

ERCOL FURNITURE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015



ERCOL FURNITURE LIMITED

COMPANY INFORMATION

DIRECTORS

E R Tadros BA, FRSA (Chairman)
N M Garratt
R L Galbraith
M Lawrence (resigned 13 May 2016)
I Peers
P Spademan

COMPANY SECRETARY

M Lawrence (resigned 13 May 2016)

REGISTERED NUMBER

00163292

REGISTERED OFFICE

Summerleys Road
Princes Risborough
High Wycombe
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 2015

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. We were pleased that these actions were successful, with turnover up by 11.1%.

Turnover per employee increased from £88k to £97k as the company successfully drove forward sales.

Gross margin fell from 39.4% to 36.4%, driven by increased timber costs and higher carriage costs, the latter as the company transitioned its warehousing & delivery operations.

The combination of the above and the company continuing to invest in its market development and in personnel to help drive growth meant the company made a loss before tax of £204k (2014: profit of £73k). The UK exit from the EU could potentially have a negative impact on trading conditions in the near future, the full impact of this is difficult to quantify at this stage.

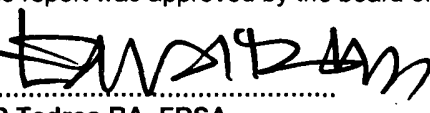
The company has commenced a program of investment in new machinery for its Buckinghamshire factory, which the company believes will deliver significant productivity improvements in due course.

PRINCIPAL RISKS AND UNCERTAINTIES

The company purchases in dollars and euros. Whilst the company has partially offset its exchange risk through hedging, it remains 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 none-the-less exposed to the general consumer market conditions.

This report was approved by the board on  8th July 2016 and signed on its behalf.


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

ERCOL FURNITURE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

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 satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

PRINCIPAL ACTIVITY

The principal activity of the Company has continued to be that of the manufacture and sale of Ercol furniture.

BUSINESS REVIEW

The full business review is shown in the year's Strategic Report.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £204,000 (2014 - profit £73,000).

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

ERCOL FURNITURE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

DIRECTORS

The directors who served during the year were:

E R Tadros BA, FRSA (Chairman)
N M Garratt
R L Galbraith
M Lawrence (resigned 13 May 2016)
I Peers
P Spademan

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.

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 that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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

There have been no significant events affecting the company since the year end.

AUDITORS

Under section 487(2) of the Companies Act 2006, MHA MacIntyre Hudson will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on

8th July 2016

and signed on its behalf.



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

ERCOL FURNITURE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERCOL FURNITURE LIMITED

We have audited the financial statements of Ercol Furniture Limited for the year ended 31 December 2015, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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 Directors' Report has been prepared in accordance with applicable legal requirements.

ERCOL FURNITURE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERCOL FURNITURE LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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.

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: *18 August 2016*

ERCOL FURNITURE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £000	2014 £000
PROFIT AND LOSS ACCOUNT			
Turnover		16,625	14,970
Cost of sales		(10,564)	(9,069)
Gross profit		6,061	5,901
Administrative expenses		(6,273)	(5,837)
Operating (loss)/profit		(212)	64
Interest receivable and similar income	7	8	9
(Loss)/profit before tax		(204)	73
Tax on (loss)/profit	8	-	-
(Loss)/profit for the year		(204)	73
(Loss)/gain on hedging instruments		(5)	196
Other comprehensive income for the year		(5)	196
Total comprehensive income for the year		(209)	269

The notes on pages 9 to 22 form part of these financial statements.

ERCOL FURNITURE LIMITED
REGISTERED NUMBER:00163292

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	9	3,042	2,937
Investments	10	275	275
		<u>3,317</u>	<u>3,212</u>
Current assets			
Stocks	11	2,125	2,289
Debtors	12	3,083	3,292
Cash at bank and in hand		1,526	1,499
		<u>6,734</u>	<u>7,080</u>
Creditors: amounts falling due within one year	13	(5,539)	(5,577)
Net current assets		<u>1,195</u>	<u>1,503</u>
Total assets less current liabilities		<u>4,512</u>	<u>4,715</u>
Creditors: amounts falling due after more than one year	14	(14)	(8)
Net assets		<u><u>4,498</u></u>	<u><u>4,707</u></u>
Capital and reserves			
Called up share capital	17	3,800	3,800
Hedging reserve	18	(5)	-
Profit and loss account	18	703	907
		<u><u>4,498</u></u>	<u><u>4,707</u></u>

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

8th July 2016.



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

The notes on pages 9 to 22 form part of these financial statements.

ERCOL FURNITURE LIMITED

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015**

	Share capital £000	Hedging reserve £000	Retained earnings £000	Total equity £000
At 1 January 2015	3,800	-	907	4,707
Comprehensive income for the year				
Loss for the year	-	-	(204)	(204)
Loss on hedging instruments	-	(5)	-	(5)
At 31 December 2015	3,800	(5)	703	4,498

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014**

	Share capital £000	Hedging reserve £000	Retained earnings £000	Total equity £000
At 1 January 2014	3,800	(196)	834	4,438
Comprehensive income for the year				
Profit for the year	-	-	73	73
Gain on hedging instruments	-	196	-	196
At 31 December 2014	3,800	-	907	4,707

The notes on pages 9 to 22 form part of these financial statements.

ERCOL FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 Company 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.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 23.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.3 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 2015 which may be obtained from Companies House.

1.4 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;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

ERCOL FURNITURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.5 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 Profit and Loss Account 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.

The estimated useful lives range as follows:

Freehold property	-	50 years
Plant and machinery	-	3-50 years
Motor vehicles	-	3-5 years
Furniture and equipment	-	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.

1.6 Operating leases: lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.8 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.

1.9 Debtors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

1.10 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.

1.11 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 Profit and Loss Account.

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, 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 other comprehensive income as the company does apply hedge accounting for foreign exchange derivatives.

1.12 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.

1.13 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 Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account.

1.14 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.

1.15 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.

1.16 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 Profit and Loss Account 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.

1.17 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1. ACCOUNTING POLICIES (continued)

1.18 Taxation

Tax is recognised in the Profit and Loss Account, except that a change 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 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no material judgements in applying accounting policies.

There are no key sources of estimation uncertainty.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. ANALYSIS OF TURNOVER

Analysis of turnover by country of destination:

	2015 £000	2014 £000
United Kingdom	16,055	14,400
Rest of Europe	249	107
Rest of the world	321	463
	<u>16,625</u>	<u>14,970</u>

4. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:

	2015 £000	2014 £000
Depreciation of tangible fixed assets	342	324
Operating lease rentals	76	76
Auditors' remuneration - as auditors	15	15
Auditors' remuneration - other services	5	5
Losses on closed foreign exchange forward contracts	42	133
Other exchange differences	6	1
	<u> </u>	<u> </u>

5. EMPLOYEES

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

	2015 £000	2014 £000
Wages and salaries	4,787	4,526
Social security costs	365	380
Cost of defined contribution scheme	259	264
	<u>5,411</u>	<u>5,170</u>

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

	2015 No.	2014 No.
Production and related activities	122	123
Administration, sales and management	50	48
	<u>172</u>	<u>171</u>

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

6. DIRECTORS' REMUNERATION

	2015 £000	2014 £000
Directors' emoluments	694	687
Company contributions to defined contribution pension schemes	80	77
	774	764

During the year retirement benefits were accruing to 6 directors (2014 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £154,000 (2014 - £151,000).

7. INTEREST RECEIVABLE

	2015 £000	2014 £000
Other interest receivable	8	9

8. TAXATION

	2015 £000	2014 £000
Taxation on (loss)/profit on ordinary activities	-	-

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

8. TAXATION (continued)**FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £000	2014 £000
(Loss)/profit on ordinary activities before tax	(204)	73
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	(41)	15
Effects of:		
Expenses not deductible for tax purposes	4	5
Depreciation for year in excess of capital allowances	40	41
Utilisation of tax losses	-	(58)
Tax adjustment on provisions	(1)	(2)
Income not taxable for corporation tax	(2)	(2)
Effects of lower rate of tax	-	1
Total tax charge for the year	-	-

FACTORS THAT MAY AFFECT THE FUTURE TAX CHARGES

The Government has announced its intent to cut the rate of Corporation Tax to 17% in 2020.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

9. TANGIBLE FIXED ASSETS

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Furniture and equipment £000	Total £000
Cost or valuation					
At 1 January 2015	6	9,703	94	306	10,109
Additions	4	382	67	-	453
Disposals	-	(87)	(59)	-	(146)
At 31 December 2015	10	9,998	102	306	10,416
Depreciation					
At 1 January 2015	2	6,843	63	264	7,172
Charge for the year	2	308	27	5	342
Disposals	-	(87)	(53)	-	(140)
At 31 December 2015	4	7,064	37	269	7,374
At 31 December 2015	6	2,934	65	37	3,042
At 31 December 2014	4	2,860	31	42	2,937

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

10. FIXED ASSET INVESTMENTS

	Investment in subsidiary companies £000
Cost or valuation	
At 1 January 2015 and 31 December 2015	275

All the investments are carried at cost. The directors do not consider the aggregate value of the company's investments to be less than the Balance Sheet values.

The equity method of valuation for investments is £275,000 (2014 - £275,000).

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Latimer Sawmills Limited	England	Ordinary	100 %	Non-trading
George Worley Limited	England	Ordinary	100 %	Non-trading
Latimer Timber Services Limited	England	Ordinary	100 %	Non-trading
Furniture Industries Limited	England	Ordinary	100 %	Non-trading
Ercol Limited	England	Ordinary	50 %	Non-trading

The registered office of all of the above entities is Summerleys Road, Princes Risborough, Buckinghamshire, HP27 9PX.

11. STOCKS

	2015 £000	2014 £000
Raw materials and consumables	488	676
Work in progress (goods to be sold)	740	727
Finished goods and goods for resale	897	886
	2,125	2,289

Stock recognised in cost of sales during the year as an expense was £9,387,000 (2014 - £8,076,000).

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. DEBTORS

	2015 £000	2014 £000
Due after more than one year		
Financial instruments	37	21
	<u>37</u>	<u>21</u>
Due within one year		
Trade debtors	2,643	2,911
Other debtors	1	4
Prepayments and accrued income	339	311
Financial instruments	63	45
	<u>3,083</u>	<u>3,292</u>

13. CREDITORS: Amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	1,169	1,299
Amounts owed to group undertakings	3,540	3,320
Taxation and social security	564	674
Other creditors	-	60
Accruals and deferred income	175	166
Fair value of derivative contracts	91	58
	<u>5,539</u>	<u>5,577</u>

14. CREDITORS: Amounts falling due after more than one year

	2015 £000	2014 £000
Fair value of derivative contracts	14	8
	<u>14</u>	<u>8</u>

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

15. FINANCIAL INSTRUMENTS

	2015 £000	2014 £000
Financial assets		
Financial assets measured at fair value through profit or loss	100	66
Financial assets that are debt instruments measured at amortised cost	2,644	2,914
	<u>2,744</u>	<u>2,980</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(4,884)	(4,845)
Financial liabilities measured at fair value through profit and loss	(105)	(66)
	<u>(4,989)</u>	<u>(4,911)</u>

Financial assets measured at fair value through profit or loss comprise foreign exchange derivatives used to hedge exchange rate risk valued at £100,000 (2014 - £66,000).

Financial assets measured at amortised cost comprise trade debtors £2,643,000 (2014 - £2,911,000) and other debtors of £1,000 (2014 - £3,000).

Financial Liabilities measured at amortised cost comprise trade creditors £1,169,000 (2014 - £1,299,000), accruals £175,000 (2014 - £166,000), intercompany creditors £3,540,000 (2014 - £3,320,000) and other creditors £NIL (2014 - £60,000)

Financial liabilities measured at fair value through profit or loss comprise foreign exchange derivatives used to hedge exchange rate risk valued at £105,000 (2014 - £66,000).

16. DEFERRED TAXATION

The company has cumulative trading losses of £5,704,000 (2014 - £5,702,000) and depreciation in excess of capital allowances of £2,945,000 (2014 - £2,741,000). The deferred tax asset of £1,730,000 (2014 - £1,690,000) has, in accordance with FRS102 and the accounting policy, not been recognised.

17. SHARE CAPITAL

	2015 £000	2014 £000
Allotted, called up and fully paid		
3,800,000 Ordinary shares of £1 each	3,800	3,800

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

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

18. RESERVES**Profit and loss account**

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

Hedging reserve

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

19. 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 £23,000 (2014 - £24,000).

20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Not later than 1 year	77	77
Later than 1 year and not later than 5 years	94	171
Total	171	248

21. RELATED PARTY TRANSACTIONS

In accordance with the exemption under Financial Reporting Standard No 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.

22. 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.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

23. TRANSITION TO FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 January 2014

	£000
Equity at 1 January 2014 under previous UK GAAP	4,634
Recognition of hedging instruments in hedge reserve	(196)
Equity shareholders funds at 1 January 2014 under FRS 102	4,438

The following change in accounting policy arose from the transition to FRS 102:

Transition led to a change in accounting policy for the recognition of complex financial instruments. Adjustments were required to recognise the fair value of unsettled foreign exchange derivative instruments on the Balance Sheet of the company.

The company chose to adopt hedge accounting and therefore changes in equity were recognised through other comprehensive income and into a hedge reserve.

At 1 January 2014 the fair value of unsettled foreign exchange derivative instruments was £196,000 out of the money, leading to the reconciliation above.

At 1 January 2015 the fair value of unsettled foreign exchange derivative instruments was £nil and therefore there is no reconciliation of equity at this point.



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