

# ERCOL FURNITURE LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018



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**ERCOL FURNITURE LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	E R Tadros BA, FRSA (Chairman) N M Garratt (resigned 5 September 2018) R L Galbraith I Peers D M Finch D C Sugrue H Tadros (appointed 2 July 2018) A C Maskrey (appointed 3 September 2018)
<b>Registered number</b>	00163292
<b>Registered office</b>	Summerleys Road Princes Risborough Buckinghamshire HP27 9PX
<b>Independent auditors</b>	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Abbey Place 24-28 Easton Street High Wycombe Buckinghamshire HP11 1NT

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**ERCOL FURNITURE LIMITED**

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## ERCOL FURNITURE LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 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 1%, which was the 9th year in succession that we have grown turnover.

Gross margin fell from 35.2% to 30.8%, with a continuing change in sales mix, increased costs and also fluctuating currency costs.

Overheads were increased as planned to drive further sales in the UK and export markets for 2018 and the future resulting in loss before tax of £1,664k (2017: loss £101k). The full impact of the overhead investment is expected to be felt in future years as the company realises its strategic plans.

Other comprehensive income, for the year was a net income of £269k (2017: loss of £565k). This income relates to favourable movements in currency.

The group has continued to review and update its long-term strategy. Since the end of the year the group has secured funding to enable it to successfully achieve long term sustainable growth and profitability.

The company continues a program of investment in new machinery for its Buckinghamshire factory, which the company believes will deliver long term productivity improvements. At the balance sheet date, the company committed to the purchase of machinery to the value of £213k as explained in Note 23 to the accounts.

#### 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 none-the-less 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 company is continuing its plan to drive long term growth through new and existing UK retail channels and particular focus on expanding its contract and international business. These plans will be driven by development of new ranges, ongoing brand development and investment in new machinery and equipment.

This report was approved by the board on 27 September 2019 and signed on its behalf.



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**E R Tadros BA, FRSA**  
Chairman

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## **ERCOL FURNITURE LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their report and the financial statements for the year ended 31 December 2018.

#### **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 £1,664,000 (2017 - £101,000).

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  
N M Garratt (resigned 5 September 2018)  
R L Galbraith  
I Peers  
D M Finch  
D C Sugrue  
H Tadros (appointed 2 July 2018)  
A C Maskrey (appointed 3 September 2018)

#### **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.

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**ERCOL FURNITURE LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**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**

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 27 September 2019 and signed on its behalf.



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**E R Tadros BA, FRSA**  
Chairman

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERCOL FURNITURE LIMITED**

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**Opinion**

We have audited the financial statements of Ercol Furniture Limited (the 'Company') for the year ended 31 December 2018, 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 2018 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERCOL FURNITURE LIMITED (CONTINUED)**

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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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERCOL FURNITURE LIMITED (CONTINUED)

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**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](http://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 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.

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: 30 September 2019

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**ERCOL FURNITURE LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Note	2018 £000	2017 £000
Turnover	4	20,533	20,327
Cost of sales		(14,211)	(13,181)
<b>Gross profit</b>		<b>6,322</b>	<b>7,146</b>
Administrative expenses		(7,980)	(7,244)
Exceptional administrative expenses	5	-	273
<b>Operating (loss)/profit</b>	6	<b>(1,658)</b>	<b>175</b>
Amounts written off investments		-	(274)
Interest receivable and similar income	9	14	4
Interest payable and expenses		(20)	(6)
<b>Loss before tax</b>		<b>(1,664)</b>	<b>(101)</b>
Tax on loss	10	-	-
<b>Loss for the financial year</b>		<b>(1,664)</b>	<b>(101)</b>
<b>Other comprehensive income for the year</b>			
Change in value of hedging instruments		75	(194)
Transfer to profit and loss		194	(371)
<b>Other comprehensive income for the year</b>		<b>269</b>	<b>(565)</b>
<b>Total comprehensive income for the year</b>		<b>(1,395)</b>	<b>(666)</b>

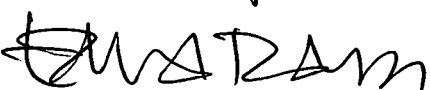
The notes on pages 10 to 24 form part of these financial statements.

**ERCOL FURNITURE LIMITED**  
**REGISTERED NUMBER: 00163292**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Tangible assets	11	3,146	3,200
Investments	12	1	1
		<u>3,147</u>	<u>3,201</u>
<b>Current assets</b>			
Stocks	13	3,189	3,510
Debtors: amounts falling due within one year	14	4,014	4,024
Cash at bank and in hand	15	390	565
		<u>7,593</u>	<u>8,099</u>
Creditors: amounts falling due within one year	16	(3,415)	(6,356)
<b>Net current assets</b>		<u>4,178</u>	<u>1,743</u>
<b>Total assets less current liabilities</b>		<u>7,325</u>	<u>4,944</u>
Creditors: amounts falling due after more than one year	17	(420)	(144)
<b>Net assets</b>		<u><u>6,905</u></u>	<u><u>4,800</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	7,300	3,800
Hedging reserve	22	75	(194)
Profit and loss account	22	(470)	1,194
		<u>6,905</u>	<u>4,800</u>

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

27 September 2019  


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**E R Tadros BA, FRSA**  
 Director

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

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**ERCOL FURNITURE LIMITED**

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

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	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
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(1,664)	(1,664)
Change in value of hedging instruments	-	75	-	75
Transfer to profit and loss	-	194	-	194
<b>Total comprehensive income for the year</b>	-	269	(1,664)	(1,395)
Shares issued during the year	3,500	-	-	3,500
<b>At 31 December 2018</b>	<b>7,300</b>	<b>75</b>	<b>(470)</b>	<b>6,905</b>

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

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Called up share capital	Hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	3,800	371	1,295	5,466
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(101)	(101)
Change in value of hedging instruments	-	(194)	-	(194)
Transfer to profit and loss	-	(371)	-	(371)
<b>At 31 December 2017</b>	<b>3,800</b>	<b>(194)</b>	<b>1,194</b>	<b>4,800</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**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 2018 which may be obtained from Companies House.

**2.3 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

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

**2.5 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.

**2.6 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.

**2.7 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**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.

**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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**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.

**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.

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**ERCOL FURNITURE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**4. Turnover**

Analysis of turnover by country of destination:

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
United Kingdom	<b>19,658</b>	19,457
Rest of Europe	<b>528</b>	433
Rest of the world	<b>347</b>	437
	<b>20,533</b>	<b>20,327</b>

**5. Exceptional items**

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Intercompany creditors of dissolved subsidiaries written off	-	273

**6. Operating (loss)/profit**

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

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Depreciation of tangible fixed assets	<b>433</b>	389
Operating lease rentals	<b>24</b>	80
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<b>17</b>	17
Auditors' remuneration - other services	<b>14</b>	23
Exchange differences	<b>(121)</b>	(152)
(Gains)/losses on closed foreign exchange forward contracts	<b>(35)</b>	111

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**ERCOL FURNITURE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**7. Employees**

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>5,247</b>	4,852
Social security costs	<b>446</b>	427
Cost of defined contribution scheme	<b>268</b>	255
	<b>5,961</b>	5,534

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Production and related activities	<b>109</b>	112
Administration, sales and management	<b>54</b>	49
	<b>163</b>	161

**8. Directors' remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	<b>575</b>	545
Company contributions to defined contribution pension schemes	<b>55</b>	51
Fees paid to other group companies for directors services	<b>133</b>	152
Compensation for loss of office as director	<b>160</b>	-
	<b>923</b>	748

During the year retirement benefits were accruing to 7 directors (2017 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £150,000 (2017 - £175,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,000 (2017 - £18,000).

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**ERCOL FURNITURE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**9. Interest receivable**

	<b>2018 £000</b>	<b>2017 £000</b>
Interest receivable from group companies	<b>13</b>	2
Other interest receivable	<b>1</b>	2
	<b>14</b>	4

**10. Taxation**

	<b>2018 £000</b>	<b>2017 £000</b>
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

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**NOTES TO THE FINANCIAL STATEMENTS  
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**10. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Loss on ordinary activities before tax	<b>(1,665)</b>	(101)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	<b>(316)</b>	(19)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>3</b>	3
Depreciation in excess of capital allowances	<b>79</b>	36
Utilisation of tax losses	-	(19)
Unrelieved losses carried forward	<b>233</b>	-
Tax adjustment on provisions	<b>1</b>	(1)
Investments written off	-	53
Non-trade loan relationship credits	-	(53)
<b>Total tax charge for the year</b>	<b>-</b>	-

**Factors that may affect future tax charges**

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

**ERCOL FURNITURE LIMITED**

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**11. Tangible fixed assets**

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
<b>Cost</b>					
At 1 January 2018	10	10,816	142	318	11,286
Additions	-	313	71	-	384
Disposals	-	(309)	(54)	(28)	(391)
At 31 December 2018	10	10,820	159	290	11,279
<b>Depreciation</b>					
At 1 January 2018	8	7,731	86	261	8,086
Charge for the year on owned assets	1	324	44	7	376
Charge for the year on financed assets	-	57	-	-	57
Disposals	-	(309)	(49)	(28)	(386)
At 31 December 2018	9	7,803	81	240	8,133
<b>Net book value</b>					
At 31 December 2018	1	3,017	78	50	3,146
At 31 December 2017	2	3,085	56	57	3,200

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

	2018 £000	2017 £000
Plant and machinery	737	237
Motor vehicles	67	16
	804	253

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**ERCOL FURNITURE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**12. Fixed asset investments**

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 January 2018	1
At 31 December 2018	<u>1</u>

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

**13. Stocks**

	2018 £000	2017 £000
Raw materials and consumables	646	564
Work in progress (goods to be sold)	966	890
Finished goods and goods for resale	1,577	2,056
	<u>3,189</u>	<u>3,510</u>

Stock recognised in cost of sales during the year as an expense was £10,371,000 (2017 - £9,541,000).

**14. Debtors**

	2018 £000	2017 £000
Trade debtors	3,117	3,327
Amounts owed by group undertakings	240	155
Other debtors	1	1
Prepayments and accrued income	581	516
Foreign exchange derivatives	75	25
	<u>4,014</u>	<u>4,024</u>

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**ERCOL FURNITURE LIMITED**

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**15. Cash and cash equivalents**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>390</b>	<b>565</b>

**16. Creditors: Amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	<b>2,080</b>	<b>1,798</b>
Amounts owed to group undertakings	<b>169</b>	<b>3,484</b>
Other taxation and social security	<b>644</b>	<b>585</b>
Obligations under finance lease and hire purchase contracts	<b>181</b>	<b>65</b>
Other creditors	<b>29</b>	<b>31</b>
Accruals and deferred income	<b>312</b>	<b>174</b>
Foreign exchange derivatives	<b>-</b>	<b>219</b>
	<b>3,415</b>	<b>6,356</b>

Lloyds Bank Plc and Leumi Abl Ltd has a fixed and floating charge over the undertaking and all property and assets present and future.

**17. Creditors: Amounts falling due after more than one year**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Net obligations under finance leases and hire purchase contracts	<b>420</b>	<b>144</b>

**18. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Within one year	<b>181</b>	<b>65</b>
Between 1-5 years	<b>420</b>	<b>144</b>
	<b>601</b>	<b>209</b>



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19. Financial instruments

	2018 £000	2017 £000
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	75	25
Financial assets that are debt instruments measured at amortised cost	3,358	3,483
	<u>3,433</u>	<u>3,508</u>
<b>Financial liabilities</b>		
Derivative financial instruments measured at fair value through profit or loss	-	(219)
Financial liabilities measured at amortised cost	(3,191)	(5,696)
	<u>(3,191)</u>	<u>(5,915)</u>

Financial assets measured at fair value through profit or loss comprise of foreign exchange derivatives used to hedge exchange rate risk values at £75,000 (2017 - £25,000).

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 £3,117,000 (2017 - £3,327,000), intercompany debtors of £240,000 (2017 - £155,000) and other debtors of £1,000 (2017 - £1,000).

Financial liabilities measured at amortised cost comprise of trade creditors £2,080,000 (2017 - £1,798,000), hire purchase creditors £601,000 (2017 - £209,000), accruals of £312,000 (2017 - £174,000), intercompany creditors of £169,000 (2017 - £3,484,000) and other creditors of £29,000 (2017 - £31,000).

Financial liabilities measured at fair value through profit or loss comprise foreign exchange derivatives used to hedge exchange rate risk value at £NIL (2017 - £219,000).

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 £6,151,000 (2017 - £4,922,000) and depreciation in excess of capital allowances of £3,492,000 (2017 - £3,105,000). The deferred tax asset of £1,639,000 (2017 - £1,365,000) has, in accordance with FRS102 and the accounting policy, not been recognised.

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**ERCOL FURNITURE LIMITED**

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**21. Share capital**

	<b>2018</b>	2017
	<b>£000</b>	£000
<b>Allotted, called up and fully paid</b>		
7,300,000 (2017 - 3,800,000) Ordinary shares of £1 each	<b>7,300</b>	3,800

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

During the year the Company issued 3,500,000 ordinary shares of £1 each at par.

**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 2018, the Company had capital commitments contracted for but not provided in the financial statements of £212,888 (2017 - £nil).

**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 £31,000 (2017 - £21,000).

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**25. Commitments under operating leases**

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2018 £000</b>	<b>2017 £000</b>
Not later than 1 year	<b>5</b>	19
Later than 1 year and not later than 5 years	-	5
	<b>5</b>	<b>24</b>

**26. Related party transactions**

In the year 5 directors (2017 - 4) 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 the year no directors (2017 - 2) purchased office equipment from the company which would otherwise have been scrapped. There were no amounts owing 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. 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.