break, nor will it take advantage of the secrecy laws that many safe havens offer their clients.
6. The company financial statements will be prepared in agreement with this policy, and the company will seek to provide all information that any users, including HM Revenue & Customs might need to properly assess its tax position.

### POST BALANCE SHEET EVENTS

Details of post balance sheet events can be found in note 23 on page 29.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### AUDITOR

The auditor, RSM UK Audit LLP has indicated its willingness to continue in office.

In accordance with section 414c(ii) of the Companies Act 2006, included in the Strategic Report is the Review of Business, principal risks and uncertainties and key performance indicators. This information would have been required by section 7 of the 'large and medium' sized Companies and Group (Accounts and Reports) Regulations 2008 to be contained within the Directors' Report.

By order of the board



D Robinson  
Director

18 March 2021

# Richer Sounds Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RICHER SOUNDS LIMITED

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## Opinion

We have audited the financial statements of Richer Sounds Limited for the year ended 2 May 2020 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position, Statement of Cashflows and notes to the financial statements, 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 state of the company's affairs as at 2 May 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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. 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.

## 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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

## 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 the directors' report have been prepared in accordance with applicable legal requirements.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RICHER SOUNDS LIMITED

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## **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 the 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; or

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, 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: <http://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.

RSM UK Audit LLP

CHRISTOPHER TATE (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AN

Date: 19 March 2021

# Richer Sounds Limited

## STATEMENT OF INCOME AND RETAINED EARNINGS for the 52 weeks ended 2 May 2020

	Notes	52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
TURNOVER	1	176,012	171,227
Cost of sales		(130,872)	(126,872)
Gross profit		<u>45,140</u>	<u>44,355</u>
Other operating expenses (net)	2	<u>(35,247)</u>	<u>(33,405)</u>
OPERATING PROFIT BEFORE PROFIT SHARING, DIRECTORS' BONUS AND CHARITIES		9,893	10,950
Profit sharing, directors' bonus and charities		(3,179)	(2,896)
OPERATING PROFIT		<u>6,714</u>	<u>8,054</u>
Profit on disposal of fixed assets		-	106
Interest receivable and similar income	3	30	158
Interest payable	4	(256)	(16)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>6,488</u>	<u>8,302</u>
Taxation	7	<u>(1,352)</u>	<u>(1,707)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL PERIOD		5,136	6,595
RETAINED EARNINGS AT 02 May 2020		34,670	28,785
Capital contribution to EOT		(11,375)	-
Dividends paid		-	(710)
RETAINED EARNINGS AT 2 May 2020		<u><u>28,431</u></u>	<u><u>34,670</u></u>

The turnover and operating profit for the period arise from the company's continuing operations.

**Richer Sounds Limited**  
**STATEMENT OF FINANCIAL POSITION**  
**2 May 2020**

Company Registration No. 01402643

	Notes	2 May 2020 £000	4 May 2019 £000
<b>FIXED ASSETS</b>			
Tangible assets	8	11,921	12,333
Intangible fixed assets	9	600	862
Investments	10	-	-
		<u>12,521</u>	<u>13,195</u>
<b>CURRENT ASSETS</b>			
Stocks	11	17,463	31,469
Debtors	12	5,366	9,830
Cash at bank and in hand		21,093	3,445
		<u>43,922</u>	<u>44,744</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	(17,497)	(17,234)
<b>NET CURRENT ASSETS</b>		<u>26,425</u>	<u>27,510</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		38,946	40,705
<b>CREDITORS: Amounts falling due after more than one year</b>	14	(10,221)	(5,774)
Provisions	15	(244)	(211)
<b>NET ASSETS</b>		<u>28,481</u>	<u>34,720</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	50	50
Profit and loss account		28,431	34,670
<b>TOTAL EQUITY</b>		<u>28,481</u>	<u>34,720</u>

The financial statements on pages 12 to 29 were approved by the board of directors and authorised for issue on 18<sup>th</sup> March 2021 and are signed on its behalf by:



D Robinson  
Director

# Richer Sounds Limited

## STATEMENT OF CASH FLOWS

for the 52 weeks ended 2 May 2020

	Notes	52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	19	26,230	(2,003)
Interest paid		(256)	(16)
Income taxes paid		(1,401)	(1,803)
<b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>24,573</b>	<b>(3,822)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(330)	(956)
Proceeds on disposal of fixed asset investment		-	298
Capital contribution to EOT		(11,375)	-
Interest received		30	158
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(11,675)</b>	<b>(500)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds of new borrowings		6,000	-
Repayments of borrowings		(1,250)	-
Dividends paid		-	(710)
<b>NET CASH RECIVED /(USED) IN FINANCING ACTIVITIES</b>		<b>4,750</b>	<b>(710)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>17,648</b>	<b>(5,032)</b>
Cash and cash equivalents at start of financial period		3,445	8,477
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>		<b>21,093</b>	<b>3,445</b>
Relating to:			
Bank balances and short term deposits included in cash at bank and in hand		21,093	3,445
		<b>21,093</b>	<b>3,445</b>

# Richer Sounds Limited

## ACCOUNTING POLICIES

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### GENERAL INFORMATION

Richer Sounds Limited is a private company domiciled and incorporated in England which is limited by shares. The address of the company's registered office and principal place of business is Richer House, Hankey Place, London, SE1 4BB. The company's principal activities are disclosed in the Strategic Report.

### BASIS OF ACCOUNTING

These financial statements of Richer Sounds Limited have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, and under historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The financial statements are prepared in Sterling which is the functional currency of the company.

### GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2 - 5. The company has adequate cash resources and funding together with a strong customer base and an excellent reputation within the sector. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The directors have reviewed cash flow forecasts of the company and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The company repaid its bank loan subsequent to the year end and has no external debt.

Despite 3 national lockdowns the company has adapted and pushed sales through other channels such as the website and telephone sales. Through the hard work of colleagues throughout the business the company continues to be profitable and results are in line with expectations. Through careful control the company remains debts free and in secure financial position.

Having taken into account the information available to them to the date of signing the financial statements, the directors are satisfied that the company remains a going concern.

### TURNOVER

Turnover represents the value, net of Value Added Tax, of goods sold and services provided to customers during the period. Revenue earned from customer support agreements is recognised as such over the life of the agreement by reference to the stage of completion of the transaction at the balance sheet date and included within deferred income.

### FOREIGN CURRENCY

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.



# Richer Sounds Limited

## ACCOUNTING POLICIES

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All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

### OTHER INCOME

#### *Interest income*

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

#### *Rental income*

Rental income on assets leased under operating leases is recognised on a straight-line basis over the lease term and is presented within other operating income.

### GROUP ACCOUNTS

The financial statements present information about the company as an individual undertaking and not about its group. The company has taken advantage of the exemption provided by Section 402 of the Companies Act 2006 not to prepare group accounts on the basis that its subsidiary undertakings are not material to the company.

### TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Freehold buildings	1% per annum
Leasehold properties	over the term of the lease
Property improvements	20% per annum
Fixtures and equipment	20%-33% per annum
Motor vehicles	25% straight line

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Land and buildings are accounted for separately even when acquired together.

### INTANGIBLE FIXED ASSETS

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Purchased computer software	20% per annum
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Amortisation is revised prospectively for any significant change in useful life or residual value. On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

### IMPAIRMENT OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of

# Richer Sounds Limited

## ACCOUNTING POLICIES

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revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

### STOCKS

Stocks are valued on a weighted average cost basis at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to disposal.

At each reporting date, the company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

### TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the period. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### LEASES

#### *The Company as Lessee – Operating Leases*

All leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

# Richer Sounds Limited

## ACCOUNTING POLICIES

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### *The Company as Lessor – Operating Leases*

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

### COLLEAGUE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense. The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### BORROWING COSTS

All borrowing costs are expensed as incurred.

### RETIREMENT BENEFITS

#### *Defined contribution plans*

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments.

### FINANCIAL INSTRUMENTS

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **Financial Assets**

#### *Trade debtors*

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

### **Financial liabilities and equity**

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### *Bank loans and overdrafts*

Bank loans and overdrafts are presented within creditors: amounts falling due within one year and amounts falling due after more than one year.

# Richer Sounds Limited

## ACCOUNTING POLICIES

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### *Trade Creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

### *Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### **DIVIDENDS**

Dividends are recognised as liabilities once they are no longer at the discretion of the company.

### **CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT**

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.

### *Critical accounting estimates and assumptions*

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

- **Stock Provision**  
The company has recognised provisions for impairment of stocks in the financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience, post period-end sales patterns and other relevant factors.
- **Revenue recognition**  
The level of revenue recognised in relation to customer support agreements requires management to make certain judgements and estimations. The judgements, estimates and associated assumptions necessary to calculate the amount of revenue to be recognised in each accounting period is based on historical experience, registration rates and other relevant factors.

### **GOVERNMENT GRANTS**

Government grants relating to costs including furlough are deferred and recognised in the profit or loss over the period necessary to match with the costs that they are intended to compensate. They are recognised within other operating expenses.

# Richer Sounds Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 2 May 2020

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### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity which arose entirely in the United Kingdom.

2	OTHER OPERATING EXPENSES (NET)	52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
	Distribution costs	18,033	16,601
	Administration expenses	18,350	17,016
	Other operating income	(407)	(212)
	Government grant income	(729)	-
		<u>35,247</u>	<u>33,405</u>

Government grant income represents amounts receivable relating to CJRS income £615,000 and Retail, Hospitality and Leisure Fund Scheme £113,846.

3	INTEREST RECIEVABLE AND SIMILAR INCOME	52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
	Bank interest	30	18
	Other interest receivable and similar income	-	140
		<u>30</u>	<u>158</u>

4	INTEREST PAYABLE AND SIMILAR CHARGES	52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
	Bank interest	190	3
	Other interest	66	13
		<u>256</u>	<u>16</u>

# Richer Sounds Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 2 May 2020

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the period:		
	Owned assets	739	742
	Profit on disposal of fixed asset investment	-	(106)
	Provision for diminution in fixed asset investment	-	28
	Amortisation of intangible fixed assets	262	262
	Foreign exchange gains	-	1
	Operating lease rentals:		
	Land and buildings	1,927	1,831
	Other	570	827
	Auditor's remuneration - audit	46	47
	- tax services	11	19
	- other general advice	-	57
	Net rental income	(242)	(198)
		<u>          </u>	<u>          </u>
6	EMPLOYEES	52 weeks to 2 May 2020 No	53 weeks to 4 May 2019 No
	The average monthly number of persons (including directors) employed by the company during the period was:		
	Office and management	119	115
	Retailing and warehousing	386	383
		<u>505</u>	<u>498</u>
		<u>          </u>	<u>          </u>
		52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
	Staff costs for the above persons:		
	Wages and salaries	15,600	16,232
	Social security costs	1,778	1,779
	Other pension costs	328	214
		<u>17,706</u>	<u>18,225</u>
		<u>          </u>	<u>          </u>

# Richer Sounds Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 2 May 2020

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6	EMPLOYEES (continued)	52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
	DIRECTORS' REMUNERATION		
	Emoluments	396	539
		<hr/>	<hr/>
	Emoluments in respect of the highest paid director amounted to:		
	Remuneration	244	332
		<hr/>	<hr/>

Two directors accrued benefits under a money purchase pension scheme two (2019: one).

### KEY MANAGEMENT

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is £2,011,383 (2019: £2,287,506) and post employment benefits of £12,789 (2019: £9,518).

7	TAXATION	52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
	Current tax:		
	UK corporation tax on profits of the period	1,319	1,657
	Adjustments in respect of previous periods	(2)	3
	Foreign taxation	2	1
	Total current tax	<hr/> 1,319	<hr/> 1,661
	Deferred taxation:		
	Origination and reversal of timing differences	33	46
	Tax on profit on ordinary activities	<hr/> 1,352	<hr/> 1,707
		<hr/>	<hr/>

# Richer Sounds Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the 52 weeks ended 2 May 2020

#### 7 TAXATION (continued)

	52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
Factors affecting tax charge for period:		
The tax assessed for the period is higher than the effective rate of corporation tax in the UK 19% (2019: 19%). The differences are explained below:		
Profit on ordinary activities before tax	6,488	8,302
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 19% (2019: 19%)	1,233	1,577
Effects of:		
Fixed asset differences	96	96
Expenses not deductible for tax purposes	2	35
Income not taxable for tax purposes	(5)	0
Foreign taxation	2	1
Adjustment to tax charge in respect of previous periods	(1)	3
Other timing differences		(5)
Remeasurement of deferred tax for changes in tax rates	25	-
Tax charge for period	1,352	1,707

The tax charge for the company is higher than the standard rate principally due to the differences between the accounting treatment of fixed asset depreciation and the capital allowances claimed by the company.

Foreign tax arises on property income in the Republic of Ireland.

A breakdown of the deferred tax liability is given in note 15. The deferred tax liability relates to fixed asset timing differences which are offset by general provisions not deductible for tax in the current year. The deferred tax liability will crystallise over a number of years.



# Richer Sounds Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 2 May 2020

### 8 TANGIBLE FIXED ASSETS

	<i>Freehold properties £000</i>	<i>Leasehold properties £000</i>	<i>Property improve- ments £000</i>	<i>Fixtures and equipment £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost						
4 May 2019	10,150	2,033	773	2,009	20	14,985
Additions	-	-	88	242	-	330
Disposals	-	-	(166)	(204)	-	(370)
2 May 2020	10,150	2,033	695	2,047	20	14,945
Depreciation						
4 May 2019	888	351	393	1,015	5	2,652
Charged in the period	101	32	152	449	5	739
Disposals	-	-	(166)	(201)	-	(367)
2 May 2020	989	383	379	1,263	10	3,024
Net book value						
2 May 2020	9,161	1,650	316	784	10	11,921
4 May 2019	9,262	1,682	380	994	15	12,333

The net book value of the company's leasehold land and buildings includes £1,525,447 (2019: £1,540,000) in respect of long leasehold and £124,243 (2019: £142,000) in respect of short leasehold premises.

Charges exist over certain freehold property in relation to the company's banking facilities.

### 9 INTANGIBLE ASSETS

	<i>Software £000</i>
Cost	
4 May 2019 and 2 May 2020	1,308
Amortisation and impairment	
4 May 2019	446
Amortisation charged in the period	262
2 May 2020	708
Carrying amount	
2 May 2020	600
4 May 2019	862

# Richer Sounds Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 2 May 2020

### 10 FIXED ASSET INVESTMENTS

	Other investments
	Subsidiary undertakings
	£000
Cost:	
4 May 2019	12
Disposal	-
2 May 2020	<u>12</u>
Provision for diminution in value	
4 May 2019	12
Charged in the period	-
Disposal	-
2 May 2020	<u>12</u>
Net book value:	
2 May 2020	-
4 May 2019	<u>-</u>

The company holds more than 20% of the equity of the following companies:

Name of company	Holding (ordinary shares of £1 each)	Proportion held	Nature of business
Richer Sounds International Limited	1	100%	Dormant
Ariston Acoustics Limited	2	100%	Dormant
Hi-fi Direct Limited	2	100%	Dormant
Big Screen Entertainment Limited	2	100%	Dormant
Ariston Audio Limited	2	100%	Dormant
Cambridge Audio Limited	2	100%	Dormant

The above companies are not consolidated on the grounds of materiality.

11 STOCKS	52 weeks to 2 May 2020 £000	53 weeks to 4 May 2019 £000
Goods for resale	<u>17,463</u>	<u>31,469</u>

Stocks are stated after provisions for impairment of £2,909,476 (2019: £1,627,345).

# Richer Sounds Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 2 May 2020

12	DEBTORS	2 May 2020 £000	4 May 2019 £000
	Trade debtors	1,453	4,745
	Other debtors	1,770	3,068
	Prepayments and accrued income	2,143	2,017
		<u>5,366</u>	<u>9,830</u>
13	CREDITORS: Amounts falling due within one year	2 May 2020 £000	4 May 2019 £000
	Bank loans and overdrafts	1,250	-
	Trade creditors	440	4,823
	Corporation tax	178	623
	Other taxation and social security costs	5,992	3,981
	Other creditors	494	464
	Accruals and deferred income	9,143	7,343
		<u>17,497</u>	<u>17,234</u>
14	CREDITORS: Amounts falling due in more than one year	2 May 2020 £000	4 May 2019 £000
	Bank Loan	3,500	-
	Deferred income	6,721	5,774
		<u>10,221</u>	<u>5,774</u>

During the year, the company obtained a bank loan facility that is repayable over 4 years to May 2023. Interest charged at UK Libor plus 2.75% pa. The bank loan is secured by a fixed charge over certain property assets. Subsequent to the year end, the company repaid the bank loan in full.

15	PROVISIONS	Deferred tax £000
	At 4 May 2019	211
	Transfer to profit and loss account	33
	At 2 May 2020	<u>244</u>

# Richer Sounds Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 2 May 2020

The deferred tax liability/(asset) consists of the following:		2 May 2020 £000	4 May 2019 £000
Excess depreciation over capital allowances		337	297
Other timing differences		(93)	(86)
		<u>244</u>	<u>211</u>
16	FINANCIAL INSTRUMENTS	2 May 2020 £000	4 May 2019 £000
Financial assets:			
Debt instruments measured at amortised cost		3,223	7,916
Financial Liabilities:			
Measured at amortised cost		(11,437)	(11,790)
17	SHARE CAPITAL	2 May 2020 £000	4 May 2019 £000
Allotted, issued and fully paid:			
50,000 ordinary shares of £1 each		50	50
Ordinary share rights			
The company ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.			
18	DIVIDENDS	2 May 2020 £000	4 May 2019 £000
Ordinary:			
Paid		-	710
		<u>-</u>	<u>710</u>