



Hall Morrice
Chartered Accountants

SCOTS BEARINGS LIMITED
SC299694

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

WEDNESDAY



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SCOTS BEARINGS LIMITED

COMPANY INFORMATION

Directors	David Jackson Ann Jackson
Secretary	Ann Jackson
Company number	SC299694
Registered office	Union Plaza 1 Union Wynd Aberdeen AB10 1DQ
Business address	Robert Leonard Centre Kirkhill Industrial Estate Dyce Aberdeen AB21 0GG
Registered auditors	Hall Morrice LLP 6 & 7 Queens Terrace Aberdeen AB10 1XL
Bankers	Bank of Scotland 9 Victoria Street Dyce Aberdeen AB21 7DX
Solicitors	Paul & Williamsons LLP Union Plaza 1 Union Wynd Aberdeen AB10 1DQ

SCOTS BEARINGS LIMITED

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SCOTS BEARINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and audited financial statements for the year ended 31 December 2011.

Principal activities and review of the business

The principal activity of the group is the distribution of bearings and transmission equipment.

Results and dividends

The consolidated profit and loss account for the year is set out on page 5.

Business review

The results for the group are detailed on page 5 of the financial statements. The results for the year show a 25% increase in turnover compared with 2010 and a 16% increase in gross profit. The directors are very encouraged by the trend and continued growth is expected during 2012.

The balance sheet on page 6 shows a healthy financial position with shareholders funds increased to £860,000. The directors consider that the group is in a relatively healthy position with the only external funding arising from cashflow discounting.

2012 will see our Glasgow based operation expand with the acquisition of an 11,000 sq. ft. office/warehouse to accommodate our bearing division which will allow our gearbox division to expand within the existing warehouse.

The directors are confident that the group will continue to thrive in the future through the prime focus on high quality goods and customer service as the core of the group's activities. The directors look forward to a successful 2012 in what will be the 25th anniversary of the foundation of the business.

Financial risk management

The group has very limited exposure to foreign currency exchange variations and trades primarily in its functional currency, UK£. As a result the company does not ordinarily use financial instruments to hedge foreign exchange exposure.

The key financial assets of the group are cash, bank balances and trade receivables. Any credit is primarily related to trade receivables of which the majority are with high credit rated businesses. The amounts in the balance sheet are net of any allowance for doubtful debts.

Directors

The following directors have held office since 1 January 2011:

David Jackson
Ann Jackson

Auditors

The auditors, Hall Morrice LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

SCOTS BEARINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

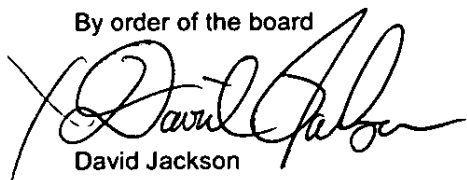
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

By order of the board



David Jackson

Director

18 July 2012

SCOTS BEARINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTS BEARINGS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Scots Bearings Limited for the year ended 31 December 2011 which comprise the Profit and loss account, the Balance sheet, the Cash flow statement 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement as set out in the Directors' report the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 and the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2011 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SCOTS BEARINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SCOTS BEARINGS 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Hugh H. Hall, BSc, CA

Senior Statutory Auditor

For and on behalf of Hall Morrice LLP

Statutory Auditor

Aberdeen

18 July 2012

SCOTS BEARINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Turnover	2	9,244,629	7,413,214
Cost of sales		(5,956,577)	(4,580,038)
Gross profit		3,288,052	2,833,176
Administrative expenses		(2,754,045)	(2,540,428)
Other operating income		-	3,596
Operating profit	3	534,007	296,344
Other interest receivable and similar income		974	619
Interest payable and similar charges	4	(571)	(5,828)
Profit on ordinary activities before taxation		534,410	291,135
Tax on profit on ordinary activities	5	(160,638)	(105,318)
Profit on ordinary activities after taxation		373,772	185,817
Minority interests	17	(34,409)	(22,656)
Profit for the financial year	16	339,363	163,161

The profit for the year of the parent company amounted to £433,285 (2010 - £224,638).

The profit and loss account has been prepared on the basis that all operations are continuing operations.

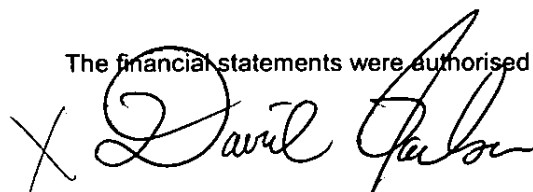
There are no recognised gains and losses other than those passing through the profit and loss account.

SCOTS BEARINGS LIMITED

BALANCE SHEETS AS AT 31 DECEMBER 2011

	Notes	2011 £	Group 2010 £	2011 £	Company 2010 £
Fixed assets					
Intangible assets	7	365,430	449,588	-	-
Tangible assets	8	69,349	69,040	-	-
Investments	9	-	-	1,219,686	1,219,686
		<u>434,779</u>	<u>518,628</u>	<u>1,219,686</u>	<u>1,219,686</u>
Current assets					
Stocks	10	1,350,955	1,183,257	-	-
Debtors	11	1,912,159	1,687,696	112,005	24,731
Cash at bank and in hand		137,857	61,386	87,470	2,063
		<u>3,400,971</u>	<u>2,932,339</u>	<u>199,475</u>	<u>26,794</u>
Creditors: amounts falling due within one year	12	<u>(2,964,360)</u>	<u>(2,770,655)</u>	<u>(126,066)</u>	<u>(236,670)</u>
Net current assets/(liabilities)		<u>436,611</u>	<u>161,684</u>	<u>73,409</u>	<u>(209,876)</u>
Total assets less current liabilities		<u>871,390</u>	<u>680,312</u>	<u>1,293,095</u>	<u>1,009,810</u>
Provisions for liabilities	13	<u>(11,645)</u>	<u>(11,394)</u>	-	-
Net assets		<u><u>859,745</u></u>	<u><u>668,918</u></u>	<u><u>1,293,095</u></u>	<u><u>1,009,810</u></u>
Capital and reserves					
Called up share capital	15	67,751	67,751	67,751	67,751
Profit and loss account	16	775,336	585,973	1,225,344	942,059
Shareholders' funds	18	<u>843,087</u>	<u>653,724</u>	<u>1,293,095</u>	<u>1,009,810</u>
Minority interests	17	<u>16,658</u>	<u>15,194</u>	-	-
		<u><u>859,745</u></u>	<u><u>668,918</u></u>	<u><u>1,293,095</u></u>	<u><u>1,009,810</u></u>

The financial statements were authorised for issue and approved by the directors on 18 July 2012

X 

David Jackson
Director

Company Registration No. SC299694

SCOTS BEARINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
£	£	£
Net cash inflow from operating activities	485,839	382,910
Returns on investments and servicing of finance		
Interest received	974	619
Interest paid	(571)	(5,828)
Dividends paid to minorities	(32,945)	(22,584)
Net cash outflow for returns on investments and servicing of finance	(32,542)	(27,793)
Taxation	(103,120)	(56,797)
Capital expenditure		
Payments to acquire tangible assets	(17,690)	(24,447)
Equity dividends paid	(150,000)	(100,000)
Net cash inflow before financing	182,487	173,873
Financing		
Directors loan advanced	-	30,492
Repayment of directors loan	(30,492)	-
Repayment of other short term loans	(75,524)	(176,850)
Net cash outflow from financing	(106,016)	(146,358)
Increase in cash in the year	76,471	27,515

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

1	Reconciliation of operating profit to net cash inflow from operating activities	2011	2010
		£	£
	Operating profit	534,007	296,344
	Depreciation of tangible assets	17,381	17,607
	Amortisation of intangible assets	84,158	84,158
	Increase in stocks	(167,698)	(149,264)
	Increase in debtors	(224,463)	(258,249)
	Increase in creditors within one year	242,454	392,314
	Net cash inflow from operating activities	485,839	382,910
2	Analysis of net funds/(debt)	1 January 2011	Cash flow 31 December 2011
		£	£
	Net cash:		
	Cash at bank and in hand	61,386	137,857
	Debts falling due within one year	(106,016)	-
	Net (debt)/funds	(44,630)	137,857
3	Reconciliation of net cash flow to movement in net funds/(debt)	2011	2010
		£	£
	Increase in cash in the year	76,471	27,515
	Cash outflow from decrease in debt	106,016	146,358
	Movement in net funds/(debt) in the year	182,487	173,873
	Opening net debt	(44,630)	(218,503)
	Closing net funds/(debt)	137,857	(44,630)

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

1.1 Accounting convention

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

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the effective date control is transferred to the company. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The interest of minority shareholders is stated at the minority proportion of the fair values of the assets and liabilities recognised.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to prepare its own profit and loss account.

1.3 Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of value added tax and trade discounts. The group recognises revenue generally at the time of delivery and when collection of the resulting receivable is assured. Should the company consider that the criteria for revenue recognition are not met for a transaction, revenue recognition would be delayed until such time as the transaction becomes fully earned or collectability is reasonably assured.

1.4 Goodwill

Goodwill arising on consolidation (representing the excess of fair value of the consideration given over the fair value of the assets acquired) is recognised as an asset and is amortised on a straight line basis over its useful economic life of 10 years.

1.5 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 less estimated residual value of each asset over its expected useful life, as follows:

Tenants improvements	20% Straight line
Computer equipment	33 1/3% Straight line
Equipment and fittings	20% Reducing balance

1.6 Leasing

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

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies (continued)

1.8 Stock

Stock is valued at the lower of cost and net realisable value.

1.9 Pension contributions

The company operates a money purchase externally funded defined contribution pension scheme covering the directors and the majority of employees. Contributions are charged against profits as the contributions are made.

1.10 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. Deferred tax assets are recognised only when recovery is likely.

1.11 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.12 Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3	Operating profit	2011 £	2010 £
	Operating profit is stated after charging:		
	Amortisation of intangible assets	84,158	84,158
	Depreciation of tangible assets	17,381	17,607
	Loss on foreign exchange transactions	3,072	1,910
	Operating lease rentals	135,884	133,962
	Auditors' remuneration		
	- Group fees	4,500	2,500
	- Taxation	2,500	2,500
	- Subsidiaries fees	12,200	9,750
		<u> </u>	<u> </u>
4	Interest payable	2011 £	2010 £
	On bank loans and overdrafts	<u>571</u>	<u>5,828</u>

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

5	Taxation	2011 £	2010 £
	Domestic current year tax		
	U.K. corporation tax	160,387	103,120
	Adjustment for prior years	-	184
	Total current tax	<u>160,387</u>	<u>103,304</u>
	Deferred tax		
	Deferred tax charge	1,264	2,014
	Adjustment for prior years	(1,013)	-
		<u>160,638</u>	<u>105,318</u>

Factors affecting the tax charge for the year

The rate of corporation tax in the UK was reduced from 28% to 26% effective April 2011. The composite rate applied during the year is 26.50%.

The current tax charge for the year is higher than the standard rate of corporation tax in the UK (26.50%). The differences are explained below:

Profit on ordinary activities before taxation	<u>534,410</u>	<u>291,135</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26.50% (2010 - 28.00%)	<u>141,619</u>	<u>81,518</u>
Effects of:		
Non deductible expenses	28,026	31,885
Depreciation add back	4,606	4,930
Capital allowances	(5,548)	(5,689)
Adjustments to previous periods	-	184
Marginal relief and small companies rate	(8,316)	(9,524)
	<u>18,768</u>	<u>21,786</u>
Current tax charge for the year	<u>160,387</u>	<u>103,304</u>

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011. The reductions in the UK corporation tax rate from 28% to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2011 has been calculated based on the rate of 25% substantively enacted at the balance sheet date.

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

6	Dividends	2011 £	2010 £
	Ordinary interim paid	<u>150,000</u>	<u>100,000</u>
7	Intangible fixed assets Group		Goodwill £
	Cost		
	At 1 January 2011 & at 31 December 2011		<u>841,582</u>
	Amortisation		
	At 1 January 2011		391,994
	Charge for the year		<u>84,158</u>
	At 31 December 2011		<u>476,152</u>
	Net book value		
	At 31 December 2011		<u>365,430</u>
	At 31 December 2010		<u>449,588</u>

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

8 Tangible fixed assets

Group

	Tenants improvements £	Computer equipment £	Equipment and fittings £	Total £
Cost				
At 1 January 2011	19,550	13,038	266,645	299,233
Additions	927	1,191	15,572	17,690
At 31 December 2011	20,477	14,229	282,217	316,923
Depreciation				
At 1 January 2011	9,444	12,340	208,409	230,193
Charge for the year	3,127	907	13,347	17,381
At 31 December 2011	12,571	13,247	221,756	247,574
Net book value				
At 31 December 2011	7,906	982	60,461	69,349
At 31 December 2010	10,106	698	58,236	69,040

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

9 Fixed asset investments

Company	Shares in group undertakings £
Cost	
At 1 January 2011 & at 31 December 2011	1,219,686
Net book value	
At 31 December 2011	1,219,686
At 31 December 2010	1,219,686

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Scots Bearings (Aberdeen) Limited	Scotland	Ordinary	100
Scots Bearings (Glasgow) Limited	Scotland	Ordinary	100
Scots Bearings (Ayrshire) Limited	Scotland	Ordinary	100
Scots Bearings (Inverness) Limited	Scotland	Ordinary	89
Scots Bearings (Dundee) Limited	Scotland	Ordinary	70

The principal activity of the subsidiary undertakings is the distribution of bearings and transmission equipment.

10 Stocks

	2011 £	Group 2010 £	2011 £	Company 2010 £
Finished goods and goods for resale	1,350,955	1,183,257	-	-

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

11 Debtors

	2011 £	Group 2010 £	2011 £	Company 2010 £
Trade debtors	1,675,249	1,545,419	-	-
Amounts owed by group undertakings	-	-	67,005	24,731
Other debtors	156,865	73,750	45,000	-
Prepayments and accrued income	80,045	68,527	-	-
	<u>1,912,159</u>	<u>1,687,696</u>	<u>112,005</u>	<u>24,731</u>

Amounts falling due after more than one year and included in the debtors above are:

	2011 £	2010 £	2011 £	2010 £
Other debtors	<u>21,600</u>	<u>21,600</u>	<u>-</u>	<u>-</u>

Included within 'Other debtors' is £45,000 due to the company by David and Ann Jackson. This represents the maximum amount due during the year. There is no interest charged and no set repayment terms.

12 Creditors : amounts falling due within one year

	2011 £	Group 2010 £	2011 £	Company 2010 £
Bank loans and overdrafts	-	75,524	-	75,524
Trade creditors	1,405,092	1,387,539	-	-
Amounts owed to group undertakings	-	-	120,723	123,704
Corporation tax	160,387	103,120	1,201	-
Taxes and social security costs	202,209	141,312	400	-
Directors current accounts	-	30,492	-	30,492
Accruals and deferred income	1,196,672	1,032,668	3,742	6,950
	<u>2,964,360</u>	<u>2,770,655</u>	<u>126,066</u>	<u>236,670</u>

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

13 Provisions for liabilities

Group

	Deferred taxation £
Balance at 1 January 2011	11,394
Profit and loss account	251
Balance at 31 December 2011	11,645

The deferred tax liability is made up as follows:

	2011 £	Group 2010 £	2011 £	Company 2010 £
Accelerated capital allowances	11,719	11,394	-	-
Other timing differences	(74)	-	-	-
	11,645	11,394	-	-

14 Pension and other post-retirement benefit commitments

Defined contribution

	2011 £	2010 £
Contributions payable by the group for the year	19,018	53,269
Contributions payable to the fund at the year end and included in creditors	(297)	-

15 Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
67,751 Ordinary shares of £1 each	67,751	67,751

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

16 Statement of movements on profit and loss account Group

	Profit and loss account £
Balance at 1 January 2011	585,973
Profit for the financial year	339,363
Dividends	(150,000)
Balance at 31 December 2011	<u>775,336</u>

Company

	Profit and loss account £
Balance at 1 January 2011	942,059
Profit for the financial year	433,285
Dividends	(150,000)
Balance at 31 December 2011	<u>1,225,344</u>

17 Minority interests

	2011 £	2010 £
At 1 January 2011	15,194	15,122
Share of profits for year	34,409	22,656
Dividends	(32,945)	(22,584)
At 31 December 2011	<u>16,658</u>	<u>15,194</u>

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

18 Reconciliation of movements in shareholders' funds	2011		2010	
	Group		£	
Profit for the financial year	339,363		163,161	
Dividends	(150,000)		(100,000)	
Net addition to shareholders' funds	189,363		63,161	
Opening shareholders' funds	653,724		590,563	
Closing shareholders' funds	843,087		653,724	
Company	2011		2010	
	£		£	
Profit for the financial year	433,285		224,638	
Dividends	(150,000)		(100,000)	
Net addition to shareholders' funds	283,285		124,638	
Opening shareholders' funds	1,009,810		885,172	
Closing shareholders' funds	1,293,095		1,009,810	

19 Financial commitments

At 31 December 2011 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		2011	Other 2010
	2011	2010		
	£	£	£	£
Expiry date:				
Within one year	-	-	19,582	41,433
Between two and five years	97,200	-	128,940	180,943
	97,200	-	148,522	222,376

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

20 Directors and employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2011 Number	2010 Number
Administrative staff	11	11
Direct	40	39
	<u>51</u>	<u>50</u>

Employment costs

	2011 £	2010 £
Wages and salaries	1,529,810	1,401,042
Social security costs	181,261	158,483
Other pension costs	19,018	53,269
	<u>1,730,089</u>	<u>1,612,794</u>

Directors' emoluments comprise the following:

Emoluments for qualifying services	516,516	556,061
Company pension contributions to money purchase pension schemes	5,542	46,352
	<u>522,058</u>	<u>602,413</u>

Emoluments for the highest paid director comprise the following:

Emoluments for qualifying services	107,850	105,000
Company pension contributions to money purchase pension schemes	-	25,000
	<u>107,850</u>	<u>130,000</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2010 - 1).

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

21 Related party transactions

During the year the non-100% owned subsidiaries transacted with group companies as follows:

	2011 £	2010 £
Scots Bearings (Dundee) Limited:		
Purchases and administrative recharges	102,026	111,690
Management charges incurred	30,325	-
Sales	16,240	77,956
Scots Bearings (Inverness) Limited:		
Purchases and administrative recharges	131,618	88,973
Management charges incurred	22,744	-
Sales	4,231	6,476

As at 31 December 2011 the following balances were payable to/(payable by) Scots Bearings (Dundee) Limited and Scots Bearings (Inverness) Limited in respect of their fellow subsidiaries:

	2011 £	2010 £
Scots Bearings (Dundee) Limited:		
Scots Bearings Limited	39,970	17,010
Scots Bearings (Aberdeen) Limited	36,609	30,952
Scots Bearings (Ayreshire) Limited	9,000	(376)
Scots Bearings (Inverness) Limited	(1,998)	(6,819)
Scots Bearings (Glasgow) Limited	45,068	57,375
Scots Bearings (Inverness) Limited:		
Scots Bearings Limited	3,434	(24,371)
Scots Bearings (Aberdeen) Limited	(7,142)	(8,659)
Scots Bearings (Ayreshire) Limited	(7,000)	(2,000)
Scots Bearings (Dundee) Limited	1,998	6,819
Scots Bearings (Glasgow) Limited	72,085	73,378

The director, David Jackson has provided personal guarantees to the bank as security over bank overdrafts as follows:

	2011 £	2010 £
Scots Bearings (Glasgow) Limited	40,000	40,000
Scots Bearings (Dundee) Limited	10,000	10,000
Scots Bearings (Aberdeen) Limited	12,000	12,000

During the year Scots Bearings (Aberdeen) Limited advanced a loan of £21,600 to the director, David Jackson's, pension scheme. Interest is charged on the loan at a rate of 4% above Bank of England base rate. The loan is due to be repaid within 5 years. Scots Bearings (Aberdeen) Limited also paid the pension scheme rent for the property of £45,000 (2010 - £25,459).

During the year the director of Scots Bearings (Dundee) Limited, Thomas Duncan, provided a letter of guarantee for £10,000 to the bank as security on the overdraft of Scots Bearings (Dundee) Limited. Also, during the year Thomas Duncan was advanced £5,000 by Scots Bearings (Dundee) Limited. This was the maximum amount outstanding during the year. There were no set repayment terms and no interest was applied. As at 31 December 2011 the balance due by the director was £nil (2010 - £nil).

SCOTS BEARINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

21 Control

The company was controlled throughout the current and prior year by the directors, David and Ann Jackson, by virtue of the fact that they hold 100% of the issued ordinary share capital.