The Symphony Group plc

Annual report and financial statements

Registered number 01022506

31 December 2020

Contents

Directors and advisors

Directors

K M Gregory (non-executive)
M R Davis
G Smith
R Bunton
J A Dunsford (appointed 01 July 2020)

Company Secretary

A Murdoch

Registered Office

Pen Hill Estate
Park Spring Road
Barnsley
South Yorkshire
S72 7EZ

Independent auditor

KPMG LLP
Chartered Accountant
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Solicitor

Walker Morris
Kings Court
12 King Street
Leeds
LS1 2HL

Banker

Lloyds TSB Bank PLC
6-7 Park Row
Leeds
LS1 1NX

Strategic report

Business model

The Symphony Group plc (the "Company") is unique in that it operates in four distinct market sectors: Retail, Private Development, Social Housing and Export. This is combined with customer and product diversification to minimise exposure to individual sector risk.

Despite falling sales as a result of the COVID-19 pandemic, a continued focus on delivering excellent customer service has seen the Company remain profitable in 2020.

The Company continues to maintain a high level of resourcing and investment and as such is well placed to take advantage of the anticipated market growth in 2021 and beyond, notwithstanding any potential further disruptive effects of COVID-19.

Business review and results

The Company supplies fitted kitchen, bedroom and bathroom furniture and associated products to the Retail, Private Development, Social Housing and Export market sectors.

The results for 2020 show a pre-tax profit of £7,952,000 *(2019: pre-tax profit of £19,932,000)* on sales of £216,014,000 (*2019: £273,708,000).* At the end of the year the Company has a cash balance of £39,773,000 *(2019: £19,119,000*), along with £nil (*2019: £10,000,000*) in a term deposit account.

2020 was a challenging year due to the impact of COVID-19, resulting in turnover decreasing by 21.1%. The Company temporarily paused manufacturing and distribution activities for a six-week period and recommenced on Monday 11 May 2020 in line with government guidance and construction market activity. The Company has since returned to a more normal level of sales volume and output.

Operating profit of £7,793,000 was after a gain of £1,276,000 related to forward currency contracts which were taken out as a defensive Brexit strategy.

Cash flow was again strong in 2020, with a year end net cash balance of £39,773,000.

KPIs

Some of the Company's relevant KPIs are given below:

	2020	2019
% change in turnover	**-21.1%**	+11.4%
Sales per employee	**£121,900**	£157,700
EBITDA (operating profit plus depreciation)	**£10,534,000**	£22,478,000

Strategic report *(continued)*

Principal risks and uncertainty

The management of the business is subject to a number of risks. These relate mainly to competitor activity and the availability and price of raw materials.

The Company has taken all steps it believes are necessary to ensure supply chain continuity under the UK's new trading relationship with the European Union.

The Company remains well placed to withstand any further potential adverse consequences of COVID-19. Additional safety stocks are still in place. Employee segregation across sites and working from home have been implemented along with all necessary social distancing and PPE requirements. Cash resources remain strong.

Future developments

The Private Development market is expected to continue to grow, notwithstanding any short-term impact of COVID-19, and the Company expects to capitalise on that growth given recent market share gains. In addition, the Company remains committed to developing its Retail business by offering high quality products at transparent prices to all its Retail partners.

S172 Statement

The board of directors has always taken a long-term strategic approach to running the business. We have fostered strong partnerships with both our customers and suppliers over our 50 year history as we believe those relationships are key to our continued success. We also appreciate that our employees, workers and sub-contractors are our strength and ongoing engagement with them, alongside our wider business community, is important in any strategic decision making. We know that having regard to those relationships, as well as to our wider impact on the community and the environment, enables us to promote the success of the company for the benefit of its member (whilst taking in to account the matters set out in s172(a) – (f) of the Companies Act 2006).

Results and dividends

The Company's profit after tax for the year is £6,363,000 *(2019: £16,031,000).* The directors have paid a dividend of £nil *(2019: £1,004,000*). The profit after tax and dividend of £6,363,000 has been transferred to reserves *(2019: £15,027,000 transferred to reserves).*

By order of the Board.

J A Dunsford 26 April 2021
Director

Directors' report

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

Principal activities

The Company's principal activity during the year was the manufacture and sale of kitchen, bedroom and bathroom furniture.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

K M Gregory	(non-executive)
M R Davis	
G Smith	
R Bunton	
J A Dunsford	(appointed 01 July 2020)

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

The Company continues its practice of keeping all its employees informed on matters affecting them.

Political and charitable donations

The Company made no political donations during the period. Donations to UK charities amounted to £5,000 *(2019: £14,400).*

Policy and practice on payment of creditors

The Company policy is to make its suppliers aware of the terms of payment, to agree such terms with its suppliers for each business transaction and to make payments to suppliers in accordance with these terms, provided that the supplier is also complying with all relevant terms. The average number of day's purchases outstanding at 31 December 2020 was 54 *(2019: 50).*

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Directors' report *(continued)*

Streamlined energy and carbon reporting

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1 and 2 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and the actions taken in the financial year by the Company to reduce energy consumption and to reduce our carbon footprint.

	Year ended 31 Dec 2020
Energy consumption used to calculate emissions (kWh)	29,986,664
Emissions from the combustion of gas tCO2e (Scope 1)	615
Emissions from the combustions of fuel for transport purposes tCO2e (Scope 1)	6,430
Emissions from purchased electricity tCO2e (Scope 2, location based)	2,064
Total gross tCO2e based on the above	9,109
Intensity ratio (tCO2e/£m turnover)	42.17

Energy efficiency action summary

The Company strives to achieve direct savings in energy consumption and the associated carbon emissions through operational and technological improvements. These include:

- Ongoing replacement of heavy goods vehicles and company cars with Euro-6 and electric compliant vehicles with lower tailpipe emissions.
- Signing of electricity contracts from a supplier which guarantees zero carbon emissions for the power supplied.

Methodology used:

- Alignment with financial reporting - SECR disclosures have been prepared in line with the Company's financial statements for the year ended 31 December 2020.
- Reporting method – GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.
- Emissions factor source – DEFRA, 2020 for all emission factors.
- Calculation method – Activity data x emissions factor = GHG emissions.
- Reason for intensity measurement choice – the chosen metric best expresses the business performance generated from the consumption of energy and the associated carbon emissions.

Independent auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed as independent auditor and KPMG LLP will therefore continue in office.

By order of the Board

J.A.D

J A Dunsford
Director

The Symphony Group plc
Pen Hill Estate
Park Spring Road
Barnsley
South Yorkshire
S72 7EZ

26 April 2021

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of their profit or loss 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG LLP
1 Sovereign Square
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Leeds
LS1 4DA
United Kingdom

Independent auditor's report to the members of The Symphony Group plc

Opinion

We have audited the financial statements of The Symphony Group plc ("the Company") for the year ended 31 December 2020 which comprise the profit and loss account, balance sheet, statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Independents auditor’s report to the members of The Symphony Group plc

(Continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, and the Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors/ sales staff.
- Using analytical procedures to identify unusual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that supply and fit revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Assessment of the design and implementation of controls around journal entries

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by finance team those posted to unusual accounts.
- For a sample of revenue transactions around the period end, vouching to supporting external documentation to corroborate whether those items were recorded in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor’s report to the members of The Symphony Group plc *(continued)*

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors’ report

The directors are responsible for the strategic report and the directors’ report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors’ report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors’ report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Independent auditor's report to the members of The Symphony Group plc *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at

www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

David Caseldine (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

26 April 2021

Profit and Loss Account

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	2	**216,014**	273,708
Costs and overheads	4	**(212,806)**	(251,625)
Long term incentive bonus		**-**	(2,287)
Other operating income	3	**4,585**	-
Operating profit	5	**7,793**	19,796
Bank interest receivable		**162**	165
Interest payable on overdrafts		**(3)**	(29)
Profit before taxation		**7,952**	19,932
Tax on profit	8	**(1,589)**	(3,901)
Profit for the financial year		**6,363**	16,031

All items dealt with in arriving at operating profit above relate to continuing operations.

There were no gains or losses in the year other than those included in the above profit and loss account.

There is no difference between the profit before taxation and the profit for the year stated above and their historical cost equivalents.

The notes on pages 14 to 23 form part of these financial statements.

Balance sheet
as at 31 December 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Tangible assets	*9*		**11,383**		12,526
Current assets					
Stocks	*10*	**27,215**		25,553	
Debtors	*11*	**56,643**		70,603	
Derivative asset	*17*	**476**		-	
Cash at bank and in hand		**39,773**		19,119	
		124,107		115,275	
Creditors - amounts falling due within one year	*12*	**(41,325)**		(39,803)	
Derivatives	*17*	-		(800)	
Net current assets			**82,782**		74,672
Total assets less current liabilities			**94,165**		87,198
Provision for deferred tax	*13*		**(694)**		(90)
Net assets			**93,471**		87,108
Capital and reserves					
Called up share capital	*14*		**253**		253
Capital redemption reserve			**10**		10
Profit and loss reserve			**93,208**		86,845
Total shareholders' funds			**93,471**		87,108

The notes on pages 14 to 23 form part of these financial statements.

The financial statements on pages 11 to 23 were approved by the board of directors on 26 April 2021 and were signed on its behalf by:

J A Dunsford
Director

The Symphony Group plc
Registered number: 01022506

Statement of Changes in Equity

for the year ended 31 December 2020

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	253	10	71,818	72,081
Total comprehensive income for the period				
Profit or loss	-	-	16,031	16,031
Dividend	-	-	(1,004)	(1,004)
Total comprehensive income for the period	-	-	15,027	15,027
Balance at 31 December 2019	**253**	**10**	**86,845**	**87,108**
Balance at 1 January 2020	253	10	86,845	87,108
Total comprehensive income for the period				
Profit or loss	**-**	**-**	**6,363**	**6,363**
Total comprehensive income for the period	**-**	**-**	**6,363**	**6,363**
Balance at 31 December 2020	**253**	**10**	**93,208**	**93,471**

The notes on pages 14 to 23 form part of these financial statements.

Notes

(forming part of these financial statements)

1 Accounting policies

The Symphony Group plc (the "Company") is a public company limited by shares, incorporated, domiciled and registered in England and Wales in the UK. The registered number is 01022506 and the registered address is Pen Hill Estate, Park Spring Road, Barnsley, South Yorkshire, S72 7EZ.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's parent undertaking, Symphony Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Symphony Holdings Limited are available to the public and may be obtained from Pen Hill Estate, Park Spring Road, Barnsley, South Yorkshire, S72 7EZ. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are the assessment of provisions required against book debts and inventory. In both of these areas the Company applies consistent judgements using tested models.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit or loss.

Going concern

In the year ended 31 December 2020 the Company generated profit after tax of £6.36 million (2019: £16.03 million). As at 31 December 2020, cash and cash equivalents were £39.8 million (2019: £19.1 million and cash in short term deposit account of £10 million).

The Board has prepared cash flow forecasts using prudent assumptions as to future trading for the period to June 2022. These forecasts include the impact of the global outbreak of Covid-19, and include lower turnover in first quarter of the 2021 financial year compared with the prior year, along with a slow recovery back to pre-Covid-19 sales trends.

Notes *(continued)*

1 Accounting policies *(continued)*

Whilst the duration and spread of the outbreak and its economic impact is uncertain, sensitivity analysis has been performed to assess the impact of a more severe but plausible downside scenario to future trading. Under this more cautious scenario, further turnover reductions have been applied for the period to 30 June 2022 with recovery taking place over a longer period. These forecasts demonstrate that the Company will be able meet its liabilities as they fall due out of its available cash balances and will be sufficient to sustain the business in the foreseeable future.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due until at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Revenue recognition

Revenue from the supply of furniture is recognised upon delivery to a customer. Revenue from the supply and installation of furniture is recognised when the installation has been completed to the satisfaction of the customer.

Fixed assets and depreciation

Fixed assets are stated at cost. The cost or valuation, less residual value, is depreciated by equal annual instalments over the estimated useful lives of the assets which are:

Plant and equipment	-	3-10 years
Motor vehicles	-	3-7 years

The Company assesses at each reporting date whether the tangible fixed assets (including those under finance leases) are impaired.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date.

Display set-up costs

All display set-up costs are written off to the profit and loss account as incurred, as the useful life of displays is considered to be short term.

Pensions

Money purchase pension arrangements, with defined company contributions, are operated for certain directors and senior employees, along with a companywide auto enrolment scheme. The profit and loss account charge represents the amount of contributions payable under such arrangements. The Company's obligations are limited to the amount of such contributions payable.

Stocks

Stocks are stated at the lower of cost and net realisable value including an appropriate assessment of provision against slow moving and obsolete stock items. Cost of finished goods stock and manufactured items includes an appropriate proportion of labour and overhead expenses.

Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

Notes *(continued)*

1 Accounting policies *(continued)*

Currency translation

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the transaction dates. Assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains and losses arising from currency translation are reflected in operating profit.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

Hire purchase and leasing arrangements

Assets obtained under hire purchase agreements and finance leases are included in fixed assets and the related obligations are included in creditors. Interest charges are allocated to the profit and loss account so as to give a constant rate of charge on the capital balance outstanding.

Operating lease rentals are charged to the profit and loss account as incurred.

Segmental reporting

The Company's activities consist solely of the manufacture, sale and installation of kitchen, bedroom and bathroom furniture and associated products.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Other financial instruments

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

2 Turnover

Turnover, which arises substantially within the United Kingdom, represents the invoiced value of goods supplied to customers net of discounts allowable and value added tax. Export sales in the period were £512,000 *(2019: £402,000).*

Notes *(continued)*

3 Other operating income

Other operating income represents government grant income for the Coronavirus Job Retention Scheme and has been recognised gross of costs incurred.

4 Costs and overheads

	2020	2019
	£'000	£'000
Operating expenses		
Change in stocks of finished goods and work in progress	**(1,046)**	(119)
Purchase of raw materials and consumables	**120,799**	158,167
Other external and operating charges	**34,423**	35,743
Staff costs (note 6)	**57,165**	54,457
Depreciation (note 9)	**2,741**	2,681
Change in fair value of derivatives (note 17)	**(1,276)**	696
	212,806	251,625

5 Expenses & Auditor's remuneration

	2020	2019
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible assets (note 9)	**2,741**	2,681
Profit on disposal of fixed assets	**(15)**	-
Property rentals	**4,547**	4,244
Hire of plant, machinery and vehicles	**5,526**	6,010
Auditor's remuneration		
Audit of these financial statements	**50**	50
Amounts receivable by the Company's auditor and its associates in respect of:		
Tax compliance services	**19**	84

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2020	2019
	No	No
Production	**1,029**	1,018
Administration	**743**	718
Average number of employees	**1,772**	1,736

Notes *(continued)*

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	**52,170**	49,785
Social security costs	**4,010**	3,822
Other pensions costs	**985**	850
	57,165	54,457
Long term incentive bonus	**-**	2,287
	57,165	56,744

The long term incentive scheme is a non-recurring charge and was based on achieving performance targets set in the Company's three year plan.

7 Remuneration of directors

	2020 £'000	2019 £'000
Aggregate emoluments	**773**	2,167
Company contributions to money purchase pension schemes	**17**	10
	790	2,177

Aggregate emoluments include £nil (2019: £1,267,650) in respect of the long term incentive scheme. The aggregate emoluments of the highest paid director were £344,000 *(2019: £1,271,000).* Retirement benefits are accruing to the following number of directors under:

	2020 No	2019 No
Money purchase schemes	**2**	1

Notes *(continued)*

8 Tax on profit

	2020 £'000	2019 £'000
United Kingdom corporation tax at 19% *(2019: 19%)*	**1,303**	4,362
Adjustment relating to an earlier year	**(318)**	-
Current taxation charge	**985**	4,362
Deferred taxation	**604**	(461)
Tax on profit	**1,589**	3,901

The tax assessed for the year is higher than (*2019: higher)* the standard rate of corporation tax of 19% *(2019: 19%).* The differences are explained below:

	2020 £'000	2019 £'000
Profit before taxation	**7,952**	19,932
Profit multiplied by standard rate in the United Kingdom of 19% *(2019: 19%)*	**1,511**	3,787
Explained by:		
Expenditure not deductible for tax purposes	**48**	215
Income not taxable for tax purposes	**(242)**	-
Transfer pricing adjustments	**24**	23
Fixed asset differences	**-**	11
Adjustments to tax charge in respect of previous period – deferred tax	**287**	(35)
Adjustments to tax charge in respect of previous period – current tax	**(318)**	-
Group relief claimed	**(7)**	(18)
Deferred tax on derivative fair value movement	**242**	(132)
Deferred tax rate movement	**44**	50
Total tax charge for the year	**1,589**	3,901

Legislation will be introduced in the Finance Bill 2021 to set the rate of corporation tax at 19% for the year beginning 1 April 2022, and in the same Bill to set the main rate at 25% for the year beginning 1 April 2023. As the change in rate was not subsequently enacted at the date of approval of these financial statements, deferred tax is measured at the prevailing rate of 19%.

Notes *(continued)*

9 Tangible assets

	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation			
At 31 December 2019	31,873	53	31,926
Additions	1,625	-	1,625
Disposals	(1,638)	(53)	(1,691)
At 31 December 2020	31,860	-	31,860
Accumulated depreciation			
At 31 December 2019	19,375	25	19,400
Charge for the year	2,740	1	2,741
Disposals	(1,638)	(26)	(1,664)
At 31 December 2020	20,477	-	20,477
Net book value			
At 31 December 2020	**11,383**	**-**	**11,383**
At 31 December 2019	12,498	28	12,526

10 Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	**23,020**	22,404
Work in progress	**368**	300
Finished goods and goods for resale	**3,827**	2,849
	27,215	25,553

Notes *(continued)*

11 Debtors

	2020	2019
	£'000	£'000
Trade debtors	**44,453**	48,030
Other debtors	**2,325**	2,977
Corporation Tax	**82**	-
Amounts owed by group undertakings	**6,504**	6,599
Deposit Account	**-**	10,000
Prepayments and accrued income	**3,279**	2,997
	56,643	70,603

The deposit account is a 95 day notice account paying interest at 1.1%. Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

12 Creditors - amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	**30,436**	25,152
Corporation Tax	**-**	2,162
Social security and other taxation	**1,007**	107
Accruals and deferred income	**9,882**	12,382
	41,325	39,803

13 Deferred tax

	2020	2019
	£'000	£'000
Provision for deferred tax		
At 1 January	**90**	551
Charge/(credit) to profit and loss account	**604**	(461)
At 31 December	**694**	90

Notes *(continued)*

13 Deferred tax *(continued)*

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2020	**2020**	2019	2019
	Provided	**Unprovided**	Provided	Unprovided
	£'000	**£'000**	£'000	£'000
Difference between accumulated depreciation and capital allowances	**694**	**-**	90	-
	694	**-**	90	-

14 Called up share capital

	2020	2019
	£000	£000
Authorised		
4,000,000 *(2019: 4,000,000)* ordinary shares of 25p each	**1,000**	1,000
Allotted and fully paid		
1,013,730 (*2019: 1,013,730*) ordinary shares of 25p each	**253**	253

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

15 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	2020	**2020**	2019	2019
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Less than one year	**3,236**	**5,122**	3,060	5,211
Between one and five years	**14,327**	**11,243**	12,240	8,766
More than five years	**44,797**	**430**	23,670	579
	62,360	**16,795**	38,970	14,556

During the year £10,073,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2019: £10,254,000)*.

Notes *(continued)*

16 Commitments

Capital commitments at the end of the financial year for which no provision has been made:

	2020	2019
	£'000	£'000
Contracted	**1,452**	1,364

17 Financial instruments measured at fair value

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price.

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair value	
	2020	2019
	£'000	£'000
Forward Exchange Contracts	**476**	(800)

18 Related party disclosures

A Group company paid £nil (*2019: £30,500)* to Haule (Jersey) Limited and £nil (*2019: £22,500*) to Swarthmoor Investments Limited for the consultancy and related services of Mr D S Gregory, a director of a Group company (but these arrangements ceased in April 2019).

19 Ultimate parent company

Throughout the year ended 31 December 2020, the directors consider that the ultimate controlling party is Rysaffe Trustee Company (C.I.) Limited as trustee of the St Helier 2015 Trust, a discretionary trust. The immediate parent company is Symphony Holdings Limited, a company registered in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by Symphony Holdings Limited.

Copies of the consolidated accounts of Symphony Holdings Limited can be obtained on application to The Company Secretary, Symphony Holdings Limited, Pen Hill Estate, Park Spring Road, Barnsley, South Yorkshire, S72 7EZ.