

ERCOL (HOLDINGS) LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2012

COMPANY REGISTRATION NUMBER 01774776

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ERCOL (HOLDINGS) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

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ERCOL (HOLDINGS) LIMITED

COMPANY INFORMATION

THE BOARD OF DIRECTORS

E R Tadros BA, FRSA
N A Schofield BSc, PhD, CEng
E W Tadros

Chairman

COMPANY SECRETARY

E R Tadros BA, FRSA

REGISTERED OFFICE

Ercol Factory and Showroom
Summerleys Road
Princes Risborough
Buckinghamshire
HP27 9PX

AUDITORS

MHA MacIntyre Hudson
Chartered Accountants & Statutory Auditors
31 Castle Street
High Wycombe
Buckinghamshire
HP13 6RU

BANKERS

Lloyds TSB Bank plc
27 – 31 White Hart Street
High Wycombe
Buckinghamshire
HP11 2HL

SOLICITORS

CMS Cameron McKenna
Mitre House
160 Aldersgate Street
London
EC1A 4DD

ERCOL (HOLDINGS) LIMITED (COMPANY REGISTRATION NO: 01774776)**DIRECTORS' REPORT****YEAR ENDED 31 DECEMBER 2012**

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2012

RESULTS AND REVIEW OF THE BUSINESS

The group's trading results for the year and the group and company's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend the payment of a final dividend (31 Dec 2011 £nil)

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Ercol (Holdings) Limited provides management services to the Ercol Group of companies. The principal activities of its subsidiaries are set out in Note 8

The furniture market was very challenging throughout 2012, due to the macroeconomic environment ercol addressed this through continued investment in developing new furniture ranges and in marketing to support our retailers, coupled with flexibility in production. The group continues to develop its business in the UK with both Independent and with National retailers, whilst continuing to develop international opportunities. We were pleased that this was successful, with turnover up by 8.5% and a return to profit in the year. The group's balance sheet remains strong, with the group having net cash of £796k at year end and Shareholders' Funds of £17.6M

The furniture market has remained challenging during the start of 2013. We continue to invest in developing new ranges and in supporting the brand.

The business makes purchases in euros and dollars, but has sought to mitigate its exchange risk by partially buying forward against these currencies (note 16)

FIXED ASSETS

Changes in the fixed assets during the year are set out in Note 6 to the financial statements. In the opinion of the directors, the market values of the Group's freehold properties are in excess of their book values after deducting costs of realisation.

DIRECTORS

The Directors who served the company during the year were as follows

E R Tadros BA, FRSA
N A Schofield BSc, PhD, CEng
E W Tadros

Qualifying indemnity provisions for the benefit of the directors were in force during the year and since the year end.

ERCOL (HOLDINGS) LIMITED (COMPANY REGISTRATION NO: 01774776)**DIRECTORS' REPORT** *(continued)***YEAR ENDED 31 DECEMBER 2012****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing 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 those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 10 to 11, and then apply them consistently,

make judgements and accounting estimates that are reasonable and prudent,

state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors 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.

In so far as the directors are aware:

there is no relevant audit information of which the company's auditors are unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

CHARITABLE DONATIONS

During the year the group made charitable donations of £3,804 (31 Dec 2011: £5,648) for sponsorship of local charities.

By Order of the Board



E R Tadros
Company Secretary

16th July 2013

ERCOL (HOLDINGS) LIMITED**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 31 DECEMBER 2012**

We have audited the group and parent company financial statements ("the financial statements") of Ercol (Holdings) Limited for the year ended 31 December 2012 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31st December 2012 and of the group's profit 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ERCOL (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

YEAR ENDED 31 DECEMBER 2012

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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

31 Castle Street
High Wycombe
Buckinghamshire
HP13 6RU

19 July ... 2013

MHA MacIntyre Hudson

KATHARINE ARNOTT ACA
(Senior Statutory Auditor)
For and on behalf of
MHA MACINTYRE HUDSON
Statutory Auditor and Chartered Accountants

ERCOL (HOLDINGS) LIMITED
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2012

	Note	Year to 31 Dec 2012 £'000	Year to 31 Dec 2011 £'000
TURNOVER	1	12,565	11,582
Operating costs		(12,371)	(11,787)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)		194	(205)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		194	(205)
Interest payable	3	(2)	(3)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	192	(208)
Taxation	5	-	-
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		192	(208)
		<hr/>	<hr/>
TRANSFER TO RESERVES	14	192	(208)
		<hr/>	<hr/>

The group had no recognised gains or losses other than the profit for the period
All of the activities of the group are classed as continuing

ERCOL (HOLDINGS) LIMITED
GROUP BALANCE SHEET
AT 31 DECEMBER 2012

	Note	31 Dec 2012		31 Dec 2011	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	6		14,278		14,822
CURRENT ASSETS					
Stock	9	1,846		1,696	
Debtors	10	2,341		2,304	
Cash and bank balances		797		416	
		<u>4,984</u>		<u>4,416</u>	
CREDITORS					
Amounts falling due within one year	11	<u>(1,628)</u>		<u>(1,796)</u>	
NET CURRENT ASSETS			<u>3,356</u>		<u>2,620</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>17,634</u>		<u>17,442</u>
CAPITAL AND RESERVES					
Called up share capital	13		715		715
Other reserves	14		69		69
Profit and loss account	14		16,850		16,658
Shareholders' funds	15		<u>17,634</u>		<u>17,442</u>

These financial statements were approved and authorised for issue by the directors on the
16th July 2013, and are signed on their behalf by



E R TADROS BA, FRSA (CHAIRMAN)

ERCOL (HOLDINGS) LIMITED
COMPANY BALANCE SHEET
AT 31 DECEMBER 2012

	Note	31 Dec 2012		31 Dec 2011	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	7		10,945		11,158
Investments	8		3,562		3,562
			<u>14,507</u>		<u>14,720</u>
CURRENT ASSETS					
Debtors	10	1,322		1,175	
Cash and bank balances		-		2	
		<u>1,322</u>		<u>1,177</u>	
CREDITORS					
Amounts falling due within one year	11	(193)		(197)	
NET CURRENT ASSETS			<u>1,129</u>		<u>980</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>15,636</u>		<u>15,700</u>
CAPITAL AND RESERVES					
Called up share capital	13		715		715
Other reserves	14		54		54
Profit and loss account	14		14,867		14,931
Shareholders' funds	15		<u>15,636</u>		<u>15,700</u>

These financial statements were approved and authorised for issue by the directors on the
16th July 2013, and are signed on their behalf by



E R TADROS BA, FRSA (CHAIRMAN)

ERCOL (HOLDINGS) LIMITED
GROUP CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2012

	Note	Year to 31 Dec 2012		Year to 31 Dec 2011	
		£'000	£'000	£'000	£'000
OPERATING ACTIVITIES					
Net cash inflow/(outflow) from operating activities	18		600		(73)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest paid		(2)		(3)	
Net cash outflow from returns on investment and servicing of finance			(2)		(3)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of tangible fixed assets		(51)		(67)	
Sale of tangible fixed assets		9		3	
Net cash outflow from capital expenditure and financial investment			(42)		(64)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
	19		556		(140)

ERCOL (HOLDINGS) LIMITED
STATEMENT OF ACCOUNTING POLICIES
YEAR ENDED 31 DECEMBER 2012

The principal accounting policies which are adopted in the preparation of the financial statements are set out below

(a) BASIS OF ACCOUNTING

These financial statements have been prepared under the historical cost convention. Applicable Accounting Standards have been complied with.

(b) BASIS OF CONSOLIDATION

The consolidated financial statements comprise those of the company and all its subsidiaries made up to 31 December 2012.

The company has taken advantage of the exemption in the Companies Act 2006, Section 408 not to present its own profit and loss account. The amount of the consolidated result for the financial year dealt with in the profit and loss account of the holding company is shown in note 15 to the financial statements.

(c) DEPRECIATION

Depreciation is calculated to write off the net cost of each fixed asset over its expected useful life as follows:-

Freehold property	- in equal annual instalments over 50 years from the date of construction
Plant and machinery	- in equal instalments over 3 – 50 years
Motor vehicles	- in equal instalments over 3 – 5 years

Freehold land is not depreciated in accordance with FRS 15. Tangible Fixed Assets

(d) STOCK AND WORK IN PROGRESS

These are stated at the lower of cost and net realisable value. The cost of work in progress and finished goods comprises direct labour, materials and an appropriate proportion of production overheads.

(e) OPERATING LEASE AGREEMENTS

Rentals on operating leases are charged to the profit and loss account in the periods in which they fall due.

ERCOL (HOLDINGS) LIMITED**STATEMENT OF ACCOUNTING POLICIES (continued)****YEAR ENDED 31 DECEMBER 2012****(f) DEFERRED TAXATION**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(g) TRANSLATION OF FOREIGN CURRENCY

The rates of exchange at the year end have been used to translate overseas currency into sterling. Transactions in foreign currencies are translated into sterling at an average rate of exchange at the date of the transaction. Exchange profits and losses are included in the group's trading results.

(h) TURNOVER

Turnover represents sales of goods to the group's customers in the normal course of business, exclusive of Value Added Tax and trade discounts allowed. Turnover is recognised on dispatch of goods.

(i) PENSION COSTS

The group's pension plans for employees are defined contribution schemes. The assets of the schemes are held separately from those of the group, being invested with insurance companies and approved investment fund managers. Consequently, the annual instalments charged to the profit and loss account are fixed under the terms of the schemes and the group has no potential liability other than for the payment of those instalments.

(j) FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

ERCOL (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2012****1 TURNOVER**

A geographical analysis of turnover is as follows:

	Year to 31 Dec 2012 £'000	Year to 31 Dec 2011 £'000
United Kingdom	12,187	11,203
EU Countries	75	73
Rest of World	303	306
	<u>12,565</u>	<u>11,582</u>

2 EMPLOYEES

a) Average number of persons employed during the year

	Year to 31 Dec 2012 No.	Year to 31 Dec 2011 No
Production and related activities	114	113
Admin, sales and management	48	47
	<u>162</u>	<u>160</u>

b) Staff costs for the year (including directors) were as follows

	Year to 31 Dec 2012 £'000	Year to 31 Dec 2011 £'000
Wages and salaries	4,205	4,022
Social security costs	388	381
Other pension costs	212	201
	<u>4,805</u>	<u>4,604</u>

ERCOL (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 31 DECEMBER 2012****2 EMPLOYEES** *(continued)*

Directors' remuneration

Year to 31 Dec 2012 £'000	Year to 31 Dec 2011 £'000
---------------------------------	---------------------------------

Emoluments

275243

During the year the highest paid director received

Year to 31 Dec 2012 £'000	Year to 31 Dec 2011 £'000
---------------------------------	---------------------------------

Emoluments

212197

Contributions to money purchase pension schemes

--212197

Number

The number of Directors for whom retirement benefits
are accruing under the money purchase scheme is11**3 INTEREST PAYABLE**

Year to 31 Dec 2012 £'000	Year to 31 Dec 2011 £'000
---------------------------------	---------------------------------

On overdrafts and loans repayable within five years

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ERCOL (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 31 DECEMBER 2012****4 PROFIT/(LOSS) ON ORDINARY ACTIVITIES
BEFORE TAXATION IS STATED AFTER CHARGING/(CREDITING)**

	Year to 31 Dec 2012 £'000	Year to 31 Dec 2011 £'000
Depreciation of tangible fixed assets	586	610
Operating lease costs		
- hire of plant and machinery	79	84
Profit on disposal of fixed assets	(1)	(3)
Auditors' remuneration		
- for audit services	19	19
- for other services	58	50
Net Gain on foreign currency translation	63	(3)

5 TAXATION

Analysis of charge in period

	Year to 31 Dec 2012 £'000	Year to 31 Dec 2011 £'000
Factors affecting tax charge		
Profit/(loss) on ordinary activities before tax	192	(208)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (31 Dec 2011 26%)	46	(54)
Effects of		
Expenses not deductible for tax purposes	10	6
Capital allowances for period in excess of depreciation	(15)	99
Tax adjustment on provisions	2	(6)
Tax losses utilised in the year	(43)	(45)
Current tax charge for period	-	-

ERCOL (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2012****6 TANGIBLE FIXED ASSETS**

The Group	Freehold Property £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
COST				
At 1 January 2012	13,151	9,797	119	23,067
Additions	-	35	16	51
Disposals	-	-	(14)	(14)
At 31 December 2012	<u>13,151</u>	<u>9,832</u>	<u>121</u>	<u>23,104</u>
DEPRECIATION				
At 1 January 2012	1,989	6,179	77	8,245
Provision for year	213	352	21	586
Eliminated on disposal	-	-	(5)	(5)
At 31 December 2012	<u>2,202</u>	<u>6,531</u>	<u>93</u>	<u>8,826</u>
NET BOOK VALUE				
At 31 December 2012	<u>10,949</u>	<u>3,301</u>	<u>28</u>	<u>14,278</u>
At 31 December 2011	<u>11,162</u>	<u>3,618</u>	<u>42</u>	<u>14,822</u>

7 TANGIBLE FIXED ASSETS

The Company	Freehold Property £'000
COST	
At 1 January 2012 and 31 December 2012	<u>13,145</u>
DEPRECIATION	
At 1 January 2012	1,987
Provision for year	213
At 31 December 2012	<u>2,200</u>
NET BOOK VALUE	
At 31 December 2012	<u>10,945</u>
At 31 December 2011	<u>11,158</u>

ERCOL (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 31 DECEMBER 2012****8 FIXED ASSET INVESTMENTS**

Shares in subsidiary undertakings at cost.

	31 Dec 2012	31 Dec 2011
The Company	£'000	£'000
At 1 January and 31 December	<u>3,562</u>	<u>3,562</u>

Name	Country of Incorporation / Registration	Type of Shares	Proportion of shares and voting rights held %	Nature of Business
SUBSIDIARIES				
Ercol Furniture Limited	England	Ordinary	100	Furniture manufacture
Walter Skull & Son (1932) Limited	England	Ordinary	100	Non-trading
Ercol Limited	England	Ordinary	100	Non-trading
Held via Ercol Furniture Limited:				
Latimer Sawmills Limited	England	Ordinary	100	Non-trading
George Worley Limited	England	Ordinary	100	Non-trading
Latimer Timber Services Limited	England	Ordinary	100	Non-trading
Furniture Industries Limited	England	Ordinary	100	Non-trading

All the above subsidiaries have been included in the consolidation

9 STOCKS

	31 Dec 2012	31 Dec 2011
	£'000	£'000
Raw materials	495	450
Work in progress	672	683
Finished goods	679	563
	<u>1,846</u>	<u>1,696</u>

ERCOL (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 DECEMBER 2012****10 DEBTORS****Amounts falling due within one year:**

	31 Dec 2012	31 Dec 2011
Group	£'000	£'000
Trade debtors	2,035	2,040
Other debtors	23	4
Prepayments	283	260
	<u>2,341</u>	<u>2,304</u>

Amounts falling due within one year:

	31 Dec 2012	31 Dec 2011
Company	£'000	£'000
Other debtors	13	-
Amounts owed by subsidiaries	1,309	1,175
	<u>1,322</u>	<u>1,175</u>

11 CREDITORS**Amounts falling due within one year:**

	31 Dec 2012	31 Dec 2011
Group	£'000	£'000
Bank overdraft	1	176
Trade creditors	815	835
Other taxation and social security	548	568
Other creditors	31	31
Accruals	233	186
	<u>1,628</u>	<u>1,796</u>

At the balance sheet date the bank overdrafts incurred interest at a rate of 2.25% over the bank's Base Rate. The bank overdraft is secured by a first legal charge over specific freehold premises and also by a cross guarantee within the group.

Amounts falling due within one year:

	31 Dec 2012	31 Dec 2011
Company	£'000	£'000
Bank overdraft	1	-
Trade creditors	31	39
Amounts due to subsidiaries	95	95
Other taxation and social security	11	7
Accruals	55	56
	<u>193</u>	<u>197</u>

ERCOL (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 31 DECEMBER 2012****12 PROVISIONS FOR LIABILITIES AND CHARGES****Deferred Taxation**

The movement in the deferred taxation provision during the year was

	31 Dec 2012	31 Dec 2011
	£'000	£'000
At 1 January 2012 and 31 December 2012	<u>-</u>	<u>-</u>

The group has cumulative trading losses of £8,174,000 (2011 £8,353,000) and depreciation in excess of capital allowances of £2,487,000 (2011 £2,770,000). The deferred tax asset of £2,559,000 (2011 £2,670,000) has, in accordance with FRS19 and the accounting policy, not been recognised.

13 CALLED UP SHARE CAPITAL

	31 Dec 2012	31 Dec 2011
	£'000	£'000
Authorised:		
1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
714,688 (2011: 714,688) Ordinary shares of £1 each	<u>715</u>	<u>715</u>

ERCOL (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 31 DECEMBER 2012****14 RESERVES**

	Other reserves £'000	Profit and loss account £'000
The Group		
At 1 January 2012	69	16,658
Profit for the year	-	192
At 31 December 2012	<u>69</u>	<u>16,850</u>
The Company		
At 1 January 2012	54	14,931
Loss for the year	-	(64)
At 31 December 2012	<u>54</u>	<u>14,867</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	The Group		The Company	
	31 Dec 2012 £'000	31 Dec 2011 £'000	31 Dec 2012 £'000	31 Dec 2011 £'000
Profit/(loss) for the financial year	<u>192</u>	<u>(208)</u>	<u>(64)</u>	<u>(15)</u>
Net increase/(decrease) in shareholders' funds	<u>192</u>	<u>(208)</u>	<u>(64)</u>	<u>(15)</u>
Shareholders' funds at 1 January 2012	<u>17,442</u>	<u>17,650</u>	<u>15,700</u>	<u>15,715</u>
	<u>17,634</u>	<u>17,442</u>	<u>15,636</u>	<u>15,700</u>

16 CAPITAL COMMITMENTS

The group has entered into a number of forward exchange contracts. The total commitment at the year end was £2,996,000 (31 Dec 2011 £2,168,000) of which £2,372,000 (31 Dec 2011 £1,910,000) is due within one year.

17 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 £19,000 (31 Dec 2011 £19,000).

ERCOL (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 31 DECEMBER 2012****18 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	31 Dec 2012 £'000	31 Dec 2011 £'000
Operating profit/(loss)	194	(205)
Depreciation charges	586	610
Profit on sale of fixed assets	(1)	(3)
Increase in stocks	(150)	(98)
Increase in debtors	(37)	(218)
Increase/(decrease) in creditors	8	(159)
Net cash inflow/(outflow) from operating activities	<u>600</u>	<u>(73)</u>

**19 RECONCILIATION OF NET CASH OUTFLOW TO
MOVEMENT IN NET FUNDS**

	£'000
Increase in cash in the period	556
Net funds at 1 January 2012	<u>240</u>
Net funds at 31 December 2012	<u>796</u>

20 ANALYSIS OF CHANGES IN NET FUNDS

	As at 1 Jan 2012 £'000	Cash flow £'000	As at 31 Dec 2012 £'000
Cash at bank and in hand	416	381	797
Bank overdraft	(176)	175	(1)
Net cash	<u>240</u>	<u>556</u>	<u>796</u>

ERCOL (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 31 DECEMBER 2012****21 RELATED PARTY TRANSACTIONS**

In accordance with the exemption under Financial Reporting Standard No 8, the company does not disclose transactions with other wholly-owned companies in the group

22 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2012 the group had aggregate annual commitments under non-cancellable operating leases in respect of the hire of plant and machinery as set out below

	31 Dec 2012 £'000	31 Dec 2011 £'000
Operating leases which expire:		
Within 1 year	-	2
Within 2 to 5 years	88	76
	<u>88</u>	<u>78</u>

23 ULTIMATE CONTROLLING PARTY

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