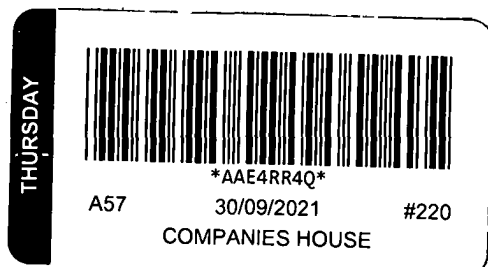


Company Registration No. 661140

Holland & Holland Limited

Report and Financial Statements

Year Ended 31 December 2020



Holland & Holland Limited

Report and financial statements for the year ended 31 December 2020

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Holland & Holland Limited

Report and financial statements for the year ended 31 December 2020

Officers and professional advisers

Directors

O Waktare (appointed on 1 February 2021)
F Gussalli Beretta (appointed on 1 February 2021)
P Zannoni (appointed on 1 February 2021)

L Bettini (appointed 30 January 2020 and resigned on 1 February 2021)
P Blondiaux (resigned on 1 February 2021)
K Davies (resigned on 1 February 2021)
D Greatrex (resigned on 10 June 2019)
M Hamilton (resigned on 1 February 2021)
D Therin (resigned on 30 January 2020)
R Wilkin (resigned 18 March 2021)

Secretary

O Waktare (appointed on 1 February 2021)
L Bettini (appointed on 30 January 2020 and resigned on 1 February 2021)
D Therin (resigned on 30 January 2020)

Registered Office

906 Harrow Road
London
NW10 5JT

Bankers

HSBC Bank plc
9 Wellesley Road
Croydon
Surrey
CR9 2AA

Auditor

RSM UK Audit LLP
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

Holland & Holland Limited

Year ended 31 December 2020

Strategic report

Strategic report for the year ended 31 December 2020

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

Business review and principal activities

Holland and Holland Limited is a luxury British gun making company founded in 1835. In addition to manufacturing and retailing sporting guns, Holland and Holland offers luxury clothing and accessories and has its own shooting grounds providing shooting tuition, alongside corporate and private events.

The impact of COVID-19 pandemic was felt hard across many industries, particularly hospitality and fashion. Retail sales of clothing products saw the most dramatic decline. To respond to the lack of sales and reduce its losses, Holland and Holland decided to review the clothing and accessories business model and implement few actions, these including moving away from the collaboration with Stella Tennant and Isabella Cawdor, leaving the concession in Harrods (October 2020). Also, the company made use of the job retention scheme receiving £389k of government grant.

On the 1 February 2021, the former Mousseluxe disposed of its interest in the company, which was acquired by GMK Limited, part of the Beretta Group ("Beretta").

As part of the new strategy, the new management agreed to leave the store in Bruton street to a Seller group company and relocate the operation closer to the Beretta's retail showroom in Mayfair. Alternative premises in Mayfair have been found and will open in due course.

Holland and Holland is owned by GMK Limited and has two subsidiaries:

- Holland and Holland Sporting Weapons Limited, the only active subsidiary of Holland and Holland Limited (US registered entity)
- W & C Scott (Gunmakers) Limited (dormant)

Rowland Ward of Bruton street Limited was dissolved on the 16th of March 2021.

Business environment

The advent of the global COVID-19 pandemic brought significant challenges to the business. The Mayfair store and the concession in Harrods have been closed for a significant portion of the year due to lockdown. The substantial drop of travellers and office workers showed consumer footfall levels down more than 75 per cent compared with previous year.

The pandemic and social distancing impacted the ability for the shooting ground to take advantage of large corporate and private events usually held at the site.

Performance monitoring

The board monitors the company's performance in several ways including key performance indicators. The key financial performance indicators together with the information for 2020 and 2019 are as follows:

	2020	2019
Turnover	£3,864k	£7,183k
Gross Margin %	(5.8%)	(0.2%)
Loss before tax	(£4,820)k	(£12,405)k
Cash at bank and in hand	(£3,542)k	£1,790k

Holland & Holland Limited

Year ended 31 December 2020

Strategic report

Performance monitoring (continued)

The COVID-19 pandemic has had a profound effect on the retail with sales falling overall by 46 per cent. The hospitality business at the shooting ground being the worst affected with a drop of 59 percent in sales. The sporting weapon division fell 46 per cent, with the clothing and accessories performing slightly better than the average with a 31 per cent drop.

The gross margin is calculated by dividing gross profit by revenue and measures the total profitability of product sales.

The margin decreased during the year mainly due to the loss of business in the hospitality area, especially corporate events and the fixed costs that cannot be recovered with a low occupancy rate.

Loss before tax is the loss generated by the company from operations before taxation. This indicator measures the overall profitability of the business.

In 2020 the operating expenses have decreased significantly primarily due to a decrease in spending on press, marketing and advertising, and the furlough scheme granted by government.

The C&A stock was impaired for its full value since the restructuring of the clothing and accessories business model and stepping away from the previous designer collection.

The cash balance has worsened mainly due to lack of sales and increase in guns work in progress inventory.

Principal risks and uncertainties

The Company's main activity, the manufacturing and sale of sporting guns and rifles, is subject to strict controls and regulations relating to safety and in more recent time sustainability.

The main risks for the success of the business are the threats of new regulation around game shooting, covering the licensing and the possibility of a ban on lead shot. In response to this risk, the company continues to invest in developing the production processes to accommodate steel shot.

Business risks

The company makes most of its sales in the UK and the USA with the rest of the world representing only a small, but nonetheless important percentage of its total market. The company is still at risk from Brexit as this will impact the number of tourists that will visit the UK for business or private trips, particularly from the Middle East and Far East countries.

The gun making business focuses on the expertise and skills of craftsmen who produce hand crafted sporting weapons. In order to ensure that the skills are retained, with a clear succession plan and continuity of production, Holland and Holland started its apprenticeship scheme in 2018. The scheme has been running successfully with the apprentices completing their certificate in 2020 and joining the Holland and Holland team.

Brexit

Whilst the United Kingdom formally left the European Union (EU) on the 31st January 2021 there is still uncertainty on the trading relations and regulations that will govern the import and export of products to and from the EU. There is still the possibility of relations and trade deals to be reneged, resulting in the chance of delays in the supply chain and potential increases in customs duties. Even as the outcome of Brexit remains unclear, the Company is cautious but confident that the overall impact will not be significant.

Covid-19

The financial impact of the global pandemic on Holland & Holland would have been significant had we not acted quickly on cost savings measures and taking advantage of governments support scheme.

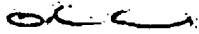
The Company will actively continue to take measures to preserve the Company's cash flows and balance sheet. At the date of this report.

Holland & Holland Limited

Year ended 31 December 2020

Strategic report

Approved by the Board of Directors and signed on behalf of the Board



O Waktare

Director

30 September 2021

Holland & Holland Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Principal activities

Throughout the year the activities of the company related to the manufacture, sale and repair of shotguns and sporting rifles, the purchase and sale of used weapons and shooting accessories, the provision of shooting instruction facilities and the retailing of clothing, accessories, gifts and books.

Directors

The directors who have served during the year and through to the date of this report are set out on page 1.

Directors' indemnity provisions

The company had indemnity provisions in place for the benefit of its directors during the year. These provisions remain in place at the reporting date.

Results and dividends

Details of the results for the year are shown in the statement of comprehensive income, on page 10, and the related notes. The directors do not recommend the payment of a dividend in respect of the current financial year (2020 – £nil).

Going Concern and post balance sheet events

On the 1 February 2021, the former shareholder disposed of its interest in the company, which was acquired by GMK Limited, part of the Beretta Group ("Beretta"). The Board and wider Beretta Group are still working through detailed business plans, but GMK Limited has provided a letter of support to the company signalling its intention and capacity to make available further cash advances and funding as should be required by the company in order to meet liabilities as they fall due for a minimum of twelve months from the date of approval of these financial statements. As a consequence, the Directors continue to adopt the going concern basis for the preparation of the annual report and financial statements.

In addition to the novation of the lease, as part of the terms of the sale agreement, the existing retirement obligations associated with the defined benefit pension scheme have also been transferred to a Seller Group company who have taken on the on-going funding commitments and future scheme obligations with effect from 1 February 2021. As at 31 December 2020, there was a calculated actuarial surplus of scheme assets over the present value of future obligations totalling £611k which had been restricted to £nil in the company balance sheet in accordance with IFRS 14 on the grounds that the company does not have an irrecoverable right to any residual scheme surplus.

Furthermore, as a result of the transaction on 31 January 2021, the former shareholder settled and forgave loans due from the company totalling £5,022k. This has resulted in a direct credit to reserves totalling £5,022 representing a capital contribution from the former shareholder to the company.

Matters of Strategic Importance

Certain information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of planned future developments has been included in the separate Strategic Report in accordance with section 414C (11) of the Companies Act 2006.

Risk

Details of risk assessments are included in the Strategic Report, under section principal risk and uncertainty.

Holland & Holland Limited

Directors' report

Auditor

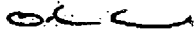
RSM UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Statement as to disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved by the Board of Directors and signed on behalf of the Board



O Waktare
Director

30 September 2021

Holland & Holland Limited

Statement of directors' responsibilities in the preparation of the financial statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Holland & Holland Limited

Opinion

We have audited the financial statements of Holland & Holland Limited (the 'company') for the year ended 31 December 2020 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's 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.

Independent auditor's report to the members of Holland & Holland Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit: the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

Independent auditor's report to the members of Holland & Holland Limited (continued)

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS, being the reduced disclosure framework as set out in FRS 101, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting returns with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to Health and Safety and the UK Firearms Legislation. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations, considered relevant control and oversight procedures and inspected supporting records maintained by the company in respect of compliance with the Firearms Legislation.

The audit engagement team identified the risk of management override of controls, valuation of stock and WIP, including any provisions, and valuation of assets including any impairment, as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates applied in the valuation of stock, WIP and tangible assets, including the review of independent and supporting documentation and evidence.

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

Independent auditor's report to the members of Holland & Holland 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 auditor's 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.

RSM UK AUDIT LLP

Nicholas Cattini (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

Date: 30 September 2021

Holland & Holland Limited

Company Registration No. 661140

Statement of comprehensive income Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	2	3,864	7,183
Cost of sales		(4,313)	(7,195)
Gross profit		(449)	(12)
Distribution costs		(112)	(125)
Other operating income (net)		398	-
Other operating expenses (net)		(4,660)	(8,246)
Impairment of property, plant and equipment	9	-	(3,350)
Operating loss	4	(4,823)	(11,733)
Finance income	5	116	-
Finance expense	6	(113)	(672)
Loss before taxation		(4,820)	(12,405)
Tax credit	7	(17)	1,652
Loss for the financial year	18	(4,837)	(10,753)

Statement of other comprehensive income and expense

Year ended 31 December 2020

		2020 £'000	2019 £'000
Retained loss for the financial year		(4,837)	(10,753)
Actuarial gain / (loss) on pension liability	21	2,797	(827)
Tax on actuarial gain / (loss) on pension liability		(481)	140
Total comprehensive income for the year		(2,521)	(11,440)

The profit and loss account and statement of other comprehensive income summarises income from activities which are all continuing.

Holland & Holland Limited

Company Registration No. 661140

Statement of financial position As at 31 December 2020

	Notes	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	8	124	90
Tangible fixed assets	9	3,538	3,464
Right of use assets	11	3,340	3,693
Investments	10	505	505
		<u>7,507</u>	<u>7,752</u>
Current assets			
Stocks	12	11,056	9,603
Debtors	13	1,549	4,093
Cash at bank and in hand		-	1,790
		<u>12,605</u>	<u>15,486</u>
Creditors: amounts falling due within one year	14	<u>(6,454)</u>	<u>(3,941)</u>
Net current assets		<u>6,151</u>	<u>11,545</u>
Total assets less current liabilities		<u>13,658</u>	<u>19,297</u>
Lease liability			
Creditors: amounts falling due in more than one year	11	<u>(3,148)</u>	<u>(3,435)</u>
		<u>(3,148)</u>	<u>(3,435)</u>
Non-current provisions and liabilities	16	<u>(358)</u>	<u>(358)</u>
Net assets excluding net pension asset / (liability)		<u>10,152</u>	<u>15,504</u>
Pension asset / (liability)	21	<u>-</u>	<u>(2,830)</u>
Net assets		<u>10,152</u>	<u>12,674</u>
Capital and reserves			
Called-up share capital	17	68,000	68,000
Profit and loss account	18	<u>(57,848)</u>	<u>(55,326)</u>
Shareholder's funds		<u>10,152</u>	<u>12,674</u>

These financial statements were approved by the Board of Directors and authorised for issue on 30 September 2021.

Signed on behalf of the Board of Directors



O. Waktare
Director

Holland & Holland Limited

Company Registration No. 661140

Statement of changes in equity For the year ended 31 December 2020

	Notes	Share Capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2019		68,000	(43,886)	24,114
Loss for the period		-	(10,753)	(10,753)
Other comprehensive expense for the period		-	(687)	(687)
Total comprehensive income for the period		-	(11,440)	(11,440)
Balance as at 31 December 2019		68,000	(55,326)	12,674
Loss for the period		-	(4,837)	(4,837)
Other comprehensive expense for the period		-	2,316	2,316
Total comprehensive income for the period		-	(2,521)	(2,521)
Balance as at 31 December 2020		68,000	(57,848)	10,152

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been consistently applied throughout the current and prior year.

General Information

Holland & Holland Limited ("the company") is concerned with the manufacture, sale and repair of shotguns and sporting rifles, the purchase and sale of used weapons and shooting accessories, the provision of shooting instruction facilities and the retailing of clothing, accessories, gifts and books to customers in the UK, the US, Europe and Asia. The company is a private company limited by shares and is incorporated and domiciled in London, UK. The address of its registered office and principal place of business is 33 Bruton Street, London, W1J 6HH.

Monetary amounts in the financial statements are presented in the company's functional currency and rounded to the nearest round £'000, except where otherwise indicated.

Accounting convention

The financial statements are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and in accordance with the Companies Act 2006, under the historical cost convention as modified by the revaluation of freehold land and buildings, derivatives at fair value and have been drawn up on the going concern basis.

In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), amended where necessary in order to comply with Companies Act 2006.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Chanel International BV. The group accounts of Chanel International BV are available to the public and can be obtained from the Dutch Chamber of Commerce website at <https://www.kvk.nl/>.

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, the future impact of the new IFRSs in issue but not yet effective at the reporting date, impairment of assets, financial instruments, key management personnel remuneration and related party transactions. Where relevant, equivalent disclosures have been given in the group accounts of Chanel International BV.

Going Concern

The Directors have received a letter of support for a period of twelve months from the date of approval of the financial statements from GMK Limited, the shareholder. As a consequence, the Directors continue to adopt the going concern basis for the preparation of the annual report and financial statements.

Holland & Holland Limited

Notes to the accounts

Year ended 31 December 2020

1. Accounting policies (continued)

Tangible fixed assets

Fixed assets are stated at cost less provision for depreciation and any impairment. No depreciation is provided on freehold land. Other tangible fixed assets are depreciated on a straight-line basis down to their estimated residual value over their estimated useful lives as follows:

Freehold buildings	25 to 50 years
Right of Use	Term of the lease
Leasehold buildings	Term of the lease
Plant and machinery	8 years
Motor vehicles	3 to 4 years
Fixtures and fittings	10 years or term of lease
Equipment	5 to 8 years
Concession units – fixtures and fittings	3 years
Range guns	4 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured

Computer software development costs that meet the recognition criteria are amortised over their estimated useful lives, which does not exceed 5 years. Any impairment is recognised immediately as an expense and is only subsequently reversed if the reason for the impairment loss has ceased to apply. All charges in respect of amortisation and impairment are included within other operating expenses within the Profit & Loss Account.

Recently issued accounting standards

IFRS 16 Leases ("IFRS 16") is effective as of 1 January 2019 and replaces the requirements of IAS 17 Leases.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

1. Accounting policies (continued)

Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment tests seek to determine whether the recoverable amount of an asset, a cash-generating unit ("CGU") or a group of CGUs is less than its net carrying amount. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. When the carrying amount of such assets is greater than the higher of their value in use or fair value less cost to sell, the resulting impairment loss is recognised as part of reported operating profit/loss.

Impairment losses recognised in relation to property, plant, and equipment, investments and intangible assets may be reversed at a later date up to the amount of the losses initially recognised, when the recoverable amount becomes greater than the net carrying amount. Impairment losses pertaining to goodwill may not be reversed.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business net of trade discounts, VAT and other related taxes. For the sale of firearms, the turnover is recognised on notification of transfer of the outstanding balance or on receipt of the full amount due and completion for despatch.

Stocks and long-term contracts

Stocks are stated at the lower of cost and net realisable value on a FIFO basis. Work in progress and manufactured stocks are stated as direct cost of labour and materials, with the addition of an appropriate proportion of production overheads or at net realisable value if lower.

Where long-term contracts are in place for the sale of sporting weapons, no turnover or costs of sales are recorded in the profit and loss account until completion of the weapon as the outcome of the contract cannot be assessed with reasonable certainty before its completion. Payments received on account of orders are recorded gross as a component of creditors and deferred.

Research and development expenditure

All research and development expenditure, except capitalised software development costs, are charged to the profit and loss account as incurred.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Holland & Holland Limited

Notes to the accounts

Year ended 31 December 2020

1. Accounting policies (continued)

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The measurement of deferred tax amounts depends on the way in which the Company intends to recover or settle the carrying amount of assets and liabilities and is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are not discounted and are classified in the balance sheet under non-current assets and liabilities.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences and the carry-forward of unused tax losses, and of unused tax credits, can be utilised. The Company reviews its deferred tax balances at each balance sheet date to take into account factors such as the impact of changes in tax laws and the prospects of recovering deferred tax assets from deductible temporary differences and from the carry-forward of unused tax losses and of unused tax credits.

Asset retirement obligation

The asset retirement obligation (ARO) provision is an estimate of the obligation, either legal or constructive, that is required upon termination of a lease to restore the premises back to its original condition. The ARO provision is calculated for all property leases even if the obligation to remove the asset is not specifically stated in the lease agreement. It is presumed that costs will be incurred at the end of a lease for removal of certain improvements.

Employee Benefits

The Company operates a defined benefit pension scheme and a defined contribution pension scheme. The assets of the defined benefit scheme are held separately from those of the Company in independently administered funds.

The defined benefit pension scheme is run by Trustees who are responsible for its affairs. The member nominated Trustees have been appointed in accordance with the requirements of the Pensions Act 2004. The Trustees meet regularly to discuss the affairs of the Scheme and to deal with any discretionary matters regarding benefits, such as early retirement and payment of death benefits. The day-to-day administration of the Scheme is dealt with by the Scheme's administrators.

The full-service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service is charged to the profit and loss account. A charge equal to the expected increase in the present value of the scheme liabilities because the benefits are closer to settlement and a credit equivalent to the Company's long-term expected return on assets based on the market value of the schemes' assets at the start of the period, are included in the profit and loss account with 'finance income'.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as a liability on the balance sheet, gross of deferred tax. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Any difference between the expected return on assets and that achieved is recognised in the statement of other comprehensive income along with differences which arise from experience or assumption changes.

Further information on pension arrangements is set out in note 21.

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

1. Accounting policies (continued)

The defined benefit pension scheme was closed to new entrants with effect from 28 February 2003 since which date defined contribution schemes have operated.

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefit is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial assets

The Company classifies its financial assets in the following categories:

- fair value through profit or loss; and
- loans and receivables

The classification of a financial asset determines its accounting treatment and depends on the nature and purpose for which the financial asset was acquired. Purchases and sales of financial assets are recognised on the trade date, which is the date the Company is committed to the purchase or sale of the asset. A financial asset is derecognised if the contractual rights to the cash flows from the financial asset expire or the asset has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership.

Fair value through profit or loss

Financial assets classified as fair value through profit or loss are financial assets that are either held for trading or specifically designated in this category. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. All derivatives, regardless of maturity date, are also accounted for at fair value through profit or loss. The Company does not apply hedge accounting on its derivatives.

Gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are presented within finance costs, net in the period in which they arise. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those that have maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method.

Impairment of financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Such financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For financial assets carried at amortised cost, such as loans and receivables or held-to-maturity investments, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Holland & Holland Limited

Notes to the accounts

Year ended 31 December 2020

1. Accounting policies (continued)

The Company directly reduces the carrying amount of a financial asset by the amount of any impairment loss with an offsetting charge to the Profit & Loss Account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss account to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derivative instruments

The Company uses derivative instruments as part of its overall strategy to manage its exposure to market risks associated with interest rates and foreign currency exchange rates. As a matter of policy, the Company does not use derivatives for trading or speculative purposes. Changes in the value of derivative financial instruments are measured at the balance sheet date and recognised in the income statement in finance costs, net. The Company does not apply hedge accounting.

Trade and other debtors

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Financial liabilities

The Company recognises all financial liabilities initially at fair value and subsequently at amortised cost, using the effective interest method. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Use of estimates

The preparation of financial statements in conformity with FRS101 requires the Company's management to make certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current economic situation. Items in future financial statements could differ from current estimates as a result of changes in these assumptions.

Holland & Holland Limited

Notes to the accounts

Year ended 31 December 2020

1. Accounting policies (continued)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are addressed below. The critical accounting estimates and judgements made by management in the preparation of the financial statements are the following:

- the determination of the provision for property dilapidations (Asset Retirement Obligation); and
- assumptions underlying the calculation of obligations relating to employee benefits; and
- the ageing of accounts receivables for the provision for trade debtors; and
- the recognition of provisions for obsolete inventory.

The main assumptions made by the Company related to the estimates and judgements listed above are detailed in the respective notes to the financial statements.

2. Turnover

Turnover by geographical market is as follows:

	2020 £'000	2019 £'000
Turnover by geographical market is as follows:		
United Kingdom	2,901	3,608
Rest of Europe	181	981
North America	439	1,951
Other	343	643
	<u>3,864</u>	<u>7,183</u>

3. Information regarding directors and employees

	2020 £'000	2019 £'000
Director's remuneration		
Emoluments	111	141
Loss of office settlements	-	271
Company contributions to pension schemes	6	18
	<u>117</u>	<u>430</u>
	No.	No.
Number of directors who are members of:		
- defined benefit pension scheme	-	1
- defined contribution pension scheme	1	-
	<u>1</u>	<u>-</u>
	2020 £'000	2019 £'000
Highest paid director's remuneration		
Emoluments	111	141
Loss of office settlements	-	271
Company contributions to pension schemes	6	18
	<u>117</u>	<u>430</u>

Holland & Holland Limited

Notes to the accounts

Year ended 31 December 2020

4. Information regarding directors and employees (continued)

	2020 No.	2019 No.
Average number of persons employed (including directors)		
Production	50	50
Sales and distribution	16	15
Administration	20	18
	<u>86</u>	<u>83</u>

	2020 £'000	2019 £'000
Staff costs during the year (including directors)		
Wages and salaries	3,829	3,725
Social security costs	414	428
Defined benefit pension costs	623	606
Defined contribution pension costs	269	227
	<u>5,135</u>	<u>4,986</u>

4. Operating loss

	2020 £'000	2019 £'000
Operating loss is stated after charging:		
Research and development expenditure	103	39
Other provision*	(301)	741
Amortisation of intangibles	28	7
Depreciation:		
Owned assets	575	748
Fees payable to the company's auditors – statutory audit	49	33
Loss on disposal of fixed asset	-	9
Operating sub-lease rentals in respect of land and buildings	-	-
After crediting:		
Rental Income	(5)	(5)
Inventories recognised as an expense	4,721	6,454
	<u>4,721</u>	<u>6,454</u>

*Other provisions have been recorded against the company's inventory

5. Finance income

	2020 £'000	2019 £'000
Foreign exchange gain on Group funding	-	-
Derivative gains	116	-
	<u>116</u>	<u>-</u>

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

6. Finance expense

	2020 £'000	2019 £'000
Other finance expense	-	-
Foreign exchange loss on Group funding	(61)	(403)
Derivative losses	-	(222)
Pension (see note 21)	(52)	(47)
	<u>(113)</u>	<u>(672)</u>

7. Tax credit on loss on ordinary activities

	2020 £'000	2019 £'000
UK Corporation tax:		
Payments received for group relief	-	1,497
Adjustment in respect of prior years	-	8
Total current tax	<u>-</u>	<u>1,505</u>
Deferred Tax:		
Timing differences, origination, reversal and changes in deferred tax rates	(12)	(170)
Adjustment in respect of prior years	50	5
Effect of changes in tax rate	(21)	18
Total deferred tax	<u>17</u>	<u>(147)</u>
Tax credit on loss on ordinary activities	<u>(17)</u>	<u>1,652</u>

	2020 £'000	2019 £'000
Loss on ordinary activities before tax	<u>(4,820)</u>	<u>(12,405)</u>
Tax at 19.0% in 2020 (2019 –19.00%) thereon:	(916)	(2,357)
Effects of:		
Expenses not deductible for tax purposes	27	688
Prior year adjustment	53	(3)
Tax losses not recognised	857	2
Effect of changes in tax rates	(21)	18
Current tax credit for the year	<u>-</u>	<u>1,652</u>

In addition to the amount credited to profit and loss, £481k (2019: £140k) has been recognised in other comprehensive income, relating to the deferred tax on actuarial gains/losses on pension liability.

Holland & Holland Limited

Notes to the accounts

Year ended 31 December 2020

7. Tax credit on loss on ordinary activities (continued)

As at 31 December 2020, the company had unrelieved tax losses totalling £4,901,862 (2019:£nil) available to carry forward and relieve against future trading profits. A deferred tax asset of £931,354 (2019: £nil) in relation to these losses has not been recognised due to uncertainty regarding the timing and quantum of future profits.

During the year, as a result of the changes in the UK main corporation tax rate from 17% to 19% that was substantively enacted on 17 March 2020, the relevant deferred tax balances have been remeasured on this basis. After the year end, the UK main corporation tax rate changed from 19% to 25%. This new rate was substantively enacted on 21 May 2021.

8. Intangible fixed assets

	Capitalised Software £'000	Total £'000
Cost		
At 1 January 2020	133	133
Additions	62	62
Disposals	-	-
At 31 December 2020	195	195
*Amortisation		
At 1 January 2020	43	43
Charge for the year	28	28
Disposals	-	-
At 31 December 2020	61	61
Net book value		
At 31 December 2020	124	124
At 31 December 2019	90	90

* All amortisation is charged to administration expenses.

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

9. Tangible fixed assets

	Freehold land and buildings £'000	Short-term leasehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings, equipment and range guns £'000	Total £'000
Cost or valuation						
At 1 January 2020	6,425	1,009	3,002	64	2,310	12,810
Additions	68	-	214	-	14	296
Disposals	-	-	-	-	-	-
At 31 December 2020	6,493	1,009	3,216	64	2,324	13,106
Depreciation						
At 1 January 2020	1,252	924	2,151	64	1,605	5,996
Charge for the year	51	7	95	-	69	222
Disposals	-	-	-	-	-	-
At 31 December 2020	1,303	931	2,246	64	1,674	6,218
Impairment						
At 1 January 2020	2,442	78	437	-	393	3,350
Charge for the year	-	-	-	-	-	-
At 31 December 2020	2,442	78	437	-	393	3,350
Net book value						
At 31 December 2020	2,748	0	533	-	257	3,538
At 31 December 2019	2,731	7	414	-	312	3,464

The cost or valuation of freehold land and buildings at 31 December 2020 is represented by:

	£'000
At 1987 valuation	1,311
Additional costs to 31 December 2020	5,182
	6,493

The valuation was performed in 1987 at open market on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors for the purpose of the transitional arrangements in force at that time.

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

10. Investments

	Assets of an historical nature £'000
At 1 January 2020	505
At 31 December 2020	<u>505</u>

Additional information regarding subsidiary undertakings:

Name	Nature of Business	Country of Incorporation, registration and operation	Class	Shares held %
Holland & Holland Sporting Weapons Limited	Retail sale of guns and accessories	USA	Ordinary \$1	100
W&C Scott (Gunmakers) Limited	Dormant	London, UK	Ordinary £1	100
Rowland Ward of Bruton St Ltd	Dormant	London, UK	Ordinary £1	100

The cost of the investment in subsidiaries of £22k has been fully written down to £nil in previous years.

11. Leases

Right-of-use assets

The Company's leases are composed primarily of buildings for its shop and offices.

	Real Estate £'000s	Total £'000s
Gross		
At 1 January 2020	4,067	4,067
New leases	-	-
Remeasurements	-	-
Leases terminated	(85)	(85)
At 31 December 2020	<u>3,982</u>	<u>3,982</u>
Accumulated depreciation		
At 1 January 2020	375	375
Depreciation expense	352	352
Leases terminated	(86)	(86)
At 31 December 2020	<u>641</u>	<u>641</u>
Carrying amount		
At 31 December 2020	<u>3,340</u>	<u>3,340</u>

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

11. Leases (continued)

Lease liabilities

	Current £'000	Non-current £'000	Total £'000
Gross			
At 1 January 2020	310	3,435	3,745
New leases	-	-	-
Repayments	(427)	-	(427)
Accrued interest	117	-	117
Remeasurements	-	-	-
Retirements	-	-	-
Transfers	287	(287)	-
	<hr/>	<hr/>	<hr/>
At 31 December 2020	287	3,148	3,435

The total cash outflow in 2020 was £426,716.

Maturity analysis of lease liabilities

	2020 £'000
Lease payments due:	
Within one year	394
Two to five years	1,578
More than five years	2,071
	<hr/>
	4,043

There were no expenses recognised in relation to short term or low value leases.

12. Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	1,383	1,376
Work in progress	5,064	3,807
	<hr/>	<hr/>
	6,447	5,183
Finished goods and goods for resale	4,609	4,420
	<hr/>	<hr/>
	11,056	9,603

There is no material difference between the balance sheet value of stocks and their replacement cost.

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

13. Debtors

	2020 £'000	2019 £'000
Trade debtors	610	547
Provision for trade debtors	(70)	(119)
	<u>540</u>	<u>428</u>
Amounts owed by group undertakings	1,100	2,790
Other debtors	44	238
Prepayments and accrued income	73	115
Deferred tax asset (see note 15)	23	522
	<u>1,780</u>	<u>4,093</u>

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank overdrafts	3,542	-
Payments received on account	1,006	1,912
Trade creditors	753	495
Amounts owed to group undertakings	345	384
PAYE and NI	99	-
Taxation	62	-
Accruals and deferred income	592	840
Lease liabilities	287	310
	<u>6,686</u>	<u>3,941</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

15. Deferred tax

The deferred tax movement for the year is as follows:

	2020 £'000	2019 £'000
At 1 January	522	234
(Charge) / credit to profit and loss account and SOCIE	(499)	288
At 31 December	23	522
Analysed as:		
Capital allowances in excess of depreciation	(45)	(24)
Short term timing differences	68	61
Pension	-	485
Provision for deferred tax	23	522

16. Non current provision and liabilities

Asset retirement obligation (ARO)	2020 £'000
At 1 January 2020	(358)
Asset retirement obligation (ARO)	-
At 31 December 2020	(358)

17. Called up share capital

	2020 £'000	2019 £'000
Authorised, allotted and called up:		
68,000,000 (2019 – 68,000,000) ordinary shares of £1 each	68,000	68,000

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

18. Reserves

	Profit and loss account £'000
At 1 January 2020	(55,326)
Loss for the year	(4,837)
Actuarial gain / (loss) on pension liability	2,797
Tax on actuarial gain / (loss) on pension liability	(481)
At 31 December 2020	<u>(57,848)</u>

19. Capital commitments

The company had capital commitments as at 31 December 2020 of £40k (2019 -173k).

20. Contingent liabilities and guarantees

Companies within the group have granted their bankers an omnibus right of set-off within the group up to a maximum of £8,000,000 (2019: £8,000,000).

HMRC has granted a customs guarantee to the company of £51,200 (2018 - £51,200) and to the group of £80,000.

21. Pension scheme

The company operates a defined contribution scheme for all qualifying employees in the UK, whose assets are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company and amounted to £268,726 (2019: £226,996). Contributions totalling £21,165 (2019: £22,283) were payable to the fund at the year end and are included in creditors.

The Company also operates a defined benefit scheme in the UK. The most recent actuarial valuation of the scheme was at 31 December 2019. The principal financial assumptions adopted were that the long-term rate of return would be 2.9% per annum and that salary increases would average 2.5% per annum.

At the date of the latest valuation, the market value of the assets of the scheme was £27.9 million and the actuarial value of the assets represented 94% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

The current level of payment is £95,481 per annum and the next increase of 3% is applicable on 1 April 2021. The deficit is more than the value of the future contributions payable under the existing recovery plan, so the current rate of contributions should continue as a minimum and the additional shortfall can be eliminated over an agreed period.

The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend in several factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

21. Pension scheme (continued)

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs are detailed below:

	2020	2019
Discount rate for scheme liabilities	1.5%	2.00%
Rate of salary increase	3.00%	3.00%
Increase in retail price index	2.60%	2.70%
Increases in pensions in payment	2.60%	2.60%

The mortality assumptions adopted at 31 December 2019 implies the following life expectancies:

	2020	2019
Male retiring at age 65 in 2019	22.0	21.8
Female retiring at age 65 in 2019	23.9	23.7
Male retiring at age 65 in 2039	23.4	23.2
Female retiring at age 65 in 2039	25.4	25.3

The assets and liabilities of the pension fund operated by the company at 31 December 2020 are as shown below:

	Value at 31 December 2020 £'000	Value at 31 December 2019 £'000
Equities	9,473	10,700
Bonds	-	-
Gilts	7,260	6,780
Other	13,303	10,582
Total market value of assets	30,036	28,062
Present value of scheme liabilities	(29,425)	(30,892)
Asset / (deficit) in scheme	611	(2,830)
Restriction of scheme asset	(611)	-
Related deferred tax asset	0	481
Net pension asset / (liability)	-	(2,349)

Holland & Holland Limited

Notes to the accounts

Year ended 31 December 2020

21. Pension scheme (continued)

Reconciliation of present value of scheme liabilities

	Year Ending 31 December 2020 £'000	Year Ending 31 December 2019 £'000
Scheme liabilities at start of year	30,892	27,389
Current service cost	483	522
Interest cost	604	786
Contributions by employer	-	-
Actuarial gains / (losses)	660	3,618
Benefits paid and death in service insurance premiums	(3,214)	(1,423)
Scheme liabilities at end of year	<u>29,425</u>	<u>30,892</u>

Reconciliation of fair value of scheme assets

	Year Ending 31 December 2020 £'000	Year Ending 31 December 2019 £'000
Fair value of scheme assets at start of year	28,062	25,507
Administrative costs	(140)	(84)
Interest Income	552	738
Actuarial gains / (losses)	4,068	2,792
Contributions by scheme participants	708	532
Benefits paid and death in service insurance premiums	(3,213)	(1,423)
Fair value of scheme assets at end of year	<u>30,036</u>	<u>28,062</u>

The actual return on the scheme assets over the period ending 31 December 2020 was a gain of £4,620,219
(2019: a gain of £3,529,985)

	2020 £'000	2019 £'000
Analysis of the amount charged to operating loss		
Administrative costs	(140)	(84)
Current service cost	(483)	(522)
Total operating charge	<u>(623)</u>	<u>(606)</u>
Analysis of the amount credited to other finance expense		
Net Interest cost on pension scheme liabilities	<u>(52)</u>	<u>(47)</u>
Net (debit) to other finance expense	<u>(52)</u>	<u>(47)</u>
Total charge to profit and loss	<u>(675)</u>	<u>(653)</u>

Holland & Holland Limited

Notes to the accounts Year ended 31 December 2020

21. Pension scheme (continued)

Amounts included in other comprehensive income in respect of the defined benefit plan are as follows:

	2020 £'000	2019 £'000
Actual return less expected return on pension scheme assets	3,457	2,792
Experience gains and losses arising on the scheme liabilities	2,668	34
Changes in assumptions underlying the present value of the scheme liabilities	(3,328)	(3,653)
Actuarial (loss) / gain recognised	<u>2,797</u>	<u>(827)</u>

The total contributions currently expected to be made to the scheme by Holland & Holland Limited in the year to 31 December 2020 is £674,481.

22. Derivatives

Categories of financial instruments held at fair value:

	Absolute principal value		Fair value	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Forward exchange contract asset	-	-	-	-
Forward exchange contract liability	-	(2,566)	-	(153)

Profit for the year has been arrived at after charging £0 (2019: £0) in relation to fair value through profit and loss items.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Significant assumptions used in determining fair value of financial assets and liabilities

The Company enters a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts expected over a rolling 6 to 12 months period.

The Company uses derivatives to hedge its exposures to changes in foreign currency exchange rates arising from foreign currency purchases and sales. The fair values are based on market values of equivalent instruments at the balance sheet date.

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23. Related party transactions

The company is a subsidiary undertaking of the Mousseluxe SARL, 100% of its shareholding and voting rights are controlled within the group and the group's consolidated financial statements are publicly available. In accordance with FRS 101 therefore, disclosure is not required of transactions with entities that are part of the group or investees of the group qualifying as related parties.

24. Ultimate parent Company

During the year under review, the Company's immediate parent Company is Mousseluxe SARL, a company incorporated in Luxembourg. Mousseluxe SARL produces consolidated financial statements that the directors regard to be the smallest and largest group of which the Company is a member. The registered office of Mousseluxe SARL is 65 boulevard Grande Duchesse Charlotte, L-1331 Luxembourg, Luxembourg. Mousseluxe SARL's consolidated financial statements are available from the Registre De Commerce Et Des Societes, 14 rue Erasme, L-1468, Luxembourg, Luxembourg. The directors regard the ultimate parent company and controlling party to be Litor Limited, a company incorporated in the Cayman Islands

From the 1st of February 2021 the Company's immediate parent Company is GMK Limited.

GMK Limited is a company incorporated in United Kingdom and produces full financial statements available from the Company House website, registration number 08420479.

25. Subsequent events

The Company considered the existence of any subsequent events and the requirements to record and/or disclose the impact thereof.

On the 1st of February 2021 Beretta Holding has signed an agreement for the acquisition of 100% of Holland and Holland. Beretta Holding is committed to the shooting sports sector and the Company considers the move into the Beretta's Group as a positive strategy for the development of the brand. The Beretta Group has been a family run business for 15th generations and has a proud history of investing in brands that come under its umbrella and will continue to do so with its newest acquisition.

As part of the new strategy, the new management agreed to leave the store in Bruton street to Seller Group company and relocate the operation closer to the Beretta's retail showroom. Alternative premises in Mayfair have been found and will open in due course. By novating the lease post year-end, the company has derecognised right-of-use assets totalling £3,340k and the associated lease liabilities totalling £3,435k in respect of these leases' premises. The company was also reporting a dilapidation ("ARO") provision totalling £358k in respect of these leased premises and this provision has also been released post year-end.

A thorough review of all the overheads has been undertaken with a view to achieve break-even position in a medium term.

In addition to the novation of the lease, as part of the terms of the sale agreement, the existing retirement obligations associated with the defined benefit pension scheme have also been transferred to a Seller Group company who have taken on the on-going funding commitments and future scheme obligations with effect from 1 February 2021. As at 31 December 2020, there was a calculated actuarial surplus of scheme assets over the present value of future obligations totalling £611k which had been restricted to £nil in the company balance sheet in accordance with IFRS 14 on the grounds that the company does not have an irrecoverable right to any residual scheme surplus.

Furthermore, as a result of the transaction on 31 January 2021, the former shareholder settled and forgave loans due from the company totalling £5,022k. This has resulted in a direct credit to reserves totalling £5,022k representing a capital contribution from the former shareholder to the company.

Holland & Holland Limited

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26. Government grants

Government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are credited to the Comprehensive Income and Expenditure Statement if the conditions attaching to the grant or contribution have been met. However, if the conditions require that the grant or contribution is returned where these conditions are not met, it cannot be credited to the Comprehensive Income and Expenditure Statement.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. When it has been applied, it is posted to the Capital Adjustment Account.

The Council receives monies from developers, S106 monies, which are credited to the Comprehensive Income and Expenditure Statement and transferred to an earmarked fund. The condition for these contributions is that they are returnable 10 years after receipt if they are not used. It is considered that 10 years is too far into the future to be treated as receipts in advance.