

Company Registration No. 02826071 (England and Wales)

UTOPIA FURNITURE LTD.
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

UTOPIA FURNITURE LTD.

COMPANY INFORMATION

Directors	Mr D W Conn Mr I W Hall
Company number	02826071
Registered office	Utopia House Springvale Avenue Springvale Business Park Bilston West Midlands WV14 0QL
Auditor	Ormerod Rutter Limited The Oakley Kidderminster Road Droitwich Worcestershire WR9 9AY

UTOPIA FURNITURE LTD.

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UTOPIA FURNITURE LTD.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The principal activity and strategic focus of the group remains the design and manufacture of bathroom furniture, a market where the group retains an excellent reputation for both the quality of its product and service delivery.

The company continues to review its product portfolio and develop new product ranges to suit the needs of the market and maintain its leading position in the marketplace. Focusing on customer relationships, the company's strategic objective is to retain and grow business with existing customers and to develop new customer relationships and routes to market.

The business was severely impacted by Covid-19 during the year with a forced shut down of the manufacturing plant from the end of March 2020 to May 2020. In addition, retailers, a core part of the customer base, were forced to close for most of the year with outlets only fully opening in May 2021.

As part of the actions to weather Covid-19, Utopia Furniture and its immediate Holding company (Utopia Group Ltd) were acquired by Utopia Capital Investments Limited (formerly Halcon Properties Ltd) at the beginning of May 2020, allowing additional cash resources to be secured and utilised.

With the ongoing uncertainties during the year, Utopia undertook a strategic review of all its operations, resulting in the downsizing of the workforce to a sustainable level and thus ensuring the ongoing viability of the business. Due to the ongoing support of the new holding company and the use of the government's Coronavirus Job Retention Scheme during the year, Utopia Furniture managed to return what should be considered a satisfactory result at a time of such economic uncertainty.

Key performance indicators (KPIs)

The company utilises a range of different KPI's at an operational level which are used by the management team to monitor performance on a regular basis. The main KPI's are as follows:

	31 Dec 2020	31 Dec 2019
	£	£
Sales activity	11,289,138	15,529,044
EBITDA (before exceptionals)	185,297	412,472
Working capital (exclusive of amounts due to/from group undertakings)	565,447	833,227

Principal risks and uncertainties

The principal risk for the company relates to the difficult general economic conditions and the performance of the construction and home improvement markets. As a result of Covid-19 and Brexit, material supplies have become restricted in the short term with demand outstripping supply. To mitigate some of this risk, raw material stock holdings have been increased until trading activities return to normality.

On behalf of the board

Mr I W Hall
Director
29 July 2021

UTOPIA FURNITURE LTD.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be that of design and manufacture of bathroom furniture. The business continues to have an excellent reputation for design, quality and service and supplies a significant number of bathroom outlets in the UK.

Directors

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

Mr D W Conn

Mr I W Hall

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial risk management objectives and policies

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Foreign currency risk

The company's principal foreign currency exposures arise from trading with overseas companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Research and development

The company routinely investigates new materials and production techniques in the development of new ranges of bathroom furniture.

Future developments

There are no significant anticipated future changes to the operations of the company.

Auditor

The auditors, Ormerod Rutter Limited, will be proposed for re-appointment in accordance with Section 487(2) of the Companies Act 2006.

UTOPIA FURNITURE LTD.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

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

Disclosure in the Strategic Report

A separate Strategic Report has been prepared in compliance with Companies Act 2006 and contains information about the company's operations and financial performance throughout the period, and an assessment of the principal risks and uncertainties to the company.

On behalf of the board

Mr I W Hall

Director

29 July 2021

UTOPIA FURNITURE LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UTOPIA FURNITURE LTD.

Opinion

We have audited the financial statements of Utopia Furniture Ltd. (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 31 December 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our audit:

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

UTOPIA FURNITURE LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF UTOPIA FURNITURE LTD.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company, we identified the principal risks of non-compliance with laws and regulations including those that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, and the extent to which non-compliance might have a material effect on the financial statements.

Audit procedures performed included discussions with management, review of board meeting minutes, testing of journals, designing and performing audit procedures and challenging assumptions and judgements made by management in relation to accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

UTOPIA FURNITURE LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF UTOPIA FURNITURE LTD.

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.

Colm McGrory FCA (Senior Statutory Auditor)
For and on behalf of Ormerod Rutter Limited

29 July 2021

Chartered Accountants
Statutory Auditor

The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

UTOPIA FURNITURE LTD.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	11,289,138	15,529,044
Cost of sales		(7,487,723)	(10,294,223)
Gross profit		3,801,415	5,234,821
Administrative expenses		(4,833,576)	(5,229,227)
Other operating income		930,171	69,101
Exceptional item	4	(153,868)	(4,366,010)
Operating loss	6	(255,858)	(4,291,315)
Interest receivable and similar income	10	21	-
Interest payable and similar expenses	11	(23,943)	(25,438)
Loss before taxation		(279,780)	(4,316,753)
Tax on loss	12	97,567	-
Loss for the financial year		(182,213)	(4,316,753)

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

UTOPIA FURNITURE LTD.

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	13		977,739		1,252,952
Current assets					
Stocks	15	1,188,270		1,129,310	
Debtors	16	5,460,888		4,933,148	
Cash at bank and in hand		243,150		236,930	
		<u>6,892,308</u>		<u>6,299,388</u>	
Creditors: amounts falling due within one year	17	<u>(2,742,349)</u>		<u>(2,149,400)</u>	
Net current assets			<u>4,149,959</u>		<u>4,149,988</u>
Total assets less current liabilities			<u>5,127,698</u>		<u>5,402,940</u>
Creditors: amounts falling due after more than one year	18		<u>(104,181)</u>		<u>(197,210)</u>
Net assets			<u><u>5,023,517</u></u>		<u><u>5,205,730</u></u>
Capital and reserves					
Called up share capital	24		20,000		20,000
Capital redemption reserve	25		3,000		3,000
Profit and loss reserves	25		5,000,517		5,182,730
Total equity			<u><u>5,023,517</u></u>		<u><u>5,205,730</u></u>

The financial statements were approved by the board of directors and authorised for issue on 29 July 2021 and are signed on its behalf by:

Mr I W Hall
Director

Company Registration No. 02826071

UTOPIA FURNITURE LTD.**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2019	20,000	3,000	9,499,483	9,522,483
Year ended 31 December 2019:				
Loss and total comprehensive income for the year	-	-	(4,316,753)	(4,316,753)
Balance at 31 December 2019	20,000	3,000	5,182,730	5,205,730
Year ended 31 December 2020:				
Loss and total comprehensive income for the year	-	-	(182,213)	(182,213)
Balance at 31 December 2020	20,000	3,000	5,000,517	5,023,517

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Utopia Furniture Ltd. is a private company limited by shares incorporated in England and Wales. The registered office is Utopia House, Springvale Avenue, Springvale Business Park, Bilston, West Midlands, United Kingdom, WV14 0QL.

1.1 Accounting convention

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

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

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Utopia Capital Investments Limited (formerly Halcon Properties Limited). These consolidated financial statements are available from its registered office, Utopia House, Springvale Avenue, Springvale Business Park, Bilston, West Midlands, WV14 0QL.

1.2 Going concern

These financial statements have been drawn up on the going concern basis. If the going concern basis were not appropriate, adjustments would have been made to reduce assets to recoverable amounts, to provide for any further liabilities that might arise, and to re-classify fixed assets as current assets and long term liabilities as current liabilities.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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

Renewable Heat Incentive (RHI) scheme income is recognised when the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the entity.

1.4 Tangible fixed assets

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

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

Plant and equipment	20% on NBV
Fixtures and fittings	33% straight line
Computer Equipment	50% on NBV
Motor vehicles	25% on NBV

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

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.6 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of labour and fixed and variable production overheads.

Cost is calculated using the first-in, first-out (FIFO) method.

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

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

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

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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

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

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

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

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock

The group consistently monitors and provides against stock where appropriate to ensure stock is held at the lower of cost and NRV. Provisions are applied on a consistent basis which is based on historical experience and expected use, specifically ageing of stock, quantity in hand, usage and changes in customer demand are considered and reflected within the provided amounts.

Depreciation

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful lives and residual values are reassessed annually. They are amended when necessary, to reflect current estimates.

In the opinion of the directors there are no critical judgements or key sources of estimation uncertainty not addressed as part of the above accounting policies.

3 Turnover and other revenue

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

	2020 £	2019 £
Turnover analysed by class of business		
Sale of goods	11,289,138	15,529,044
	<u>11,289,138</u>	<u>15,529,044</u>
	2020 £	2019 £
Other significant revenue		
Interest income	21	-
Grants received	867,612	-
	<u>867,612</u>	<u>-</u>
	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	11,031,800	15,210,580
Europe	257,338	318,464
	<u>11,289,138</u>	<u>15,529,044</u>

Government grants

Government grants include £867,612 (2019: £nil) received under the government's Coronavirus Job Retention Scheme.

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Exceptional items

	2020	2019
	£	£
Redundancy costs	181,147	-
Other costs associated with group restructuring	4,875	-
Intercompany loans written off	(32,154)	-
Impairment of amounts due from group undertakings	-	4,366,010
	<u>153,868</u>	<u>4,366,010</u>

5 Renewable Heat Incentive (RHI) income

The company receives income under the government's Renewable Heat Incentive (RHI) scheme, for which heat generated by the company's biomass boiler is used to heat the premises. RHI income generated in 2020 totalled £56,559 (2019: £63,101) and is included within Other operating income in the statement of comprehensive income.

6 Operating loss

	2020	2019
	£	£
Operating loss for the year is stated after charging/(crediting):		
Government grants	(867,612)	-
Depreciation of owned tangible fixed assets	176,592	192,072
Depreciation of tangible fixed assets held under finance leases	110,695	145,705
Operating lease charges	552,453	544,829
	<u></u>	<u></u>

7 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>17,850</u>	<u>18,700</u>
For other services		
Taxation compliance services	835	835
All other non-audit services	<u>4,020</u>	<u>12,800</u>
	<u>4,855</u>	<u>13,635</u>

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Employees

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

	2020 Number	2019 Number
Administration	53	57
Production	102	114
Total	155	171

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	3,977,231	4,566,442
Social security costs	388,753	448,905
Pension costs	162,666	203,709
	4,528,650	5,219,056

9 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	2,619	-

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2019 - 0).

Key management personnel

During the year key management personnel (including directors) received gross wages of £240,878 (2019: £192,580) and employer pension contributions of £16,834 (2019: £18,250).

10 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Other interest income	21	-

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and loans	10,029	5,627
Interest on finance leases and hire purchase contracts	13,914	19,811
	<u>23,943</u>	<u>25,438</u>

12 Taxation

	2020	2019
	£	£
Current tax		
Adjustments in respect of prior periods	(97,567)	-
	<u>(97,567)</u>	<u>-</u>

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

	2020	2019
	£	£
Loss before taxation	<u>(279,780)</u>	<u>(4,316,753)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(53,158)	(820,183)
Tax effect of expenses that are not deductible in determining taxable profit	2,900	2,572
Tax effect of income not taxable in determining taxable profit	(6,109)	-
Unutilised tax losses carried forward	34,566	113,373
Adjustments in respect of prior years	(97,567)	-
Permanent capital allowances in excess of depreciation	-	(34,806)
Research and development tax credit	-	(82,814)
Temporary differences re staff wage costs	(260)	(7,684)
Impairment of amounts due from a connected company	-	829,542
Depreciation in excess of capital allowances	<u>22,061</u>	<u>-</u>
Taxation credit for the year	<u>(97,567)</u>	<u>-</u>

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Computer Equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2020	6,751,506	897,376	555,798	99,141	8,303,821
Additions	4,794	-	7,280	-	12,074
At 31 December 2020	6,756,300	897,376	563,078	99,141	8,315,895
Depreciation and impairment					
At 1 January 2020	5,623,706	816,920	520,578	89,665	7,050,869
Depreciation charged in the year	228,226	36,596	20,096	2,369	287,287
At 31 December 2020	5,851,932	853,516	540,674	92,034	7,338,156
Carrying amount					
At 31 December 2020	904,368	43,860	22,404	7,107	977,739
At 31 December 2019	1,127,800	80,456	35,220	9,476	1,252,952

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2020 £	2019 £
Plant and equipment	442,779	695,950

Ownership of these assets transfer to the company on full repayment of the hire purchase loans. None of the hire purchase agreements contain clauses relating to contingent rent, renewal, escalation clauses, subleases, or restrictions imposed on use of the assets.

14 Financial instruments

	2020 £	2019 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	4,835,130	4,226,164
Carrying amount of financial liabilities		
Measured at amortised cost	2,353,850	2,141,809

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Stocks

	2020 £	2019 £
Raw materials and consumables	955,801	924,685
Work in progress	130,303	134,187
Finished goods and goods for resale	102,166	70,438
	<u>1,188,270</u>	<u>1,129,310</u>

Impairment losses in respect of obsolete and slow-moving stock were £28,229 (2019: £86,161).

16 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	1,194,707	865,039
Corporation tax recoverable	97,567	-
Amounts owed by group undertakings	3,617,565	3,335,460
Other debtors	22,858	25,665
Prepayments and accrued income	159,892	338,685
	<u>5,092,589</u>	<u>4,564,849</u>
Deferred tax asset (note 22)	368,299	368,299
	<u>5,460,888</u>	<u>4,933,148</u>

17 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	19	429,155	96,138
Obligations under finance leases	20	205,981	246,211
Trade creditors		1,119,888	1,128,186
Amounts owed to group undertakings		33,053	18,699
Taxation and social security		492,680	204,801
Other creditors		30,336	-
Accruals and deferred income		431,256	455,365
		<u>2,742,349</u>	<u>2,149,400</u>

18 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Obligations under finance leases	20	<u>104,181</u>	<u>197,210</u>

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

19 Loans and overdrafts

	2020 £	2019 £
Bank overdrafts	429,155	96,138
	<u>429,155</u>	<u>96,138</u>
Payable within one year	429,155	96,138
	<u>429,155</u>	<u>96,138</u>

Included within bank overdrafts is £429,155 (2019: £96,138), relating to an invoice financing arrangement, secured by way of first fixed charge over specific trade debtor balances, and by way of a first floating charge over all of the company's present and future assets and undertaking. Interest charged on the secured liability is variable at 2.41% over the Bank of England's base rate.

20 Finance lease obligations

	2020 £	2019 £
Future minimum lease payments due under finance leases:		
Within one year	205,981	246,211
In two to five years	104,181	197,210
	<u>310,162</u>	<u>443,421</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Amounts due under hire purchase and finance lease contracts are secured over the assets to which they relate.

21 Secured debts

The following secured debts are included within creditors:

	2020 £	2019 £
Hire purchase contracts	310,162	443,421
Bank overdrafts	429,155	96,138
	<u>739,317</u>	<u>539,559</u>

Hire purchase contracts are secured against the assets to which they relate.

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

22 Deferred taxation

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

	Assets 2020 £	Assets 2019 £
Balances:		
Accelerated capital allowances	63,000	63,000
Tax losses	303,000	303,000
Short term timing differences	2,299	2,299
	<u>368,299</u>	<u>368,299</u>

There were no deferred tax movements in the year.

The deferred tax asset set out above is expected to reverse within 12 months and primarily relates to the utilisation of tax losses against future expected profits of the same period.

23 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>162,666</u>	<u>203,709</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Accrued employer pension contributions as at the year end amounted to £19,338 (2019: £20,147).

24 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
20,000 Ordinary A Shares of £1 each	<u>20,000</u>	<u>20,000</u>

25 Reserves

Capital redemption reserve

The capital redemption reserve records the nominal value of shares repurchased by the company.

Profit and loss reserves

Profit and loss reserves represent the accumulated profits of the company, less accumulated losses and distributed profits.

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	251,590	300,079
Between two and five years	141,828	286,121
In over five years	1,889	10,090
	<u>395,307</u>	<u>596,290</u>

27 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

Entities under common control

During the year the company incurred rent and related expenses charged at less than market rate payable to entities under common control totalling £nil (2019 - £201,812).

During the year the company incurred expenses on normal trading terms payable to entities under common control totalling £215,648 (2019 - £226,121).

During the year the company recharged expenses to entities under common control totalling £51,776 (2019 - £nil).

Amounts owed to/by related parties

The following amounts were outstanding at the reporting end date:

	Amount owed to 31 December		Amounts owed by 31 December	
	2020 £	2019 £	2020 £	2019 £
Entities under common control	42,831	109,032	-	-

UTOPIA FURNITURE LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

28 Ultimate controlling party

The immediate parent company is Utopia Group Limited, a company registered in England and Wales.

As at 31 December 2019, the ultimate parent undertaking was Utopia Bathroom Group Limited.

On 6 May 2020, ownership of Utopia Group Limited, the immediate parent company, was transferred to Utopia Capital Investments Limited (formerly Halcon Properties Limited).

As at 31 December 2020, the ultimate parent undertaking was Utopia Capital Investments Limited, a company registered in England and Wales, which headed the largest and smallest group to consolidate the financial statements of the company. Copies of the consolidated financial statements, which include the results of the company are available from the registered office of Utopia Capital Investments Limited, Utopia House Springvale Avenue, Springvale Business Park, Bilston, West Midlands, WV14 0QL.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.