

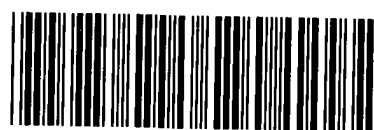
Registered No. 05268170

Home Décor GB Limited

Reports and Financial Statements

31 December 2021

TUESDAY



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04/04/2023

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COMPANIES HOUSE

Home Décor GB Limited

Corporate information

Directors

J P Limbert
J Griffiths (appointed 1 January 2021)
J A Hopper (appointed 1 January 2021)
N J Martin (appointed 1 January 2021)

Secretary

SNR Denton Secretaries Limited

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Bankers

HSBC
Unit 4
Europa Court
Sheffield Airport Business Park
Sheffield
S9 1XE

Solicitors

Dentons UKMEA LLP
One Fleet Place
London
EC4M 7WS

Registered Office

Innovation Way
Woodhouse Mill
Sheffield
S13 9AD

Home Décor GB Limited

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2021.

Review of the business

The company's principal activities during the year continued to be the manufacture and distribution of domestic furnishings.

The company's key financial and other performance indicators during the year were as follows:

	2021 £	2020 £	Change %
Turnover	30,030,171	26,543,411	13%
EBITDA before exceptional items	2,971,354	3,637,915	(18%)
Operating profit before exceptional items	2,101,670	2,718,200	(23%)
EBITDA (loss)/profit after exceptional items	(9,599,237)	3,637,915	(364%)
Operating (loss)/profit after exceptional items	(10,468,921)	2,718,200	(485%)
(Loss)/profit after tax	(10,949,936)	2,256,238	(585%)
Shareholders' funds	2,322,800	13,272,736	(82%)
Current assets as % of current liabilities	114%	149%	
Average number of employees	171	163	5%

Turnover increased in 2021 by 13% when compared with 2020, this was predominantly driven by a full year of trading post the Covid pandemic. This was due to increased sales within the domestic retail and e-commerce market with sales across the company's international channels decreasing as the Covid global pandemic impacted International trade. Due to disruption in the supply chain, increased levels of material price inflation and rises in freight and labour costs, margins were negatively impacted within the year due to the time delay in the business being able to pass these costs onto its customers. In addition to this, increased utility costs, coupled with the lack of Covid related support that was received in 2020 resulted in higher overhead costs within the year. 2021 therefore delivered a reduction in EBITDA to £2.971m before exceptional items compared to the 2020 comparable EBITDA before exceptional items of £3.638m.

On 30 November 2022, the subsidiary company Optiplan Kitchens was placed into administration. Optiplan Kitchens Limited has faced numerous challenges since the outbreak of Covid-19. Initially the complete cessation of its operations, followed by prolonged periods of showroom closures due to changing Covid restrictions. Post Covid challenges in the supply chain have resulted in severe business disruption alongside rapidly escalating costs that the business has struggled to pass on to its customers quickly enough. Despite taking action to restructure the business in April 2022, escalating utility costs and further material cost increases have eroded the benefits that were achieved from this. Given the ongoing economic challenges with seemingly no end in sight to the high levels of ongoing inflation, a conclusion was reached that there is no viable alternative to this action. Following the above a write off of the investment in Optiplan Kitchens and associated affiliate receivables balances has been made within the Statement of Comprehensive Income for the year under exceptional items, with this exceptional item totalling £12.571m.

Shareholders' funds reduced by 82% due to the loss for the year. The company's 'quick ratio' (current assets as a percentage of current liabilities), decreased to 114% (2020: 149%).

There was an increase in the number of employees during the year from 163 in 2020 to 171 in 2021. There were increases in Manufacturing and Office & Administration with decreases in the Sales & Distribution departments.

The products manufactured and sold by the company have minimal environmental impact. However, the board believes in good environmental practice as a matter of principle. Additionally, the company will

Strategic report (continued)

Review of the business (continued)

benefit from such practice in terms of its reputation of the company. Consequently, the company continues to put environmental responsibilities high on the agenda.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are outlined below;

- Exchange rates and commodity prices

The directors consider that exchange rates and commodity prices are the two main factors that they are unable to control that may impact on the profitability of the business. A proportion of the company's operating expenses are denominated in non-Sterling currencies. The value of Sterling has fallen since the UK referendum decision to leave the European Union, making imports more expensive. The directors have recognised this, and exposures of each currency are monitored and managed with the use of forward exchange contracts and currency loans. The forward foreign exchange contracts all mature within 6 months. Further inflation has been reflected within the forecasts with agreed prices increases from customers to recover this. The Director's expect that likely inflationary cost increases will be lower than have been forecast overall and therefore do not consider, currency rate and commodity price movements in relation to raw materials and freight costs to have an adverse impact on the business.

- Competitive risk

The directors do not consider the competitive risk of the business to be any greater than would normally be expected for a company operating in an open market environment.

- Risk surrounding the UK's exit from the European Union

The UK decision to leave the European Union in June 2017 has impacted consumer confidence and as a result, discretionary spending, as well as increasing cost inflation. Whilst Management prepared for the eventuality of a no deal Brexit, the fact that a trade deal has been agreed is a positive for the business in terms of our international trade. Whilst increases in cost specifically in relation to freight have impacted the business through 2021 the majority of these were expected and therefore budgeted for.

The potential impact of Brexit has been considered in reference to such areas as raw material cost increases and the impact on overheads when forecasting for the future and we believe a conservative approach has been taken.

- Risk surrounding the Russian/Ukraine war and cost of living crisis

Russian's decision to invade Ukraine in February 2022 has had an immense impact on the global economy sparking a cost of living crisis driven by increased costs in relation to food, fuel and utilities in addition to rising inflation and interest rates in the UK. When assessing the impact of this on the business, the Directors have been conservative within their forecasts, reflecting increased costs, the impact on overheads and lower demand for our product reflected within underlying volumes.

- Credit, liquidity and cash flow risk

This is the risk that the company will not be able to meet its financial liabilities as they fall due. The business produces and monitors short term and long term cashflow forecasts, to ensure that if a potential liquidity risk existed appropriate action could be taken in advance to avoid such a situation. Credit risk is managed by only offering credit terms to those customers who meet internal requirements relating to payment history and creditworthiness.

- Covid-19

With regard to the current situation with the COVID-19 pandemic or public health crisis in general, we refer to the going concern information as per the Directors' Report.

Strategic report (continued)

Section 172(1) Statement

The Board objectives, approved in December 2021, identified the Board's key stakeholders (as set out in this statement). Home Décor GB Limited recognises the importance of engaging with stakeholders to assist with board decision making. The interests of its key stakeholders such as Customers, Suppliers, Employees and Shareholders are taken into account by the Board when it makes its decisions.

This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

- Customers

Customers are at the centre of everything that Home Décor GB Limited does. During the year the Board received regular updates on the key issues facing its customers through specific business updates. The Commercial Directors and CEO hold regular meetings with customers to enhance relationships and understand their views. These meetings provide an opportunity to gain an insight into any challenges its customers may be facing and offer valuable solutions wherever possible to maintain a healthy working relationship. The board ensures that the companies values remain aligned with those of our customers.

- Suppliers

The Board recognise the key role our suppliers play in ensuring we deliver our products and services in a timely and reliable manner to our customers. Regular meetings are held with suppliers for Directors to gain a first-hand opportunity to discuss any current challenges so that we can work together to overcome these. In order to manage these key supplier relationships effectively, payment practices are considered with relevant payment terms being adhered to unless otherwise agreed.

- Employees

The Board promotes the voice of its employees within its board room through a variety of channels. Employees are actively encouraged to raise any issues, concerns or suggestions for improvement through their immediate line manager. Half yearly employee update briefings are also held where all employees are invited and briefed by the CEO, Directors and members of the Senior Management teams, providing detail of company performance, recent results and any current challenges that are facing the business. This is an interactive forum whereby employees have the platform to voice any concerns and directly question the Board and make relevant suggestions for improvement. Due to the current guidelines on social distancing these briefings have not taken place during the year however every department also receives a monthly briefing direct from their line manager giving current updates on the business's performance.

- Shareholders

The Board meets with its Shareholders at the Annual General Meeting and any other general meetings that may be held, normally twice yearly. During 2021 these were attended by the CEO and the Commercial Directors. The main AGM was the annual budget meeting which is held in December to review the businesses performance in 2021 and agree plans for 2022.

Throughout the year the CEO provided regular updates to the Board and Senior Management Team on Shareholder engagement, in order to ensure the business as a whole has an understanding of the views and involvement of the Shareholders.

- Principal decisions

Following the impact of the Covid-19 pandemic management took the decision to implement safe operating procedures following the reopening of the facilities to minimise the spread of the virus within the workplace whilst ensuring business continuity.

On 30 November 2022, the decision was made to place the subsidiary company Optiplan Kitchens Limited into administration. This business had faced numerous challenges since the outbreak of Covid-19. Initially the complete cessation of its operations, followed by prolonged periods of showroom closures due to changing Covid restrictions. Post Covid challenges in the supply chain have resulted in severe business disruption alongside rapidly escalating costs that the business has struggled to pass on to its customers quickly enough. Despite taking action to restructure the business in April 2022, escalating utility costs and further material cost increases have eroded the benefits that were achieved from this. Given the ongoing

Strategic report (continued)

Section 172(1) Statement (continued)

economic challenges with seemingly no end in sight to the high levels of ongoing inflation, a conclusion was reached that there is no viable alternative to this action.

Mandatory Streamlined Energy and Carbon Reporting (SECR)

We fulfil the statutory requirements for Streamlined Energy and Carbon Reporting which includes disclosure of the Company's carbon emissions. Under the Companies Act 2006 / SECR Regulations, 'Large' companies' are required to report their annual emissions in their Directors' report.

Home Decor GB Limited Streamlined Energy and Carbon Reporting statement covers the reporting period 1 January 2021 to 31 December 2021 and has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard.

Energy	Usage kwh	Conversion Factor*	Tonnes of CO2
Grid Electricity	1337549	0.23314	311.84
Natural Gas	220775	0.18387	40.9

*Conversion factors provided by BEIS and the Carbon Trust

The total energy consumption for 2021 was 1,558,324 kWh equating to 352.4 tCO₂e

Carbon intensity: Emissions of tCO₂e/£m turnover during 2021 was 0.000011 tCO₂e

2020 Comparative data

Energy	Usage kwh	Conversion Factor*	Tonnes of CO2
Grid Electricity	1056044	0.23314	246.21
Natural Gas	327535	0.18387	60.22

- Versus 2020 the energy consumption for electricity has increased, this is driven by the closure of the business during 2020 for a 6 week period due to the Covid-19 lockdown. The gas consumption has reduced driven by a change in shift patterns with a focus on energy efficiency as explained below.

Qualifying information on the above data:

- This statement has been prepared in line with the requirements of the Streamlined Energy and Carbon Reporting regulations and the relevant areas of the Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard.
- This is the Company's second year of Streamlined Energy and Carbon Reporting and have been able to use a full year 2021 consumption figure.
- tCO₂e is the tonnage of equivalent carbon emissions generated by the various greenhouse gasses (carbon dioxide, methane, nitrous oxide etc.) each of which has a 'Global Warming Potential' factor that is included in the above emission figure.

During the year 2021 the following improvements in energy efficiency were undertaken:

- Changes to shift patterns and a policy of switching lighting and power off when not required.

Home Décor GB Limited

Strategic report (continued)

On behalf of the Board

DocuSigned by:

Jason Limbert

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J P Limbert

Director

31 March 2023

Home Décor GB Limited

Registered No. 05268170

Directors' report

The directors present their report and financial statements for the year ended 31 December 2021.

Directors of the company

The director who served the company during the year was as follows:

J P Limbert

J Griffiths (appointed 1 January 2021)

J A Hopper (appointed 1 January 2021)

N J Martin (appointed 1 January 2021)

Results and dividends

The loss for the year after taxation amounted to £10,949,936 driven by the write off of the investment within Optiplan Kitchens and associated affiliate balances that had a combined value of £12,570,591 and are presented as exceptional items within the Statement of Comprehensive Income (2020 – profit £2,256,238). The operating profit before exceptional items amounted to £2,101,670 (2020 – profit £2,718,200). The directors do not recommend a final dividend (2020 – £nil).

Post Balance Sheet Events

On 30 November 2022, the subsidiary company Optiplan Kitchens was placed into administration. Optiplan Kitchens Limited has faced numerous challenges since the outbreak of Covid-19. Initially the complete cessation of its operations, followed by prolonged periods of showroom closures due to changing Covid restrictions. Post Covid challenges in the supply chain have resulted in severe business disruption alongside rapidly escalating costs that the business has struggled to pass on to its customers quickly enough. Despite taking action to restructure the business in April this year, escalating utility costs and further material cost increases have eroded the benefits that were achieved from this. Given the ongoing economic challenges with seemingly no end in sight to the high levels of ongoing inflation, a conclusion was reached that there is no viable alternative to this action. Following this the company has impaired the investment of £6,000,000 and intercompany receivables owed by Optiplan Kitchens Limited of £6,570,591 at the balance sheet date, within the current year financial statements; as per the exceptional item considered within Note 3. In addition to this, intercompany receivables arising post the balance sheet date have been written off within the 2022 financial statements and presented as exceptional items to the value of £2,798,102 and there are some ongoing costs relating to group IT contracts and rent guarantees that the business will be responsible for, these total £332k over a 3 year period 2023 to 2025.

Future developments

Following the Covid-19 pandemic sales within the domestic retail and e-commerce markets continued to increase, however with sales across the company's international channels are decreasing due to the continued impact on International trade. With disruption in the supply chain the business experienced increased levels of material price inflation and rises in freight and labour costs which negatively impacted within the year due to the time delay in the business being able to pass these costs onto its customers. In addition to this, increased utility costs, coupled with the lack of Covid related support that was received in 2020 resulted in higher overhead costs within the year. With restrictions now lifted and the world returning to some sort of normality the Director's expected that any increased spending would reduce as consumers turn their attention to other areas such as holidaying abroad. These assumptions have been built into future budgets and forecasts, with underlying volumes more comparable with that of 2019.

The Board reviews medium and long term plans at regular intervals, normally twice yearly, however more if the environment is volatile. Key to the businesses successful future is sales growth in its existing products and channels to market but also in growing its product offering. From December 2022 Home Decor has been manufacturing Hinged Wardrobes for a large Newbuild contract and has plans to grow these sales across all its channels. From January 2023 Home Decor is delivering a £2.2m Kitchen project, where the production of the kitchen cabinets is being subcontracted with acceptable levels of margin still being made. This is therefore also an area of further sales growth development the business is considering. In Q2 of 2023

Home Décor GB Limited

Directors' report (continued)

Future developments (continued)

Home Decor will be introducing a free standing wardrobe range which we expect to be able to sell to retail customers who currently do not want to enter the fitted bedroom category.

Financial instruments

The company's financial instruments comprise cash and liquid resources, bank loans and various items, such as trade receivables and trade payables that arise directly from its operations. The company also uses foreign exchange forward contracts to mitigate its exposure to movements in foreign exchange rates. The main purpose of these financial instruments is to provide working capital for the company's operations.

Going concern

The directors have considered the basis of preparation of the statutory financial statements in line with the requirements of the guidelines issued by the Financial Reporting Council (FRC) in April 2016. After a review of the business, the business plan and risks and sensitivities around the plan the directors have concluded that the business is a going concern and the statutory financial statements should be prepared on a going concern basis. In preparing the financial statements on a going concern basis, the directors acknowledge the effect the COVID-19 pandemic, the lifting of associated restrictions, increased material price and utility inflation has had on the business during 2021 and 2022. In addition, the recent impact of the Optiplan Administration has been considered further.

The Directors have considered forecasts for the business until 30 April 2024. These forecasts include key assumptions regarding future sales growth and anticipated material cost increases; with the expectation being that material cost increases will begin to level out, however wherever these are incurred they can be passed on to customers via sales price increases, which has been demonstrated over recent years. Similarly any cost reductions will be passed on to customers after a sustained period of time has passed. As part of the consideration of forecasts for the business until 30 April 2024 sensitivities have been applied designed to model potential downside scenarios where consumer spending habits change and sales reduce. For example a scenario has been considered, reducing forecast sales by 10%, despite already seeing a fall in volumes in 2022 that have been reflected in the underlying like for like sales in 2023. Margins and underlying overhead costs remain the same as originally forecast to reflect the increase in material, freight and salary costs, however in an actual environment where we were seeing further volume declines we are even less likely to see all of the cost inflation that we have included in the forecast, therefore applying a conservative approach to the forecast profit and cash position. Such a sizeable sales reduction would also likely trigger an overhead cost reduction. So there is mitigating action to be taken that is not included in the forecast. Through the seasonally low months of the summer of 2023 a cumulative month on month effect of such a volume reduction without any action to lower costs would reduce cash headroom to a minimal level before any mitigating actions. The company does have a number of mitigants available to it with the most significant being the £1m E-Term loan from Promontoria Holding 155 B.V. which would also be available to the business if ultimately required.

An additional sensitivity analysis has been modelled to consider a scenario where the normal level of creditor terms were no longer available with a 20% reduction in this. Under these scenarios considered by the Directors, despite lower levels of cash headroom, given the mitigating actions available to the business and the unlikelihood of any creditor issues the Directors believe the business will continue to operate normally throughout the period under review. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. February 2023 YTD results are ahead of forecast at both revenue and EBITDA level.

The budgets and forecasts assume that the invoice discounting arrangements in Home Decor GB Limited continue in place in the normal course of business, the Directors consider there to be no significant level of

Home Décor GB Limited

Directors' report (continued)

Going concern (continued)

uncertainty relating to the continued availability of such invoice discounting arrangements. The overdraft and other uncommitted banking facilities do not have a termination date but are due for review in February 2024. The invoice discounting arrangement has a three month notice period by either party and the overdraft is repayable on demand as per the standard terms of such financing arrangement. The directors confirm that they expect that these financing arrangements will remain in place throughout the going concern period and beyond.

In addition to the above, the ultimate parent continues to be particularly supportive of the wider UK group which is headed by the company's immediate parent undertaking HD Holdings II Limited, and the directors expect this to continue for the foreseeable future. This support is evidenced by the extension of the group's financing loan held by HD Holdings II Limited, where the repayment date has been extended to 16 May 2024, and £16,593,187 of the total debt owed at the time of the extension date of 25 October 2021 being approved has been waived; both of which are considered further within the HD Holdings II Limited financial statements. Further to this the ultimate parent has confirmed that they would intend to extend the loan at the 16 May 2024 repayment date as it is in their commercial interest to do so.

Directors' liabilities

The company granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party liability provision remains in force as at the date of the Directors' report.

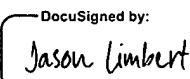
Disclosure of information to the auditors

So far as the directors at the date of approving this report are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the company's auditor, the directors have taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

DocuSigned by:

JP Limbert
Director
31 March 2023

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view on 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 judgments and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

to the members of Home Décor GB Limited

Opinion

We have audited the financial statements of Home Décor GB Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 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 to 30 April 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report (continued)

to the members of Home Décor GB Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework, FRS 102, the Companies Act 2006 and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements relating to the domestic furnishings manufacturing industry, health and safety, employee matters and data protection.

Independent auditors' report (continued)

to the members of Home Décor GB Limited

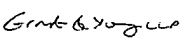
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We understood how the company is complying with those frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes and consideration of the results of our audit procedures across the company.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where they considered there was susceptibility to fraud and reviewed the entity level controls in place. We also considered the existence of performance targets and their potential influence on management to manage earnings. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. We concluded that both the posting of manual journals to revenue and revenue cut-off were fraud risks. We reviewed manual journals to revenue and considered the nature of these transactions. For those that we did not consider to be in the normal course of business and are not of a trivial value we obtained evidence to support the validity of such adjustments. We tested revenue cut off, through selecting a sample of items and validated these to invoice and proof of delivery or other evidence to demonstrate the accounting was appropriate. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions; enquiries of company management; and challenging the assumptions and judgements made by management by reviewing third party evidence wherever possible. We also leveraged our data analytics platform in performing our work to assist in identifying higher risk transactions for testing. The results of our procedures did not identify any instances or irregularities, including fraud.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DS


Eddie Diamond (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

31 March 2023

Home Décor GB Limited

Statement of comprehensive income

for the year ended 31 December 2021

		2021	2020
	Notes	£	£
Turnover	2	30,030,171	26,543,411
Cost of sales		(19,480,153)	(15,967,550)
Gross profit		10,550,018	10,575,861
Administrative expenses		(8,448,348)	(7,857,661)
Exceptional items	3	(12,570,591)	-
Operating (loss)/profit	3	(10,468,921)	2,718,200
Bank interest receivable	6	-	51
Interest payable and similar charges	7	(123,513)	(131,893)
(Loss)/profit on ordinary activities before taxation		(10,592,434)	2,586,358
Tax on (loss)/profit on ordinary activities	8	(357,502)	(330,120)
(Loss)/profit and total comprehensive income for the financial year attributable to the parent undertaking		(10,949,936)	2,256,238

All amounts in the current year relate to continuing operations.

Home Décor GB Limited

Statement of financial position

at 31 December 2021

	Notes	2021 £	2020 £
Fixed assets			
Intangible assets	9	2,852,071	3,203,584
Tangible assets	10	500,074	827,285
Investments	11	-	6,000,000
		<u>3,352,145</u>	<u>10,030,869</u>
Current assets			
Stocks	12	3,086,106	2,555,824
Debtors:			
- amounts falling due within one year	13	5,184,974	7,320,144
- amounts falling due after one year	13	2,762,699	4,792,922
		<u>7,947,673</u>	<u>12,113,066</u>
Cash at bank and in hand		675,231	340,510
		<u>11,709,010</u>	<u>15,009,400</u>
Creditors: amounts falling due within one year	14	<u>(7,823,251)</u>	<u>(6,852,429)</u>
Net current assets		<u>3,885,759</u>	<u>8,156,971</u>
Total assets less current liabilities		<u>7,237,904</u>	<u>18,187,840</u>
Creditors: amounts falling due after more than one year	15	<u>(4,915,104)</u>	<u>(4,915,104)</u>
Net assets		<u>2,322,800</u>	<u>13,272,736</u>
Capital and reserves			
Called up share capital	18	3,937,690	3,937,690
Profit and loss account	19	<u>(1,614,890)</u>	<u>9,335,046</u>
Shareholders' funds		<u>2,322,800</u>	<u>13,272,736</u>

The financial statements were approved by the board of directors on 31 March 2023 and signed on its behalf by:

DocuSigned by:



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J P Limbert

Director

31 March 2023

Registered No. 05268170

Home Décor GB Limited

Statement of changes in equity**For the year ended 31 December 2021**

	<i>Called-up share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£
At 1 January 2020	3,937,690	7,078,808	11,016,498
Profit for the year	-	2,256,238	2,256,238
Total comprehensive income for the year	-	2,256,238	2,256,238
At 31 December 2020	3,937,690	9,335,046	13,272,736
Loss for the year	-	(10,949,936)	(10,949,936)
Total comprehensive loss for the year	-	(10,949,936)	(10,949,936)
At 31 December 2021	3,937,690	(1,614,890)	2,322,800

Notes to Financial Statements

at 31 December 2021

1. Accounting policies

Statement of compliance

Home Decor GB Limited is a private limited company incorporated and domiciled in the UK. The address of the registered office is Innovation Way, Woodhouse Mill, Sheffield, S13 9AD.

The registered number of the company is 05268170.

A description of the company's principal activities is provided in the Strategic report on page 2.

Basis of preparation and change in accounting policy

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is a wholly owned subsidiary of HD Holdings II Limited into which the company's financial statements are consolidated. The company has, therefore, taken the exemptions permitted under FRS 102 to not disclose remuneration paid to key management personnel, a cash flow statement and to not disclose a detailed breakdown of financial instruments.

The financial statements are presented in Sterling (£).

Group financial statements

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group. Group financial statements are prepared for HD Holdings II Limited a company incorporated in England and Wales.

Going concern

The directors have considered the basis of preparation of the statutory financial statements in line with the requirements of the guidelines issued by the Financial Reporting Council (FRC) in April 2016. After a review of the business, the business plan and risks and sensitivities around the plan the directors have concluded that the business is a going concern and the statutory financial statements should be prepared on a going concern basis. In preparing the financial statements on a going concern basis, the directors acknowledge the effect the COVID-19 pandemic, the lifting of associated restrictions, increased material price and utility inflation has had on the business during 2021 and 2022. In addition, the recent impact of the Optiplan Administration has been considered further.

The Directors have considered forecasts for the business until 30 April 2024. These forecasts include key assumptions regarding future sales growth and anticipated material cost increases; with the expectation being that material cost increases will begin to level out, however wherever these are incurred they can be passed on to customers via sales price increases, which has been demonstrated over recent years. Similarly any cost reductions will be passed on to customers after a sustained period of time has passed. As part of the consideration of forecasts for the business until 30 April 2024 sensitivities have been applied designed to model potential downside scenarios where consumer spending habits change and sales reduce. For example a scenario has been considered, reducing forecast sales by 10%, despite already seeing a fall in volumes in 2022 that have been reflected in the underlying like for like sales in 2023. Margins and underlying overhead costs remain the same as originally forecast to reflect the increase in material, freight and salary costs, however in an actual environment where we were seeing further volume declines we are even less likely to see all of the cost inflation that we have included in the forecast, therefore applying a conservative approach to the forecast profit and cash position. Such a sizeable sales reduction would also likely trigger an overhead cost reduction. So there is mitigating action to be taken that is not included in the forecast. Through the seasonally low months of the summer of 2023 a cumulative month on month effect of such a volume reduction without any action to lower costs would reduce cash headroom to a minimal level before any mitigating actions. The company does have a number of mitigants available to it with the most

Notes to Financial Statements

at 31 December 2021

1. Accounting policies (continued)

Going concern (continued)

significant being the £1m E-Term loan from Promontoria Holding 155 B.V. which would also be available to the business if ultimately required.

An additional sensitivity analysis has been modelled to consider a scenario where the normal level of creditor terms were no longer available with a 20% reduction in this. Under these scenarios considered by the Directors, despite lower levels of cash headroom, given the mitigating actions available to the business and the unlikelihood of any creditor issues the Directors believe the business will continue to operate normally throughout the period under review. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. February 2023 YTD results are ahead of forecast at both revenue and EBITDA level.

The budgets and forecasts assume that the invoice discounting arrangements in Home Decor GB Limited continue in place in the normal course of business, the Directors consider there to be no significant level of uncertainty relating to the continued availability of such invoice discounting arrangements. The overdraft and other uncommitted banking facilities do not have a termination date but are due for review in February 2024. The invoice discounting arrangement has a three month notice period by either party and the overdraft is repayable on demand as per the standard terms of such financing arrangement. The directors confirm that they expect that these financing arrangements will remain in place throughout the going concern period and beyond.

In addition to the above, the ultimate parent continues to be particularly supportive of the wider UK group which is headed by the company's immediate parent undertaking HD Holdings II Limited, and the directors expect this to continue for the foreseeable future. This support is evidenced by the extension of the group's financing loan held by HD Holdings II Limited, where the repayment date has been extended to 16 May 2024, and £16,593,187 of the total debt owed at the time of the extension date of 25 October 2021 being approved has been waived; both of which are considered further within the HD Holdings II Limited financial statements. Further to this the ultimate parent has confirmed that they would intend to extend the loan at the 16 May 2024 repayment date as it is in their commercial interest to do so.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Goodwill and intangible assets useful economic life

The Company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Notes to Financial Statements

at 31 December 2021

1. Accounting policies (continued)

Recognition of deferred tax assets

The company is subject to UK corporation tax and judgement is required in determining the provision for income and deferred taxation. The company recognises taxation assets and liabilities based upon estimates and assessments of many factors including judgements about the outcome of future events. Deferred tax assets are only 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. At 31 December 2021 the company has recognised a deferred tax asset consisting of the tax effect of timing differences in respect of the excess of taxation allowances over depreciation upon fixed assets of £323,372 (2020: £244,278); and other timing differences of £2,704 (2020: £570) both on the basis that they will be suitably utilised in future periods.

Significant accounting policies

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entities acquired identifiable assets and liabilities.

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight-line basis over its useful life up to a presumed maximum of twenty years. It is reviewed for impairment at the end of the first full year after acquisition and subsequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairments losses.

Acquired computer software is shown at historical cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over its estimated useful life of three years from the date the assets is available for use.

Investments

Investments in subsidiaries are initially stated at cost then adjusted for any impairment.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Leasehold building improvements	–	over the term of the lease
Plant, machinery and equipment	–	straight-line over 3-10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and VAT.

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 on dispatch of the goods, 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.

Notes to Financial Statements

at 31 December 2021

1. Accounting policies (continued)

Basic financial instruments

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

There was no impairment recognised in the statement of comprehensive income for the period in respect of bad and doubtful trade debtors (2020 - £nil).

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits. Bank overdrafts that are repayable upon demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes direct materials, labour costs and those overheads that have been incurred in bringing the stock to its present location and condition. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Group relief payments

The group takes advantage of provisions within the Taxes Act which enable certain tax benefits available in one group company to be transferred to another group company. Consideration was paid of £438,729 (2020 - £354,702).

Foreign currencies

The functional and presentation currency of the company is Sterling (£).

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange rate differences are recognised in profit or loss in the period in which they arise.

Notes to Financial Statements

at 31 December 2021

1. Accounting policies (continued)

Financial instruments

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Derivative Financial instruments

The company uses forward foreign currency contracts to reduce the exposure to foreign exchange rates. The derivative financial instruments are initially recognised at fair value on the date on which the contract is entered into and are subsequently measured at fair value through profit or loss.

At 31 December 2021, the outstanding contracts all mature within 12 months of the year end. The company is committed to buy USD \$nil. (2020 – \$1.10m).

The company does not undertake any hedge accounting transactions.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduced the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Home Décor GB Limited

Notes to Financial Statements

at 31 December 2021

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties:

Geographical area

	2021 £	2020 £
United Kingdom	28,176,588	24,642,939
Europe	1,625,528	1,730,364
Rest of the World	228,055	170,108
	<u>30,030,171</u>	<u>26,543,411</u>

3. Operating (loss)/profit

This is stated after charging:

		2021 £	2020 £
Auditors' remuneration	– audit of financial statements	60,900	58,000
	– other taxation	22,290	21,000
Depreciation of owned assets	– owned assets	416,773	442,857
Operating lease rentals	– land and buildings	754,634	725,672
	– other	271,425	287,430
Amortisation	– goodwill	360,159	360,159
	– owned intangible assets	92,752	116,699
Furlough income		(9,190)	(541,829)
(Loss) / gain on exchange rates		<u>(10,866)</u>	<u>99,995</u>

The exceptional item recognised in the current year of £12,570,591 (2020 - £nil) relates to the impairment of the company's investment in Optiplan Kitchens Limited of £6,000,000 and the impairment of the company's intercompany receivables owed by Optiplan Kitchens Limited as at 31 December 2021 which totalled £6,570,591. These impairments have been recognised in respect of Optiplan Kitchens Limited being placed in to administration on 30 November 2022.

Home Décor GB Limited

Notes to Financial Statements

at 31 December 2021

4. Directors' remuneration

Four directors received remuneration from the company during the year (2020 – one). There were four director's accruing benefits under a money purchase scheme (2020 – one).

	2021 £	2020 £
Aggregate remuneration	609,491	183,676
Company contributions paid to defined contribution pension schemes	88,919	32,569
	<u>698,410</u>	<u>216,245</u>

In respect of the highest paid director:

	2021 £	2020 £
Aggregate remuneration	216,341	183,676
Company contributions paid to defined contribution pension schemes	59,872	32,569
	<u>276,213</u>	<u>216,245</u>

5. Staff costs

	2021 £	2020 £
Wages and salaries	5,668,499	5,449,963
Social security costs	520,960	483,656
Pension	346,428	282,578
	<u>6,535,887</u>	<u>6,216,197</u>

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

	2021 No.	2020 No.
Production	57	49
Administration and management	63	59
Sales and distribution	51	55
	<u>171</u>	<u>163</u>

6. Interest receivable and similar income

	2021 £	2020 £
Bank interest receivable	-	51

Home Décor GB Limited

Notes to Financial Statements

at 31 December 2021

7. Interest payable and similar charges

	2021	2020
	£	£
Bank interest payable	40,805	65,020
Other interest payable	82,708	66,873
	<u>123,513</u>	<u>131,893</u>

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2021	2020
	£	£
Current tax:		
UK corporation tax at 19.00% (2020 – 19.00%)	441,843	357,628
Adjustment in respect of previous periods	<u>(3,114)</u>	<u>(2,926)</u>
Total current tax	438,729	354,702
Deferred tax:		
Origination and reversal of timing differences	(2,968)	1,332
Effect of changes in tax rates	(78,258)	(25,914)
Adjustments in respect of prior periods	<u>(1)</u>	<u>-</u>
Total deferred tax	<u>(81,227)</u>	<u>(24,582)</u>
Tax on profit on ordinary activities	<u>357,502</u>	<u>330,120</u>

Home Décor GB Limited

Notes to Financial Statements

at 31 December 2021

8. Tax (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%). The differences are explained below:

	2021 £	2020 £
(Loss)/ Profit on ordinary activities before tax	<u>(10,592,434)</u>	<u>2,586,358</u>
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%)	(2,012,562)	491,408
Expenses not deductible for tax purposes (including goodwill amortisation and impairments)	2,454,365	61,869
Income not taxable	(2,929)	-
Effect of group relief/ other reliefs	-	(194,317)
Adjustment from previous periods	(3,114)	(2,926)
Change in tax rates	<u>(78,258)</u>	<u>(25,914)</u>
Total tax charge	<u>357,502</u>	<u>330,120</u>

Home Décor GB Limited

Notes to Financial Statements

at 31 December 2021

8. Tax (continued)

(c) Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020. However, legislation introduced in the Finance Act 2020 repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2020 – 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

(d) Current Liabilities

Current Liabilities

	2021	2020
	£	£
Corporation Tax	-	-
Group relief creditor	793,431	354,702
	<u>793,431</u>	<u>354,702</u>

(e) Deferred tax

The movement in the deferred tax asset during the year was as follows:

	£
At 1 January 2021	244,848
Other	2
Deferred tax charge to income statement for the prior period	81,226
At 31 December 2021 (note 13)	<u>326,076</u>

The deferred tax asset consists of the tax effect of timing differences in respect of:

	2021	2020
	£	£
Excess of taxation allowances over depreciation on fixed assets	323,372	244,278
Other timing differences	2,704	570
	<u>326,076</u>	<u>244,848</u>
Deferred tax (assets)		
	2021	2020
	£	£
Recoverable within 12 months	326,076	244,848
	<u>326,076</u>	<u>244,848</u>

Home Décor GB Limited

Notes to Financial Statements

at 31 December 2021

9. Intangible fixed assets

	<i>Goodwill</i>	<i>Computer Software</i>	<i>Total</i>
	£	£	£
Cost			
At 1 January 2021	7,049,138	1,314,853	8,363,991
Additions	-	101,398	101,398
At 31 December 2021	7,049,138	1,416,251	8,465,389
Depreciation and impairment			
At 1 January 2021	3,928,706	1,231,701	5,160,407
Charge for the year	360,159	92,752	452,911
At 31 December 2021	4,288,865	1,324,453	5,613,318
At 31 December 2021	2,760,273	91,798	2,852,071
At 1 January 2021	3,120,432	83,152	3,203,584

Goodwill arising on the acquisition of Home Décor GB UK trade (purchased in November 2004) of £3,506,287 is being amortised evenly over its presumed useful economic life of 20 years.

On 17 February 2014, Home Decor GB Limited acquired a 100% investment in Portico (Midlands) Limited with the purchase of 1,000 £1 shares for consideration of £4,400,000. As part of a group restructuring, on 31 December 2014 the trade and net assets of Portico (Midlands) Limited were transferred to Home Decor GB Limited at their book value. The cost of the company's investment in Portico (Midlands) Limited reflected the underlying fair value of its net assets and goodwill at the time of its acquisition. As a result of this transfer, the value of the company's investment in Portico (Midlands) Limited fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 2006 requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However the directors considered that, as there had been no overall loss to the company, it would fail to give a true and fair view to charge the diminution to the company's profit and loss account and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill. The effect on the company's balance sheet of this departure during the 2014 financial year was to recognise goodwill of £3,542,851 net of amortisation of £Nil.

Goodwill arising on the acquisition of Portico (Midlands) Limited of £3,542,851 is being amortised evenly over its presumed useful economic life of 19 years and 2 months.

Home Décor GB Limited

Notes to Financial Statements

at 31 December 2021

10. Tangible fixed assets

	<i>Leasehold buildings improvements</i>	<i>Plant, machinery and equipment</i>	<i>Total</i>
	£	£	£
Cost			
At 1 January 2021	2,263,009	3,297,413	5,560,422
Additions	2,345	87,217	89,562
At 31 December 2021	2,265,354	3,384,630	5,649,984
Depreciation			
At 1 January 2021	1,812,135	2,921,002	4,733,137
Charge for the year	221,198	195,575	416,773
At 31 December 2021	2,033,333	3,116,577	5,149,910
Net book value			
At 31 December 2021	232,021	268,053	500,074
At 1 January 2021	450,874	376,411	827,285

11. Investments

Total fixed asset investments comprise:

	£
As at 31 December 2020	6,000,000
Write off of investment in Subsidiary Optiplan Kitchens Limited	(6,000,000)
As at 31 December 2021	-

Interests in subsidiaries

At 31 December 2021 the company had interests in the following subsidiaries:

<i>Name of company</i>	<i>Country</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Registered office</i>
Optiplan Kitchens Limited	UK	Ordinary shares	100%	Innovation Way, Woodhouse Mill, Sheffield, S13 9AD

On 30 November 2022, the subsidiary company Optiplan Kitchens Limited was placed into administration and following this the company has fully impaired its investment in this subsidiary as an adjusting post balance sheet event.

Home Décor GB Limited

Notes to Financial Statements

at 31 December 2021

12. Stocks

	2021	2020
	£	£
Raw materials and consumables	2,437,001	2,319,230
Finished goods and goods for resale	649,105	236,594
	<u>3,086,106</u>	<u>2,555,824</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Impairment losses of £22,021 were released in the period in cost of sales against stock (2020 - £nil) losses were recognised in cost of sales.

13. Debtors

	2021	2020
	£	£
Debtors amounts falling due after more than one year:		
Amounts owed by parent undertakings	2,762,699	2,672,922
Amounts owed by subsidiary undertakings	-	2,120,000
	<u>2,762,699</u>	<u>4,792,922</u>
Debtors amounts falling due within one year:		
Trade debtors	4,052,090	4,927,156
Amounts owed by subsidiary undertakings	-	1,867,221
Prepayments	806,808	270,393
Derivative financial instruments	-	10,526
Deferred tax asset (note 8)	326,076	244,848
	<u>5,184,974</u>	<u>7,320,144</u>

The company enters into forward foreign exchange contracts to reduce the exchange risk for certain foreign currency payables. At 31 December 2021, there were no outstanding contracts. The company is committed to buy USD \$nil (2020 - \$1,100,000).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward and spot exchange rates for GBP:USD. The fair value of the open forward-foreign currency contracts as at 31 December 2021 is an asset of £nil (2020 - asset of £10,526).

Home Décor GB Limited

Notes to Financial Statements

at 31 December 2021

14. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loan (note 16)	149,750	1,506,701
Invoice discounting facility	2,694,637	480,373
Trade creditors	3,585,083	2,977,479
Amounts owed to subsidiary undertakings	2,486	25,847
Other taxes and social security costs	208,035	210,960
Other creditors and accruals	1,183,260	1,651,069
	<u>7,823,251</u>	<u>6,852,429</u>

15. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Amounts owed to parent undertakings	4,915,104	4,915,104
	<u>4,915,104</u>	<u>4,915,104</u>

16. Loans

	2021	2020
	£	£
Loans are repayable as follows:		
Wholly repayable within 5 years	149,750	1,506,701
	<u>149,750</u>	<u>1,506,701</u>

During May 2016, a loan of £5,000,000 was provided by HSBC Bank Plc, with a 5-year term; upon which interest is payable at a variable rate of 2.3% over GBP LIBOR per annum. HSBC Bank Plc hold the fixed and floating charges over the company's assets. During 2020 a payment holiday of 6 months was taken to assist the company through the Covid-19 Pandemic. The loan was fully repaid in the the current financial year.

The company also takes out short term loans provided by its banker, HSBC plc, to cover timings in payments made to some overseas suppliers. The loans are repayable 3 months from the date each loan is taken out and have an interest rate of 2.5% per annum above the bank's current variable rate on the date the loan is taken.

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17. Leasing commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

<i>2021</i>	<i>Land and Buildings £</i>	<i>Plant and Machinery £</i>	<i>Total £</i>
Not later than one year	731,515	213,497	945,012
Later than one year and not later than five years	2,857,289	120,919	2,978,208
Later than five years	1,365,579	-	1,365,579
	<u>4,954,383</u>	<u>334,416</u>	<u>5,288,799</u>

<i>2020</i>	<i>Land and Buildings £</i>	<i>Plant and Machinery £</i>	<i>Total £</i>
Not later than one year	705,635	203,436	909,071
Later than one year and not later than five years	2,795,824	249,616	3,045,440
Later than five years	1,989,619	-	1,989,619
	<u>5,491,078</u>	<u>453,052</u>	<u>5,944,130</u>

18. Issued share capital

	<i>2021</i>		<i>2020</i>	
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £0.01 each	100	1	100	1
Ordinary shares of \$1.00	7,572,177	3,937,689	7,572,177	3,937,689
		<u>3,937,690</u>		<u>3,937,690</u>

19. Reserves***Issued share capital***

Issued share capital represents the nominal value of shares that have been issued.

Profit and loss account

The profit and loss account includes all current and prior period realised and retained profits and losses.

20. Contingent liabilities and guarantees

At the balance sheet date there were fixed and floating mortgage charges over the group's assets in favour of HSBC Plc (first charge holder) and Saberasu Japan Investments II B.V. (second charge holder) an intermediate parent undertaking, incorporated in the Netherlands.

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21. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with its immediate parent undertaking and wholly owned subsidiaries. Transactions entered into and trading balances outstanding at 31 December, are as follows:

	2021	2020
	£	£
Amounts owed by Group undertakings due within one year		
Optiplan Kitchens Limited	-	1,867,221
	-	1,867,221
Amounts owed by Group undertakings due after more than one year		
HD Holding II Limited	2,762,699	2,672,922
Optiplan Kitchens Limited	-	2,120,000
	2,762,699	4,792,922
Amounts owed to Group undertakings due within one year		
Optiplan Kitchens Limited	(2,486)	(25,847)
	(2,486)	(25,847)
Amounts owed to Group undertakings due after more than one year		
HD Holding II Limited	(4,915,104)	(4,915,104)

During 2016 the holding company, HD Holdings II limited, provided a loan of £3m to Home Decor GB Limited to assist with the purchase of Optiplan Kitchens Limited group. The directors consider that this loan is not repayable within a year.

During 2018 the holding company, HD Holdings II limited, provided a loan of £1m to Home Decor GB Limited. During 2020 the holding company, HD Holdings II Limited, provided a loan of £1m to Home Décor GB Limited. The directors consider that these loans are not repayable within a year.

During 2018, the company's subsidiary undertakings Portico (Midlands) Limited and Space Pro USA Inc were dissolved on 16 January 2018 and 14 December 2018 respectively; and the company's investments held in these two entities were written off in full. The liability owed by Space Pro USA Inc transferred to HD Holdings II Limited following the crystallisation of a guarantee upon Space Pro USA Inc's dissolution. The directors consider that this liability is not repayable within a year.

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected within normal trading terms. The Company has not benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2021, the Company has fully impaired its receivables owed from Optiplan Kitchens Limited due to the business being placed into administration.

Notes to Financial Statements

at 31 December 2021

22. Post Balance Sheet Events

On 30 November 2022, the subsidiary company Optiplan Kitchens was placed into administration. Optiplan Kitchens Limited has faced numerous challenges since the outbreak of Covid-19. Initially the complete cessation of its operations, followed by prolonged periods of showroom closures due to changing Covid restrictions. Post Covid challenges in the supply chain have resulted in severe business disruption alongside rapidly escalating costs that the business has struggled to pass on to its customers quickly enough. Despite taking action to restructure the business in April this year, escalating utility costs and further material cost increases have eroded the benefits that were achieved from this. Given the ongoing economic challenges with seemingly no end in sight to the high levels of ongoing inflation, a conclusion was reached that there is no viable alternative to this action. Following this the company has impaired the investment of £6,000,000 and intercompany receivables owed by Optiplan Kitchens Limited of £6,570,591 at the balance sheet date, within the current year financial statements; as per the exceptional item considered within Note 3. In addition to this, intercompany receivables arising post the balance sheet date have been written off within the 2022 financial statements and presented as exceptional items to the value of £2,798,102 and there are some ongoing costs relating to group IT contracts and rent guarantees that the business will be responsible for, these total £332k over a 3 year period 2023 to 2025.

23. Ultimate parent undertaking and controlling party

The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is HD Holdings II Limited, which is incorporated in England and whose financial statements are publicly available from Companies House.

In the directors' opinion the Company's ultimate parent undertaking and controlling party is Promontoria 6 Cooperatie U.A. The country of incorporation is the United States of America.