
STERLING FURNITURE GROUP LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 28 FEBRUARY 2021

The directors present their strategic report for the year ended 28 February 2021.

Business review

Sterling Furniture Group Limited is a furniture and Homewares retailer operating from multiple sites around Scotland and under multiple brands the best known of which is Sterling Furniture.

Despite the difficulties and challenges brought about by the pandemic the group continued its strategy of providing "Everything to Furnish and Finish Your Home" with the sales offering constantly being reviewed and improved to ensure a comprehensive offer of home furnishing products and services are being offered and that customer service and customer satisfaction remain at the heart of the operation.

During the year the Group invested in the refurbishment and conversion of its Thomson's store in Dunfermline to the new concept "Sterling Home" format store. This store has traded well since reopening.

The pandemic has had a significant impact on the business over the year with all its stores having to close due to lockdowns for a combined period of 5 months over the 12 month period due to the restrictions imposed by government as a consequence of the Coronavirus pandemic. The Group was forced to review its operations and find savings and change processes to adapt to the changing circumstances.

When the stores reopened however there was pent up demand and trade in home furnishings was strong. The constraints on holidays and the move to home working has led to an uplift in like for like sales for the periods the shops were open. This helped make up for some of the lost turnover for the period closed.

Financial key performance indicators

The key financial performance indicators are turnover, gross margin and pre-tax profit. During the year ended 28 February 2021 the turnover of the Group decreased 27% to £40,070,431 (2020 - £55,176,625). Gross margin remained similar to the previous year at 46.7% (2020 - 46.3%). Profitability has improved for the year with the year ending with a pre-tax profit of £2,526,458 (2020 - £338,639).

Non-financial key performance indicators

The key non-financial performance indicators monitored by the business include those which measure customer satisfaction, supplier performance, sales performance, staff matters and environmental matters across the business. The directors review these KPI's on a regular basis with the objective of improving overall customer service and financial performance. Further details on a number of these KPI's are provided below:

Environmental matters

Waste management

We aim to recycle nearly all of our cardboard and paper waste through a company-wide initiative that includes the collection of office waste, the shredding of cardboard to be reused as packaging and the use of boxes which are 100% recycled for all orders placed over the internet. We recycle the majority of polythene waste and also recycle polystyrene.

Transport

Furniture is imported by sea instead of air to reduce its carbon footprint. Where possible, containers arrive at the most local ports to keep the distance they have to travel by road to a minimum. Deliveries are carefully planned to reduce road miles and drivers are fully trained in fuel-efficient driving. We are also investigating the introduction of a bio fuel additive to our fleet of vehicles to cut CO2 emissions.

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2021**

Greenhouse gas emissions, energy consumption and energy efficiency action

The Companies Act 2006 (strategic Report and Directors' Report) Regulations 2013 requires all non-quoted large companies to report the greenhouse gas emissions for which they are responsible and on any environmental matters which are material to the company's operations. This is the first year of disclosure and complies with the requirements of Streamlined Energy and Carbon Reporting (SECR).

The Group's greenhouse gas emissions and energy consumption for the year are:

Reportable Greenhouse gas emissions (tonnes CO₂e)

Emissions source	tCO ₂ e	% Share
Fuel Combustion: Natural Gas	1,050	48.00%
Fuel Combustion: Transport	428	19.60%
Consumed Electricity	710	32.40%
Total Emissions	2,188	100.00%
Revenue (£m)	40.068	
Intensity: (tCO₂e per £m revenue)	54.6	

Greenhouse gas emissions by scope (tonnes CO₂e)

Emissions source	Scope 1	Scope 2	Scope 3	Total (tCO ₂ e)
Fuel Combustion: Natural Gas	1,050	0	0	1,050
Fuel Combustion: Transport	407	0	21	428
Consumed Electricity	0	654	56	710
Total	1,457	654	77	2,188
Share of Total	66.60%	29.90%	3.50%	100%

Scope 1: Natural gas and company-operated transport. Scope 2: Electricity.

Scope 3: Losses from electricity distribution and transmission, and grey fleet travel. This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.

Energy consumption by source (kWh)

Emissions source	kWh	% Share
Fuel Combustion: Natural Gas	5,707,164	55.70%
Fuel Combustion: Transport	1,726,733	16.90%
Consumed Electricity	2,806,046	27.40%
Total Emissions	10,239,943	100.00%