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# Sofa Brands International Limited

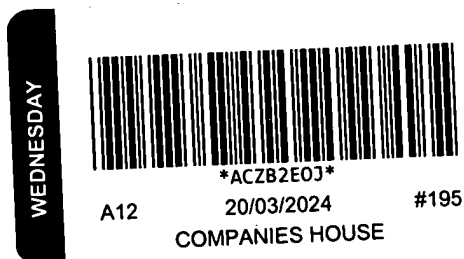
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Annual Report &  
Financial Statements  
30 June 2023

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Registered number 05456332

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# **Sofa Brands International Limited**

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# Sofa Brands International Limited

## Strategic report for the year ended 30 June 2023

The Directors present their strategic report on Company for the year ended 30 June 2023

### Principal activity

The principal activity of the company is to act as a holding company.

### Review of business and future developments

Sofa Brands International Limited was acquired by 1869 Limited on 29<sup>th</sup> January 2015. The full group consolidated financial statements are reported in 1869 Limited. As such, the company has exercised its rights under section 400 of the Companies Act 2006 not to prepare consolidated financial statements in Sofa Brands International Limited. These financial statements only reflect the trading costs and revenues of Sofa Brands International Limited.

Gross sales were £4.32 million [2022: £4.05m]. This is a 6.6% increase on the previous year. Turnover relates to royalties and management fees from the parent company's subsidiary brand companies.

Operating profit before interest and taxation was a profit of £1.5m [2022: £2.1m]. This is a £0.6m decrease on the previous year. Operating profit as a percentage of gross sales was 33.5% [2022: 53.9%].

The company continues to use a range of well-established and appropriate key performance indicators (KPIs) to monitor the progress of the business from both a quantitative and qualitative perspective. The key KPIs for the business are gross sales, overheads and pre-tax profit and these are referred to above.

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

### Principal risks and uncertainties

The directors consider the principal risks and uncertainties for the business relate primarily to the performance of the UK economy and competition in the upholstery market. Appropriate strategies have been put in place to mitigate these risks.

The UK economy is struggling to recover from the impact of COVID-19 and Brexit. The closure of customers' retail stores, disruptions to the supply chain and challenges with the labour market have continued to impact our business.

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

### Section 172 Statement

This statement by the Board of Directors describes how they have approached their responsibilities under S172(1) (a) to (f) of the Companies Act 2006 in the financial period ending 30 June 2023.

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

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

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

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

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

#### *Customers*

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

# **Sofa Brands International Limited**

## **Strategic report for the year ended 30 June 2023 (continued)**

### **Section 172 Statement (continued)**

#### ***Suppliers***

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

#### ***Investors***

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

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

#### ***Communities and the environment***

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

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

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

This report was approved by the board on 31 January 2024 and signed on its behalf.

*D S Miller*

**D S Miller**  
Director

# **Sofa Brands International Limited**

## **Directors' report for the year ended 30 June 2023**

The directors present their report and the audited financial statements of the company for the year ended 30 June 2023. The principal activity of the company, review of the business and future developments are explained in the strategic report on page 1.

### **Results and dividends**

The profit for the financial year amounted to £516,048 (2022 profit: £1,671,477).

The directors do not recommend the payment of a dividend in respect of the year.

### **Going concern**

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

In adopting the going concern basis, the directors have considered the risks and uncertainties relating to the cost-of-living crisis. The directors have prepared a comprehensive forecasting model and by testing various scenarios, are satisfied that the Group has headroom in its existing committed facilities.

In addition to the forecasts and in recognition of the uncertain times, the majority shareholder has indicated its intention to support the Group for the next 12 months.

In the event that the company requires assistance to meet its financial obligations, then the parent, 1869 Limited, would be able to provide support to the company. The Directors have received an unconditional letter of support from the parent, confirming it will provide financial support to the company if needed, for a period of 12 months from approval of the 2023 financial statements, in order to allow the company to continue to operate as a going concern. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

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

### **Financial risk management**

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

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

### **Market prices**

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

### **Credit risk**

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

### **Liquidity risk**

The company currently maintains short term debt finance that is designed to ensure the company has sufficient funds available for operations.

# **Sofa Brands International Limited**

## **Directors' report for the year ended 30 June 2023 (continued)**

### **Directors of the company**

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

I Oliver  
M R Clarke  
M W Burt  
C N Kenyon-Brown  
D S Miller

### **Employees**

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

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

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

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

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

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

### **Independent auditors**

The auditors, Barnes Roffe LLP have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

This report was approved by the Board on 31 January 2024 and signed on its behalf by

*D S Miller*

**D S Miller**  
Director

1 Hampton Park West  
Melksham  
Wiltshire  
SN12 6GU

# Sofa Brands International Limited

## Statement of directors' responsibilities

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

By order of the Board



E Taylor  
**Company Secretary**

31 January 2024

1 Hampton Park West  
Melksham  
Wiltshire  
SN12 6GU

# **Sofa Brands International Limited**

## **Independent auditors' report to the members of Sofa Brands International Limited**

### **Opinion**

We have audited the financial statements of Sofa Brands International Limited (the 'Company') for the year ended 30 June 2023, which comprise the Statement of total comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, 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 Financial Reporting Standard 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 30 June 2023 and of its profit 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 United Kingdom, including the Financial Reporting Council'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 qualified 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.



# **Sofa Brands International Limited**

## **Independent auditors' report to the members of Sofa Brands International Limited**

### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 5, 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.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with law and regulations, was as follows:

- Ensuring that the engagement team collectively had the appropriate competence, capabilities and skills to identify non-compliance with applicable laws and regulations;
- We identified the laws and regulations applicable to the Company through discussions with directors, and from our commercial knowledge and experience of the relevant sector;
- The specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, are as follows - Companies Act 2006, FRS 102, Employment legislation and Tax legislation.
- We assessed the extent of the compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.

# Sofa Brands International Limited

## Independent auditors' report to the members of Sofa Brands International Limited

- Laws and regulations were communicated within the audit team at the planning meeting, and the audit team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.
- Reviewing the financial statements and testing the disclosures against supporting documentation;
- Performing analytical procedures to identify any unusual or unexpected trends or anomalies;
- Inspecting and testing journal entries to identify unusual or unexpected transactions;
- Assessing whether judgement and assumptions made in determining significant accounting estimates were indicative of management bias.

The areas that we identify as being susceptible to misstatement through fraud were:

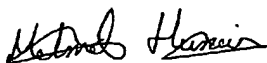
- Management bias in the estimates and judgements made;
- Management override of controls; and
- Posting of unusual journals or transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

### Use of our report

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



Mehmet Hussein FCA (Senior statutory auditor)

for and on behalf of

**Barnes Roffe LLP**

Chartered Accountants

Statutory Auditor

Leytonstone House

Leytonstone

London

E11 1GA

Date: 31 January 2024

# Sofa Brands International Limited

## Statement of total comprehensive income for the year ended 30 June 2023

		2023	2022
		£	£
	Note		
Turnover	5	4,320,769	4,054,070
Gross profit		4,320,769	4,054,070
Administration expenses		(2,747,477)	(2,002,366)
Exceptional administration expenses	9	(124,070)	-
Operating profit before interest	6	1,449,222	2,051,704
Net interest (payable)/receivable	8	(777,056)	133,842
Profit/(loss) before taxation		672,166	2,185,546
Tax on profit/loss	10	(156,118)	(514,069)
Total comprehensive income/(expense) for the financial year		516,048	1,671,477

# Sofa Brands International Limited

## Balance sheet as at 30 June 2023

	Note	30 June 2023		30 June 2022	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	11		612,672		691,598
Tangible assets	12		5,272		13,840
Investments	13		35,990,161		35,990,161
			<u>36,608,105</u>		<u>36,695,599</u>
<b>Current assets</b>					
Debtors: Amounts falling due within one year	14	21,007,911		20,365,588	
Cash at bank and in hand		<u>106,343</u>		<u>1,076,913</u>	
		21,114,254		21,442,501	
<b>Current liabilities</b>					
Creditors: Amounts falling due within one year	15	(5,959,636)		(6,825,275)	
<b>Net current assets</b>			15,154,618		14,617,226
<b>Total assets less current liabilities</b>			<u>51,762,723</u>		<u>51,312,825</u>
Provision for liabilities	16		-		(66,150)
<b>Net assets</b>			<u>51,762,723</u>		<u>51,246,675</u>
<b>Capital and reserves</b>					
Called up share capital	18		1,063,040		1,063,040
Retained earnings	19		<u>50,699,683</u>		<u>50,183,635</u>
<b>Total equity</b>			<u>51,762,723</u>		<u>51,246,675</u>

The notes on pages 12 to 22 are an integral part of these financial statements.

The financial statements on pages 9 to 22 were approved by the board of directors on 31 January 2024 and were signed on its behalf by:

*D S Miller*

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

**Sofa Brands International Limited**  
**Registered number: 05456332**

# Sofa Brands International Limited

## Statement of changes in equity for the year ended 30 June 2023

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
Balance as at 1 July 2021	1,063,040	48,512,158	49,575,198
Total comprehensive (expense) for the year	-	1,671,477	1,671,477
Balance at 30 June 2022	1,063,040	50,183,635	51,246,675
Balance at 1 July 2022	1,063,040	50,183,635	51,246,675
Total comprehensive income for the year	-	516,048	516,048
Balance at 30 June 2023	1,063,040	50,699,683	51,762,723

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023

### 1 General Information

Sofa Brands International Limited is a holding company.

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

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

### 2 Statement of compliance

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

### 3 Summary of significant accounting policies

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

#### *Basis of preparation*

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

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

The company's accounting reference date is 30 June. It is the company's policy to prepare financial statements for the accounting year to either the Sunday before or after this date. The accounting year covers 52 weeks from 4 July 2022 to 2 July 2023. The comparative data covers 52 weeks to 3 July 2022.

#### *Going concern*

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

In adopting the going concern basis, the directors have considered the risks and uncertainties relating to the cost-of-living crisis. The directors have prepared a comprehensive forecasting model and are satisfied that the Group has headroom in its existing committed facilities.

In addition to the forecasts and in recognition of the uncertain times, the majority shareholder has indicated its intention to support the Group for the next 12 months.

In the event that the company requires assistance to meet its financial obligations, then the parent, 1869 Limited, would be able to provide support to the company. The Directors have received an unconditional letter of support from the parent, confirming it will provide financial support to the company if needed, for a period of 12 months from approval of the 2023 financial statements, in order to allow the company to continue to operate as a going concern. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

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

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023 (continued)

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

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

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

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

This information is included in the consolidated financial statements of 1869 Limited as at 30 June 2023.

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

#### **Consolidated financial statements**

The company is a wholly owned subsidiary of 1869 Limited. It is included in the consolidated financial statements of 1869 Limited which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

#### **Intangible assets**

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

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

Computer software and website costs are stated at cost less accumulated amortisation and accumulated impairment losses. Software and website development are amortised over their estimated useful lives, of between 3 and 5 years, on a straight line basis.

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

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

#### **Turnover**

Turnover represents the recharge of head office activities and excludes value added tax.

#### **Tangible assets**

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

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

Fixtures and fittings	10% to 33⅓% per annum
Office & computer equipment	20% to 33⅓% per annum

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

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

#### **Government grants**

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate and presented in the profit and loss account as "other operating income".

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023 (continued)

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

#### **Exceptional costs**

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

#### **Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the hedged rate ruling at the date of the transaction.

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

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

#### **Operating leased assets**

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

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

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits on call with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

#### **Financial instruments**

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

Basic financial liabilities, including trade and other payables, bank loans and loan notes, are initially recognised at transaction price including transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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. Fair values are determined by reference to the market value which is supplied by the counter party.

#### **Taxation**

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

Current or deferred taxation assets and liabilities are not discounted.

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

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

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

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



# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023 (continued)

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

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

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

#### **Employee benefits**

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

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

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

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

#### **Investments**

Investment in a subsidiary company is held at cost less accumulated impairment losses.

### 4 Critical accounting judgements and estimation uncertainty

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

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

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

##### ***Impairment of intangible assets and goodwill***

The Group considers whether intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also a selection of appropriate discount rates in order to calculate the net present values of those cash flows.

##### ***Deferred tax asset***

A deferred tax asset is recognised if, in the management's opinion, it is probable that it will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

### 5 Turnover

All turnover and profits arise in the UK and are management fees and income from royalties.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023 (continued)

### 6 Operating profit

	2023 £	2022 £
Operating profit is stated after charging/(crediting):		
Wages and salaries	1,520,783	1,251,102
Social security costs	196,522	190,186
Other pension costs	86,434	64,190
<b>Staff costs</b>	<b>1,803,739</b>	<b>1,505,478</b>
Depreciation of tangible assets (charged to admin expenses)	8,567	8,740
Amortisation of intangible assets (charged to admin expenses)	114,188	107,012
Operating lease charges	34,047	45,222
Foreign exchange (gains)/losses	(492,467)	(1,268,010)
Audit fees payable of the company's auditor	11,800	11,800

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

### 7 Employee information

#### Employees

The monthly average number of employees, including directors, during the year was as follows:

	2023 Number	2022 Number
Management	5	5
Administration	19	15
	<b>24</b>	<b>20</b>

#### Directors

The directors' emoluments were as follows:

	2023 £	2022 £
Aggregate emoluments	426,417	420,593

During the year retirement benefits were accruing to no directors (2022: none) in respect of defined contribution pension schemes.

	2023 £	2022 £
Highest paid director:		
Total amount of emoluments	234,886	229,269

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023 (continued)

### 8 Net interest expense

	2023 £	2022 £
<b>Interest receivable and similar income</b>		
Other interest receivable	418	-
Gains on derivative financial instruments	-	339,851
<b>Total interest receivable and similar income</b>	<b>418</b>	<b>339,851</b>
<b>Interest payable and similar charges</b>		
Interest expense on bank loans and overdraft	(268,296)	(189,648)
Interest payable on other loans	(9,174)	(16,361)
Total interest expense on financial liabilities not measured at fair value through profit or loss	(277,470)	(206,009)
Loss on derivative financial instruments	(500,004)	-
<b>Total interest payable and similar charges</b>	<b>(777,474)</b>	<b>(206,009)</b>
<b>Net interest</b>		
Interest receivable and similar income	418	339,851
Interest payable and similar charges	(777,474)	(206,009)
<b>Net interest income/(expense)</b>	<b>(777,056)</b>	<b>133,842</b>

### 9 Exceptional administration costs

	2023 £	2022 £
Restructuring costs	124,070	-

Restructuring costs relate to redundancy and pay in lieu of notice of employees following a company restructuring programme.

### 10 Tax on loss on ordinary activities

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

	2023 £	2022 £
<b>Current tax:</b>		
- UK corporation tax on profit for the year	246,493	145,340
- Adjustment in respect of previous years	(9,223)	-
<b>Total current tax</b>	<b>237,270</b>	<b>145,340</b>
<b>Deferred tax:</b>		
- Origination and reversal of timing differences	(54,433)	280,451
- Impact of changes in tax rate	(11,963)	88,562
- Adjustments in respect of prior years	(14,756)	(286)
<b>Total deferred tax (credit)/charge</b>	<b>(81,152)</b>	<b>368,727</b>
<b>Tax on loss on ordinary activities</b>	<b>156,118</b>	<b>514,067</b>

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023 (continued)

### 10 Tax on profit on ordinary activities (continued)

#### b) Reconciliation of tax credit

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 20.5% (2022: 19%) for the year. The differences are explained below:

	2023 £	2022 £
Loss on ordinary activities before tax	672,166	2,185,546
Loss multiplied by standard rate of corporation tax in the UK of 20.5% (2022: 19%)	137,766	415,254
Effects of:		
- Expenses not deductible for tax purposes	54,245	10,537
- Tax rate changes	(11,963)	88,562
- Effects of group relief	49	-
- Adjustments in respect of previous periods	(23,979)	(286)
<b>Tax credit for the year</b>	<b>156,118</b>	<b>514,067</b>

#### c) Tax rate changes

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is effective from 1 April 2023. This rate has been reflected in the measurement of deferred tax balances at the period end.

### 11 Intangible assets

	Trademarks £	Software & Websites £	Total £
<b>Cost</b>			
At 1 July 2022	1,190,924	719,191	1,910,115
Additions	-	35,262	35,262
Disposals	-	(34,889)	(34,889)
<b>At 30 June 2023</b>	<b>1,190,924</b>	<b>719,564</b>	<b>1,910,488</b>
<b>Accumulated amortisation</b>			
At 1 July 2022	602,730	615,787	1,218,517
Charge for the year	58,796	55,392	114,188
Eliminated on disposal	-	(34,889)	(34,889)
<b>At 30 June 2023</b>	<b>661,526</b>	<b>636,290</b>	<b>1,297,816</b>
<b>Net carrying amount at 30 June 2023</b>	<b>529,398</b>	<b>83,274</b>	<b>612,672</b>
<b>Net carrying amount at 30 June 2022</b>	<b>588,194</b>	<b>103,404</b>	<b>691,598</b>

There are 9 years remaining of the amortisation period for the trademark costs.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023 (continued)

### 12 Tangible assets

	Fixtures, fittings, office & computer equipment £
<b>Cost</b>	
At 1 July 2022	36,885
Disposals	(8,781)
<b>At 30 June 2023</b>	<b>28,104</b>
<b>Accumulated depreciation</b>	
At 1 July 2022	23,045
Charge for year	8,567
Eliminated on disposal	(8,780)
<b>At 30 June 2023</b>	<b>22,832</b>
<b>Net book value</b>	
<b>At 30 June 2023</b>	<b>5,272</b>
<b>At 30 June 2022</b>	<b>13,840</b>

### 13 Investments

Company	2023 £	2022 £
<b>Shares in group undertakings</b>		
At 1 July & 30 June	35,990,161	35,990,161

Investments by the parent in group undertakings are stated at cost less provisions for impairment. See note 24 for a list of the undertakings.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

### 14 Debtors

	30 June 2023 £	30 June 2022 £
<b>Amounts falling due within one year:</b>		
Trade debtors	6	6,732
Amounts owed by group companies	20,964,714	19,955,779
Derivative financial instruments	-	236,730
Prepayments and accrued income	28,189	166,347
Deferred tax	15,002	-
	<b>21,007,911</b>	<b>20,365,588</b>

Amounts due by group companies are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023 (continued)

### 14 Debtors (continued)

#### Deferred tax asset

	30 June 2023 £	30 June 2022 £
1 July (see note 16)	(66,150)	302,579
Deferred tax charge in income statement for year (Note 10)	66,396	(369,015)
Adjustment in respect of prior years	14,756	286
Deferred tax asset/(liability)	15,002	(66,150)
	30 June 2023 £	30 June 2022 £
Fixed asset timing differences	(311)	(6,481)
Non-trading timing differences	15,313	(59,669)
Deferred tax asset/(liability)	15,002	(66,150)

The company has a deferred tax asset of £983,663 (2022: £983,663) which has not been recognised due to the uncertainty surrounding its recoverability.

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

	30 June 2023 £	30 June 2022 £
Bank overdraft (note 17)	4,860,101	5,823,488
Trade creditors	166,550	304,609
Other taxation and social security	173,335	217,262
Corporation tax – group relief payable	237,270	145,340
Amounts owed to group undertakings	17,479	66,829
Financial derivatives	263,275	-
Accruals and other creditors	241,626	267,747
	5,959,636	6,825,275

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

### 16 Provision for liabilities

	Deferred tax £
At 1 July 2022	66,150
Deferred tax charge in income statement for year (Note 10)	(66,396)
Adjustment in respect of prior years	(14,756)
At 30 June 2023	(15,002)

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023 (continued)

### 17 Loans and other borrowings

	30 June 2023 £	30 June 2022 £
Bank overdraft	4,860,101	5,823,488

#### Bank facilities

The 1869 Group extended its credit agreement with Yorkshire Bank on 20 September 2022.

Yorkshire Bank has made available a £5 million cross currency overdraft on a group pooled facility.

Security is by way of fixed and floating charges over the assets of the 1869 Group.

### 18 Called up share capital

	30 June 2023 £	30 June 2022 £
<b>Allotted and fully paid</b>		
71,223,640 (2022: 71,223,640) ordinary 'A' shares of 1p (2022: 1p) each	712,236	712,236
35,080,301 (2022: 35,080,301) ordinary 'B' shares of 1p (2022: 1p) each	350,803	350,803
1 (2022: 1) ordinary share of £1 each	1	1
	<b>1,063,040</b>	<b>1,063,040</b>

The A shareholders and ordinary shareholders have the same voting rights, rights to dividends and same rights on winding up.

The B shareholders have the same rights to dividends and rights on winding up as the A shareholders but have no voting rights.

### 19 Retained earnings

Retained earnings or accumulated losses represents cumulative distributable profits or losses net of dividends and other adjustments.

### 20 Capital and other commitments

The company had no capital commitments at 30 June 2023 (2020: £Nil).

At 30 June 2023 the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	30 June 2023 £	30 June 2022 £
On leases which expire:		
Not later than one year	28,364	32,801
Later than one year and not later than five years	16,372	11,161
	<b>44,736</b>	<b>43,962</b>

### 21 Post-employment benefits

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

The contributions made to the scheme during the year were £86,434 (2022: £64,190). At the end of the year contributions outstanding were £7,469 (2022: £5,626).

# Sofa Brands International Limited

## Notes to the financial statements for the year ended 30 June 2023 (continued)

### 22 Controlling party

The immediate parent undertaking is 1869 Limited, a company incorporated in the United Kingdom and registered in England and Wales. 1869 Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of 1869 Limited can be obtained from the Company Secretary at 1 Hampton Park West, Melksham, Wiltshire SN12 6GU.

The ultimate controlling company is Templeco 672 Limited.

### 23 Related party transactions

Advantage has been taken of the exemption not to disclose transactions that are within the 1869 Limited group. A copy of the accounts of 1869 Limited can be obtained from the Company Secretary at 1 Hampton Park West, Melksham, Wiltshire SN12 6GU. Balances with Group Company's at the year end can be found in notes 13, 14 and 15.

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

1898 Limited owns 100% of the share capital in 1869 Limited, SBI's parent company. During the year SBI paid professional fees of £15,959 (2022: £18,754) on behalf of 1898 Limited. At the year end the amount owed to SBI by 1898 Limited was £273,506 (2022: £257,547).

### 24 Subsidiary undertakings

The following represent the subsidiary undertakings of Sofa Brands International Limited. Percentages indicate ownership by Sofa Brands International Limited of the undertakings' ordinary share capital, directly or indirectly. Details of the country of incorporation and principal operations and the main activity of each undertaking are also given.

Subsidiary Undertakings	Country of Incorporation or Registration	Business	% Owned
Parker Knoll Upholstery Limited*	England & Wales	Upholstery manufacturer	100
Duresta Upholstery Limited*	England & Wales	Upholstery manufacturer	100
G Plan Upholstery Limited*	England & Wales	Upholstery manufacturer	100
Collins and Hayes Furniture Limited*	England & Wales	Upholstery manufacturer	100
The Lounge Co. (Furniture) Limited*	England & Wales	Furniture retailer	100
UAB Sofa Brands**	Lithuania	Upholstery components manufacturer	100
G Plan Limited*	England & Wales	Dormant	100
Parker Knoll Cabinets Limited*	England & Wales	Dormant	100
Parker Knoll Limited*	England & Wales	Dormant	100
The Contemporary Furniture Company Limited*	England & Wales	Dormant	100
Derwent Upholstery Limited*	England & Wales	Dormant	100

\* The above companies have a registered address of 1 Hampton Park West, Melksham, Wiltshire, SN12 6GU.

\*\* The above company has a registered address of Naujoji G. 132, LT-62175, Alytus, Lithuania.

### 25 Contingent liabilities

The company has in place a cross guarantee and debenture which effectively means that there is a fixed and floating charge over all of its assets in relation to the bank borrowings, loan notes and working capital facility of 1869 Limited, the parent company of Sofa Brands International Limited. The bank borrowings of the 1869 Limited Group at 30 June 2023 were £8,333,333 (2022: £9,666,667), the loan notes were £100,792,359 (2022: £93,230,814) and the working capital facility was £6,768,058 (2022: £Nil).

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

On 19 December 2023, Clydesdale Bank (formally Yorkshire Bank) waived any breaches of Financial Covenants that had occurred prior to that date and amended the Facilities Agreement to reset the Financial Covenants for the remainder of the term of the Facilities.