

Registered number
01067821

Regal Motors (Bilston) Limited

Report and Accounts

31 December 2012

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Regal Motors (Bilston) Limited
Report and accounts
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**Regal Motors (Bilston) Limited
Company Information**

Directors

Mrs J M Taylor
P Jackson

Secretary

Mrs V M Jackson

Auditors

Attwood & Co
Harrison House
Marston Road
Wolverhampton
West Midlands

Bankers

HSBC plc
3 Walsall Road
Darlaston
West Midlands

Registered office

Oxford Street
Bilston
West Midlands

Registered number

01067821

Regal Motors (Bilston) Limited**Registered number:** 01067821**Directors' Report**

The directors present their report and accounts for the year ended 31 December 2012

Principal activities

The company's principal activity during the year continued to be the operation and management of a motor dealership

Review of the business

The Directors are pleased to report the much improved position on 2011 that had been planned for. Turnover has increased, profitability is much improved and the pension position in the 2012 valuation is also looking better. The increase in turnover of 9.5% is primarily due to an improvement in sales of new and used vehicles. The company has also managed to maintain margins during the year.

Staff reductions in various departments made in 2011 and at the beginning of 2012 began to work their way through, and had a significant effect in reducing overheads and therefore improving net profitability. Further cost reductions were made during 2012, including marketing expenditure, and close controls were maintained on all levels of costs throughout all departments.

In the vehicle sales department, a decision was implemented at the start of the year, to combine the new and used vehicle activities into one showroom operation. This was designed to achieve greater efficiency, better control, and reduce costs. Although the re-structure was not without some initial problems, it proved to be the right move for the company.

New vehicles Sales

The increased territory awarded to us in 2011 gradually brought new business opportunities particularly in our level of retail business. This though was tempered by the poor trading markets in the local area, and the country in general. The directors were satisfied with gross profit margins achieved, however this was as a result of close controls, and by giving careful attention to all of the channels of earning opportunities from the manufacturer, including operating standards and CSI (customer satisfaction index).

The new volume seller model 208 was introduced mid-way during the year to replace the outgoing 207 and as the year progressed it was clear this was going to be a very successful model, aimed mainly at the retail market.

The manufacturer however themselves experienced their own problems, especially in Europe during 2012, and this inevitably placed added pressure on UK dealers, particularly in earning opportunities through reaching targets. Vehicle supply to the dealers was also tightly regulated and quite restrictive.

Used vehicles

Unit sales have broadly remained constant. The company has a high reputation for quality and value for money, and sells via the internet all over the country as well as locally. Gross margins have improved from 8.43% last year to 10.1% this year, as residual values have stabilised. The 20% inclusive vat rate introduced in January 2011 however has affected profitability and is a factor when making comparisons to previous years.

Regal Motors (Bilston) Limited**Registered number:** 01067821**Directors' Report****Service**

The company welcomed the return of manufacturer annual servicing intervals from the previous 2 years, which will mean we will see our customers much more frequently. Introduced in September 2012, the benefits however will not be seen until next year. Retail turnover shows a small increase but has to be pro-actively marketed. Warranty hours continue their gradual decline, due to increased vehicle quality, and tighter restrictions on cover from the manufacturer. Gross margins improved slightly to 66.3%, and an improved departmental trading profit shows that this activity is holding its own in an industry that many around us are finding very difficult.

Parts

Although retail parts through service have improved, parts have also been affected by the down turn in warranty work. In particular, local trade business in the locality has changed in recent times due to the loss of several large body shops that have gone out of business, and the continuing encroachment into the territory of low-cost factor parts businesses. The company however remains one of the largest parts trade operators in the network for a dealer of our type, and the retained gross margin of 23.7% (23.6% in 2011) is creditable under these circumstances.

Vehicle Rental

Retail rental business has seen a reduction in 2012. This is partly due to less Peugeot central Reservation business, and partly due to less external business. The company feels this is largely as a result of reduced demand from local business customers who are themselves being affected by the larger financial situation. Operating the rental department plays an integral part in achieving new car targets, and is a source of good quality used vehicles to sell, and to make additional profits there. It is hoped that in 2013 this department will see a return towards previous levels, as the economy in general improves.

Pension

The April 2012 tri-annual valuation was received during the year, and the company was pleased to see that the steps it had put in place to help mitigate the position had been effective. This, along with improvement in the stock markets have shown an improved deficit position. The MIPS pension company have agreed that the company may continue making payments at the same level as they have been since the 2009 valuation.

The directors are satisfied that the measures they have put in place have produced the anticipated improving results for 2012, and hopes that this will continue into 2013.

Future developments and principal risks

The directors feel that although the outlook for the motor trade continues to be uncertain, the company has a strong base to work from. The company's status as a sole city dealer and the network review, has started to show results and will stand the company in good stead for the future. The directors are continuing to review overhead costs, taking appropriate action to reduce these where necessary.

The company is actively reviewing its marketing strategies to maintain and improve levels of repeat and new business in all areas.

Regal Motors (Bilston) Limited**Registered number:** 01067821**Directors' Report**

The principal risks and uncertainties facing the company are as a result of the continuing economic climate in the UK. The West Midlands still remains one of the most severely affected areas in the country. The market for new and used vehicles continues to be difficult. The after sales market has remained static at best and is anticipated to do so for the foreseeable future. However, with recent major capital investment in the Wolverhampton area, the directors are confident that this will be beneficial to the local economy with a consequent effect on business for the coming year.

The problem of the company pension scheme also continues to give concern. The directors are continually examining various strategies to minimise the financial effects of the scheme on the company. The position is still subject to factors beyond the company's control, namely mortality rates, interest rates and volatility in financial markets.

The company enjoys a good relationship with suppliers and finance providers. The directors do not feel there is any risk in respect of credit or cash flow as credit lines have been renewed.

Interest in land and buildings

The directors are of the opinion that the market value of the company's interest in freehold land and buildings is in excess of the net book value stated in these financial accounts. The directors have sought the advice of a qualified surveyor who has advised that the market value based on existing use is £1,050,000.

Dividends

The directors do not recommend a final dividend.

Directors

The following persons served as directors during the year:

Mrs J M Taylor
P Jackson

Regal Motors (Bilston) Limited**Registered number:** 01067821**Directors' Report****Directors' responsibilities**

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts 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 accounts 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 accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 accounts,
- prepare the accounts 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 accounts 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.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware, and
- he 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.

This report was approved by the board on 26 September 2013 and signed on its behalf

Mrs J M Taylor
Director



Regal Motors (Bilston) Limited
Independent auditors' report
to the shareholders of Regal Motors (Bilston) Limited

We have audited the accounts of Regal Motors (Bilston) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses 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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts 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 Ethical Standards for Auditors.

Scope of the audit of the accounts

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on the accounts

In our opinion the accounts

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its 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

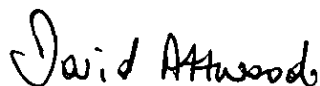
Opinion on other matters prescribed by the Companies Act 2006

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

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the accounts 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



David Attwood
(Senior Statutory Auditor)
for and on behalf of
Attwood & Co
Accountants and Statutory Auditors
26 September 2013

Harrison House
Marston Road
Wolverhampton
West Midlands

Regal Motors (Bilston) Limited
Profit and Loss Account
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	2	13,685,624	12,491,110
Cost of sales		(12,123,902)	(10,991,829)
Gross profit		<u>1,561,722</u>	<u>1,499,281</u>
Administrative expenses		(1,494,574)	(1,648,876)
Other operating income		47,931	26,422
Operating profit/(loss)	3	<u>115,079</u>	<u>(123,173)</u>
Exceptional items			
loss on the disposal of tangible fixed assets	4	(1,358)	-
		<u>113,721</u>	<u>(123,173)</u>
Interest receivable		1,363	1,319
Interest payable	7	(9,842)	(10,435)
Profit/(loss) on ordinary activities before taxation		<u>105,242</u>	<u>(132,289)</u>
Tax on profit/(loss) on ordinary activities	8	(16,200)	14,470
Profit/(loss) for the financial year		<u>89,042</u>	<u>(117,819)</u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years

Regal Motors (Bilston) Limited
Statement of total recognised gains and losses
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Profit/(loss) for the financial year		89,042	(117,819)
Actuarial movement on pension scheme net of tax	17	53,000	(20,000)
Unrecognised asset due to FRS17 para 41 limitation	17	(127,000)	-
Total recognised gains and losses related to the year		<u>15,042</u>	<u>(137,819)</u>

Regal Motors (Bilston) Limited
Balance Sheet
as at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	10	834,477	868,104
Current assets			
Stocks	11	2,227,797	1,734,329
Debtors	12	385,995	407,020
Cash at bank and in hand		110,900	43,700
		<u>2,724,692</u>	<u>2,185,049</u>
Creditors: amounts falling due within one year	13	(2,467,788)	(1,939,515)
Net current assets		<u>256,904</u>	<u>245,534</u>
Total assets less current liabilities		<u>1,091,381</u>	<u>1,113,638</u>
Creditors: amounts falling due after more than one year	14	(169,866)	(203,165)
Provisions for liabilities			
Retirement benefit obligation	17	-	(4,000)
Net assets		<u>921,515</u>	<u>906,473</u>
Capital and reserves			
Called up share capital	18	100	100
Profit and loss account	19	921,415	906,373
Shareholders' funds	20	<u>921,515</u>	<u>906,473</u>

Mrs J M Taylor

Director

Approved by the board on 26 September 2013

Regal Motors (Bilston) Limited
Cash Flow Statement
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit/(loss)		115,079	(123,173)
Depreciation and amortisation		51,377	55,591
(Increase)/decrease in stocks		(493,468)	477,301
Decrease in debtors		18,294	10,861
Increase/(decrease) in creditors		558,344	(238,517)
Pension scheme cash movement		(79,000)	(76,000)
Net cash inflow from operating activities		170,626	106,063

CASH FLOW STATEMENT

Net cash inflow from operating activities		170,626	106,063
Returns on investments and servicing of finance	21	(8,479)	(9,116)
Taxation		(12,169)	(284)
Capital expenditure	21	(19,108)	(27,344)
		<u>130,870</u>	<u>69,319</u>
Financing	21	(50,000)	(62,500)
Increase in cash		<u>80,870</u>	<u>6,819</u>

Reconciliation of net cash flow to movement in net debt

Increase in cash in the period		80,870	6,819
Decrease in debt and lease financing		50,000	62,500
Change in net debt	22	<u>130,870</u>	<u>69,319</u>
Net debt at 1 January		<u>(110,370)</u>	<u>(179,689)</u>
Net funds/(net debt) at 31 December		<u>20,500</u>	<u>(110,370)</u>

Regal Motors (Bilston) Limited
Notes to the Accounts
for the year ended 31 December 2012

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards which have been applied consistently (except as otherwise stated)

Turnover

Turnover represents the value, net of value added tax and discounts, of goods provided to customers and work carried out in respect of services provided to customers

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Freehold buildings	4% on cost
Leasehold land and buildings	over the lease term
Plant and machinery	10% on cost
Fixtures and fittings	10% or 33 3% on cost dependant on type of asset

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on estimated selling price less further costs to completion and disposal

Consignment stock

New vehicles are consigned to the company by the manufacturers on a sale or return basis. In accordance with FRS 5 the cost of vehicles is included in stock as an asset and the associated liability is included in creditors

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes

Deferred tax is calculated at the tax rates which are expected to apply in the periods when the timing differences will reverse. Deferred tax assets and liabilities are not discounted

Regal Motors (Bilston) Limited
Notes to the Accounts
for the year ended 31 December 2012

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates a defined benefit pension scheme and a defined contribution scheme. Contributions payable to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of the pension over the employee's life. The pension charge is calculated on the basis of actuarial advice. Contributions in respect of the defined contribution scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. Contributions for both schemes are invested separately from the company's assets.

2 Analysis of turnover	2012	2011
	£	£
By activity		
Vehicles, parts and servicing	<u>13,685,624</u>	<u>12,491,110</u>
By geographical market		
UK	<u>13,685,624</u>	<u>12,491,110</u>
3 Operating profit	2012	2011
	£	£
This is stated after charging		
Depreciation of owned fixed assets	51,377	55,591
Operating lease rentals - plant and machinery	8,208	10,066
Operating lease rentals - land buildings	8,268	23,750
Auditors' remuneration for audit services	<u>11,045</u>	<u>11,627</u>
4 Exceptional items	2012	2011
	£	£
Loss on disposal of plant and machinery	<u>(1,358)</u>	<u>-</u>

Regal Motors (Bilston) Limited
Notes to the Accounts
for the year ended 31 December 2012

5 Directors' emoluments	2012	2011
	£	£
Emoluments	78,026	88,201
Company contributions to money purchase pension schemes	4,805	5,515
	<u>82,831</u>	<u>93,716</u>
 Number of directors in company pension schemes:	 2012	 2011
	Number	Number
Money purchase schemes	<u>1</u>	<u>1</u>
 6 Staff costs	 2012	 2011
	£	£
Wages and salaries	994,469	1,065,617
Social security costs	92,948	101,103
Other pension costs	27,055	32,318
	<u>1,114,472</u>	<u>1,199,038</u>
 Average number of employees during the year	 Number	 Number
Administration	7	7
Car sales	10	13
Service & parts	30	32
	<u>47</u>	<u>52</u>
 7 Interest payable	 2012	 2011
	£	£
Bank loans and overdrafts	-	49
Other loans	9,842	10,386
	<u>9,842</u>	<u>10,435</u>

Regal Motors (Bilston) Limited
Notes to the Accounts
for the year ended 31 December 2012

8 Taxation

	2012	2011
	£	£
Analysis of charge in period		
Current tax		
UK corporation tax on profits of the period	300	-
Adjustments in respect of previous periods	-	30
	<u>300</u>	<u>30</u>
 Deferred tax		
Origination and reversal of timing differences	<u>14,900</u>	<u>(30,500)</u>
 Deferred tax on defined benefit obligation	<u>1,000</u>	<u>16,000</u>
 Tax on profit/(loss) on ordinary activities	<u>16,200</u>	<u>(14,470)</u>

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows

	2012	2011
	£	£
Profit/(loss) on ordinary activities before tax	<u>105,242</u>	<u>(132,289)</u>
 Standard rate of corporation tax in the UK	20%	20%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	21,048	(26,458)
 Effects of		
Expenses not deductible for tax purposes	(2,222)	2,636
Depreciation for period in excess of capital allowances	(6,296)	9,192
Utilisation of tax losses	(13,230)	30,630
Adjustments to tax charge in respect of previous periods	-	30
Deferred tax on defined benefit obligation	<u>1,000</u>	<u>(16,000)</u>
Current tax charge for period	<u>300</u>	<u>30</u>

Factors that may affect future tax charges

The tax losses have been carried forward as a deferred tax asset. The recoverability of losses is dependent upon future profits being generated. The directors are confident that the company will return to continue to be profitable in the foreseeable future.

Regal Motors (Bilston) Limited
Notes to the Accounts
for the year ended 31 December 2012

9 Pension costs

The company operates two pension schemes, a funded pension scheme based on final pensionable pay, together with a defined contribution scheme. The assets of the schemes are held separately from those of the company, in independently administered funds. Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over the employee's working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was 5th April 2012. The assumptions that have the most significant effect on the results of the valuation are those relating to discount rates and increases in pensions. It was assumed that the discount rates would be 4.1% per annum and that the future pensions would increase at a rate of 3.1% per annum. The valuation has been based on the defined accrued benefit method.

The pension charge for the defined benefit scheme for the year was £4,000 (2011 £5,000). The pension cost relating to the scheme is assessed in accordance with the advice of a qualified actuary as stated above.

The market value of the pension scheme assets at 5th April 2012 was £1,770,000 and this was sufficient to cover 83% of the value of the benefits that had accrued to members after allowing for future increases in expected earnings. The total liabilities of the scheme in respect of future pensions was £2,138,000 giving rise to a scheme deficit of £368,000. The company is currently making a monthly payment of £5,040 to eliminate the deficit. The contribution rate is anticipated to remain at the same level and will reduce the deficit over six years and four months. The deficit will be amortised over the remaining employee working lives commencing 1 July 2010 as recommended.

On 30 September 2007 the defined benefit scheme was closed to further accruals based on the advice of the pension scheme trustees.

The pension scheme charge in respect of the defined contribution scheme amounted to £23,055 (2011 £27,247).

Regal Motors (Bilston) Limited
Notes to the Accounts
for the year ended 31 December 2012

10 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 January 2012	1,397,975	127,503	122,951	1,648,429
Additions	-	5,349	13,759	19,108
Disposals	-	(2,350)	(30,110)	(32,460)
At 31 December 2012	<u>1,397,975</u>	<u>130,502</u>	<u>106,600</u>	<u>1,635,077</u>
Depreciation				
At 1 January 2012	553,642	121,753	104,930	780,325
Charge for the year	39,700	2,396	9,281	51,377
On disposals	-	(2,350)	(28,752)	(31,102)
At 31 December 2012	<u>593,342</u>	<u>121,799</u>	<u>85,459</u>	<u>800,600</u>
Net book value				
At 31 December 2012	<u>804,633</u>	<u>8,703</u>	<u>21,141</u>	<u>834,477</u>
At 31 December 2011	<u>844,333</u>	<u>5,750</u>	<u>18,021</u>	<u>868,104</u>

Land and buildings	2012	2011
	£	£
Freehold	745,809	779,626
Leasehold	<u>58,824</u>	<u>64,707</u>

11 Stocks	2012	2011
	£	£
Consignment stock	966,170	442,426
Used vehicles and parts for resale	<u>1,261,627</u>	<u>1,291,903</u>
	<u>2,227,797</u>	<u>1,734,329</u>

The difference between purchase price of stocks and their replacement cost is not material

Regal Motors (Bilston) Limited
Notes to the Accounts
for the year ended 31 December 2012

12 Debtors	2012	2011
	£	£
Trade debtors	231,601	231,371
Deferred tax asset (see note 16)	13,300	28,200
Other debtors	-	12,169
Prepayments and accrued income	141,094	135,280
	<u>385,995</u>	<u>407,020</u>

13 Creditors, amounts falling due within one year	2012	2011
	£	£
Other loans	37,500	50,000
Bank loans and overdrafts	52,900	66,570
Trade creditors	2,196,666	1,655,443
Corporation tax	300	-
Other taxes and social security costs	74,564	52,953
Accruals and deferred income	105,858	114,549
	<u>2,467,788</u>	<u>1,939,515</u>

Trade creditors and other loans include amounts due to suppliers for consignment stock, other car stock and a loan in the sum of £2,139,901 (2011 £1,617,404), that are secured by charges on the consignment stock and used car stock and a second charge over the assets of the company. The bank borrowings amounting to £52,900 (2011 £66,570) are secured by a legal charge over the assets of the company.

14 Creditors: amounts falling due after one year	2012	2011
	£	£
Other loans	-	37,500
Other creditors	169,866	165,665
	<u>169,866</u>	<u>203,165</u>

Other loans comprise a loan from the manufacturer which is secured by charges on the consignment stock, used car stock and a second charge over the assets of the company.

15 Loans	2012	2011
	£	£
Analysis of maturity of debt		
Within one year or on demand	37,500	50,000
Between one and two years	-	37,500
	<u>37,500</u>	<u>87,500</u>

The loans are secured by charges on the consignment stock, used car stock and a second charge on the assets of the company.

Regal Motors (Bilston) Limited
Notes to the Accounts
for the year ended 31 December 2012

16 Deferred taxation	2012	2011
	£	£
Accelerated capital allowances	4,100	2,430
Tax losses carried forward	(17,400)	(30,630)
Undiscounted provision for deferred tax	(13,300)	(28,200)
	2012	2011
	£	£
At 1 January	(28,200)	2,300
Deferred tax charge in profit and loss account	14,900	(30,500)
At 31 December	(13,300)	(28,200)

17 Retirement benefit obligations

Employee benefit obligations

As stated in note 9 the company operates a funded defined benefit pension scheme, providing retirement benefits based on final salary. The most recent full actuarial valuation was on 5 April 2012 and was carried out by a qualified independent actuary and updated to 31 December 2012. The assets of the scheme are held separately from those of the company and are administered in accordance with the scheme rules.

The major assumptions used for the valuation were

	2012	2011	2010
	%p.a.	%p.a.	%p.a.
Inflation RPI	3.20	3.30	3.75
Inflation CPI	2.50	2.30	3.00
Revaluations in deferment	2.50	2.30	3.00
Pre 2005 pension increases - LPI 5%	3.10	3.30	3.75
Post 2005 pension increases - LPI 2.5%	2.10	2.10	2.25
Pension increases in payment (post 88GMP benefits)	2.10	2.00	2.35
Discount rate for scheme liabilities	4.40	4.70	5.25

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 22.5 years if they are male and for a further 24.6 years if they are female. For a member who retires in 2031 at age 65 the assumptions are that they will live on average for 24.3 years after retirement if they are male and for a further 26.6 years after retirement if they are female.

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Long term expected rate of return:

	2012	2011	2010
	%p a.	%p.a	%p a
Equities	8 00	8 00	8 25
Government bonds	3 00	3 00	4 25
Corporate bonds	4 00	4 50	5 25
Combined	<u>5 60</u>	<u>5 70</u>	<u>6 25</u>

Basis used to determine the overall long term rate of return on plan assets

The long term rate of return is based upon the advice of the actuary and reflects market expectations of the long term rate at the balance sheet date. The assumed long term rate of return for each class of asset is set out above. The actuary has advised that the median rate be used for each class of asset, that is, there is a 50% chance of over or under estimating the rate of return.

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied, assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the section at 31 December 2012.

Market value of assets:

	2012	2011	2010
	£000	£000	£000
Equities	948 00	869 00	787 00
Government bonds	758 00	678 00	630 00
Corporate bonds	190 00	170 00	158 00
Total market value of assets	<u>1,896 00</u>	<u>1,717 00</u>	<u>1,575 00</u>

The amounts recognised in the balance sheet are as follows:

	2012	2011
	£	£
Present value of funded obligations	1,769,000	1,722,000
Fair value of section assets	<u>1,896,000</u>	<u>1,717,000</u>
Deficit/ Surplus	(127,000)	5,000
Unrecognised asset written off to para 41 limitation	127,000	
Deferred tax asset on pension scheme liability		(1,000)
Net liability/ asset	<u>-</u>	<u>4,000</u>

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The amounts recognised in the profit and loss are as follows:

	2012 £	2011 £
Interest on pension liabilities	80,000	84,000
Expected return on pension scheme assets	(76,000)	(79,000)
Expense recognised in profit and loss	<u>4,000</u>	<u>5,000</u>

Analysis of amounts recognised in STRGL:

	2012 £	2011 £
Total actuarial gains /(losses)	53,000	(25,000)
Deferred tax movement	-	5,000
Unrecognised asset due to limit in para 41 FRS 17	(127,000)	-
Total gain/(loss) in STRGL	<u>(74,000)</u>	<u>(20,000)</u>
Cumulative amounts of gains/losses recognised	<u>(276,400)</u>	<u>(202,400)</u>

Actual Return on Section Assets are as follows:

	2012 £	2011 £
Expected return on section assets	76,000	79,000
Actuarial Gain/(Loss) on section assets	56,000	25,000
Actual return on plan assets	<u>132,000</u>	<u>104,000</u>

Changes in present value of the defined benefit obligation

	2012 £	2011 £
Opening defined benefit obligation	1,722,000	1,631,000
Interest cost	80,000	84,000
Actuarial (gains)/ losses on section liabilities	3,000	50,000
Net benefits outgoing and transfers	(36,000)	(43,000)
Total	<u>1,769,000</u>	<u>1,722,000</u>

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Changes in fair value of plan assets are as follows.

	2012 £	2011 £
Opening fair value of plan assets	1,717,000	1,575,000
Expected return	76,000	79,000
Actuarial gains/Losses) on section assets	56,000	25,000
Contributions by employer	83,000	81,000
Net benefits outgoing and transfers	(36,000)	(43,000)
Total	<u>1,896,000</u>	<u>1,717,000</u>

History of asset values, DBO and surplus/deficit in the section.

	Fair value of section assets £000	Defined benefit obligation £000	Surplus/ deficit £000
31 December 2012	1,896	(1,769)	127
31 December 2011	1,717	(1,722)	(5)
31 December 2010	1,575	(1,631)	(56)
31 December 2009	1,382	(1,575)	(193)
31 December 2008	1,395	(1,594)	(199)
31 December 2007	1,647	(1,566)	81
31 December 2006	1,492	(1,819)	(327)

History of experience gains and losses:

	Gains/(losses) on section assets £000	Gains/(losses) on section liabilities £000
31 December 2012	56	3
31 December 2011	25	(50)
31 December 2010	82	15
31 December 2009	215	(239)
31 December 2008	(386)	26
31 December 2007	4	(11)
31 December 2006	75	51

18 Share capital	Nominal value	2012 Number	2012 £	2011 £
Allotted, called up and fully paid Ordinary shares	£1 each	100	<u>100</u>	<u>100</u>

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19 Profit and loss account

	2012
	£
At 1 January 2012	906,373
Profit for the financial year	89,042
Actuarial gains or losses on pension	53,000
Unrecognised asset written off to para 41 limitation	<u>(127,000)</u>
At 31 December 2012	<u>921,415</u>

20 Reconciliation of movement in shareholders' funds

	2012	2011
	£	£
At 1 January	906,473	1,044,292
Profit/(loss) for the financial year	89,042	(117,819)
Other recognised gains and losses	53,000	(20,000)
Unrecognised asset written off to para 41 limitation	<u>(127,000)</u>	<u>-</u>
At 31 December	<u>921,515</u>	<u>906,473</u>

21 Gross cash flows

	2012	2011
	£	£
Returns on investments and servicing of finance		
Interest received	1,363	1,319
Interest paid	<u>(9,842)</u>	<u>(10,435)</u>
	<u>(8,479)</u>	<u>(9,116)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	<u>(19,108)</u>	<u>(27,344)</u>
Financing		
Loan repayments	<u>(50,000)</u>	<u>(62,500)</u>

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22 Analysis of changes in net debt

	At 1 Jan 2012 £	Cash flows £	Non-cash changes £	At 31 Dec 2012 £
Cash at bank and in hand	43,700	67,200		110,900
Overdrafts	(66,570)	13,670		(52,900)
		80,870		
Debt due within 1 year	(50,000)	12,500		(37,500)
Debt due after 1 year	(37,500)	37,500		-
		50,000		
Total	(110,370)	130,870	-	20,500

23 Pension commitments

As stated in note 9 the company has a commitment in respect of the defined benefit pension scheme to fund the deficit arising at the last actuarial valuation amounting to £368,000. The company has agreed to make monthly payments of £5,040 over a ten year period, commencing 1 July 2010 to discharge the deficit. Following the actuarial valuation at 5 April 2012, the actuary has indicated that they are prepared to agree the contribution level remains at the same level.

24 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2012 £	Land and buildings 2011 £	Other 2012 £	Other 2011 £
Operating leases which expire within one year	-	-	2,882	1,036
within two to five years	-	-	4,272	2,832
	-	-	7,154	3,868

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25 Related party transactions

2012
£

2011
£

West Midland Finance Ltd

A company in which the directors have a share interest

During the year the company sold goods to West Midlands Finance Ltd amounting to £94,774 (2011 £Nil) and purchased goods and services from West Midlands Finance Ltd amounting to £103,042 (2011 £23,750)

The company also paid interest on a loan on a commercial rate from West Midland Finance Ltd amounting to £4,201 (2011 £4,119) All transactions were at open market value

Amount due from (to) the related party disclosed in other creditors, amounts falling due after more than one year

(169,866)

(165,665)

26 Ultimate controlling party

The company was under the control of the directors throughout the whole of the current and previous financial periods, by virtue of their ownership of the entire issued share capital