

Lothian Electric Machines Limited

Registered number: SC036737 (Scotland)

Director's report and financial statements

For the year ended 31 July 2012



Lothian Electric Machines Limited

Company Information

Director	E Blunsum
Company secretary	D Belmont
Registered number	SC036737
Registered office	Hospital Road Haddington East Lothian EH41 3PD
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditor Mazars House Gelderd Road Gildersome Leeds LS27 7JN
Bankers	Lloyds TSB Bank plc 2nd Floor Lisbon House 116 Wellington Street Leeds LS1 4LT
Solicitors	Morton Fraser 30-31 Queen Street Edinburgh EH2 1JX

Lothian Electric Machines Limited

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Lothian Electric Machines Limited

Director's report

for the year ended 31 July 2012

The director presents her report and the financial statements for the year ended 31 July 2012.

Director's responsibilities statement

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless she is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 her to ensure that the financial statements comply with the Companies Act 2006. She is 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.

Principal activities

The principal activity of the company in the period under review continued to be the manufacture of electric motors and stairlift carriages.

Business review

The director is pleased to report the continued sales growth of the company up 6.5% in the year to £27,613,044 achieved by continued support to distribution partners in terms of quality of product and service.

During the year the company suffered materials cost inflation that it was unable to successfully pass on to customers and this resulted in gross margins falling slightly from 9.2% to 8.0% but still well up on historic levels.

The company remains committed to driving manufacturing efficiencies so as to increase capacity and maintain cost effective output. Growth this year has been managed with static manufacturing headcount and this is testament to the work undertaken by manufacturing management and staff at all levels to improve shop floor layout and operational procedures.

Over £600,000 was invested in capital equipment during the year to increase rack milling capacity to cope with continued growth and facilitate entry to new markets and also to lay down tooling for new products.

A key strength of the business is its ability to innovate and to find technical solutions to advance the products of distribution partners. In the year £158,067 (2011: £113,473) was spent on research and development projects and the company expects this commitment to continue in the future.

Lothian Electric Machines Limited

Director's report

for the year ended 31 July 2012

Results

The profit for the year, after taxation, amounted to £235,985 (2011 - loss £146,217).

This performance was impacted by the company making payments to the defined benefits contribution scheme to reimburse scheme costs and expenses totalling £602,958 (2011: £Nil).

These payments reduced the company operating profits on a one off basis. Excluding the pension costs, the adjusted operating profits would have been £791,797, being 2.9% of sales (2011: £793,599 and 3.1% of sales).

Director

The director who served during the year was:

E Blunsum

Principal risks and uncertainties

Market Risk

The key distribution partners of the business continue to grow strongly in all of their worldwide markets but do comprise a significant proportion of the total sales of the business. In recognition of this the company continues to seek and secure new customers in order to diversify.

This growth requires the company to respond to ensure sufficient capacity is in place without an increased cost base affecting competitiveness. We have recruited internal resource and engaged appropriate external resource to drive the implementation of new working practices and procedures, shop floor layout and component materials flow to successfully ensure that additional capacity is created.

The company puts great efforts into working closely with its supplier base in order to optimize component quality and management of the worldwide supply chain. Many suppliers have committed consignment stocks during the year so as to facilitate improved factory efficiency whilst reducing the working capital burden of sustained growth.

Our technical and purchase team visit and audit suppliers and prospective suppliers worldwide to ensure adherence to standards and to facilitate contingency planning should the need arise. Detailed and regular inventory and sales forecast meetings are held with customers and suppliers to ensure maximum fulfillment. The company is accredited to ISO 9001 Quality Management and ISO 14001 Environmental Management.

Operational Risk

The operational software is appropriate for the company's size and needs. It is supported both internally and externally with comprehensive contingency planning to mitigate if necessary.

Foreign Exchange Risk

The company manages its foreign exchange risk by negotiating currency matches with its primary distribution partners that have US\$ and Euro inflows to secure sufficient non £ sterling inflows to match the company's required outflows for components and materials.

Employee involvement

The company believes in prioritising investment in personnel, with continual training and development. The company's policy is to consult and discuss with employees, through staff meetings, amongst other forms of communication, matters likely to affect employees' interest. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Lothian Electric Machines Limited

Director's report

for the year ended 31 July 2012

Disabled employees

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Provision of information to auditors

The director at the time when this director's report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30/4/13

and signed on its behalf.



E Blunsum
Director

Lothian Electric Machines Limited

Independent auditors' report to the shareholders of Lothian Electric Machines Limited

We have audited the financial statements of Lothian Electric Machines Limited for the year ended 31 July 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet 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).

Respective responsibilities of director and auditors

As explained more fully in the director's responsibilities statement set out on page 1, the director is 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. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 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 the other matter prescribed by the Companies Act 2006

In our opinion the information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Lothian Electric Machines Limited

Independent auditors' report to the shareholders of Lothian Electric Machines Limited

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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ian Wrightson

Ian Wrightson (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Mazars House
Gelder Road
Gildersome
Leeds
LS27 7JN

Date:

30/4/13

Lothian Electric Machines Limited

Profit and loss account

for the year ended 31 July 2012

	Note	2012 £	2011 £
Turnover	1,2	27,613,044	25,936,291
Cost of sales		(25,396,522)	(23,561,039)
Gross profit		2,216,522	2,375,252
Distribution costs		(242,907)	(241,168)
Administrative expenses		(1,784,776)	(1,364,485)
Other operating income	3	-	24,000
Operating profit	4	188,839	793,599
Interest receivable and similar income		14	-
Interest payable and similar charges	7	-	(555)
Other finance costs	8	(34,000)	(144,000)
Profit on ordinary activities before taxation		154,853	649,044
Tax on profit on ordinary activities	9	81,132	(795,261)
Profit/(loss) for the financial year	17	235,985	(146,217)

All amounts relate to continuing operations.

The notes on pages 9 to 22 form part of these financial statements.

Lothian Electric Machines Limited

Statement of total recognised gains and losses for the year ended 31 July 2012

	Note	2012 £	2011 £
Profit/(loss) for the financial year		235,985	(146,217)
Actuarial (loss)/gain related to pension scheme	21	<u>(423,000)</u>	<u>2,257,000</u>
Total recognised gains and losses relating to the year		<u><u>(187,015)</u></u>	<u><u>2,110,783</u></u>

The notes on pages 9 to 22 form part of these financial statements.

Lothian Electric Machines Limited

Registered number: SC036737

Balance sheet

as at 31 July 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	10		2,286,653		2,103,524
Investments	11		1,000		1,000
			<u>2,287,653</u>		<u>2,104,524</u>
Current assets					
Stocks	12	2,478,606		3,423,770	
Debtors	13	790,482		1,373,146	
Cash at bank and in hand		1,409,933		842,496	
		<u>4,679,021</u>		<u>5,639,412</u>	
Creditors: amounts falling due within one year	14	<u>(4,173,376)</u>		<u>(5,089,164)</u>	
Net current assets			505,645		550,248
Total assets less current liabilities			<u>2,793,298</u>		<u>2,654,772</u>
Provisions for liabilities					
Deferred tax	15		<u>(212,874)</u>		<u>(236,326)</u>
Net assets excluding pension scheme (liabilities)			2,580,424		2,418,446
Defined benefit pension scheme liability	21		<u>(644,253)</u>		<u>(295,260)</u>
Net assets including pension scheme (liabilities)			<u>1,936,171</u>		<u>2,123,186</u>
Capital and reserves					
Called up share capital	16		2,042,632		2,042,632
Capital redemption reserve	17		173		173
Profit and loss account	17		<u>(106,634)</u>		<u>80,381</u>
Shareholders' funds	18		<u>1,936,171</u>		<u>2,123,186</u>

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

 30/4/13

E Blunsum
Director

The notes on pages 9 to 22 form part of these financial statements.

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	10-33% straight line
Motor vehicles	-	25% straight line
Fixtures & fittings	-	10% straight line
Other fixed assets	-	25% straight line

1.5 Investments

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

1.6 Going concern

The financial statements have been prepared on a going concern basis.

The director has a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the annual financial statements.

The director believes that the company is well placed to manage its business risks successfully.

1.7 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

1. Accounting policies (continued)

1.8 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost consists of material and direct labour costs.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

1.11 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 July 2012.

2. Turnover

A geographical analysis of turnover is as follows:

	2012 £	2011 £
United Kingdom	27,185,557	23,193,659
Rest of European Union	243,162	116,753
Rest of world	184,325	2,625,879
	<u>27,613,044</u>	<u>25,936,291</u>

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

3. Other operating income

	2012 £	2011 £
Other operating income	-	24,000

4. Operating profit

The operating profit is stated after charging/(crediting):

	2012 £	2011 £
Depreciation of tangible fixed assets:		
- owned by the company	419,524	380,847
Auditors' remuneration	9,000	9,000
Auditors' remuneration - non-audit	8,100	4,750
Operating lease rentals:		
- other operating leases	83,684	70,124
Difference on foreign exchange	(5,107)	13,888
(Profit) on sale of tangible assets	-	(1,300)
Research and development expenditure	158,067	113,473

5. Staff costs

Staff costs, including director's remuneration, were as follows:

	2012 £	2011 £
Wages and salaries	4,021,075	3,907,901
Social security costs	308,296	353,963
Pension costs (Note 21)	49,744	43,638
	4,379,115	4,305,502

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

	2012 No.	2011 No.
Production	229	232
Administration	20	23
	249	255

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

6. Director's remuneration

	2012 £	2011 £
Emoluments	66,734	66,254
Company pension contributions to defined contribution pension schemes	1,800	1,800

During the year retirement benefits were accruing to 1 director (2011 - 1) in respect of defined contribution pension schemes.

7. Interest payable

	2012 £	2011 £
On bank overdraft	-	555

8. Other finance income

	2012 £	2011 £
Expected return on pension scheme assets	452,000	341,000
Interest on pension scheme liabilities	(486,000)	(485,000)
	(34,000)	(144,000)

9. Taxation

	2012 £	2011 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	36,310	70,062
Adjustments in respect of prior periods	2,017	-
Total current tax	38,327	70,062
Deferred tax		
Origination and reversal of timing differences	(23,452)	155,799
Deferred tax movement of pension scheme liability (non-actuarial)	(96,007)	569,400
Total deferred tax (see note 15)	(119,459)	725,199
Tax on profit on ordinary activities	(81,132)	795,261

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 - lower than) the standard rate of corporation tax in the UK of 24% (2011 - 26%). The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before tax	154,853	649,044
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2011 - 26%)	37,165	168,751
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	7,217	18,532
Capital allowances for year in excess of depreciation	790	(8,292)
Effect of tax losses	-	(126,552)
Other tax adjustments	-	(3,834)
Pension adjustments	5,048	21,457
Adjustments to tax charge in respect of prior periods	2,017	-
Adjustment in research and development tax credit leading to a decrease in the tax charge	(11,381)	-
Change in corporation tax rate	(2,529)	-
Current tax charge for the year (see note above)	38,327	70,062

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

10. Tangible fixed assets

	Plant & machinery £	Motor vehicles £	Other fixed assets £	Total £
Cost				
At 1 August 2011	5,060,565	45,420	7,800	5,113,785
Additions	602,653	-	-	602,653
Disposals	(1,243,910)	(19,794)	(7,800)	(1,271,504)
At 31 July 2012	4,419,308	25,626	-	4,444,934
Depreciation				
At 1 August 2011	2,957,041	45,420	7,800	3,010,261
Charge for the year	419,524	-	-	419,524
On disposals	(1,243,910)	(19,794)	(7,800)	(1,271,504)
At 31 July 2012	2,132,655	25,626	-	2,158,281
Net book value				
At 31 July 2012	2,286,653	-	-	2,286,653
At 31 July 2011	2,103,524	-	-	2,103,524

11. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 August 2011 and 31 July 2012	1,000
Net book value	
At 31 July 2012	1,000
At 31 July 2011	1,000

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
Lemac Marine Limited	Ordinary	100 %
Lemac Taiwan Incorporated	Ordinary	100 %

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

11. Fixed asset investments (continued)

The aggregate of the share capital and reserves as at 31 July 2012 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Lemac Marine Limited	(1,000)	-
Lemac Taiwan Incorporated	(5,084)	-

12. Stocks

	2012 £	2011 £
Raw materials	1,521,528	2,276,551
Work in progress	479,308	767,071
Finished goods and goods for resale	477,770	380,148
	<u>2,478,606</u>	<u>3,423,770</u>

13. Debtors

	2012 £	2011 £
Trade debtors	493,492	969,184
Amounts owed by group undertakings	40	-
Amounts owed by related parties	478	99,361
Other debtors	1,074	33
Prepayments and accrued income	95,398	104,568
Assets held for resale	200,000	200,000
	<u>790,482</u>	<u>1,373,146</u>

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

14. Creditors: Amounts falling due within one year

	2012 £	2011 £
Trade creditors	1,341,290	2,862,352
Amounts owed to group undertakings	-	24,001
Amounts owed to related parties	2,294,980	1,381,564
Corporation tax	36,310	12,520
Social security and other taxes	315,789	584,136
Other creditors	66,825	91,255
Accruals and deferred income	118,182	133,336
	<u>4,173,376</u>	<u>5,089,164</u>

The debenture is secured on the company's assets.

15. Deferred taxation

	2012 £	2011 £
At beginning of year	236,326	80,527
(Released during)/charge for year	(23,452)	155,799
	<u>212,874</u>	<u>236,326</u>

The provision for deferred taxation is made up as follows:

	2012 £	2011 £
Accelerated capital allowances	<u>212,874</u>	<u>236,326</u>

16. Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
1,742,632 Ordinary shares of £1 each	1,742,632	1,742,632
300,000 Preference shares of £1 each	300,000	300,000
	<u>2,042,632</u>	<u>2,042,632</u>

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

16. Share capital (continued)

The Shares shall rank on a return of capital of liquidation or otherwise in priority to any other shares of the company. The Preference Shares have no right to receive notice of, nor attend or vote at any general meeting of the company.

The Preference Shares have a non-cumulative right to a preferential dividend of 8% in priority to all other dividends.

17. Reserves

	Capital redemption reserve £	Profit and loss account £
At 1 August 2011	173	80,381
Profit for the year	-	235,985
Pension reserve movement	-	(423,000)
At 31 July 2012	173	(106,634)

The closing balance on the profit and loss account includes a £644,253 (2011 - £295,260) liability, stated after deferred taxation of £199,747 (2011 - £103,740), in respect of pension scheme liabilities of the company defined benefit pension scheme.

18. Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds/(deficit)	2,123,186	(263,597)
Profit/(loss) for the year	235,985	(146,217)
Dividends (Note 19)	-	(24,000)
Shares issued during the year	-	300,000
Other recognised gains and losses during the year	(423,000)	2,257,000
Closing shareholders' funds	1,936,171	2,123,186

19. Dividends

	2012 £	2011 £
Dividends paid on equity capital	-	24,000

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

20. Contingent liabilities

Following a review of the company's corporation tax affairs by management in a prior period, they concluded that they would like certainty over various expenses processed through the company's profit and loss accounts for which corporation tax deductions have been taken. This voluntary review that has been instigated by management is ongoing through an HM Revenue and Customs review.

The Director acknowledges that a tax liability may arise from this review and is fully co-operating with HM Revenue & Customs in this regard. However at the date of Approval of these financial statements, the director does not believe the expenditure to be disallowable. Given the uncertainty of the outcome, management are unable to estimate the potential liability as at the date of the Approval of these financial statements.

The company has a guarantee of £220,000 in favour of HM Revenue and Customs relating to the duty on goods imported from outside the EU.

21. Pension commitments

The company operates a defined contribution pension scheme separately from the defined benefit scheme. The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. Contributions totalling £9,681 (2011 - £10,734) were due to the fund at the balance sheet date and are included in creditors.

The company operates a defined benefit pension scheme, the Lothian Electric Machines Limited Pensions and Benefits Scheme.

The amounts recognised in the balance sheet are as follows:

	2012 £	2011 £
Fair value of scheme assets	9,149,000	8,854,000
Present value of unfunded obligations	(9,993,000)	(9,253,000)
Deficit	(844,000)	(399,000)
Related deferred tax (liability)/asset	199,747	103,740
Net liability	(644,253)	(295,260)

The amounts recognised in profit or loss account are as follows:

	2012 £	2011 £
Interest on obligation	(486,000)	(485,000)
Expected return on scheme assets	452,000	341,000
Expenses paid	378,000	(120,000)
Total	344,000	(264,000)
Actual return on scheme assets	(44,000)	2,694,000

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

21. Pension commitments (continued)

Movements in the present value of the defined benefit obligation were as follows:

	2012 £	2011 £
Opening defined benefit obligation	9,253,000	9,297,000
Interest cost	486,000	485,000
Actuarial Losses	379,000	96,000
Benefits paid	(503,000)	(505,000)
Expenses paid	378,000	(120,000)
Closing defined benefit obligation	9,993,000	9,253,000

Changes in the fair value of scheme assets were as follows:

	2012 £	2011 £
Opening fair value of scheme assets	8,854,000	6,708,000
Expected return on assets	452,000	341,000
Actuarial gains	(44,000)	2,353,000
Contributions by employer	12,000	77,000
Benefits paid	(503,000)	(505,000)
Expenses paid	378,000	(120,000)
	9,149,000	8,854,000

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses was £423,000 loss (2011 - £2,257,000).

The company expects to contribute £11,500 to its defined benefit pension scheme, the Lothian Electric Machines Limited Pensions and Benefits Scheme in 2013.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2012	2011
European equities	17.00 %	18.00 %
European bonds	1.00 %	2.00 %
Property	76.00 %	79.00 %
Cash at bank and in hand	6.00 %	1.00 %

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2012	2011
Discount rate at 31 July	4.30 %	5.40 %
Expected return on scheme assets at 31 July	3.65 %	5.10 %
Future pension increases	3.00 %	3.00 %
Inflation assumption	1.60 %	2.70 %
Mortality	PA92+2 mc+ underpin	PA92+2 mc+ underpin

Lothian Electric Machines Limited

Notes to the financial statements

for the year ended 31 July 2012

21. Pension commitments (continued)

Amounts for the current and previous four periods are as follows:

Defined benefit pension scheme

	31 July 2011 £	31 January 2010 £	31 January 2009 £	31 January 2008 £	31 January 2007 £
Defined benefit obligation	(9,993,000)	(9,253,000)	(9,297,000)	(7,473,000)	(8,136,000)
Scheme assets	9,149,000	8,854,000	6,708,000	6,960,000	8,114,000
Deficit	<u>(844,000)</u>	<u>(399,000)</u>	<u>(2,589,000)</u>	<u>(513,000)</u>	<u>(22,000)</u>
Experience adjustments on scheme liabilities	689,000	(100,000)	(75,000)	(314,000)	(407,000)
Experience adjustments on scheme assets	<u>(44,000)</u>	<u>2,353,000</u>	<u>144,000</u>	<u>(1,168,000)</u>	<u>181,000</u>

In March 2011 the pension scheme deficit was assessed at £1.4million and a contribution plan was agreed of £11,500 pa for 19 years. The next actuarial valuation is due effective 31st December 2012 and pending that valuation the existing contribution plan will continue.

22. Operating lease commitments

At 31 July 2012 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2012 £	2011 £
Expiry date:		
Within 1 year	<u>55,000</u>	<u>55,000</u>

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23. Related party transactions

The company has taken advantage of the exemption available in accordance with FRS 8 'Related Party Disclosures' not to disclose transactions entered into between two or more members of the Group, as the company is a wholly owned subsidiary undertaking of the group to which it is a party to the transactions.

During the year the company sold goods to the value of £22,913,574 (2011: £19,728,908) to Acorn Mobility Services Limited, a company owned by J S Jakes and purchased goods and services from Acorn Mobility Services Limited to the value of £4,469 (2011: £121,757). A management recharge of £10,000 (2011: £5,000) was charged by Acorn Mobility Services Limited. These transactions were on normal commercial terms.

During the year the company purchased goods to the value of £Nil (2011: £1,660) from Alexander Pollock Limited, a company owned by Acorn Mobility Services Limited and recharged goods and services to Alexander Pollock Limited of £157,017 (2011: 158,051) These transactions were on normal commercial terms.

The Hospital Road site, from which the company operates, is owned by the Acorn Pension Scheme of which J S Jakes is a trustee and beneficiary. The site is leased to the company. Rental payments of £55,000 (2011: £55,000) were made to the Acorn Pension Scheme in the year. These transactions were on normal commercial terms.

During the year the company sold goods to the value of £Nil (2011: £151,750) to Acorn Stairlifts Pty, a company owned by Acorn Mobility Services Limited. These transactions were on normal commercial terms.

During the year the company sold goods to the value of £Nil (2011: £1,893,186) to Acorn Stairlifts Incorporated, a company owned by Acorn Mobility Services Limited. These transactions were on normal commercial terms. During the year the company was recharged for services of £150,353 (2011 - £100,000).

During the year the company sold goods to the value of £Nil (2011: £309,734) to Acorn Stairlifts (Canada) Inc, a company owned by Acorn Mobility Services Limited. These transactions were on normal commercial terms.

The balance at the year end of related party Debtors / (Creditors) are as follows:

	2012 £	2011 £
Acorn Mobility Services Limited	(2,267,480)	(1,281,564)
Alexander Pollock Limited	478	13,100
Acorn Pension scheme	(27,500)	86,261
Acorn Stairlifts Incorporated	-	(100,000)
	<u> </u>	<u> </u>

24. Ultimate parent undertaking and controlling party

The ultimate parent company is Lothian Electric Machines No.2 Limited, a company incorporated in Scotland.

Lothian Electric Machines No.2 Limited is the parent undertaking of the largest and smallest group for which accounts are drawn up and of which the company is a member. Copies of the group financial statements of Lothian Electric Machines No.2 Limited can be obtained from Hospital Road, Haddington, East Lothian EH41 3PD.

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for the year ended 31 July 2012

25. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Lemac Marine Limited	England and Wales	100%	Dormant
Lemac Taiwan Incorporated	Taiwan	100%	Dormant