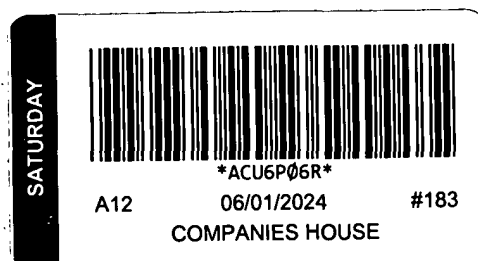


ERCOL FURNITURE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



ERCOL FURNITURE LIMITED

COMPANY INFORMATION

Directors	E R Tadros BA, FRSA (resigned 31 December 2022) R L Galbraith I Peers D M Finch H Tadros A E Koch
Registered number	00163292
Registered office	Summerleys Road Princes Risborough Buckinghamshire HP27 9PX
Independent auditors	MHA Building 4 Foundation Park Maidenhead Berkshire SL6 3UD

ERCOL FURNITURE LIMITED

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ERCOL FURNITURE LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Business review

2022 was another year impacted by worldwide events. With the two previous years disrupted by Covid-19, 2022 saw rising inflation, which saw the market soften. Turnover remained consistent with 2021 with only a 0.3% decrease.

Gross margin increased from 28.8% to 30.3%, a particularly pleasing movement given continuing cost pressures. Improved gross margin has been achieved with better efficiency in our factory both in terms of personnel costs and use of overheads and positive movements on realised foreign exchange.

The company reported a positive EBITDA of £413k in 2022, which is a £165k improvement on the £248k EBITDA in 2021. This has largely been achieved by improved gross profit offset by some inflationary pressures on costs. The EBITDA performance continues the trend of year-on-year improvement since 2019, which has seen the EBITDA improve by £2,189k compared to the 2019 EBITDA loss of £1,776k.

Other comprehensive income, for the year was a net loss of £38k (2021: gain of £77k). This loss relates to unfavourable movements in currency.

Principal risks and uncertainties

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

Whilst the group is able to drive market share through brand development and showroom display it is nonetheless exposed to the general consumer market conditions. Increased inflation has heightened uncertainty so 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.

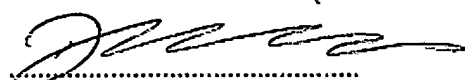
Future developments

The group has continued to review and update its long-term strategy. The group continues to be impacted by significantly increased inflation. The priority has been on driving short- and long-term profitability by constant focus on brand development, concentrating on our key existing markets and improving productivity in our factory. Recent key elements of investment to secure and enhance the strength of the brand have been the continued roll out of flagship studios with UK retailers, ongoing development of our website and factory outlet.

The company pledges an ongoing commitment to improving its environmental impact by continually reviewing and utilising more sustainable manufacturing methods, as well as product and packaging materials, in terms of their ability to be replenished, recycled or disposed of.

Long term finance is in place 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 and signed on its behalf.



D M Finch
Director

Date: 14/07/23

ERCOL FURNITURE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

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;
- 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 £283,000 (2021 - loss £442,500).

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 (resigned 31 December 2022)
R L Galbraith
I Peers
D M Finch
H Tadros
A E Koch

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 2022**

Disclosure of information to auditors

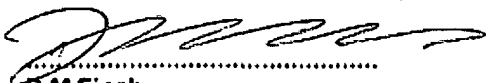
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- 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.

Auditors

Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor will be proposed at the next Annual General Meeting.

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


.....
D M Finch
Director

Date: 14/07/23

ERCOL FURNITURE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERCOL FURNITURE LIMITED

Opinion

We have audited the financial statements of Ercol Furniture Limited (the 'Company') for the year ended 31 December 2022, 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 2022 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

ERCOL FURNITURE LIMITED

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 set out 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)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management around actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

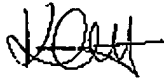
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

ERCOL FURNITURE LIMITED

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

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.



Katharine Arnott FCA (Senior Statutory Auditor)

for and on behalf of

MHA

Statutory Auditors

Thames Valley

Date: 5 January 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

ERCOL FURNITURE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Turnover	4	20,226	20,286
Cost of sales		(14,099)	(14,435)
Gross profit		6,127	5,851
Administrative expenses		(6,257)	(5,811)
Exceptional administrative expenses		(242)	(370)
Other operating income	5	340	107
Operating loss	7	(32)	(223)
Interest receivable and similar income	10	13	10
Interest payable and similar expenses		(264)	(230)
Loss before tax		(283)	(443)
Loss for the financial year		(283)	(443)
Other comprehensive income for the year			
Change in value of hedging instruments		(70)	(32)
Transfer to profit and loss		32	109
Other comprehensive income for the year		(38)	77
Total comprehensive income for the year		(321)	(366)

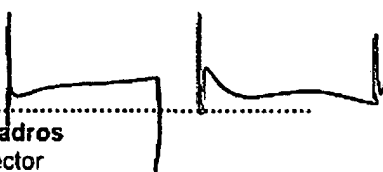
The notes on pages 11 to 26 form part of these financial statements.

ERCOL FURNITURE LIMITED
REGISTERED NUMBER: 00163292

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	12	2,169	2,575
		<u>2,169</u>	<u>2,575</u>
Current assets			
Stocks	13	3,552	3,333
Debtors: amounts falling due within one year	14	2,813	3,713
Cash at bank and in hand	15	346	275
		<u>6,711</u>	<u>7,321</u>
Creditors: amounts falling due within one year	16	(4,314)	(6,114)
Net current assets		<u>2,397</u>	<u>1,207</u>
Total assets less current liabilities		<u>4,566</u>	<u>3,782</u>
Creditors: amounts falling due after more than one year	17	(2,324)	(1,130)
Provisions for liabilities			
Other provisions	22	(39)	(128)
		<u>(39)</u>	<u>(128)</u>
Net assets		<u><u>2,203</u></u>	<u><u>2,524</u></u>
Capital and reserves			
Called up share capital	23	7,300	7,300
Foreign exchange reserve	24	(70)	(32)
Profit and loss account	24	(5,027)	(4,744)
		<u>2,203</u>	<u>2,524</u>

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


H Tadros
 Director

Date: 14/07/23

The notes on pages 11 to 26 form part of these financial statements.

ERCOL FURNITURE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2022	7,300	(32)	(4,744)	2,524
Comprehensive income for the year				
Loss for the year	-	-	(283)	(283)
Change in value of hedging instruments	-	(70)	-	(70)
Transfer to profit and loss	-	32	-	32
Total comprehensive income for the year	-	(38)	(283)	(321)
At 31 December 2022	7,300	(70)	(5,027)	2,203

The notes on pages 11 to 26 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	7,300	(109)	(4,301)	2,890
Comprehensive income for the year				
Loss for the year	-	-	(443)	(443)
Change in value of hedging instruments	-	(32)	-	(32)
Transfer to profit and loss	-	109	-	109
Total comprehensive income for the year	-	77	(443)	(366)
At 31 December 2021	7,300	(32)	(4,744)	2,524

The notes on pages 11 to 26 form part of these financial statements.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 2022 which may be obtained from Companies House.

2.3 Going concern

The Company has continued to make a loss during 2022. It's 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.4 Foreign currency translation****Functional and presentation currency**

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 revenue 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 Pensions

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.8 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.

2.9 Tangible fixed assets

Tangible fixed assets under the cost model 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.

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 prospectively if appropriate, or 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 profit or loss.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 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.

2.12 Debtors

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

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.13 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.

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, 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 so accrued at the balance sheet date.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.17 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. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

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 Taxation

Tax is recognised in profit or loss 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.

- 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.

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.20 Government grant**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

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:

	2022	2021
	£000	£000
United Kingdom	19,495	18,903
Rest of Europe	236	581
Rest of the world	495	802
	20,226	20,286

5. Other operating income

	2022	2021
	£000	£000
Other operating income	65	75
Government grants receivable	-	32
Insurance claims receivable	275	-
	340	107

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Exceptional items

	2022	2021
	£000	£000
Restructuring expenses	33	38
Exceptional finance costs	178	204
Legal expenses	31	128
	<u>242</u>	<u>370</u>

7. Operating loss

The operating loss is stated after charging:

	2022	2021
	£000	£000
Depreciation of tangible fixed assets	442	470
(Gains)/Losses on closed foreign exchange forward contracts	(154)	134
Exchange differences	29	134
	<u>29</u>	<u>134</u>

8. Employees

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

	2022	2021
	£000	£000
Wages and salaries	4,256	4,210
Social security costs	432	398
Cost of defined contribution scheme	290	263
	<u>4,978</u>	<u>4,871</u>

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

	2022	2021
	No.	No.
Production and related activities	84	87
Administration, sales and management	45	42
	<u>129</u>	<u>129</u>

ERCOL FURNITURE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Directors' remuneration

	2022	2021
	£000	£000
Directors' emoluments	514	487
Company contributions to defined contribution pension schemes	85	91
Amounts paid to third parties in respect of directors' services	131	145
	730	723

During the year retirement benefits were accruing to 5 directors (2021 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £135,000 (2021 - £147,000).

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 (2021 - £0).

10. Interest receivable

	2022	2021
	£000	£000
Interest receivable from group companies	13	10
	13	10

11. Taxation

	2022	2021
	£000	£000
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

ERCOL FURNITURE LIMITED

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

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Loss on ordinary activities before tax	(282)	(443)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(54)	(84)
Effects of:		
Expenses not deductible for tax purposes	6	2
Super-deduction expenditure adjustment	(1)	(8)
Non-taxable income	(12)	(14)
Movement on deferred tax asset not recognised	51	104
Group relief	10	-
Total tax charge for the year	-	-

Factors that may affect future tax charges

It was announced on 3 March 2021 that the main rate of corporation tax will increase from 19% to 25% from 1 April 2023. For profits up to £50,000, the corporation tax rate will remain at 19% and for profits over £250,000, the corporation tax rate will be 25%. Marginal relief provisions will be introduced for profits between the lower and upper limits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation					
At 1 January 2022	44	11,421	143	391	11,999
Additions	-	12	96	2	110
Disposals	-	(2)	(55)	(103)	(160)
At 31 December 2022	44	11,431	184	290	11,949
Depreciation					
At 1 January 2022	29	9,000	112	283	9,424
Charge for the year on owned assets	7	298	32	27	364
Charge for the year on financed assets	-	78	-	-	78
Disposals	-	(2)	(44)	(40)	(86)
At 31 December 2022	36	9,374	100	270	9,780
Net book value					
At 31 December 2022	8	2,057	84	20	2,169
At 31 December 2021	15	2,420	31	109	2,575

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

	2022 £000	2021 £000
Plant and machinery	646	724
	646	724

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Stocks

	2022	2021
	£000	£000
Raw materials and consumables	940	862
Work in progress (goods to be sold)	760	555
Finished goods and goods for resale	1,852	1,916
	<u>3,552</u>	<u>3,333</u>

Stock recognised in cost of sales during the year as an expense was £10,605,000 (2021 - £10,589,000).

14. Debtors

	2022	2021
	£000	£000
Trade debtors	1,988	3,129
Amounts owed by group undertakings	165	180
Other debtors	3	1
Prepayments and accrued income	657	403
	<u>2,813</u>	<u>3,713</u>

15. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	346	275
Less: bank overdrafts	(406)	(622)
	<u>(60)</u>	<u>(347)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Bank overdrafts	406	622
Bank loans	592	1,640
Trade creditors	1,881	2,131
Amounts owed to group undertakings	541	511
Other taxation and social security	662	848
Obligations under finance lease and hire purchase contracts	71	155
Other creditors	23	22
Accruals and deferred income	68	153
Foreign exchange derivatives	70	32
	4,314	6,114

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

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

	2022	2021
	£000	£000
Bank loans	2,255	1,064
Net obligations under finance leases and hire purchase contracts	69	66
	2,324	1,130

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. Loans

Analysis of the maturity of loans is given below:

	2022	2021
	£000	£000
Amounts falling due within one year		
Bank loans	592	1,640
	<u>592</u>	<u>1,640</u>
Amounts falling due 1-2 years		
Bank loans	592	490
	<u>592</u>	<u>490</u>
Amounts falling due 2-5 years		
Bank loans	1,663	574
	<u>1,663</u>	<u>574</u>
	<u>2,847</u>	<u>2,704</u>

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022	2021
	£000	£000
Within one year	71	155
Between 1-5 years	66	65
	<u>137</u>	<u>220</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

20. Financial instruments

	2022 £000	2021 £000
Financial assets		
Financial assets measured at cash value	346	275
Financial assets that are debt instruments measured at amortised cost	2,156	3,310
	<u>2,502</u>	<u>3,585</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(70)	(32)
Other financial liabilities measured at fair value through profit or loss	(4,651)	(3,038)
	<u>(4,721)</u>	<u>(3,070)</u>

Financial assets measured at amortised cost comprise of trade debtors of £1,988,000 (2021 - £3,129,000), intercompany debtors of £165,000 (2021 - £180,000) and other debtors of £3,000 (2021 - £1,000)

Financial liabilities measured at amortised cost comprise of trade creditors of £1,881,000 (2021 - £2,131,000), hire purchase creditors of £2,137,000 (2021 - £220,000), accruals of £68,000 (2021 - £153,000), intercompany creditors of £541,000 (2021 - £511,000) and other creditors of £24,000 (2021 - £22,000).

Financial liabilities measured at fair value through profit or loss comprise foreign exchange derivatives used to hedge exchange rate risk of £70,000 (2021 - £32,000).

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

21. Deferred taxation

The company has cumulative trading losses of £9,254,900 (2021 - £9,441,483) and depreciation in excess of capital allowances of £4,287,849 (2021 - £3,018,103). The deferred tax asset of £3,444,666 (2021 - £3,114,897) 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 2022**

22. Provisions

	Provisions £000
At 1 January 2022	128
Charged to profit or loss	(89)
At 31 December 2022	39

23. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
7,300,000 (2021 - 7,300,000) Ordinary Shares shares of £1 each	7,300	7,300

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

24. 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.

25. 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.

26. 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 £45,000 (2021 - £41,000).

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**NOTES TO THE FINANCIAL STATEMENTS
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27. Related party transactions

In the year 5 directors (2021 - 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.

28. Ultimate parent company

The ultimate parent undertaking is Ercol (Holdings) Limited which is incorporated in England. The ultimate controlling party is Edward Tadros. The consolidated accounts are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.