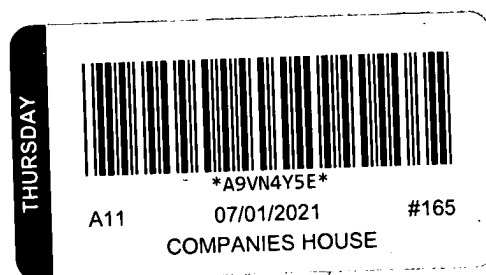


Registered number: 00163292

ERCOL FURNITURE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



ERCOL FURNITURE LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|---|
| Directors | E R Tadros BA, FRSA (Chairman) R L Galbraith I Peers D M Finch D C Sugrue (resigned 18 November 2019) H Tadros A C Maskrey A E Koch (appointed 17 February 2020) |
| Registered number | 00163292 |
| Registered office | Summerleys Road Princes Risborough Buckinghamshire HP27 9PX |
| Independent auditors | MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Abbey Place 24-28 Easton Street High Wycombe Buckinghamshire HP11 1NT |

ERCOL FURNITURE LIMITED

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ERCOL FURNITURE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Business review

The Company continues to develop its business in the UK with both Independent and with National retailers, whilst continuing to develop international opportunities. The Company has continued to invest in developing new furniture ranges and in marketing to support our retailers, at the same time as participating in key trade shows in the UK and internationally. Unfortunately, 2019 saw turnover decrease by 5.5% with the UK market in particular proving to be tough.

Gross margin fell from 30.8% to 29.6%, with a continuing change in sales mix as upholstery made up a larger proportion of sales.

Steps have been taken to address the fall in turnover and indeed prior to the onset of COVID-19 in Q1 2020 our core UK market saw order intake significantly above the same period in 2019.

Overheads were comparable with the prior year resulting in a loss of £2,334k (2018: £1,664k). The Company continues to aim to drive longer term growth in the UK and export markets through overhead investment. The benefits of this are expected to be felt in future years as the Company realises its strategic plans. Indeed, in early 2020 the US market has been our fastest growing market compared to 2019.

Other comprehensive income, for the year was a net loss of £215k (2018: income of £269k). This income relates to unfavourable movements in currency.

Principal risks and uncertainties

The Company purchases in dollars and euros. Whilst the Company has sought to mitigate its exchange risks through hedging, it does remain exposed to exchange rate movements..

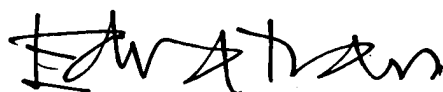
Whilst the Company is able to drive market share through the continued development of new product ranges and investment in the brand it is nonetheless exposed to the general consumer market conditions. The UK exit from the EU could potentially have a negative impact on trading conditions in the near future, the full impact of which is difficult to quantify at this stage.

Future developments

The Group has continued to review and update its long-term strategy. Since the year end the Group has been impacted by COVID-19. The Group has taken the decision to do a small amount of restructuring in order to help safeguard the future of the business. The Group has seen a significant improvement in performance in 2020 to date relative to 2019 notwithstanding COVID-19.

Long term finance has been secured to ensure the business will be on a sound financial footing and to support the long-term strategy.

This report was approved by the board on 16 October 2020 and signed on its behalf.



.....
E R Tadros BA, FRSA
Chairman

ERCOL FURNITURE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Dividends

The loss for the year, after taxation, amounted to £2,334,000 (2018 - £1,664,000).

The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

E R Tadros BA, FRSA
R L Galbraith
I Peers
D M Finch
D C Sugrue (resigned 18 November 2019)
H Tadros
A C Maskrey

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year and since the year end.

ERCOL FURNITURE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

COVID 19 was identified in the United Kingdom in January 2020, with the Prime Minister instructing the population to stay at home on 23 March 2020 causing significant economic uncertainty. It is not possible to quantify the impact this will have on the company.

Auditors

The auditors, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 16 October 2020 and signed on its behalf.



.....
ER Tadros BA, FRSA
Chairman

ERCOL FURNITURE LIMITED

'INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF ERCOL FURNITURE LIMITED

Opinion

We have audited the financial statements of Ercol Furniture Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

ERCOL FURNITURE LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF ERCOL FURNITURE LIMITED
(CONTINUED)**

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

ERCOL FURNITURE LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF ERCOL FURNITURE LIMITED
(CONTINUED)**

Auditors' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' 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 Auditors' 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.

MHA MacIntyre Hudson

KATHARINE ARNOTT FCA (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants

Statutory Auditors

Abbey Place
24-28 Easton Street
High Wycombe
Buckinghamshire
HP11 1NT

Date: *6 January 2021*

ERCOL FURNITURE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Note | 2019 £000 | 2018 £000 |
|--|------|----------------|----------------|
| Turnover | 4 | 19,398 | 20,533 |
| Cost of sales | | (13,652) | (14,211) |
| Gross profit | | 5,746 | 6,322 |
| Administrative expenses | | (7,955) | (7,980) |
| Operating loss | 5 | (2,209) | (1,658) |
| Interest receivable and similar income | 8 | 10 | 14 |
| Interest payable and expenses | | (135) | (20) |
| Loss before tax | | (2,334) | (1,664) |
| Tax on loss | 9 | - | - |
| Loss for the financial year | | (2,334) | (1,664) |
| Other comprehensive income for the year | | | |
| Change in value of hedging instruments | | (140) | 75 |
| Transfer to profit and loss | | (75) | 194 |
| Other comprehensive income for the year | | (215) | 269 |
| Total comprehensive income for the year | | (2,549) | (1,395) |

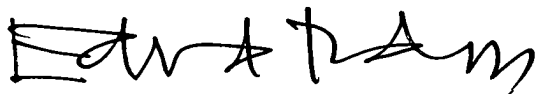
The notes on pages 10 to 24 form part of these financial statements.

ERCOL FURNITURE LIMITED
REGISTERED NUMBER: 00163292

BALANCE SHEET
AS AT 31 DECEMBER 2019

| | Note | 2019 £000 | 2018 £000 |
|---|------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 10 | 3,167 | 3,146 |
| Investments | 11 | 1 | 1 |
| | | <u>3,168</u> | <u>3,147</u> |
| Current assets | | | |
| Stocks | 12 | 3,594 | 3,189 |
| Debtors: amounts falling due within one year | 13 | 4,353 | 4,014 |
| Cash at bank and in hand | 14 | 416 | 390 |
| | | <u>8,363</u> | <u>7,593</u> |
| Creditors: amounts falling due within one year | 15 | (5,931) | (3,415) |
| Net current assets | | <u>2,432</u> | <u>4,178</u> |
| Total assets less current liabilities | | <u>5,600</u> | <u>7,325</u> |
| Creditors: amounts falling due after more than one year | 16 | (1,244) | (420) |
| Net assets | | <u><u>4,356</u></u> | <u><u>6,905</u></u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 7,300 | 7,300 |
| Hedging reserve | 22 | (140) | 75 |
| Profit and loss account | 22 | (2,804) | (470) |
| | | <u><u>4,356</u></u> | <u><u>6,905</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
16 OCTOBER 2020



.....
E R Tadros BA, FRSA
Director

The notes on pages 10 to 24 form part of these financial statements.

ERCOL FURNITURE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Called up share capital | Hedging reserve | Profit and loss account | Total equity |
|--|----------------------------|--------------------|----------------------------|--------------|
| | £000 | £000 | £000 | £000 |
| At 1 January 2019 | 7,300 | 75 | (470) | 6,905 |
| Comprehensive income for the year | | | | |
| Loss for the year | - | - | (2,334) | (2,334) |
| Change in value of hedging instruments | - | (140) | - | (140) |
| Transfer to profit and loss | - | (75) | - | (75) |
| Total comprehensive income for the year | - | (215) | (2,334) | (2,549) |
| At 31 December 2019 | 7,300 | (140) | (2,804) | 4,356 |

The notes on pages 10 to 24 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Called up share capital | Hedging reserve | Profit and loss account | Total equity |
|--|----------------------------|--------------------|----------------------------|--------------|
| | £000 | £000 | £000 | £000 |
| At 1 January 2018 | 3,800 | (194) | 1,194 | 4,800 |
| Comprehensive income for the year | | | | |
| Loss for the year | - | - | (1,664) | (1,664) |
| Change in value of hedging instruments | - | 75 | - | 75 |
| Transfer to profit and loss | - | 194 | - | 194 |
| Total comprehensive income for the year | - | 269 | (1,664) | (1,395) |
| Shares issued during the year | 3,500 | - | - | 3,500 |
| At 31 December 2018 | 7,300 | 75 | (470) | 6,905 |

The notes on pages 10 to 24 form part of these financial statements.

ERCOL FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Ercol Furniture Limited is a limited company incorporated in England and Wales, registration number 00163292. The address of its principal place of business is Summerleys Road, Princes Risborough, Buckinghamshire, HP27 9PX.

The principal activity of the Company is the manufacture and sale of Ercol furniture.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Ercol (Holdings) Limited for the year ended 31 December 2019 which may be obtained from Companies House.

2.3 Going concern

The Company has continued to make a loss in 2019 of £2,334k (2018: £1,664k). Its parent company, Ercol (Holdings) Limited, will continue to provide financial support for at least 12 months from the date of signing these financial statements and as such the financial statements will be prepared on a going concern basis.

ERCOL FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.4 Foreign currency translation

The Company's functional and presentational currency is Pounds Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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 and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.7 Pensions

Defined contribution pension plan

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 in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.8 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of each fixed asset the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is written off. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|-----------------------|----------------|
| Freehold property | - 5 years |
| Plant and machinery | - 3 - 50 years |
| Motor vehicles | - 3 - 5 years |
| Fixtures and fittings | - 5 - 10 years |

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted accordingly if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.10 Stocks**

Stocks are stated at the lower of cost and net realisable value, net realisable value being the estimated selling price (less trade discounts), less further costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads. No element of profit is included in the valuation of work in progress.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Financial instruments

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. 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 income as appropriate.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

ERCOL FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.15 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

2.16 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.18 Hedge accounting

The Company has entered into foreign currency derivatives to manage its exposure on purchases in US Dollars and Euros. These derivatives are measured at fair value at each balance sheet date. Movements in fair value are recognised in other comprehensive income and presented in a separate hedging reserve.

2.19 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

There are no material judgements in applying accounting policies.

There are no key sources of estimation uncertainty.

4. Turnover

Analysis of turnover by country of destination:

| | 2019 £000 | 2018 £000 |
|-------------------|---------------|---------------|
| United Kingdom | 18,187 | 19,658 |
| Rest of Europe | 544 | 528 |
| Rest of the world | 667 | 347 |
| | <u>19,398</u> | <u>20,533</u> |

5. Operating loss

The operating loss is stated after charging:

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Depreciation of tangible fixed assets | 433 | 433 |
| Operating lease rentals | 5 | 24 |
| Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements | 17 | 17 |
| Auditors' remuneration - other services | 5 | 14 |
| Exchange differences | (8) | (121) |
| Losses/(Gains) on closed foreign exchange forward contracts | 22 | (35) |
| | <u>22</u> | <u>(35)</u> |

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2019 £000 | 2018 £000 |
|-------------------------------------|--------------|--------------|
| Wages and salaries | 4,935 | 5,247 |
| Social security costs | 470 | 446 |
| Cost of defined contribution scheme | 282 | 268 |
| | <u>5,687</u> | <u>5,961</u> |

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

| | 2019 No. | 2018 No. |
|--------------------------------------|-------------|-------------|
| Production and related activities | 99 | 109 |
| Administration, sales and management | 56 | 54 |
| | <u>155</u> | <u>163</u> |

7. Directors' remuneration

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Directors' emoluments | 647 | 575 |
| Company contributions to defined contribution pension schemes | 82 | 55 |
| Fees paid to other group companies for directors services | 134 | 133 |
| Compensation for loss of office as director | 50 | 160 |
| | <u>913</u> | <u>923</u> |

During the year retirement benefits were accruing to 7 directors (2018 - 7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £171,000 (2018 - £150,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,000 (2018 - £18,000).

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Interest receivable

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Interest receivable from group companies | 10 | 13 |
| Other interest receivable | - | 1 |
| | <u>10</u> | <u>14</u> |

9. Taxation

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Total current tax | <u>-</u> | <u>-</u> |
| Deferred tax | | |
| Total deferred tax | <u>-</u> | <u>-</u> |
| Taxation on profit on ordinary activities | <u>-</u> | <u>-</u> |

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

| | 2019 £000 | 2018 £000 |
|--|----------------|----------------|
| Loss on ordinary activities before tax | <u>(2,334)</u> | <u>(1,664)</u> |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%) | <u>(443)</u> | <u>(316)</u> |
| Effects of: | | |
| Expenses not deductible for tax purposes | - | 3 |
| Depreciation in excess of capital allowances | 443 | 79 |
| Unrelieved losses carried forward | - | 233 |
| Tax adjustment on provisions | - | 1 |
| Total tax charge for the year | <u>-</u> | <u>-</u> |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Tangible fixed assets

| | Freehold property £000 | Plant and machinery £000 | Motor vehicles £000 | Fixtures and fittings £000 | Total £000 |
|---|------------------------------|--------------------------------|---------------------------|----------------------------------|---------------|
| Cost | | | | | |
| At 1 January 2019 | 10 | 10,820 | 159 | 290 | 11,279 |
| Additions | 31 | 423 | - | - | 454 |
| At 31 December 2019 | 41 | 11,243 | 159 | 290 | 11,733 |
| Depreciation | | | | | |
| At 1 January 2019 | 9 | 7,803 | 81 | 240 | 8,133 |
| Charge for the year on owned assets | 6 | 326 | 8 | 7 | 347 |
| Charge for the year on financed assets | - | 57 | 29 | - | 86 |
| At 31 December 2019 | 15 | 8,186 | 118 | 247 | 8,566 |
| Net book value | | | | | |
| At 31 December 2019 | 26 | 3,057 | 41 | 43 | 3,167 |
| At 31 December 2018 | 1 | 3,017 | 78 | 50 | 3,146 |

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

| | 2019 £000 | 2018 £000 |
|---------------------|--------------|--------------|
| Plant and machinery | 680 | 737 |
| Motor vehicles | 38 | 67 |
| | 718 | 804 |

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Fixed asset investments

| | Investments in subsidiary companies £000 |
|--------------------------|--|
| Cost or valuation | |
| At 1 January 2019 | 1 |
| At 31 December 2019 | 1 |

The company owns 100% of the issued ordinary share capital of George Worley Limited, a dormant company.

12. Stocks

| | 2019 £000 | 2018 £000 |
|-------------------------------------|--------------|--------------|
| Raw materials and consumables | 816 | 646 |
| Work in progress (goods to be sold) | 994 | 966 |
| Finished goods and goods for resale | 1,784 | 1,577 |
| | <u>3,594</u> | <u>3,189</u> |

Stock recognised in cost of sales during the year as an expense was £10,007,000 (2018 - £10,371,000).

13. Debtors

| | 2019 £000 | 2018 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 3,661 | 3,117 |
| Amounts owed by group undertakings | 181 | 240 |
| Other debtors | 3 | 1 |
| Prepayments and accrued income | 508 | 581 |
| Foreign exchange derivatives | - | 75 |
| | <u>4,353</u> | <u>4,014</u> |

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Cash and cash equivalents

| | 2019 | 2018 |
|--------------------------|----------------|-------------|
| | £000 | £000 |
| Cash at bank and in hand | 416 | 390 |
| Less: bank overdrafts | (2,041) | - |

15. Creditors: Amounts falling due within one year

| | 2019 | 2018 |
|---|--------------|--------------|
| | £000 | £000 |
| Bank overdrafts | 2,041 | - |
| Bank loans | 240 | - |
| Trade creditors | 1,942 | 2,080 |
| Amounts owed to group undertakings | 400 | 169 |
| Other taxation and social security | 636 | 644 |
| Obligations under finance lease and hire purchase contracts | 318 | 181 |
| Other creditors | 26 | 29 |
| Accruals and deferred income | 188 | 312 |
| Foreign exchange derivatives | 140 | - |
| | 5,931 | 3,415 |

Lloyds Bank Plc have a debenture over facilities in place that relate to payment clearance. Leumi Abi Ltd have a fixed and floating charge over the property and assets of the Company.

16. Creditors: Amounts falling due after more than one year

| | 2019 | 2018 |
|--|--------------|-------------|
| | £000 | £000 |
| Bank loans | 890 | - |
| Net obligations under finance leases and hire purchase contracts | 354 | 420 |
| | 1,244 | 420 |

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. Loans

Analysis of the maturity of loans is given below:

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Amounts falling due within one year | | |
| Bank loans | 240 | - |
| | <u>240</u> | <u>-</u> |
| Amounts falling due 1-5 years | | |
| Bank loans | 890 | - |
| | <u>890</u> | <u>-</u> |
| | <u>1,130</u> | <u>-</u> |

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| | 2019 £000 | 2018 £000 |
|-------------------|--------------|--------------|
| Within one year | 318 | 181 |
| Between 1-5 years | 354 | 420 |
| | <u>672</u> | <u>601</u> |

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Financial instruments

| | 2019 £000 | 2018 £000 |
|--|----------------|----------------|
| Financial assets | | |
| Financial assets measured at fair value through profit or loss | - | 75 |
| Financial assets that are debt instruments measured at amortised cost | 3,845 | 3,358 |
| | <u>3,845</u> | <u>3,433</u> |
| Financial liabilities | | |
| Derivative financial instruments measured at fair value through profit or loss | (140) | - |
| Financial liabilities measured at amortised cost | (3,228) | (3,191) |
| | <u>(3,368)</u> | <u>(3,191)</u> |

Financial assets measured at fair value through profit or loss comprise of foreign exchange derivatives used to hedge exchange rate risk values at £NIL (2018 - £75,000).

The financial assets were measured at the market rate to fair value the foreign exchange derivatives.

Financial assets measured at amortised cost comprise of trade debtors of £3,661,000 (2018 - £3,117,000), intercompany debtors of £181,000 (2018 - £240,000) and other debtors of £3,000 (2018 - £1,000).

Financial liabilities measured at amortised cost comprise of trade creditors £1,942,000 (2018 - £2,080,000), hire purchase creditors £672,000 (2018 - £601,000), accruals of £188,000 (2018 - £312,000), intercompany creditors of £400,000 (2018 - £169,000) and other creditors of £26,000 (2018 - £29,000).

Financial liabilities measured at fair value through profit or loss comprise foreign exchange derivatives used to hedge exchange rate risk value at £140,000 (2018 - £NIL).

The financial liabilities were measured at the market rate to fair value the foreign exchange derivatives.

20. Deferred taxation

The company has cumulative trading losses of £8,000,000 (2018 - £6,151,000) and depreciation in excess of capital allowances of £3,492,000 (2018 - £3,492,000). The deferred tax asset of £1,520,000 (2018 - £1,639,000) has, in accordance with FRS102 and the accounting policy, not been recognised.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. Share capital

| | 2019 | 2018 |
|---|--------------|--------------|
| | £000 | £000 |
| Allotted, called up and fully paid | | |
| 7,300,000 (2018 - 7,300,000) Ordinary shares of £1 each | 7,300 | 7,300 |

Ordinary shares carry equal voting rights and entitlement to distributable reserves.

22. Reserves**Profit and loss account**

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

Foreign exchange reserve

The hedging reserve includes all unrealised gains and losses on hedging instruments outstanding at the year end.

23. Capital commitments

The Company has entered into a number of forward exchange contracts. Depending on the spot rate during a period or on expiry, these either create an obligation on the Company to purchase at a rate and may also give rise to leverage on the sum the Company is required to purchase, give a right to the Company to purchase at a rate or the Company is free to purchase at the spot rate. The actual commitment will thus depend on the spot rate at the appropriate time for each individual contract.

At 31 December 2019, the Company had capital commitments contracted for but not provided in the financial statements of £NIL (2018 - £212,888).

24. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The unpaid contributions outstanding at the year end amounted to £41,000 (2018 - £31,000).

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

25. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 £000 | 2018 £000 |
|-----------------------|--------------|--------------|
| Not later than 1 year | - | 5 |
| | <u>-</u> | <u>5</u> |

26. Related party transactions

In the year 5 directors (2018 - 5) purchased furniture from Ercol Furniture Limited under the normal employee discount scheme. There were no amounts owing to the company at the year end.

In accordance with the exemption under Financial Reporting Standard 102 the Company does not disclose transactions with other wholly owned subsidiaries within the Ercol Group. Copies of the Group financial statements are publicly available at Companies House.

27. Post balance sheet events

COVID 19 was identified in the United Kingdom in January 2020, with the Prime Minister instructing the population to stay at home on 23 March 2020 causing significant economic uncertainty. It is not possible to quantify the impact this will have on the company.

28. Ultimate parent company

The ultimate parent undertaking is Ercol (Holdings) Limited which is incorporated in England. The company is not controlled by one individual or party. The consolidated accounts are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.