

ARNBROOK INVESTMENTS LIMITED

GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2012

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REGISTERED IN SCOTLAND No. SC178697

ARNBROOK INVESTMENTS LIMITED

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ARNBROOK INVESTMENTS LIMITED

COMPANY INFORMATION

DIRECTOR

AJ O'Neill

SECRETARY

SV O'Neill

REGISTERED OFFICE

Seafield Road
Longman
Inverness
IV1 1SG

REGISTERED NUMBER

SC178697

AUDITORS

Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

BANKERS

Royal Bank of Scotland Plc
29 Harbour Road
Inverness
IV1 1NU

SOLICITORS:

Dallas McMillan
Regent Court
70 West Regent Street
Glasgow
G2 2QZ

ARNBROOK INVESTMENTS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 JANUARY 2012

The director presents his annual report and the financial statements of the group for the year ended 31 January 2012.

RESULTS AND DIVIDENDS

The results for the year and the financial position of the group are shown in the annexed financial statements. A dividend of £15,000 was paid during the year (2011: £95,000).

REVIEW OF BUSINESS

The group engages in construction and the director expects this activity to continue for the foreseeable future.

The current year is expected to present challenges due to the economic downturn in the construction sector.

KEY PERFORMANCE INDICATORS

The director regards turnover and gross profit percentage as key performance indicators. In the year under review the group's turnover increased by 17% to £8.8million due to more contracts being won.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks affecting the continuing growth of the group include the current economic downturn and the level of competition for available work.

FIXED ASSETS

The changes in fixed assets during the year are summarised in the notes to the financial statements. The director considers that the market value of land and buildings is not less than the balance sheet value.

THE DIRECTOR AND HIS INTERESTS

The director of the company who served during the year was AJ O'Neill.

ARNBROOK INVESTMENTS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 JANUARY 2012 (cont'd)

DIRECTOR'S RESPONSIBILITIES

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 Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing those financial statements, the director is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and 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 group and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and group and hence to take reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

- To the knowledge and belief of the director, there is no relevant 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 information; and to establish that the company's auditor is aware of the information.

AUDITORS

The auditors, Scott-Moncrieff CA, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Signed on behalf of the board



AJ O'Neill
Director

Approved by the board on *27 September 2012*

ARNBROOK INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ARNBROOK INVESTMENTS LIMITED

We have audited the financial statements of Arnbrook Investments Limited for the year ended 31 January 2012 which comprise the group profit and loss account, group balance sheet, group cash flow statement, company balance sheet and 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 group's and parent company's member 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 group's and parent company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group's and parent company's member, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR AND AUDITORS

As explained more fully in the Director's Responsibilities Statement set out on page 3, 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 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's 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.

BASIS FOR QUALIFIED OPINION ON FINANCIAL STATEMENTS

As disclosed in note 21 the defined benefit pension scheme of the subsidiary company closed to future accrual on 31 January 2008 and the directors have not obtained a valuation at 31 January 2012 under Financial Reporting Standard 17 Retirement Benefits (FRS 17). The subsidiary company should obtain an annual FRS 17 valuation of the pension scheme and incorporate the resultant surplus or deficit into the financial statements in accordance with FRS 17. The FRS 17 valuation obtained in the year ended 31 January 2005 was not incorporated into the subsidiary company's financial statements and an FRS 17 valuation has not been obtained since that date.

The directors of the subsidiary company obtained a full Triennial valuation of the scheme as at 1 February 2011. This valuation shows a deficit of £491,000 which is not reflected in the consolidated financial statements or the financial statements of the subsidiary.

ARNBROOK INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ARNBROOK INVESTMENTS LIMITED (cont'd)

QUALIFIED OPINION ON FINANCIAL STATEMENTS

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

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

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.

Scott-Moncrieff

Iain D Lee (Senior Statutory Auditor)
for and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: *27 September 2012*

ARNBROOK INVESTMENTS LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	2012 £	2011 £
TURNOVER	2	8,759,544	7,484,516
Cost of sales		<u>7,154,444</u>	<u>6,149,278</u>
GROSS PROFIT		1,605,100	1,335,238
Other operating income	3	<u>96,146</u>	<u>129,197</u>
		1,701,246	1,464,435
Administrative expenses		<u>1,457,676</u>	<u>1,765,495</u>
OPERATING PROFIT/(LOSS)	4	243,570	(301,060)
Interest receivable		107	212
Interest payable and similar charges	7	<u>3,718</u>	<u>1,743</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		239,959	(302,591)
Taxation	8	<u>(12,106)</u>	<u>10,272</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	17	<u>227,853</u>	<u>(292,319)</u>

CONTINUING OPERATIONS

All disclosures relate only to continuing operations.

TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the profit/(loss) for the above two years.

The notes on pages 10 to 19 form part of these financial statements.

ARNBROOK INVESTMENTS LIMITED

GROUP BALANCE SHEET AS AT 31 JANUARY 2012

	Notes	2012 £	2011 £
FIXED ASSETS			
Tangible assets	9	1,676,354	1,625,960
Investments	10	<u>41,656</u>	<u>44,947</u>
		1,718,010	1,670,907
INTANGIBLE ASSETS			
Negative goodwill	11	<u>-</u>	<u>(52,512)</u>
		1,718,010	1,618,395
CURRENT ASSETS			
Stocks	12	80,824	75,169
Debtors – due within one year	13	1,203,540	763,098
Debtors – due after one year	13	87,507	47,446
Cash at bank and in hand		<u>1,031,506</u>	<u>509,603</u>
		2,403,377	1,395,316
CREDITORS			
Amounts falling due within one year	14	<u>2,896,021</u>	<u>2,067,387</u>
NET CURRENT LIABILITIES		<u>(492,644)</u>	<u>(672,071)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,225,366	946,324
CREDITORS			
Amounts falling due more than one year	15	<u>66,189</u>	<u>-</u>
NET ASSETS		<u>1,159,177</u>	<u>946,324</u>
CAPITAL AND RESERVES			
Called up share capital	16	25,200	25,200
Profit and loss account	17	<u>1,133,977</u>	<u>921,124</u>
SHAREHOLDER'S FUNDS		<u>1,159,177</u>	<u>946,324</u>

The financial statements were authorised for issue by the board of directors on 27/1/12 and signed on its behalf by:


AJ O'Neill
Director

Registered number: SC178697

The notes on pages 10 to 19 form part of these financial statements.

ARNBROOK INVESTMENTS LIMITED

COMPANY BALANCE SHEET AS AT 31 JANUARY 2012

	Notes	2012 £	2011 £
FIXED ASSETS			
Tangible assets	9	25	172
Investments	10	<u>847,577</u>	<u>850,868</u>
		847,602	851,040
CURRENT ASSETS			
Debtors – due within one year	13	140,265	53,163
Cash in hand		<u>2</u>	<u>2</u>
		140,267	53,165
CREDITORS			
Amounts falling due within one year	14	<u>890,481</u>	<u>797,749</u>
NET CURRENT LIABILITIES		<u>(750,214)</u>	<u>(744,584)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>97,388</u>	<u>106,456</u>
CAPITAL AND RESERVES			
Called up share capital	16	25,200	25,200
Profit and loss account	17	<u>72,188</u>	<u>81,256</u>
SHAREHOLDER'S FUNDS		<u>97,388</u>	<u>106,456</u>

The financial statements were authorised for issue by the board of directors on 27/1/12 and signed on its behalf by:

AJ O'Neill
Director

Registered number: SC178697

The notes on pages 10 to 19 form part of these financial statements

ARNBROOK INVESTMENTS LIMITED

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	2012 £	2011 £
OPERATING ACTIVITIES			
NET CASH FLOW FROM OPERATING ACTIVITIES	19a	461,898	(718,702)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest element of hire purchase payments		(3,718)	(1,743)
Interest received		107	212
Net cash flow from returns on investment and servicing of finance		(3,611)	(1,531)
TAXATION			
Corporation tax recovered		-	41,384
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(13,222)	(17,090)
Receipts from sale of tangible fixed assets		2,350	4,894
Realisation of secured loans		13,025	91,140
Net cash flow from investing activities		2,153	78,944
		460,440	(599,905)
EQUITY DIVIDENDS PAID		(15,000)	(95,000)
FINANCING			
Capital element of finance lease repayments		(16,762)	(17,757)
INCREASE/(DECREASE) IN CASH	19c	428,678	(712,662)

The notes on pages 10 to 19 form part of these financial statements.

ARNBROOK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2012

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared under the historical cost convention modified to include the revaluation of investment properties.

Going Concern

The group has sufficient cash reserves and net assets to ensure that it can remain in operational existence for a period of at least 12 months from the date that these financial statements have been approved. As a consequence it is deemed appropriate to have these financial statements prepared on a going concern basis.

Preparation of group financial statements

The group financial statements consolidate the accounts of Arnbrook Investments Limited and its subsidiary undertaking. No profit and loss account is presented for Arnbrook Investments Limited as permitted by section 408 of the Companies Act 2006.

When a subsidiary is acquired during the year, its results are included in the profit and loss account from the date of acquisition. Negative goodwill arising on acquisitions is not amortised.

Depreciation of tangible fixed assets

Depreciation is provided on plant, equipment and vehicles at rates between 12.5% and 33.33% calculated to write off the full cost of the assets by equal annual instalments over their estimated useful lives taking account of their residual values.

The land element of heritable property is not depreciated. Buildings are estimated to have a useful life in excess of 50 years and are subject to an annual impairment review.

Investments

Investments are stated at cost less provision for diminution in value if such diminution is deemed to be permanent.

Intangible fixed assets

Negative goodwill is stated at cost and is amortised over the directors' estimate of the useful life.

ARNBROOK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2012

1. ACCOUNTING POLICIES (cont'd)

Stock and Work in Progress

Raw materials and consumables are stated at the lower of cost and net realisable value. The net realisable value of construction work in progress, which includes attributable profit on contracts and is determined on the basis of measured work to the balance sheet date, is included in debtors. Deductions are made for net foreseeable losses and progress payments received. Payments received in excess of net realisable value on a contract are included in creditors.

Hire Purchase and Leasing Commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligation is charged to profit and loss account over the period of the hire. Rentals paid under operating leases are charged against income as incurred.

Pension Fund

Pension benefits are funded by payments to trustee administered funds. The cost of providing benefits is charged to the profit and loss account annually.

2. TURNOVER

Turnover represents the value of goods and services supplied by the group, excluding value added tax, in the case of long term contracts the value of work done during the year and amounts realised on secured loans.

3. OTHER OPERATING INCOME

	2012 £	2011 £
Rent received	96,146	129,197

4. OPERATING PROFIT/(LOSS)

	2012 £	2011 £
This is stated after charging:		
Auditor's remuneration – audit fee	10,000	10,000
Depreciation of owned assets	78,406	97,571
Depreciation of assets held on hire purchase	7,767	-
Hire of plant and machinery	305,911	278,715
Operating lease payments	47,434	36,647
Gain on sale of fixed assets	(1,974)	(4,510)

ARNBROOK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2012

5. EMPLOYEE INFORMATION

	2012 £	2011 £
Staff costs:		
Wages and salaries	1,989,693	2,223,068
Social security costs	185,735	209,120
Other pension costs	132,126	250,940
	<u>2,307,554</u>	<u>2,683,128</u>

The average number of persons employed during the year, including executive directors, was made up as follows:

	2012 Number	2011 Number
Operatives	46	54
Office and management	22	27
	<u>68</u>	<u>81</u>

6. DIRECTOR'S REMUNERATION

	2012 £	2011 £
Emoluments	<u>34,793</u>	<u>129,196</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £	2011 £
On obligations under hire purchase	1,352	906
Bank interest	<u>2,366</u>	<u>837</u>
	<u>3,718</u>	<u>1,743</u>

ARNBROOK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2012

8. TAXATION

	2012 £	2011 £
UK corporation tax payable/ (recoverable)	12,106	-
Deferred tax release	-	(10,272)
	<u>12,106</u>	<u>(10,272)</u>

The tax assessed for the year differs from the standard rate of tax as follows:

	2012 £	2011 £
Profit/loss) on ordinary activities before tax	<u>239,959</u>	<u>(302,591)</u>
Profit/(loss) on ordinary activities at standard rate of tax 20%		
(2011: 24%)	47,992	(72,807)
Expenses not deductible for tax purposes	1,139	2,613
Income not taxable	(10,503)	-
Depreciation in excess of capital allowances	(10,071)	11,591
Other short timing differences	(291)	225
Unused losses carried forward	-	58,378
Utilisation of tax losses	<u>(16,160)</u>	<u>-</u>
	<u>12,106</u>	<u>-</u>

9. TANGIBLE FIXED ASSETS

GROUP	Heritable Property £	Plant and Equipment £	Motor Vehicles £	Total £
Cost or valuation				
At 1 February 2011	1,474,287	567,595	347,994	2,389,876
Additions	-	36,722	100,221	136,943
Disposals	-	-	(50,729)	(50,729)
At 31 January 2012	<u>1,474,287</u>	<u>604,317</u>	<u>397,486</u>	<u>2,476,090</u>
Depreciation				
At 1 February 2011	-	491,961	271,955	763,916
Provision for the year	-	40,773	45,400	86,173
Adjustments for disposals	-	-	(50,353)	(50,353)
At 31 January 2012	<u>-</u>	<u>532,734</u>	<u>267,002</u>	<u>799,736</u>
Net book value				
At 31 January 2012	<u>1,474,287</u>	<u>71,583</u>	<u>130,484</u>	<u>1,676,354</u>
At 31 January 2011	<u>1,474,287</u>	<u>75,634</u>	<u>76,039</u>	<u>1,625,960</u>

ARNBROOK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2012

9. TANGIBLE FIXED ASSETS (cont'd)

The director has carried out an impairment review of buildings at the year end and concluded that no adjustment is required to the carrying value above.

Included in the amounts for plant and equipment and motor vehicles are the following amounts relating to assets held at the year end under hire purchase contracts:

	2012 £	2011 £
Cost	123,721	-
Aggregate depreciation	<u>7,767</u>	-
Net book value	<u>115,954</u>	-
Depreciation provided during the year	<u>7,767</u>	-
		Plant and Equipment £
COMPANY		
Cost or valuation		
At 1 February 2011 and 31 January 2012		<u>9,292</u>
Depreciation		
At 1 February 2011		9,120
Provision for the year		<u>147</u>
At 31 January 2012		<u>9,267</u>
Net book value		
At 31 January 2012		<u>25</u>
At 31 January 2011		<u>172</u>

ARNBROOK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2012

10. INVESTMENTS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other investments at cost	44,947	66,739	44,947	66,739
Less costs of disposal	3,291	21,792	3,291	21,792
	41,656	44,947	41,656	44,947
Investment in subsidiary at cost	-	-	805,921	805,921
Total investments at cost	41,656	44,947	847,577	850,868

Other investments comprise loans due to the group and secured over residential properties. A loan is repayable when a property is sold.

The investment in subsidiary comprises a 100% holding in the ordinary share capital of McGregor Construction (Highlands) Limited, a company incorporated in Great Britain and engaged in construction.

11. NEGATIVE GOODWILL

GROUP	£
Cost	
At 1 February 2011 and 31 January 2012	52,512
Amortisation	
At 1 February 2011	-
Amortised in year	(52,512)
At 31 January 2012	(52,512)
Net book value	
At 31 January 2012	-
At 31 January 2011	52,512

The negative goodwill which arose on the acquisition of the subsidiary company, McGregor Construction (Highlands) Limited more than ten years ago, has been amortised in the current year.

12. STOCKS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Raw materials and consumables	80,824	75,169	-	-

ARNBROOK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2012

13. DEBTORS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts falling due within one year				
Amounts recoverable on contracts	912,660	613,222	-	-
Trade debtors	219,300	127,827	-	-
Prepayments and accrued income	69,237	22,049	501	56
Amounts due from subsidiary	-	-	139,764	53,107
Other debtors	2,343	-	-	-
	<u>1,203,540</u>	<u>763,098</u>	<u>140,265</u>	<u>53,163</u>
Amounts falling due after more than one year				
Amounts recoverable on contracts	87,507	47,446	-	-

14. CREDITORS: Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank overdraft	890,481	797,256	890,481	797,256
Trade creditors	1,770,511	1,049,328	-	-
Obligations under hire purchase contracts	40,770	-	-	-
Other taxation and social security costs	91,527	64,544	-	-
Other creditors	-	493	-	493
Accruals	90,626	155,766	-	-
Corporation tax	12,106	-	-	-
	<u>2,896,021</u>	<u>2,067,387</u>	<u>890,481</u>	<u>797,749</u>

The bank has an unlimited inter-company guarantee by the parent company and the subsidiary supported by a bond and floating charge over both companies and a standard security by the subsidiary over property owned by it.

ARNBROOK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2012

15. CREDITORS: Amounts falling due more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Obligations under hire purchase contracts	66,189	-	-	-

16. CALLED UP SHARE CAPITAL

	2012	2011
	£	£
Allotted, called up and fully paid		
25,200 ordinary shares of £1 each	25,200	25,200

17. PROFIT AND LOSS ACCOUNT

	Group	Company
	£	£
At 1 February 2011	921,124	81,256
Profit for the year	227,853	5,932
Dividend paid during year	(15,000)	(15,000)
At 31 January 2012	1,133,977	72,188

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Profit / (loss) for the year	277,853	(292,319)	5,932	(170,261)
Dividend paid	(15,000)	(95,000)	(15,000)	(95,000)
Shareholder's funds at 1 February 2011	946,324	1,333,643	106,456	371,717
Shareholder's funds at 31 January 2012	1,159,177	946,324	97,388	106,456

ARNBROOK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2012

19. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of operating loss to net cash inflow from operating activities	2012 £	2011 £
Operating profit	243,570	(301,060)
Depreciation charges	86,173	97,571
Amortisation of negative goodwill	(52,512)	-
Profit on sale of fixed assets	(1,974)	(4,510)
Profit on realisation of secured loans	(9,734)	(69,348)
(Increase)/decrease in stock	(5,655)	8,743
Increase in debtors	(480,503)	(374,786)
Increase/(decrease) in creditors	682,533	(75,312)
Net cash inflow/(outflow) from operating activities	461,898	(718,702)

b) Analysis of change in net debt

	Brought forward £	Cash flows £	Other Changes £	Carried forward £
Cash at bank and in hand	509,603	521,903	-	1,031,506
Bank overdraft	(797,256)	(93,225)	-	(890,481)
	(287,653)	428,678	-	141,025
Debt due within one year	-	16,762	(57,532)	(40,770)
Debt due after more than one year	-	-	(66,189)	(66,189)
	(287,653)	445,440	(123,721)	34,066

c) Reconciliation of net cash flow to movement in funds	2012 £	2011 £
Net increase/(decrease) in cash	428,678	(712,662)
Change in debt financing	16,762	17,757
Inception of hire purchase contracts	(123,721)	-
Changes in net funds/(debt)	321,719	(694,905)
Net (debt)/funds at 1 February 2011	(287,653)	407,252
Net funds/(debt) at 31 January 2012	34,066	(287,653)

20. CONTINGENT LIABILITIES

Guarantee bonds have been issued by a bondsman on behalf of the subsidiary company. In consideration of this there is a floating charge on the assets of the subsidiary and a general agreement of indemnity by each of the group companies in favour of the bondsman.

ARNBROOK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2012

21 PENSION SCHEME

For a number of years the subsidiary company has operated a pension scheme providing benefits based on final pensionable salary. That scheme closed to future accrual on 31 January 2008. As the scheme is governed by trust deed, the scheme's assets are held separately from those of the subsidiary company. On 1 February 2006 a replacement scheme for former active members of the old scheme was introduced and benefits are money purchase based. Both the subsidiary company and member employees contribute to this new scheme.

The last completed triennial actuarial valuation of the old scheme was carried out as at 1 February 2011. On that date the value of the scheme assets was £7.731m and the value of liabilities was £8.822m, giving a funding level of 94%. The principal assumptions used in the valuation were as follows:

Discount interest rate (pre-retirement)	5.75%
Discount interest rate (post-retirement)	5.25%
PPI Inflation increases	3.25%

Post retirement pensions accrued in respect of service after 6 April 1997 are increased in line with RPI subject to a maximum of 5.0% per annum.

The pension cost charged to the profit and loss account of the subsidiary company for the year was £132,126 (2011: £250,940).

The directors felt that a valuation under Financial Reporting Standard "FRS 17 Retirement Benefits" at the balance sheet date would not provide an accurate or relevant summary of the funding position of the scheme. Therefore a FRS 17 valuation was not carried out.

The subsidiary company continues to make contributions to the closed scheme in line with the Schedule of Contributions as certified by the scheme actuary.

22. PAYMENTS DUE WITHIN ONE YEAR UNDER OPERATING LEASES

	2012 £	2011 £
Leases of plant, equipment and vehicles which expire:		
Within one year	6,006	4,208
Between two and five years	18,316	28,098
	<u>24,322</u>	<u>32,306</u>

23. RELATED PARTIES

Advantage has been taken of the exemption under FRS 8 not to disclose any transactions or balances between group entities.

