

ERCOL (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



ERCOL (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	E R Tadros BA, FRSA E W Tadros S Mirman
Company secretary	E R Tadros BA, FRSA D M Finch
Registered number	01774776
Registered office	Summerleys Road Princes Risborough Buckinghamshire HP27 9PX
Independent auditors	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Abbey Place 24-28 Easton Street High Wycombe Buckinghamshire HP11 1NT

ERCOL (HOLDINGS) LIMITED

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ERCOL (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Business review

The group continues to develop its business in the UK with both Independent and with National retailers, whilst continuing to develop international opportunities. The group 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 35.1% to 30.7%, 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 £1,668k (2017: loss £207k). The full impact of the overhead investment is expected to be felt in future years as the group realises its strategic plans.

Other comprehensive income, for the year was a net income of £269k (2017: loss of £564k). 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 group continues a program of investment in new machinery for its Buckinghamshire factory, which the group believes will deliver long term productivity improvements. At the balance sheet date, the group committed to the purchase of machinery to the value of £213k as explained in Note 24 to the accounts.

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 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 Group 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.



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

ERCOL (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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 Group Strategic Report, the Directors' Report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group'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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £1,669 thousand (2017 - loss £211 thousand).

The directors do not recommend the payment of a final dividend (2017 - £NIL).

Directors

The directors who served during the year were:

E R Tadros BA, FRSA
E W Tadros
S Mirman

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 (HOLDINGS) LIMITED

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

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 and the Group'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 and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group 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.



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

ERCOL (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ERCOL (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Ercol (Holdings) Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows 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 Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's 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 Group 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 Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

ERCOL (HOLDINGS) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ERCOL (HOLDINGS) LIMITED
(CONTINUED)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

ERCOL (HOLDINGS) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ERCOL (HOLDINGS) LIMITED
(CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

MHA MacIntyre Hudson

KATHARINE ARNOTT FCA (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

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

Date: *30 September 2019*

ERCOL (HOLDINGS) LIMITED

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

	Note	2018 £000	2017 £000
Turnover	4	20,592	20,202
Cost of sales		(14,277)	(13,105)
Gross profit		6,315	7,097
Distribution costs		(129)	(22)
Administrative expenses		(7,835)	(7,258)
Exceptional administrative expenses	5	-	(20)
Operating loss	6	(1,649)	(203)
Interest receivable and similar income	9	1	2
Interest payable and expenses	10	(20)	(6)
Loss before taxation		(1,668)	(207)
Tax on loss	11	(1)	(4)
Loss for the financial year		(1,669)	(211)
Change in value of hedging instruments		75	(193)
Transfer to/(from) profit and loss		194	(371)
Other comprehensive income for the year		269	(564)
Total comprehensive income for the year		(1,400)	(775)

The notes on pages 14 to 30 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED
REGISTERED NUMBER: 01774776

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	12	12,818	13,085
		<u>12,818</u>	<u>13,085</u>
Current assets			
Stocks	14	3,306	3,604
Debtors: amounts falling due within one year	15	3,943	3,968
Cash at bank and in hand	16	406	582
		<u>7,655</u>	<u>8,154</u>
Creditors: amounts falling due within one year	17	(3,360)	(2,993)
Net current assets		<u>4,295</u>	<u>5,161</u>
Total assets less current liabilities		<u>17,113</u>	<u>18,246</u>
Creditors: amounts falling due after more than one year	18	(420)	(144)
Provisions for liabilities			
Net assets		<u><u>16,693</u></u>	<u><u>18,102</u></u>
Capital and reserves			
Called up share capital	22	715	715
Hedging reserve	23	76	(193)
Other reserves	23	69	69
Foreign exchange reserve	23	(13)	(4)
Profit and loss account	23	15,846	17,515
		<u><u>16,693</u></u>	<u><u>18,102</u></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
Chairman

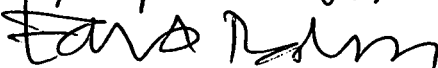
The notes on pages 14 to 30 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED
REGISTERED NUMBER: 01774776

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	12	9,673	9,885
Investments	13	6,978	3,478
		<u>16,651</u>	<u>13,363</u>
Current assets			
Debtors: amounts falling due within one year	15	176	3,506
Cash at bank and in hand	16	4	-
		<u>180</u>	<u>3,506</u>
Creditors: amounts falling due within one year	17	(54)	(89)
Net current assets		<u>126</u>	<u>3,417</u>
Total assets less current liabilities		<u>16,777</u>	<u>16,780</u>
Net assets		<u><u>16,777</u></u>	<u><u>16,780</u></u>
Capital and reserves			
Called up share capital	22	715	715
Other reserves	23	54	54
Profit and loss account	23	16,008	16,011
		<u>16,777</u>	<u>16,780</u>

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

17 September 2019


E R Tadros BA, FRSA
 Chairman

The notes on pages 14 to 30 form part of these financial statements.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £3k (2017 - profit £1,170k).

ERCOL (HOLDINGS) LIMITED

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

	Called up share capital	Hedging reserve	Other reserves	Foreign exchange reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2018	715	(193)	69	(4)	17,515	18,102
Comprehensive income for the year						
Loss for the year	-	-	-	-	(1,669)	(1,669)
Change in value of hedging instruments	-	75	-	-	-	75
Transfer to profit and loss	-	194	-	-	-	194
Exchange difference on consolidation	-	-	-	(9)	-	(9)
At 31 December 2018	715	76	69	(13)	15,846	16,693

The notes on pages 14 to 30 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED

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

	Called up share capital £000	Hedging reserve £000	Other reserves £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2017	715	371	69	-	17,726	18,881
Comprehensive income for the year						
Loss for the year	-	-	-	-	(211)	(211)
Change in value of hedging instruments	-	(193)	-	-	-	(193)
Transfer to profit and loss	-	(371)	-	-	-	(371)
Exchange difference on consolidation	-	-	-	(4)	-	(4)
At 31 December 2017	715	(193)	69	(4)	17,515	18,102

The notes on pages 14 to 30 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED

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

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2018	715	54	16,011	16,780
Comprehensive income for the year				
Loss for the year	-	-	(3)	(3)
At 31 December 2018	715	54	16,008	16,777

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

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	715	54	14,841	15,610
Comprehensive income for the year				
Profit for the year	-	-	1,170	1,170
At 31 December 2017	715	54	16,011	16,780

The notes on pages 14 to 30 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £000	2017 £000
Cash flows from operating activities		
Loss for the financial year	(1,669)	(211)
Adjustments for:		
Depreciation of tangible assets	647	601
Profit on disposal of tangible assets	(13)	(3)
Interest paid	20	6
Interest received	(1)	(2)
Taxation charge	1	4
Decrease/(increase) in stocks	298	(121)
Decrease/(increase) in debtors	75	(539)
Increase in creditors	471	232
Corporation tax (paid)	(4)	(3)
Exchange difference	(8)	-
Net cash generated from operating activities	(183)	(36)
Cash flows from investing activities		
Purchase of tangible fixed assets	(314)	(818)
Sale of tangible fixed assets	18	7
Interest received	1	2
Net cash from investing activities	(295)	(809)
Cash flows from financing activities		
Repayment of/new finance leases	322	209
Interest paid	(20)	(6)
Net cash used in financing activities	302	203
Net (decrease) in cash and cash equivalents	(176)	(642)
Cash and cash equivalents at beginning of year	582	1,224
Cash and cash equivalents at the end of year	406	582
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	406	582

The notes on pages 14 to 30 form part of these financial statements.

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

1. General information

Ercol (Holdings) Limited is a private company limited by shares incorporated in England and Wales, registration number 01774776. The address of its principal place of business is Summerleys Road, Princes Risborough, Buckinghamshire, HP27 9PX.

The principal activity of the Company is that of a holding company. The principal activity of the Group 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 Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

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

2. Accounting policies (continued)

2.3 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 Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group 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 Group 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 Group as lessee

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

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

2. Accounting policies (continued)

2.6 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated 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 Group in independently administered funds.

2.7 Exceptional items

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

2.8 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.

The Group adds to the carrying amount of an item of fixed assets 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 Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss 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	- 5 - 50 years
Plant and machinery	- 3 - 50 years
Motor vehicles	- 3 - 5 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 the Consolidated Statement of Comprehensive Income.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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

2. Accounting policies (continued)

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less 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.

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. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

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 Consolidated 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 Group 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.

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

2. Accounting policies (continued)

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 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.16 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.

2.17 Taxation

Tax is recognised in the Consolidated 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 and the Group operate and generate 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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.

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

2. Accounting policies (continued)

2.18 Hedge accounting

The Group 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.

4. Turnover

Analysis of turnover by country of destination:

	2018	2017
	£000	£000
United Kingdom	19,659	19,458
Rest of Europe	528	433
Rest of the world	405	311
	20,592	20,202

5. Exceptional items

	2018	2017
	£000	£000
Cost of setting up new subsidiary	-	20

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**NOTES TO THE FINANCIAL STATEMENTS
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6. Operating loss

The operating loss is stated after charging:

	2018	2017
	£000	£000
Depreciation of tangible fixed assets	647	601
Operating lease rentals	24	80
Auditors' remuneration for audit services	21	21
Auditors' remuneration for other services	70	85
Exchange differences	(121)	(152)
(Gains)/losses on closed foreign exchange forward contracts	(35)	111

7. Employees

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

	Group	Group
	2018	2017
	£000	£000
Wages and salaries	5,599	5,001
Social security costs	486	290
Cost of defined contribution scheme	269	427
	6,354	5,718

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

	2018	2017
	No.	No.
Production and related activities	109	112
Administration, sales and management	57	52
	166	164

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8. Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments	250	275

During the year retirement benefits were accruing to no directors (2017 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £192 thousand (2017 - £219 thousand).

9. Interest receivable

	2018	2017
	£000	£000
Other interest receivable	1	2

10. Interest payable and similar expenses

	2018	2017
	£000	£000
Bank interest payable	20	6

11. Taxation

	2018	2017
	£000	£000
Corporation tax		
Current tax on profits for the year	1	4
Total current tax	1	4

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

	2018	2017
	£000	£000
Loss on ordinary activities before tax	(1,668)	(207)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25 %)	(317)	(40)
Effects of:		
Expenses not deductible for tax purposes	4	5
Depreciation in excess of capital allowances	119	86
Utilisation of tax losses	(40)	(54)
Unrelieved tax losses carried forward	233	-
Tax adjustments on provisions	1	(1)
Overseas tax	1	8
Total tax charge for the year	1	4

Factors that may affect future tax charges

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

NOTES TO THE FINANCIAL STATEMENTS
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12. Tangible fixed assets

Group

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2018	13,155	11,133	144	24,432
Additions	-	314	71	385
Disposals	-	(337)	(54)	(391)
At 31 December 2018	13,155	11,110	161	24,426
Depreciation				
At 1 January 2018	3,268	7,991	88	11,347
Charge for the year on owned assets	214	332	44	590
Charge for the year on financed assets	-	57	-	57
Disposals	-	(337)	(49)	(386)
At 31 December 2018	3,482	8,043	83	11,608
Net book value				
At 31 December 2018	9,673	3,067	78	12,818
At 31 December 2017	9,887	3,142	56	13,085

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

12. Tangible fixed assets (continued)**Company**

	Freehold property £000
Cost or valuation	
At 1 January 2018	13,145
At 31 December 2018	13,145
Depreciation	
At 1 January 2018	3,260
Charge for the year on owned assets	212
At 31 December 2018	3,472
Net book value	
At 31 December 2018	9,673
At 31 December 2017	9,885

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

13. Fixed asset investments**Company**

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	3,478
Additions	3,500
At 31 December 2018	<u>6,978</u>

Additions represent further shares in Ercol Furniture Limited.

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Ercol Furniture Limited	Furniture manufacture	Ordinary	100%
Ercol USA Inc.	Furniture wholesale	Ordinary	100%

Indirect subsidiary undertaking

The following was an indirect subsidiary undertaking of the Company:

Name	Principal activity	Class of shares	Holding
George Worley Limited	Dormant	Ordinary	100%

Ercol USA Inc. is incorporated in the USA. The registered office address is 2420 17th Street, 3rd Floor, Denver, Colorado 80202, USA. All other subsidiaries are incorporated in the UK.

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**NOTES TO THE FINANCIAL STATEMENTS
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14. Stocks

	Group 2018 £000	Group 2017 £000
Raw materials and consumables	646	564
Work in progress (goods to be sold)	966	890
Finished goods and goods for resale	1,694	2,150
	3,306	3,604

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

15. Debtors

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade debtors	3,273	3,390	6	22
Amounts owed by group undertakings	-	-	168	3,483
Other debtors	17	13	2	1
Prepayments and accrued income	578	540	-	-
Foreign Exchange Derivatives	75	25	-	-
	3,943	3,968	176	3,506

16. Cash and cash equivalents

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Cash at bank and in hand	406	582	4	-

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FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Creditors: Amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade creditors	2,142	1,842	19	22
Corporation tax	-	3	-	-
Other taxation and social security	659	596	13	11
Obligations under finance lease and hire purchase contracts	181	65	-	-
Other creditors	29	31	-	-
Accruals and deferred income	349	237	22	56
Foreign exchange derivatives	-	219	-	-
	3,360	2,993	54	89

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

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

	Group 2018 £000	Group 2017 £000
Net obligations under finance leases and hire purchase contracts	420	144

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £000	Group 2017 £000
Within one year	181	65
Between 1-5 years	420	144
	601	209

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**NOTES TO THE FINANCIAL STATEMENTS
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20. Financial instruments

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Financial assets				
Financial assets measured at fair value through profit or loss	75	25	-	-
Financial assets that are debt instruments measured at amortised cost	3,290	3,403	176	3,506
	3,365	3,428	176	3,506
Financial liabilities				
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	-	(219)	-	-
Financial liabilities measured at amortised cost	(3,391)	(2,320)	(41)	(78)
	(3,391)	(2,539)	(41)	(78)

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

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

Financial assets of the Group measured at amortised cost comprise trade debtors of £3,273k (2017 - £3,390k) and other debtors of £17k (2017 - £13k).

Financial assets of the Company measured at amortised cost comprise trade debtors of £6k (2017 - £22k), intercompany debtors of £168k (2017 - £3,483k) and other debtors of £2k (2017 - £1k).

Financial liabilities of the Group measured at fair value through profit and loss comprise foreign exchange derivatives used to hedge exchange rate risk valued at £NIL (2017 - £219k).

Financial liabilities of the Group measured at amortised cost comprise trade creditors of £2,412k (2017 - £1,842k), hire purchase creditors of £601k (2017 - £209k), other creditors of £29k (2017 - £31k) and accruals of £348k (2017 - £237k).

Financial liabilities of the Company measured at amortised cost comprise trade creditors of £19k (2017 - £22k) and accruals of £22k (2017 - £56k).

21. Deferred taxation

The group has cumulative trading losses of £6,428,000 (2017 - £5,410,000) and depreciation in excess of capital allowances of £3,492,000 (2017 - £3,105,000). The deferred tax asset of £1,686,000 (2017 - £1,448,000) has, in accordance with FRS102 and the accounting policy, not been recognised.

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22. Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
714,688 (2017 - 714,688) Ordinary shares of £1 each	715	715

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

23. Reserves**Foreign exchange reserve**

The foreign exchange reserve represents the exchange differences arising from the translation of subsidiary accounts into the Group's presentational currency.

Other reserves

Other reserves includes amounts arising as a result of capital redemption and is not distributable.

Profit and loss account

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

24. Capital commitments

The Group has entered into a number of forward exchange contracts. Depending on the spot rate during a window period or on expiry, these either create an obligation on the Group to purchase at a rate and may also give rise to leverage on the sum the Group is required to purchase, give a right to the Group to purchase at a rate or the Group 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 Group had capital commitments contracted for but not provided in the financial statements of £212,888 (2017 - £nil).

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25. Pension commitments

The Group operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The unpaid contributions outstanding at the year end amounted to £31k (2017: £21k).

26. Commitments under operating leases

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

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

27. 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 No 102, the Company does not disclose transactions with other wholly-owned companies within the Ercol group.

Key management personnel compensation for the year totalled £250k (2017 - £275k).

28. Controlling party

In the opinion of the directors there is no ultimate controlling party.