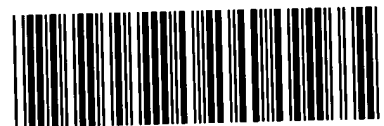

1869 Limited

Annual Report &
Financial Statements
30 June 2020

Registered number 09364401

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1869 Limited

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1869 Limited

Strategic report for the year ended 30 June 2020

The Directors present their strategic report on the group for the year ended 30 June 2020.

Principal activity

1869 Limited has a principal activity to act as a holding company.

The principal activity of the group is the manufacture, sale and distribution of furniture and associated furnishings.

Review of business and future developments

1869 Limited is the holding company of Sofa Brands International Limited and its group companies.

The gross sales of the group in the year were £60.9m compared to £85.3m in the previous year. This decrease in sales fell short of the group's target, driven primarily by the economic impact of COVID-19. Export sales of £2.3m fell from the £2.7m seen in the previous year. The gross profit levels in the year decreased from £26.0m to £15.8m. The operating profit reduced from a £1.5m profit seen in the previous year to a £5.0m loss in the current year.

The group uses 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, gross profit and operating profit and these are referred to above.

The group continues to capitalise appropriate development costs in line with the requirements of FRS102, the value capitalised in the year was £27k, these development costs relate the design and development of a new product range which is expected to be launched in 2021.

The directors are optimistic that despite the impact of COVID-19 on the next financial year, the sales and profits generated by the 1869 group of companies will continue to grow, particularly with the increased distribution opportunities arising from the newly formed businesses in the group.

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

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

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

Section 172 Statement

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

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

Consequences of any decision in the long term

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

Interests of the company's employees

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

1869 Limited

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

Section 172 Statement (*continued*)

Customers

The Group places a high value on its customer relationships (see Note 11). 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. During the year a significant investment was made in the design and development team in order to introduce new models and ranges.

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 Group's growth to date and investment in its new brands. The Investors rely on us to protect their investment and deliver sustainable, profitable growth. All strategic decisions and the implications of them are discussed with the shareholders at the monthly board meetings and regular meetings are held with the bank in order to keep them apprised of our trading performance.

Communities and the environment

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

Maintaining a reputation for high standards of business conduct

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

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

Duncan Miller

D S Miller
Director

1869 Limited

Directors' report for the year ended 30 June 2020

The directors present their report and the audited financial statements for the year ended 30 June 2020. The principal activity of the group, review of the business and future developments are explained in the Strategic Report on page 1.

Results and dividends

The loss for the financial year was £18.0 million (2019: loss of £10.2 million).

The directors do not recommend the payment of a dividend in respect of the year (2019: Nil).

Financial risk management

The group'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 group has in place a risk management programme that seeks to limit any adverse effects on the financial performance of the group by monitoring such areas closely.

Given the size of the group, 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, are implemented by the group's finance department.

Market prices

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

Credit risk

The group 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 wherever possible.

Liquidity risk

The group currently maintains a mixture of short and longer term debt finance that is designed to ensure the group has sufficient funds available for operations.

Going concern

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

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

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

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

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

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

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

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

1869 Limited

Directors' report for the year ended 30 June 2020 (*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:

M R Clarke
M W Burt
I Oliver
D S Miller (appointed 1 January 2020)
C A McMahon (resigned 31 December 2019)

Employees

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.

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.

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.

Section 172 Statement in strategic report described other aspect of engagement with supplier, customers and others to promote the success of the company for the benefit of the shareholders.

Events after the end of the reporting period

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

On 7 September 2020 the parent company of the Group, 1869 Limited, completed a refinancing with Clydesdale Bank (previously Yorkshire Bank), securing funding of £12 million term debt and an overdraft facility of £5 million. 1869 Limited also issued £2.5 million of 6.75% loan notes. The bank have a suite of quarterly covenants on which the Group's performance will be measured including Ebitda, cashflow cover, leverage and capital expenditure.

1869 Limited's SECR compliant directors' statement

1869 Limited recognises that our global operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. We are also aware of our reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. As such, this year we have upgraded our energy and carbon reporting to meet these new requirements and increase the transparency with which we communicate about our environmental impact to our stakeholders.

2019-20 Performance

This year we have calculated our environmental impact across scope 1, 2 and 3 (selected categories) emission sources for the UK only. Our emissions are presented on both a location and market basis. On a location basis (using the UK grid emissions intensity) our emissions are 1,557 tCO₂e, which is an average impact of 2 tCO₂e per employee, and on a market basis our emissions are 1,552 tCO₂e. We have calculated emission intensity metrics on an employee basis, which we will monitor to track performance in our subsequent environmental disclosures.

Energy and carbon action

Due to the impact of Covid, LED lighting installations planned for 2019-20 were delayed until August 2020.

2019-20 results

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).
- UK office emissions have been calculated using the DEFRA 2020 issue of the conversion factor repository.

1869 Limited

Directors' report for the year ended 30 June 2020 (continued)

1869 Limited's SECR compliant directors' statement (continued)

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of July 2019 to June 2020. *Emissions and energy usage*

	Emissions Source	tCO ₂ e
Scope 1	Natural gas	369
	Other fuels	9
	Company and leased cars	137
	Fleet	369
Total Scope 1		884
Scope 2	Electricity	592
Total Scope 2		592
Scope 3	Electricity transmission and distribution	51
	Employee cars	30
Total Scope 3		81
Total (Market Based)		1,552
Total (Location Based)		1,557
Total Energy Usage (kWh) ¹		6,713,831
Normaliser	tCO ₂ e per FTE	2

Table 1 – Energy and carbon disclosures for reporting year.

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, Ernst & Young LLP have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

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

Duncan Miller

D S Miller
Director

1 Hampton Park West
Melksham
Wiltshire
SN12 6GU

¹ Energy reporting includes kWh from scope 1, scope 2 and scope 3 employee cars only (as required by the SECR regulation)

1869 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 group and company and of the profit or loss of the group and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

Duncan Miller

D S Miller
Director

30 June 2021

1 Hampton Park West
Melksham
Wiltshire
SN12 6GU

1869 Limited

Independent auditors' report to the members of 1869 Limited

Qualified opinion

In our opinion, except for the possible effect of the matter described in the basis for qualified opinion section of our report:

- 1869 Limited group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2020 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK".
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of 1869 Limited which comprise:

Group	Parent company
Consolidated balance sheet as at 30 June 2020	Balance sheet as at 30 June 2020
Consolidated profit and loss account for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 28 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis for qualified opinion

As a result of Covid-19 implications, the Directors had planned to change their year end from 30 June 2020 to 31 December 2020. Therefore, as a result of this planned change as well as the Covid related operational restrictions, there were no inventory counts performed for the year ended 30 June 2020. Subsequently, the Directors reverted to keep the 30 June 2020 year end. Thus, we did not observe the counting of physical inventories for the year ended 30 June 2020. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 30 June 2020, which are included in the balance sheet at a value of £7.1m, by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount was necessary. In addition, were any adjustment to the inventory balance to be required, the financial disclosures in the strategic report would also need to be amended.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and 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 as applied to listed entities, 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

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

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

1869 Limited

Independent auditors' report to the members of 1869 Limited (continued)

Overview of our audit approach

Key audit matters	- Revenue recognition as a result of customer contract terms, including valuation of related rebate provisions. - Impact of Covid-19, including on the Group's going concern assessment.
Audit scope	- We performed an audit of the complete financial information of 8 components. - The components where we performed full or specific audit procedures accounted for 100% of Loss before tax, 100% of Revenue and 100% of Total assets.
Materiality	Overall Group materiality of £140k which represents 2.5% of the average Group's actual and forecasted EBITDA from 2018 to 2021 of c£5.6m.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition as a result of customer contract terms, including valuation of related rebate provisions – revenue recognised £56,503k (2019: £79,324k) Refer to the Accounting policies (page 19); and Note 5 of the Consolidated Financial Statements (page 23) There could be an incentive to disclose a revenue figure to meet the investor or management expectation. Although the revenue recognition process is not complex, transactions could be inappropriately measured owing to the degree of judgement involved in estimating the corresponding customer rebates applied to sales transactions. This is further complicated by timing differences between recording of income in the financial statements and the criteria for rebates being met (rebate periods being non-coterminous with the financial period end). We therefore focused our testing over this area. We consider that there is an opportunity for management to override controls around the recording of rebate accruals that otherwise appear to be operating effectively.	We understood the controls relating to the estimation process. We inspected a sample of customer contracts to gain an understanding of rebate criteria. We performed a sensitivity analysis by varying value of key assumptions which include the estimated rate of sales return, rebates rates, and period of rebates awarded. We challenged management's judgements applied in the calculation of the provision, including rate of return by assessing the volume sales return after year-end. We compared actual rebates issued in the year to provisions held at the end of the prior year to assess the historical accuracy and reliability of management's judgements. We used data analytics to perform detailed analysis of revenue by customer and compared this to historic forecasts used to estimate rebates to ensure the accuracy and reliability of future revenue forecasted by management. We selected samples of rebates issued between year end and the issuing of our audit opinion and compared these to the provision held at year end. We tested a sample of rebate journals around year end for evidence of management override by inspecting underlying evidence and journal authorisation. We recalculated management's year end assessment of the cut off adjustment resulting from recognition of revenue on dispatch rather than delivery. We performed full and specific scope audit procedures over this risk area in 4 locations, which covered 100% of the risk amount.	Based on the results of our audit procedures we consider that the accounting treatment of transactions is appropriate, and that revenue has been recognised appropriately.

1869 Limited

Independent auditors' report to the members of 1869 Limited (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impact of COVID-19, including on the Group's Going Concern Assessment. Refer to Strategic Report (page 1), Directors' Report (page 3) and Notes to the consolidated financial statements: Going concern (page 21) Since March 2020, the COVID-19 pandemic has caused significant disruption to the world's population, business and economic activities and may ultimately impact the Group's future performance and assets values. Government measures taken to contain the virus have had an impact not only on the way in which business operate, but also in the way in which an audit is performed. We have considered: - 1. How the audit would be undertaken given the remote working restrictions and the resulting refinements to our team, approach and procedures; 2. The going concern basis of preparation, focusing on the impact of the COVID-19 pandemic on the Group and covenant compliance; 3. The adequacy of the disclosures made in the accounts	Our audit procedures covered four key areas: • Audit logistics • Going concern • Other audit matters • Adequacy of disclosure. Audit Logistics: We have performed the year-end audit remotely. We have engaged with the Group throughout this period, using video calls, share-screen functionality, secure encrypted document exchanges and data downloads to avoid any limitation on the audit evidence obtained. We held weekly video calls with management to monitor progress, discuss evidence provided, challenge judgements and determine appropriate accounting conclusions. We held video calls with our overseas audit component team in Lithuania to facilitate the supervision and direction of their fieldwork, focusing on audit procedures designed to address significant risks. We requested detailed working papers to be shared with us for our review so that we could assess the quality of the work performed by our component team. Going Concern: We have assessed the going concern assumption adopted by the Directors of 1869 Limited, which included: We confirmed our understanding of management's going concern assessment process by engaging with management early to ensure all key matters such as forecast and budget, long term plan, products and market, timing of cash flow, financial and operational risk management, and stress testing were considered in their assessment; We obtained management's forecast cash flows covering the going concern period from the date of signing these financial statements to 30 June 2022; We assessed the integrity of management's forecasting models, challenging key assumptions relating to revenue (by brand) and cost expectations considering both past historical accuracy of management's forecasting, and the actual impact of COVID-19 experienced by the Group in the period to June 2021; We assessed management's downside scenarios to understand the impact on cash flow of the risk of reduced revenues in the period from October 2021 to June 2022, taking account of cost mitigations under management's control; We challenged management's assessment of potential options available to the Group to reduce cash flow spend in the going concern period, to determine whether such actions could be realistically taken to combat the impact of a potential downturn in revenues compared to the expected base case level of revenues.. We performed reverse stress testing on management's forecasts to understand how plausible the most severe downside scenario would be to result in a breach of covenants; We performed a detailed review of all bank facilities to assess their continued availability to the Group through the going concern period and to check that the covenant calculations in the forecasts as were in line with the banking agreements. Adequacy of disclosures: We have considered whether management's additional disclosure, included within the Strategic Report (page 1), Directors' Report (page 3) and notes to the financial statements note 3 and Note 29 sufficiently capture the impacts of COVID-19 on the Group and management's going concern considerations.	We have completed our audit in line with our plan. We concur with the Directors' assessment that it remains appropriate to prepare the financial statements on a going concern basis. We conclude that the disclosure setting out the impact of COVID-19, including on the Group's going concern assessment, is appropriate.

1869 Limited

Independent auditors' report to the members of 1869 Limited (continued)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 8 reporting components of the Group, we selected all 8 components covering entities within the United Kingdom and Lithuania, which represent the principal business units within the Group.

Of the 8 components selected, we performed an audit of the complete financial information of all 8 components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 100% (2019: 100%) of the Group's Loss before tax, the Group's Revenue and the Group's Total assets.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the group audit engagement team, or by component auditors from EY Lithuania operating under our instruction. Of the 8 full scope components, audit procedures were performed on all 7 of these directly by the group audit team. For the 1 remaining full scope component, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned communications involving the Senior Statutory Auditor. These communications involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and closing meetings and reviewing key audit working papers. The group team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality.

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £140k (2019: £143k), which is 2.5% of the Group's average actual and forecasted EBITDA from 2018 to 2021 of c£5.6m (2019: 3% of EBITDA). We believe that the Group's average actual and forecasted EBITDA from 2018 to 2021 is the most relevant performance measure to the stakeholders of the Group. We determined materiality for the Company to be £140k (2019: £143k) being the amount allocated for the purpose of forming our opinion on the Group financial statements and the Parent Company individually.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2019: 50%) of our planning materiality, namely £105k (2019: £71k). We have set performance materiality at this percentage as our expectation, based on our understanding of the Group and the past history of misstatements, is that the likelihood of material misstatement is low.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, performance materiality allocated to components was £16k to £105k (2019: £14 to £71k).

1869 Limited

Independent auditors' report to the members of 1869 Limited (continued)

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £7k (2019: £7k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 – 5, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £7.1m held at 30 June 2020. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the group and the parent 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.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept

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:

- returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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

1869 Limited

Independent auditors' report to the members of 1869 Limited (continued)

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Paul Mapleston

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

1869 Limited

Consolidated profit and loss account

for the year ended 30 June 2020

		Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
	<i>Note</i>		
Gross sales	5	60,895	85,275
Less: rebates and discounts	5	(4,392)	(5,951)
Turnover	5	56,503	79,324
Cost of sales		(40,707)	(53,314)
Gross profit		15,796	26,010
Distribution costs		(2,450)	(2,889)
Administration expenses		(22,562)	(25,917)
Operating (loss)/profit before amortisation of goodwill, trademarks and customer relationships		(4,995)	1,520
Amortisation of goodwill, trademarks and customer relationships	11	(4,316)	(4,316)
Group operating loss before interest and exceptional costs	6	(9,216)	(2,796)
Exceptional costs	8	(1,857)	-
Net interest payable	9	(8,561)	(7,679)
Loss before taxation		(19,634)	(10,475)
Tax on loss	10	1,666	252
Loss for the financial year		(17,968)	(10,223)

1869 Limited

Consolidated statement of comprehensive income for the year ended 30 June 2020

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Loss for the financial year	(17,968)	(10,223)
Other comprehensive expense:		
Currency translation differences	27	4
Total comprehensive loss for the year	<u>(17,941)</u>	<u>(10,219)</u>

1869 Limited

Consolidated and company balance sheets at 30 June 2020

		Group 30 June 2020	Company 30 June 2020	Group 30 June 2019	Company 30 June 2019
		£'000	£'000	£'000	£'000
	<i>Note</i>				
Fixed assets					
Intangible assets	11	41,336	-	46,796	-
Tangible assets	12	2,512	-	2,777	-
Subsidiary undertakings	13	-	56,560	-	56,560
		43,848	56,560	49,573	56,560
Current assets					
Inventories	14	7,083	-	6,539	-
Debtors	15	5,324	356	10,703	219
Cash at bank and in hand		-	9	4,827	91
		12,407	365	22,069	310
Creditors: Amounts falling due within one year	16	(26,584)	(14,174)	(28,252)	(13,180)
Net current liabilities		(14,177)	(13,809)	(6,183)	(12,870)
Total assets less current liabilities		29,671	42,751	43,390	43,690
Creditors: Amounts falling due after more than one year	17	(69,307)	(82,071)	(63,684)	(74,573)
Provision	19	(1,119)	-	(2,520)	-
Net liabilities		(40,755)	(39,320)	(22,814)	(30,883)
Capital and reserves					
Called up share capital	21	255	255	255	255
Retained earnings		(41,010)	(39,575)	(23,069)	(31,138)
Total equity		(40,755)	(39,320)	(22,814)	(30,883)

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement. The loss for the Company for the year was £8,437,142 (2019: £7,688,748).

These financial statements on pages 13 to 37 were approved by the board of directors on 30 June 2021 and were signed on its behalf by:

Duncan Miller

D S Miller
Director

1869 Limited
Registered number: 09364401

1869 Limited

Consolidated statement of changes in equity for the year ended 30 June 2020

	Called up share capital £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 July 2018	255	(12,850)	(12,595)
Loss for the year	-	(10,223)	(10,223)
Other comprehensive income for the year	-	4	4
Total comprehensive expense for the year	-	(10,219)	(10,219)
Balance at 30 June 2019	255	(23,069)	(22,814)
Balance at 1 July 2019	255	(23,069)	(22,814)
Loss for the year	-	(17,968)	(17,968)
Other comprehensive income for the year	-	27	27
Total comprehensive expense for the year	-	(17,941)	(17,941)
Balance at 30 June 2020	255	(41,010)	(40,755)

Company statement of changes in equity for the year ended 30 June 2020

	Called up share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 July 2018	255	(23,449)	(23,194)
Total comprehensive expense for the year	-	(7,689)	(7,689)
Balance at 30 June 2019	255	(31,138)	(30,883)
Balance at 1 July 2019	255	(31,138)	(30,883)
Total comprehensive expense for the year	-	(8,437)	(8,437)
Balance at 30 June 2020	-	(39,575)	(39,320)

1869 Limited

Consolidated statement of cash flows for the year ended 30 June 2020

		Year ended 30 June 2020	Year ended 30 June 2019
		£'000	£'000
	<i>Note</i>		
Pre tax net cash (outflow)/inflow from operating activities	23	(3,072)	3,562
Taxation paid		(49)	(187)
Net cash (outflow)/inflow generated from operating activities		(3,121)	3,375
Cash flow from investing activities			
Purchase of intangible assets	11	(110)	(832)
Purchase of tangible assets	12	(443)	(438)
Proceeds from disposal of tangible assets	12	9	46
Interest received		1	-
Net cash used in investing activities		(543)	(1,224)
Cash flow from financing activities			
Interest paid		(357)	(521)
Bank loan repaid		(1,250)	(1,667)
Loan notes issued		-	45
Loan notes repaid		(115)	(1,372)
Net cash used in financing activities		(1,722)	(3,515)
Net decrease in cash and cash equivalents		(5,386)	(1,364)
Cash and cash equivalents at the beginning of the year		4,827	6,191
Cash and cash equivalent at the end of the year		(559)	4,827
Cash and cash equivalents consist of:			
Cash at bank and in hand		-	4,827
Bank overdraft (included in Creditors < 1 year)		(559)	-
		(559)	4,827

1869 Limited

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

1 General Information

1869 Limited and its subsidiaries manufacture, sell and distribute furniture and associated furnishings.

The company is a private company limited by shares and is incorporated and domiciled in England. The company has loan notes listed on the Channel Island Stock Exchange. The address of its registered office is 1 Hampton Park West, Melksham, Wiltshire, SN12 6GU, United Kingdom.

2 Statement of compliance

The Group and individual financial statements of 1869 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 consolidated and separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

These consolidated and separate financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and liabilities at fair value.

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 has taken advantage of the exemption in section 408 of the Companies act from disclosing its individual profit and loss account.

The parent company is a qualifying entity as defined by FRS 102 and has taken advantage of the following exemptions available to qualifying entities which are relevant to its financial statements:

- The requirement to prepare a cash flow statement;
- The requirement to disclose information about key management personnel compensation;
- The disclosure requirements of Section 11 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) in respect of financial instruments of the parent (as equivalent disclosures are included in respect of the consolidated financial statements); and

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 2 July 2019 to 30 June 2020. The comparative data covers 52 weeks to 1 July 2019.

Basis of consolidation

The consolidated financial information includes the financial statements of 1869 Limited and all of its subsidiary undertakings. The financial statements of the holding company and each subsidiary company within the group are prepared to the same period end. Uniform accounting policies are adopted throughout the group. Intra-group transactions and balances have been eliminated on consolidation.

Inventories

Inventories are valued on a first in, first out ("FIFO") basis and are stated at the lower of cost, being direct cost plus overheads applicable to the stage of manufacture reached, and estimated net realisable value.

Provision is made for redundant and discontinued stock lines in order to write down their value to amounts expected to be realised on sale. Slow moving stock is provided for by reference to historical usage.

1869 Limited

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

3 Summary of significant accounting policies (*continued*)

Intangible assets

Computer software, website and other development 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.

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

Net assets identified as the result of an acquisition include customer relationships and brand names. Both are being amortised on a straight line basis over their expected useful lives which is 10 years. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The assets are reviewed for impairment if factors such as technological advances indicate that the carrying amount may be impaired.

Goodwill

On acquisition of a business, fair values are attributed to the separately identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the fair value is incorporated into goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair value of the group's interests in identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its estimated useful life of twenty years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Turnover and gross sales

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

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

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:

Short leasehold property	Over the term of the lease
Plant and machinery	10% to 20% per annum
Fixtures and fittings	10% to 50% per annum
Office & Computer equipment	20% to 33½ % per annum

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

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

1869 Limited

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

3 Summary of significant accounting policies (*continued*)

Tangible assets (continued)

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

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

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

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Foreign currencies

The Group financial statements are presented in pound sterling (which is the parent's functional currency) and rounded to thousands. The Company's financial statements are presented in pound sterling and rounded to thousands.

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

At each 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.

The trading results of overseas undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in "Other comprehensive income".

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.

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.

Investments – Company

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

1869 Limited

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

3 Summary of significant accounting policies (continued)

Going concern

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

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

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

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

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

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

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

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

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.

Provisions

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

1869 Limited

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

3 Summary of significant accounting policies (continued)

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 that are repayable on demand and form an integral part of an entity's cash management.

Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group.

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.

Financial instruments

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. The fee is capitalised as a pre-payment and amortised over the period of the facility to which it relates.

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.

4 Critical accounting judgements and estimation uncertainty

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

Key accounting estimates and assumptions

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

Provisions & accrued expenses

Provision is made for dilapidations, contingencies and warranties. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements (see Note 6 and 19).

Impairment of intangible assets and goodwill

The Group considers whether intangible assets and goodwill 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 (see Note 11).

Development costs capitalised

Development costs relating to projects have been capitalised if, in the management's opinion it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably (see Note 11).

Impairment of inventory

Provision is made for redundant and discontinued inventory lines in order to write down their value to

amounts that management expect to be realised on sale (see Note 14).

1869 Limited

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

5 Turnover

The analysis of gross sales by geographical area is:

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
United Kingdom	54,188	76,613
Rest of Europe	1,715	2,275
Other	600	436
Turnover	56,503	79,324

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

6 Group operating profit

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Operating profit is stated after charging/(crediting):		
Wages and salaries	22,232	23,481
Social security costs	1,770	2,349
Other pension costs	719	596
Staff costs	24,721	26,426
Depreciation of tangible assets	674	725
Impairment of tangible assets (included in administration expenses)	33	158
Amortisation of intangible assets	5,472	5,727
Impairment of intangible assets (included in administration expenses)	100	-
Impairment of inventory (included in cost of sales)	(390)	(138)
Inventory recognised as costs of goods sold	29,776	38,574
Operating lease charges	2,350	2,343
Foreign exchange (gains)/losses	(120)	64
Profit on sale of tangible assets	(10)	(25)
Fees payable to company auditors for the audit of parent company and consolidated financial statements	15	13
Fees payable to the company's auditors for other services:		
- The audit of company's subsidiaries	125	73
	140	86

1869 Limited

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

7 Employee information

Employees

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

	Year ended 30 June 2020 Number	Year ended 30 June 2019 Number
Management	19	19
Administration	242	252
Operations	758	778
	1,019	1,049

Directors

During the year the directors of 1869 Limited did not receive any remuneration. The Directors of other Group companies are remunerated by those companies and the cost is disclosed in their accounts.

During the year a management fee of £300,000 per annum was paid to Promethean Investments LLP and Tyrolese (789) Limited for services of qualifying directors.

8 Exceptional costs

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Redundancy	861	-
Impairment of stock	417	-
Contractual obligations	469	-
Other	110	-
	1,857	-

Exceptional costs in the year are the provision of the closure costs at one of the Group's manufacturing sites.

1869 Limited

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

9 Net interest expense

	Year ended 30 June 2020	Year ended 30 June 2019
	£'000	£'000
Interest receivable and similar income		
Other interest received	1	-
Total interest income on financial assets not measured at fair value through profit or loss	1	-
Gains on derivative financial instruments		136
Total interest receivable and similar income	1	136
Interest payable and similar charges		
Interest expense on bank loans and overdrafts	(447)	(520)
Interest on loan notes	(7,932)	(7,127)
Amortisation of capitalised debt issuance costs	(168)	(168)
Total interest expense on financial liabilities not measured at fair value through profit or loss	(8,547)	(7,815)
Loss on derivative financial instruments	(15)	-
Total interest payable and similar charges	(8,562)	(7,815)
Net interest		
Interest receivable and similar income	1	136
Interest payable and similar charges	(8,562)	(7,815)
Net interest expense	(8,561)	(7,679)

10 Tax on loss

a) Tax on expense included in profit or loss

	Year ended 30 June 2020	Year ended 30 June 2019
	£'000	£'000
Current tax		
- UK corporation tax on loss for the period	-	-
- Foreign corporation tax on profits for the period	62	140
- Adjustment in respect of prior periods	2	-
Total current tax	64	140
Deferred tax		
- Origination and reversal of timing differences	(1,971)	(379)
- Impact of changes in tax rate	223	(12)
- Adjustments in respect of prior period	18	(1)
Total deferred tax	(1,730)	(392)
Tax on loss	(1,666)	(252)

1869 Limited

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

10 Tax on loss (continued)

b) Reconciliation of tax charge

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

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Loss before tax	(19,635)	(10,475)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(3,731)	(1,990)
Effects of:		
- Changes in tax rates	223	(12)
- Expenses not deductible	1,848	1,784
- Adjustment in respect of previous periods	20	(1)
- Effects of overseas tax rates	(26)	(33)
Tax charge for the year	(1,666)	(252)

The expenses not deductible relate primarily to interest on loan notes and goodwill amortisation.

c) Tax rate changes

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

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 due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end.

1869 Limited

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

11 Intangible assets

Group	Goodwill £'000	Brand Names & Trademarks £'000	Customer Relationships £'000	Development Costs £'000	Software & Websites £'000	Total £'000
Cost						
As at 1 July 2019	37,117	19,718	6,300	926	5,733	69,794
Additions	-	-	-	27	83	110
Disposals	-	-	-	-	(34)	(34)
Exchange adjustment	-	-	-	-	13	13
At 30 June 2020	37,117	19,718	6,300	953	5,795	69,883
Accumulated amortisation						
At 1 July 2019	8,197	7,743	2,782	378	3,898	22,998
Charge for the period	1,856	1,831	630	176	979	5,472
Impairment	-	-	-	-	100	100
Eliminated on disposal	-	-	-	-	(34)	(34)
Exchange adjustment	-	-	-	-	11	11
At 30 June 2020	10,053	9,574	3,412	554	4,954	28,547
Net book amount						
At 30 June 2020	27,064	10,144	2,888	399	805	41,336
At 30 June 2019	28,920	11,975	3,518	548	1,835	46,796

The goodwill above arose on the acquisition of the share capital of Sofa Brands International Limited on 29 January 2015. The estimated useful life is based on a variety of factors such as the expected use of the acquired business, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Having considered these factors the directors believe that a useful life of 20 years is appropriate for goodwill.

Brand names and customer relationships also arose on 29 January 2015. The directors believe that a useful life of 10 years is appropriate.

Additions in the year include £40k (2019: £444k) which were from internal development.

The impairment of £100k in software and websites relates to the disposal of software and costs capitalised due to termination of a project.

Company

The company had no intangible assets at 30 June 2020 (2019: £Nil).

1869 Limited

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

12 Tangible assets

Group	Short leasehold land & buildings	Plant & machinery	Fixtures, fittings, office & computer equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2019	1,197	2,273	2,155	5,625
Additions	49	308	86	443
Disposals	(6)	-	(64)	(70)
Exchange adjustments	9	23	4	36
At 30 June 2020	1,249	2,604	2,181	6,034
Accumulated depreciation				
At 1 July 2019	409	1,063	1,376	2,848
Charge for period	68	248	358	674
Impairment	-	-	33	33
Eliminated on disposal	(3)	-	(61)	(64)
Exchange adjustments	9	19	3	32
At 30 June 2020	483	1,330	1,709	3,522
Net book value				
At 30 June 2020	766	1,274	472	2,512
At 30 June 2019	788	1,210	779	2,777

Company

The Company had no tangible assets at 30 June 2020 (2019: £Nil).

13 Subsidiary undertakings

Company	2020 £'000	2019 £'000
Shares in group undertakings		
At 30 June 2019 and 30 June 2020	56,560	56,560

Investments by the parent in group undertakings are stated at cost less provisions for impairment. See note 26 for a list of the group's subsidiary undertakings.

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

1869 Limited

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

14 Inventories

	Group 30 June 2020 £'000	Company 30 June 2020 £'000	Group 30 June 2019 £'000	Company 30 June 2019 £'000
Raw materials and consumables	5,232	-	5,524	-
Work in progress	826	-	489	-
Finished goods and goods for resale	1,025	-	526	-
	7,083	-	6,539	-

There is no significant difference between the replacement cost of inventories and their carrying amounts.

Inventories are stated after provision for impairment of £2,353,820 (2019: £1,273,164).

15 Debtors

	Group 30 June 2020 £'000	Company 30 June 2020 £'000	Group 30 June 2019 £'000	Company 30 June 2019 £'000
Amounts falling due within one year:				
Trade debtors	2,316	-	8,671	-
Amounts owed by group companies	-	120	-	60
Other receivables	934	-	164	-
Corporation tax	200	-	208	-
Corporation tax – group relief receivable	-	106	-	32
Deferred tax (note 19)	-	128	-	126
Derivative financial instruments (note 20)	189	-	205	-
Prepayments	1,373	2	1,225	1
Accrued income	255	-	180	-
Amounts falling due after one year:				
Amounts owed by group companies	57	-	50	-
	5,324	356	10,703	219

Amounts due from group companies are unsecured and interest-free. An impairment provision of £61k (2019: £51k) is included in trade debtors.

16 Creditors: Amounts falling due within one year

	Group 30 June 2020 £'000	Company 30 June 2020 £'000	Group 30 June 2019 £'000	Company 30 June 2019 £'000
Bank loans and overdraft (note 18)	12,529	11,970	13,101	13,101
Trade creditors	2,591	61	7,917	61
Deferred revenue	342	-	215	-
Corporation tax	-	-	-	-
Other taxation and social security	3,116	-	3,074	-
Accruals	8,006	2,143	3,945	18
	26,584	14,174	28,252	13,180

1869 Limited

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

17 Creditors: Amounts falling due after more than one year

	Group 30 June 2020 £'000	Company 30 June 2020 £'000	Group 30 June 2019 £'000	Company 30 June 2019 £'000
Amounts falling due between one and five years				
Bank loans	-	-	-	-
Accruals	72	-	291	-
Loan notes (note 18)	69,235	69,235	63,393	63,393
Amounts owed to group companies	-	12,836	-	11,180
Total creditors falling due after more than one year	69,307	82,071	63,684	74,573

Amounts owed to group companies are unsecured, interest-free and are repayable on demand however it has been agreed that they will not be repaid within the next 12 months.

18 Loans and other borrowings

	Group 30 June 2020 £'000	Company 30 June 2020 £'000	Group 30 June 2019 £'000	Company 30 June 2019 £'000
Bank overdraft	559	-	-	-
Bank loans	11,970	11,970	13,101	13,101
Loan notes	69,235	69,235	63,393	63,393
	81,764	81,205	76,494	76,494

Loan notes

On 29 January 2015 the company issued £62,945,000 of loan notes in order to fund the acquisition of the Sofa Brands International group of companies. In June 2015 £19,180,241 of these loan notes were repaid when Yorkshire Bank agreed to provide a loan facility. The increase in the year is due to interest accrued being rolled into the principal.

The loan notes are 12%, secured redeemable loan notes and the interest will either be paid in kind (by the issue of additional loan notes) or paid on a quarterly basis. The loan notes are redeemable on 29 January 2022.

The loan notes are listed on the Channel Island Stock Exchange.

Security is by way of a fixed and floating charge over the assets of the Sofa Brands Group in the name of Tyrolese (789) Limited.

Bank facilities

Under an agreement with Clydesdale and Yorkshire Bank, a loan facility totalling £20 million has been made available to 1869 Limited. £10 million of the facility is repayable on a quarterly basis (£416,667) starting in September 2015 for the next 6 years with the final quarterly payment and the remaining £10 million to be repaid on 9 June 2021. Interest is payable on the facility at LIBOR plus a 2-2.5% margin. Security is by way of fixed and floating charges over the assets of the 1869 Group.

The bank have a suite of quarterly covenants on which the Group's performance will be measured including Ebitda, cashflow cover, leverage and capital expenditure.

The Clydesdale and Yorkshire bank has also made available a £5 million cross currency overdraft.

1869 Limited

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

19 Provisions

Group	Deferred tax	Commercial	Property	Total
	£'000	£'000	£'000	£'000
At 1 July 2019	1,839	223	458	2,520
Additions dealt with in income statement	-	-	345	345
Amounts utilised	(1,730)	-	-	(1,730)
Unused amounts reversed to the income statement	-	(16)	-	(16)
At 30 June 2020	109	207	803	1,119

Commercial

Provision has been made to reflect the directors' best current estimate of certain liabilities arising from contractual and other arrangements. It is not possible to estimate with any certainty when this provision will be utilised due to its nature.

Property

Provision has been made to reflect the directors' best current estimates of repairs and other costs required to satisfy the terms of property lease agreements. The timing of the utilisation of the provision will be in line with the lease agreements ranging between 3 and 15 years.

Deferred tax

The deferred tax provision can be analysed as follows:

	Group 30 June 2020 £'000	Group 30 June 2019 £'000
Acquired intangible assets	2,019	2,201
Fixed asset timing differences	(22)	35
Short term timing differences	(155)	(74)
Non trading timing differences	14	-
Losses	(1,747)	(323)
Deferred tax provision	109	1,839

None of the above provisions have been discounted.

Company

Deferred tax asset	30 June 2020 £'000	30 June 2019 £'000
At 1 July 2019	126	18
Additions dealt with in income statement	2	108
At 30 June 2020	128	126

The deferred tax asset can be analysed as follows:

	30 June 2020 £'000	30 June 2019 £'000
Non trading timing differences	21	18
Losses	107	108
	128	126

1869 Limited

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

20 Financial instruments

Group

The Group and company have the following financial instruments:

		Group 30 June 2020	Company 30 June 2020	Group 30 June 2019	Company 30 June 2019
		£'000	£'000	£'000	£'000
	<i>Note</i>				
Financial assets measured at fair value through profit or loss					
Derivative financial instruments	15	189	-	205	-
Financial assets that are debt instruments measured at amortised cost					
Trade debtors	15	2,316	-	8,671	-
Amounts owed by group undertakings	15	-	120	50	60
Other receivables	15	934	-	164	-
		3,250	120	8,885	60
Financial liabilities measured at amortised cost					
Loan notes	18	(69,235)	(69,235)	(63,393)	(63,393)
Bank debt and overdraft	18	(12,529)	(11,970)	(13,101)	(13,101)
Amounts owed to group undertakings	16	-	(12,836)	-	(11,180)
Trade creditors and deferred revenue	16	(2,933)	(61)	(8,132)	(61)
Accruals	16/17	(8,006)	(2,142)	(4,237)	(19)
		(92,703)	(96,244)	(88,863)	(87,754)

Derivative financial instruments – Forward contracts

The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 30 June 2020 the Group had outstanding contracts of €10.575 million (2019: €7.1 million) and \$2.525 million (2019: \$1.05 million) all maturing within 12 months (2019: 12 months) of the year end.

The forward currency contracts are measured at fair value which is determined by comparing the end of year spot rate to the forward contracted rate for all commitments.

1869 Limited

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

21 Called up share capital

	Group & Company	
	30 June 2020	30 June 2019
	£'000	£'000
Allotted and fully paid		
255,000 Ordinary £1 shares	255	255

22 Capital and other commitments

The Group had capital commitments of £44k at 30 June 2020 (2019: £40k).

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

	30 June 2020	30 June 2019
	£'000	£'000
On leases which expire:		
Not later than one year	2,540	2,428
Later than one year and not later than five years	7,299	7,345
Later than five years	6,689	8,125
	16,528	17,898

Company

The company had no capital or other commitments at 30 June 2020 (2019: £Nil).

23 Notes to the cash flow statement

	30 June 2020	30 June 2019
	£'000	£'000
Loss for the financial year	(17,968)	(10,223)
Adjustments for:		
Tax on loss	(1,666)	(252)
Exceptional costs	1,857	-
Net interest expense	8,561	7,679
Operating loss	(9,216)	(2,796)
Depreciation of tangible assets	674	725
Impairment of tangible assets	33	158
Amortisation of intangible assets	5,472	5,727
Impairment of intangible assets	100	-
Exceptional costs	(1,857)	-
Profit on disposal of assets	(3)	(25)
Other non-cash changes	12	(2)
Increase in stocks	(544)	(165)
Decrease/(increase) in debtors	5,354	(1,005)
(Decrease)/increase in creditors and provisions	(3,097)	945
Pre tax cash (outflow)/inflow from operating activities	(3,072)	3,562

1869 Limited

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

24 Reconciliation of movement in net debt

	At 1 July 2019 £'000	Cash flow £'000	Non cash Changes £'000	At 30 June 2020 £'000
Cash balances and deposits	4,827	(4,827)	-	-
Net cash	4,827	(4,827)	-	-
Debt due within one year	(13,101)	691	(119)	(12,529)
Debt due after one year	(63,393)	115	(5,957)	(69,235)
Net borrowings	(76,494)	806	(6,076)	(81,764)
Net debt	(71,667)	(4,021)	(6,076)	(81,764)

Non cash changes comprise amortisation of issue costs relating to debt issues, transfers between categories of debt and loan note interest accrued.

25 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 £711,183 (2019: £595,563). At the end of the year contributions outstanding were £76,835 (2019: £76,100).

26 Controlling party

The immediate parent undertaking is 1898 Limited, a company incorporated and registered in Jersey.

The ultimate parent undertaking is Tyrolese (789) Limited. Neither 1898 Limited nor Tyrolese (789) Limited produce consolidated accounts.

The ultimate controlling party is Templeco 672 Limited.

1869 Limited

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

27 Subsidiary undertakings

The following represent the subsidiary undertakings of 1869 Limited. Percentages indicate ownership by 1869 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. All undertakings shown are included in the consolidated financial statements.

Subsidiary Undertakings	Country of Incorporation or Registration	Business	% Owned
Sofa Brands International Limited	England & Wales	Holding company	100

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. All undertakings shown are included in the Consolidated Financial Statements.

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.

1869 Limited

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

28 Related party transactions

Advantage has been taken of the exemption not to disclose transactions that are within the 1869 Limited group.

1898 Limited owns 100% of the share capital in 1869 Limited which in turn owns 100% of the share capital in Sofa Brand International Limited (SBI). Tyrolese (789) Limited is a shareholder in 1898 Limited, the parent company of 1869 Limited. Promethean Investments LLP is a shareholder in 1898 Limited, the parent company of 1869 Limited.

Related party transactions during the year to 30 June 2020 are as follows:

Related party	Relationship	Transaction	Transaction Amount £	Balance at 30 June 2020 Dr/(Cr) £
Transactions with 1869 Ltd are as follows:				
1898 Ltd	Owens 100% of share capital in 1869 Ltd	Loan repaid	25,274	(164,253)
Tyrolese (789) Ltd	Tyrolese is a shareholder in 1898 Ltd	Interest accrued	7,078,716	(1,806,677)
		Monitoring fees	300,000	(30,000)
		Loan notes	-	(61,914,196)
Promethean Investments LLP	Promethean is a shareholder in 1898 Ltd	Interest accrued	704,389	(179,779)
		Monitoring fees	300,000	(30,000)
		Loan notes	-	(6,160,960)
Key management personnel	Directors of companies in the 1869 Group and shareholders in 1898 Ltd.	Interest accrued	148,452	(36,071)
		Loan notes	-	(1,236,177)
		Loan notes repaid	115,065	-
Transactions with Sofa Brands International Ltd				
1898 Ltd	Owens 100% of 1869 Ltd	Legal & Professional fees	50,675	225,858

Key Management

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £2,269k (2019: £2,215k).

1869 Limited

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

28 Related party transactions (continued)

Related party transactions during the year to 30 June 2019 are as follows:

Related party	Relationship	Transaction	Transaction Amount £	Balance at 30 June 2019 Dr/(Cr) £
Transactions with 1869 Ltd are as follows:				
1898 Ltd	Owens 100% of share capital in 1869 Ltd	Loan waiver	45,000	(138,980)
Tyrolese (789) Ltd	Tyrolese is a shareholder in 1898 Ltd	Interest accrued	6,358,478	-
		Monitoring fees	300,000	(30,000)
		Loan notes	-	(56,642,157)
Promethean Investments LLP	Promethean is a shareholder in 1898 Ltd	Interest accrued	632,720	-
		Monitoring fees	300,000	(30,000)
		Loan notes	-	(5,636,350)
Key management personnel	Directors of companies in the 1869 Group and shareholders in 1898 Ltd.	Interest accrued	135,620	-
		Loan notes	-	(1,238,861)
		Loan notes issued	45,000	-
Transactions with Sofa Brands International Ltd				
1898 Ltd	Owens 100% of 1869 Ltd	Legal & Professional fees	12,973	176,879
Tyrolese (789) Ltd	Tyrolese is a shareholder in 1898 Ltd	Purchase of capital losses	952,755	12,413

Events after the end of the reporting period

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

On 7 September 2020 the group restructured its existing bank facilities with Clydesdale Bank (previously Yorkshire Bank).

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

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