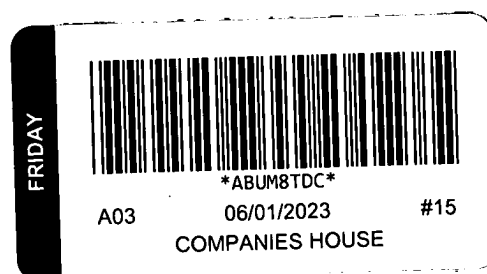


Registered number: 01774776

ERCOL (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



ERCOL (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	E R Tadros BA, FRSA E W Tadros P Byrne (appointed 5 July 2021)
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 Roxborough Way Maidenhead SL6 3UD

ERCOL (HOLDINGS) LIMITED

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ERCOL (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Business review

Ercole was not alone in finding that the Covid-19 pandemic continued to cause disruption to its business activity in 2021. We are very pleased to report that in spite of being in complete lockdown for approximately three months in the early part of 2021 the group posted a increase in turnover of 15% compared to 2020.

Gross margin increased from 27.0% to 28.7%, despite continuing cost pressures magnified by the supply chain disruption across the economy since the onset of the pandemic. Improved gross margin has been achieved with better efficiency in our factory both in terms of personnel costs and use of overheads.

The group continued to take steps to reduce overhead with administrative expenses decreasing by a further 2.7% during the year. The group reported a positive EBITDA of £268k in 2021, which is a £954k improvement on the £686k EBITDA loss in 2020. This has been achieved by improved gross profit and overhead control.

The group would have reported a an even better EBITDA for 2021 had it not been for £370k of extraordinary costs, relating to restructuring (£38k), legal costs (£128k) and finance costs due to the pandemic (£204k). The core underlying performance of the group without extraordinary costs was a £638k EBITDA profit in 2021 (2020 - £33k EBITDA profit excluding extraordinary costs).

Other comprehensive income, for the year was a net gain of £79k (2020: gain of £37k). This income relates to favourable 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. The COVID-19 pandemic and 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. Since the year end the group is being 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 roll out of flagship studios with UK retailers, ongoing development of our website and factory outlet.

The group 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.

ERCOL (HOLDINGS) LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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



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

Date: 12/09/2022

ERCOL (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

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 £651 thousand (2020 - loss £1,586 thousand).

The directors do not recommend the payment of a final dividend (2020 - £NIL).

Directors

The directors who served during the year were:

E R Tadros BA, FRSA
E W Tadros
P Byrne (appointed 5 July 2021)

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 2021**

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.

Auditors

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

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



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

Date: 12/01/2022

ERCOL (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS 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 2021, 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 2021 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

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 Group's or the parent 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 (HOLDINGS) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERCOL (HOLDINGS) 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 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.

ERCOL (HOLDINGS) LIMITED

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

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 Group 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.

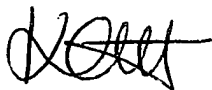
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

ERCOL (HOLDINGS) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ERCOL (HOLDINGS) 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 ARNETT FCA (Senior Statutory Auditor)

for and on behalf of
MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

Maidenhead, UK

Date: 29 December 2022

ERCOL (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Turnover	4	20,370	17,734
Cost of sales		(14,521)	(12,949)
Gross profit		5,849	4,785
Distribution costs		(47)	(114)
Administrative expenses		(5,984)	(6,094)
Exceptional administrative expenses		(370)	(711)
Other operating income		133	772
Operating loss	6	(419)	(1,362)
Interest payable and similar expenses	9	(230)	(221)
Loss before taxation		(649)	(1,583)
Tax on loss	10	(2)	(3)
Loss for the financial year		(651)	(1,586)
Change in value of hedging instruments		(32)	(109)
Transfer to/(from) profit and loss		109	140
Other comprehensive income		2	6
Other comprehensive income for the year		79	37
Total comprehensive income for the year		(572)	(1,549)
(Loss) for the year attributable to:			
Owners of the parent Company		(651)	(1,586)
		(651)	(1,586)

The notes on pages 19 to 35 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED
REGISTERED NUMBER: 01774776

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	11	11,612	12,123
		<u>11,612</u>	<u>12,123</u>
Current assets			
Stocks	13	3,374	3,294
Debtors: amounts falling due within one year	14	3,708	3,978
Cash at bank and in hand	15	298	291
		<u>7,380</u>	<u>7,563</u>
Creditors: amounts falling due within one year	16	(5,697)	(4,652)
Net current assets		<u>1,683</u>	<u>2,911</u>
Total assets less current liabilities		<u>13,295</u>	<u>15,034</u>
Creditors: amounts falling due after more than one year	17	(1,130)	(2,425)
Provisions for liabilities			
Other provisions	22	(128)	-
		<u>(128)</u>	<u>-</u>
Net assets excluding pension asset		<u>12,037</u>	<u>12,609</u>
Net assets		<u>12,037</u>	<u>12,609</u>
Capital and reserves			
Called up share capital	23	715	715
Foreign exchange reserve	24	(31)	(108)
Other reserves	24	69	69
Merger reserve	24	1	(1)
Profit and loss account	24	11,283	11,934
Equity attributable to owners of the parent Company		<u>12,037</u>	<u>12,609</u>
		<u>12,037</u>	<u>12,609</u>

ERCOL (HOLDINGS) LIMITED
REGISTERED NUMBER: 01774776

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

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



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

Date: 12/09/2022

The notes on pages 19 to 35 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED
REGISTERED NUMBER: 01774776


COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	11	9,035	9,248
Investments	12	6,979	6,978
		<u>16,014</u>	<u>16,226</u>
Current assets			
Debtors: amounts falling due within one year	14	492	475
Cash at bank and in hand	15	7	6
		<u>499</u>	<u>481</u>
Creditors: amounts falling due within one year	16	(56)	(36)
Net current assets		<u>443</u>	<u>445</u>
Total assets less current liabilities		<u>16,457</u>	<u>16,671</u>
Net assets excluding pension asset		<u>16,457</u>	<u>16,671</u>
Net assets		<u>16,457</u>	<u>16,671</u>
Capital and reserves			
Called up share capital	23	715	715
Other reserves	24	54	54
Profit and loss account brought forward		15,902	16,031
Loss for the year		(214)	(129)
Profit and loss account carried forward		15,688	15,902
		<u>16,457</u>	<u>16,671</u>

ERCOL (HOLDINGS) LIMITED
REGISTERED NUMBER: 01774776

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

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



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

Date: 12/09/2022

The notes on pages 19 to 35 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 £214k (2020 - loss £129k).

ERCOL (HOLDINGS) LIMITED

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

	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 2021	715	(108)	69	(1)	11,934	12,609
Comprehensive income for the year						
Loss for the year	-	-	-	-	(651)	(651)
Change in value of hedging instruments	-	(32)	-	-	-	(32)
Transfer to profit and loss	-	109	-	-	-	109
Exchange difference on consolidation	-	-	-	2	-	2
At 31 December 2021	715	(31)	69	1	11,283	12,037

The notes on pages 19 to 35 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	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 2020	715	(139)	69	(7)	13,520	14,158
Comprehensive income for the year						
Loss for the year	-	-	-	-	(1,586)	(1,586)
Change in value of hedging instruments	-	(109)	-	-	-	(109)
Transfer to profit and loss	-	140	-	-	-	140
Exchange difference on consolidation	-	-	-	6	-	6
At 31 December 2020	715	(108)	69	(1)	11,934	12,609

The notes on pages 19 to 35 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED

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

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	715	54	15,902	16,671
Comprehensive income for the year				
Loss for the year	-	-	(214)	(214)
At 31 December 2021	715	54	15,688	16,457

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2020	715	54	16,031	16,800
Comprehensive income for the year				
Loss for the year	-	-	(129)	(129)
At 31 December 2020	715	54	15,902	16,671

The notes on pages 19 to 35 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £000	2020 £000
Cash flows from operating activities		
Loss for the financial year	(651)	(1,586)
Adjustments for:		
Depreciation of tangible assets	683	676
Loss on disposal of tangible assets	(20)	(7)
Interest paid	230	221
Taxation charge	3	3
(Increase)/decrease in stocks	(81)	373
Decrease in debtors	270	245
(Decrease)/increase in creditors	(325)	769
Increase in provisions	128	-
Corporation tax received/(paid)	-	(3)
Net cash generated from operating activities	237	691
Cash flows from investing activities		
Purchase of tangible fixed assets	(176)	(172)
Sale of tangible fixed assets	20	7
Net cash from investing activities	(156)	(165)
Cash flows from financing activities		
New secured loans	-	1,600
Repayment of loans	(215)	(262)
Interest paid	(230)	(221)
Net cash used in financing activities	(445)	1,117
Net (decrease)/increase in cash and cash equivalents	(364)	1,643
Cash and cash equivalents at beginning of year	40	(1,603)
Cash and cash equivalents at the end of year	(324)	40
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	298	291
Bank overdrafts	(622)	(251)
	(324)	40

ERCOL (HOLDINGS) LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	At 1 January 2021 £000	Cash flows £000	At 31 December 2021 £000
Cash at bank and in hand	291	7	298
Bank overdrafts	(251)	(371)	(622)
Debt due after 1 year	(2,204)	1,140	(1,064)
Debt due within 1 year	(526)	(1,114)	(1,640)
Finance leases	(410)	189	(221)
	<u>(3,100)</u>	<u>(149)</u>	<u>(3,249)</u>

The notes on pages 19 to 35 form part of these financial statements.

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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.

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 profit or loss 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 profit or loss 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 profit or loss on a straight-line basis over the lease term.

ERCOL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 profit or loss 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
Office equipment	- 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.

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.9 Government grants**

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 Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

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, 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.

2.12 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.

2.13 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.

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.

2.14 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

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.14 Financial instruments (continued)**

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.

2.15 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.

2.16 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 profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.17 Holiday pay accrual

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

ERCOL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.18 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 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.

2.19 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.

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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 Group 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 (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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:

	2021 £000	2020 £000
United Kingdom	18,797	16,191
Rest of Europe	581	524
Rest of the world	992	1,019
	<u>20,370</u>	<u>17,734</u>

5. Exceptional items

	2021 £000	2020 £000
Restructuring expenses	38	270
Exceptional finance costs	204	441
Legal expenses	128	-
	<u>370</u>	<u>711</u>

6. Operating loss

The operating loss is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets	687	676
Auditors' remuneration for audit services	20	20
Auditors' remuneration for other services	24	24
Exchange differences	134	28
(Gains)/losses on closed foreign exchange forward contracts	134	(129)
	<u>134</u>	<u>(129)</u>

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Employees

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

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Wages and salaries	4,347	4,951	267	194
Social security costs	442	450	31	21
Cost of defined contribution scheme	269	274	1	1
	5,058	5,675	299	216

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

	2021 No.	2020 No.
Production and related activities	87	97
Administration, sales and management	46	55
	133	152

8. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	245	171
Group contributions to defined contribution pension schemes	1	1
	246	172

During the year retirement benefits were accruing to one director (2020 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £210 thousand (2020 - £154 thousand).

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Interest payable and similar expenses

	2021 £000	2020 £000
Bank interest payable	230	221
	<u>230</u>	<u>221</u>

10. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	2	3
Total current tax	<u>2</u>	<u>3</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Loss on ordinary activities before tax	(649)	(1,583)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(123)	(301)
Effects of:		
Expenses not deductible for tax purposes	-	1
Depreciation in excess of capital allowances	-	123
Utilisation of tax losses	-	(16)
Unrelieved tax losses carried forward	123	193
Overseas tax	2	3
Total tax charge for the year	<u>2</u>	<u>3</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Tangible fixed assets**Group**

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2021	13,189	11,668	162	25,019
Additions	-	155	21	176
Disposals	-	-	(38)	(38)
At 31 December 2021	13,189	11,823	145	25,157
Depreciation				
At 1 January 2021	3,919	8,851	126	12,896
Charge for the year on owned assets	219	364	26	609
Charge for the year on financed assets	-	78	-	78
Disposals	-	-	(38)	(38)
At 31 December 2021	4,138	9,293	114	13,545
Net book value				
At 31 December 2021	9,051	2,530	31	11,612
At 31 December 2020	9,270	2,817	36	12,123

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

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	Freehold property £000
Cost or valuation	
At 1 January 2021	13,145
At 31 December 2021	<u>13,145</u>
Depreciation	
At 1 January 2021	3,897
Charge for the year on owned assets	213
At 31 December 2021	<u>4,110</u>
Net book value	
At 31 December 2021	<u>9,035</u>
At 31 December 2020	<u>9,248</u>

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Fixed asset investments**Company**

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2021	6,978
At 31 December 2021	<u>6,978</u>

Subsidiary undertakings

The following were 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%

Ercol USA Inc. is incorporated in the USA. The registered office address is 2535 Walnut Street, Suite E, Denver, Colorado 80205, USA. All other subsidiaries are incorporated in the UK.

13. Stocks

	Group 2021 £000	Group 2020 £000
Raw materials and consumables	862	858
Work in progress (goods to be sold)	555	728
Finished goods and goods for resale	1,957	1,708
	<u>3,374</u>	<u>3,294</u>

Stock recognised in cost of sales during the year as an expense was £10,589k (2020 - £9,178k).

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Debtors

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade debtors	3,303	3,536	2	6
Amounts owed by group undertakings	-	-	490	466
Other debtors	-	12	-	3
Prepayments and accrued income	405	430	-	-
	3,708	3,978	492	475

15. Cash and cash equivalents

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Cash at bank and in hand	298	291	7	6
Less: bank overdrafts	(622)	(251)	-	-
	(324)	40	7	6

16. Creditors: Amounts falling due within one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Bank overdrafts	622	251	-	-
Bank loans	1,640	526	-	-
Trade creditors	2,157	2,393	2	3
Other taxation and social security	864	1,032	14	11
Obligations under finance lease and hire purchase contracts	155	188	-	-
Other creditors	20	22	-	-
Accruals and deferred income	207	131	40	22
Financial instruments	32	109	-	-
	5,697	4,652	56	36

Lloyds Bank Plc have a debenture over facilities in place that relate to payment clearance. Leumi Abi Ltd and HUK99 Limited have fixed and floating charges over the property and assets of the Company.

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	Group 2021 £000	Group 2020 £000
Bank loans	1,064	2,204
Net obligations under finance leases and hire purchase contracts	66	221
	1,130	2,425

18. Loans

	Group 2021 £000	Group 2020 £000
Amounts falling due within one year		
Bank loans	1,640	526
	1,640	526
Amounts falling due 1-2 years		
Bank loans	1,064	2,204
	1,064	2,204
	2,704	2,730

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2021 £000	Group 2020 £000
Within one year	155	188
Between 1-5 years	65	221
	220	409

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

20. Financial instruments

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>3,303</u>	<u>3,549</u>	<u>492</u>	<u>475</u>
Financial liabilities				
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(32)	(109)	-	-
Financial liabilities measured at amortised cost	<u>(2,605)</u>	<u>(2,955)</u>	<u>(42)</u>	<u>(25)</u>
	<u>(2,637)</u>	<u>(3,064)</u>	<u>(42)</u>	<u>(25)</u>

Financial assets of the Group measured at amortised cost comprise trade debtors of £3,303,000 (2020 - £3,536,000) and other debtors of £Nil (2020 - £13,000).

Financial assets of the Company measured at amortised cost comprise trade debtors of £2,000 (2020 - £6,000), intercompany debtors of £490,000 (2020 - £466,000) and other debtors of £Nil (2020 - £3,000).

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 £32,000 (2020 - £109,000).

Financial liabilities of the Group measured at amortised cost comprise trade creditors of £2,157,000 (2020 - £2,393,000), hire purchase creditors of £221,000 (2020 - £409,000), other creditors of £20,000 (2020 - £22,000) and accruals of £207,000 (2020 - £131,000).

Financial liabilities of the Company measured at amortised cost comprise trade creditors of £2,000 (2020 - £3,000) and accruals of £40,000 (2020 - £22,000).

21. Deferred taxation

The group has cumulative trading losses of £9,441,483 (2020 - £9,798,000) and depreciation in excess of capital allowances of £3,018,103 (2020 - £3,711,000). The deferred tax asset of £3,114,897 (2020 - £2,567,000) has, in accordance with FRS102 and the accounting policy, not been recognised.

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

22. Provisions**Group**

	Provision £000
Charged to profit or loss	128
At 31 December 2021	128

23. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
714,688 (2020 - 714,688) Ordinary shares of £1 each	715	715

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

24. 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.

ERCOL (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

25. 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 2021, the Group had no capital commitments contracted for but not provided in the financial statements (2020 - £15,000).

26. 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 £41k (2020: £38k).

27. Related party transactions

In the year, 5 directors (2020 - 6) 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 No 102, the Company does not disclose transactions with other wholly-owned companies within the Ercol group.

28. Controlling party

The ultimate controlling party of Ercol (Holdings) Limited is Edward Tadros.