

**A. BILBROUGH & CO. LIMITED**  
(REGISTERED NUMBER 116377)

**REPORT AND FINANCIAL STATEMENTS**

**20TH FEBRUARY 2014**

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COMPANIES HOUSE

## **A. BILBROUGH & CO. LIMITED**

### **Directors**

I. E. Gooch  
M.D.M. Hill (Resigned 21 March 2014)  
A.G. Jones  
I. Paul  
S. Roberts  
I.W. Barr  
R. Toggwiler (Appointed 20 February 2014)

### **Company Secretary**

S.J. Avigdor

### **Registered Office**

50 Lemn Street  
London E1 8HQ

### **Bankers**

Barclays Bank Plc  
1 Churchill Place  
London E14 5HP

### **Auditors**

Moore Stephens LLP  
150 Aldersgate Street  
London  
EC1A 4AB

## **A. BILBROUGH & CO. LIMITED**

### **STRATEGIC REPORT**

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The Directors present their Strategic report for the year ended 20 February 2014.

#### **Review of Business and Risks**

The sole activity of the company is the management of the London Steam-Ship Owners' Mutual Insurance Association Ltd ("the Association"), a Protection and Indemnity Club providing third party liability insurance on a mutual basis to shipowners and ship operators. The company has its head office in London where its senior management team is located but it also has claims handling/liaison offices in Hong Kong and Piraeus, Greece. The company's turnover for the year to 20 February 2014 was £11,864,979 (2013: £11,609,536), a increase of 2.2%, its retained profit for the year was £523,807 (2013: £486,327). The ratio of staff costs to turnover was 73% (2013: 72%).

The contractual relationship between the company and the Association is governed by the terms of a Management Agreement dated 15 November 2012. The company's turnover is derived in its entirety from the remuneration it earns from the Association, calculated in accordance with the Management Agreement, which is intended to cover the costs which the company incurs in carrying out its management responsibilities. Although the company is owned by its Directors and is independent of the Association, the Association remains its only client, so its fortunes are very largely dependent on it. The company's turnover will therefore fluctuate only as a result of changes in the costs of managing the Association.

The principal risk facing the company therefore is its reliance on its single client. Whilst the Directors recognise this fact, given the very longstanding business connection with the Association and the close working relationship which exists with its governing Committee, they do not feel the need to reduce this reliance at the present time, particularly if in taking steps to do so the quality of service provision to the Association might suffer.

The second major risk facing the company is its financial obligation towards the defined benefit pension scheme, membership of which is still open to its longer-standing UK staff and which, in common with many such schemes, currently has a large actuarial deficit. Since full implementation of Financial Reporting Standard 17 became a requirement in 2006 it has been necessary for the company to reflect this deficit in the company's financial statements, and the impact has been very significant, as well as obscuring the underlying trading performance of the company. During the financial year reported in these financial statements, the net deficit, after making allowance for deferred taxation, has increased from £9,022,229 to £10,476,655 due to a fall in the yield on corporate bonds, used to set the discount rate applied to scheme liabilities. This resulted in liabilities increasing by approximately £3.5m, although this was offset by investment returns higher than assumed and other favourable experiences. In November 2011 the company agreed a Recovery Plan with the Scheme Trustees under which the deficit is expected to be eliminated by 2018,

**A. BILBROUGH & CO. LIMITED**

**STRATEGIC REPORT continued**

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**Review of Business and Risks continued**

provided the assumptions set out in the Statement of Funding Principles are met. The Recovery Plan is next due to be reviewed and updated following completion of the 2015 triennial actuarial valuation.

BY ORDER OF THE BOARD



A.G. JONES  
Director

50 Leaman Street  
London E1 8HQ  
18 November 2014

## **A. BILBROUGH & CO. LIMITED**

### **DIRECTORS' REPORT**

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The Directors present their Annual Report and the Financial Statements for the year ended 20 February 2014.

#### **Results**

The retained profit for the financial year is shown on page 8. The Directors do not recommend the payment of a dividend on the Management shares. A transfer has been made to the cumulative preference share reserve to recognise the obligation of paying a dividend of 7.5 pence per share on the 'A' shares, at such time as distributable reserves are generated in the future.

#### **Directors**

The Directors listed on page 1 served throughout the financial year, except R.Toggwiler who was appointed at the year end.

As permitted by the Companies Act 2006, the company has insurance cover for Directors and Officers of the company.

#### **Charitable Donations**

During the year the company made charitable donations of £2,000 (2013: £2,000) to maritime-related charities. There were no political contributions.

#### **Auditors**

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

So far as each Director is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the Directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

BY ORDER OF THE BOARD



A.G. JONES  
Director

50 Leman Street  
London E1 8HQ

18 November 2014

## **A. BILBROUGH & CO. LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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 Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **A. BILBROUGH & CO. LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A. BILBROUGH & CO. LIMITED**

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We have audited the financial statements of A. Bilbrough & Co. Limited for the year ended 20 February 2014 which are set out on pages 8 to 24. 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 set out on page 5, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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. In addition, we read all the financial and non-financial information in the Directors' 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.

## **A. BILBROUGH & CO. LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A. BILBROUGH & CO. LIMITED continued**

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#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 20 February 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter(s) prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' 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 require 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 Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Michael Butler, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street  
London  
EC1A 4AB

18 November 2014



# **A. BILBROUGH & CO. LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 20 FEBRUARY 2014**

	Note	2014 £	2013 £
<b>Turnover</b>	2	<b>11,864,979</b>	11,609,536
Staff costs	3	<b>(8,651,774)</b>	(8,377,257)
Depreciation and other amounts written off tangible fixed assets	1(c)	<b>(409,692)</b>	(389,551)
Other operating charges		<b>(1,488,273)</b>	(1,615,344)
<b>Operating profit</b>		<b>1,315,240</b>	1,227,384
Other interest receivable and similar income		<b>30,077</b>	1,968
Interest payable and similar charges	6	<b>(609,001)</b>	(592,002)
<b>Profit on ordinary activities before taxation</b>		<b>736,316</b>	637,350
Tax on profit on ordinary activities	7	<b>(203,509)</b>	(142,023)
<b>Profit on ordinary activities after tax</b>		<b>532,807</b>	495,327
Transfer to cumulative preference share reserve		<b>(9,000)</b>	(9,000)
<b>Retained profit for the financial year</b>	13	<b>523,807</b>	486,327

## **Statement of total recognised gains and losses for the year ended 20 February 2014**


		2014 £	2013 £
Retained profit for the financial year		<b>523,807</b>	486,327
Pension actuarial (losses)/gains recognised	17	<b>(2,492,000)</b>	2,761,000
Deferred tax		<b>498,400</b>	(552,200)
<b>Total recognised (losses)/gains relating to the year</b>		<b>(1,469,793)</b>	2,695,127

The notes on pages 12 to 24 form part of these financial statements.

**A. BILBROUGH & CO. LIMITED**

**BALANCE SHEET AT 20 FEBRUARY 2014**

	Note	2014	2013
		£	£
<b>ASSETS</b>			
<b>Fixed Assets</b>			
Tangible assets	8	1,011,987	935,203
Investments	9	24,023	26,940
		<b>1,036,010</b>	<b>962,143</b>
<b>Current Assets</b>			
Debtors	10	896,077	465,067
Cash at bank and in hand		147,869	356,274
		<b>1,043,946</b>	<b>821,341</b>
<b>Debtors: amounts due after more than one year</b>			
Deferred tax asset	16	561	18,802
		<b>2,080,517</b>	<b>1,802,286</b>
<b>LIABILITIES</b>			
<b>Capital and Reserves</b>			
Called up share capital	12	270,000	270,000
Pensions reserve	13	(10,476,655)	(9,022,229)
Cumulative preference share reserve	13	81,000	72,000
Profit and loss account	13	795,285	810,652
<b>Equity Shareholders' Funds</b>	14	<b>(9,330,370)</b>	<b>(7,869,577)</b>
<b>Creditors: amounts falling due within one year</b>			
	11	934,232	649,634
Total liabilities before pensions liability		934,232	649,634
Pensions liability	17	10,476,655	9,022,229
Total liabilities after pensions liability		<b>11,410,887</b>	<b>9,671,863</b>
		<b>2,080,517</b>	<b>1,802,286</b>

  
I.E. GOOCH  
Director

  
A.G. JONES  
Director

The financial statements were approved by the Board of Directors on 18 November 2014.  
The notes on pages 12 to 24 form part of these financial statements.

# **A. BILBROUGH & CO. LIMITED**

## **CASH FLOW STATEMENT FOR THE YEAR ENDED 20 FEBRUARY 2014**

	Note	2014 £	2013 £
<b>Net cash inflow from operating activities</b>	1	<b>883,612</b>	<b>1,472,778</b>
Returns on investments and servicing of finance	2(i)	(578,924)	(590,034)
Taxation		(65,742)	(14,903)
Capital expenditure	2(ii)	(486,476)	(449,952)
<b>(Decrease)/ Increase in Cash</b>	3	<b>(247,530)</b>	<b>417,889</b>

## **NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 20 FEBRUARY 2014**

### **1. Reconciliation of operating profit to net cash inflow from operating activities**

	2014 £	2013 £
Operating profit	1,315,240	1,227,384
Effect of foreign exchange rate changes	2,917	(907)
Depreciation	415,249	388,240
Profit on disposal of fixed assets	(5,557)	1,311
(Increase)/Decrease in debtors	(431,010)	452,385
Increase in creditors	260,741	35,731
Effect of pension liability movements	(673,968)	(631,366)
<b>Net cash inflow from operating activities</b>	<b>883,612</b>	<b>1,472,778</b>

## A. BILBROUGH & CO. LIMITED

### NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 2. Gross cash flows

<b>(i) Returns on investments and servicing of finance</b>	<b>2014 £</b>	<b>2013 £</b>
Interest received	0	33
Dividend received	1,935	1,935
Investment return	28,142	-
Investment charges	(609,000)	(592,000)
Interest paid	(1)	(2)
	<b>(578,924)</b>	<b>(590,034)</b>
<b>(ii) Capital expenditure</b>	<b>2014 £</b>	<b>2013 £</b>
Purchase of tangible fixed assets	(500,971)	(458,109)
Sale of tangible fixed assets	14,495	8,157
	<b>(486,476)</b>	<b>(449,952)</b>

#### 3. Analysis of changes in net debt

	<b>At 20.02.2013 £</b>	<b>Cash flows £</b>	<b>At 20.02.2014 £</b>
Cash at bank	356,274	(208,405)	147,869
Overdrafts		(39,125)	(39,125)
<b>Total</b>	<b>356,274</b>	<b>(247,530)</b>	<b>108,744</b>

## **A. BILBROUGH & CO. LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014**

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#### **1. ACCOUNTING POLICIES**

##### **(a) Basis of preparation of financial statements**

The financial statements set out on pages 8 to 24 have been prepared under the historical cost convention and in accordance with applicable accounting standards.

##### **(b) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business, net of discounts and VAT where applicable.

##### **(c) Depreciation**

###### **Tangible Assets**

Depreciation is provided on all tangible assets. The rates used are estimated to write off the cost of each asset, less its anticipated residual value, by annual instalments over its expected useful life as follows:

Computer hardware and software	25% or 50% per annum straight line or
development costs	25% per annum reducing balance
Furniture and equipment	12.5%, 20% or 25% per annum straight line
Motor vehicles	25% per annum reducing balance

##### **(d) Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities dominated in foreign currencies are retranslated at the rate ruling at the balance sheet date. All differences are taken to the the profit and loss account.

##### **(e) Operating leases**

Operating lease rentals are accounted for as they arise. Future commitments to operating leases are not provided for.

## **A. BILBROUGH & CO. LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued**

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#### **1. ACCOUNTING POLICIES continued**

##### **(f) Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

##### **(g) Pension costs**

Pensions costs are accounted for in accordance with Financial Reporting Standard 17 - Retirement benefits ('FRS17'). The fair value of the assets of the pension scheme, less the scheme liabilities measured on an actuarial basis using the projected units method, are reflected in the balance sheet. Actuarial gains and losses in the scheme are taken to the Pensions Reserve. Contributions made in the year reduce the pensions liability. Finance costs or income and current service costs are reflected in the profit and loss account.

The company also operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from the company in independently administered funds for individual members of staff who have elected to participate in the scheme. The pension charge includes contributions payable by the company for the year. The company's liability on this pension scheme is limited to the amount of the contributions.

##### **(h) Investments**

Investments are recorded at historical cost.

## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 2. TURNOVER

Turnover represents fees receivable from The London Steam-Ship Owners' Mutual Insurance Association Limited.

#### 3. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year was as follows:

	2014	2013
Directors	6	6
Insurance and administration staff	93	94
	<u>99</u>	<u>100</u>

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£	£
Salaries	6,882,420	6,503,490
Other staff costs	391,981	464,868
Social security costs	662,739	649,036
Other pension costs	714,634	759,863
	<u>8,651,774</u>	<u>8,377,257</u>

With effect from 1 April 2011, the Rules of the company's defined benefit pension scheme were amended to cap pensionable salary increases to a maximum of 2% per annum.

#### 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is arrived at after charging:

	2014	2013
	£	£
Auditors' remuneration		
London - audit	29,750	29,250
London - tax	3,750	3,250
Hong Kong - audit	4,847	5,734
	<u>38,347</u>	<u>38,234</u>
Operating leases	<u>530,574</u>	<u>499,775</u>
And after crediting:		
Income from unlisted investments	<u>1,935</u>	<u>1,935</u>

## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 5. DIRECTORS' EMOLUMENTS

	2014 £	2013 £
Emoluments (excluding pension costs)	<u>1,828,441</u>	<u>1,837,239</u>
Excess retirement benefits of past directors	<u>26,454</u>	<u>24,123</u>

All directors are members of the company's defined benefit and/or defined contribution pension schemes, numbers are as follows:

	2014	2013
Defined benefit pension scheme	5	5
Defined contribution pension scheme	4	4

The above details include the following amounts in respect of the highest paid director:

	2014 £	2013 £
Emoluments (excluding pension costs)	<u>421,542</u>	<u>418,235</u>

At the end of the year the highest paid director had an accrued pension of £153,456 (2013: £149,070).

#### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £	2013 £
Pension scheme	609,000	592,000
Bank interest payable	1	2
	<u>609,001</u>	<u>592,002</u>



## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 7. TAXATION

##### (a) Analysis of charge in period

	2014 £	2013 £
<b>Current tax</b>		
UK Corporation Tax on profits of the period	13,404	19,348
Overseas tax	31,222	(1,071)
Adjustments in respect of previous periods	5,848	-
Total current tax	<u>50,474</u>	<u>18,277</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	18,241	(2,527)
Pensions liability	134,794	126,273
Tax charge on profit on ordinary activities	<u>203,509</u>	<u>142,023</u>

##### (b) Factors affecting tax charge for period

The tax assessed for the period is the small company rate of corporation tax in the UK 20% (2013: 20%). The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>736,316</u>	<u>637,350</u>
Profit on ordinary activities multiplied by the standard rate in the UK of 20% (2013: 20%)	147,263	127,470
Effects of:		
Expenses not deductible for tax purposes	11,520	12,541
Pension related costs	(134,794)	(126,273)
Capital allowances for period in excess of depreciation	(10,585)	5,610
Tax charge	<u>13,404</u>	<u>19,348</u>

## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 8. FIXED ASSETS - Tangible

	Total £	Computer Hardware & Software £	Motor Vehicles £	Furniture & Equipment £
<b>Cost</b>				
At 20th February 2013	7,152,938	6,616,035	47,017	489,886
Additions during the year	500,971	249,060	26,697	225,214
Disposals during the year	(48,344)		(47,017)	(1,327)
<b>At 20th February 2014</b>	<b><u>7,605,565</u></b>	<b><u>6,865,095</u></b>	<b><u>26,697</u></b>	<b><u>713,773</u></b>
<b>Depreciation</b>				
At 20th February 2013	6,217,735	5,864,578	39,327	313,830
Charge for the year	415,249	324,709	4,450	86,090
Disposals during the year	(39,406)	-	(39,406)	-
<b>At 20th February 2014</b>	<b><u>6,593,578</u></b>	<b><u>6,189,287</u></b>	<b><u>4,371</u></b>	<b><u>399,920</u></b>
<b>Net book value at 20th February 2014</b>	<b><u>1,011,987</u></b>	<b><u>675,808</u></b>	<b><u>22,326</u></b>	<b><u>313,853</u></b>
<b>Net book value at 20th February 2013</b>	<b><u>935,203</u></b>	<b><u>751,457</u></b>	<b><u>7,690</u></b>	<b><u>176,056</u></b>

#### 9. INVESTMENTS

	2014 £	2013 £
Unlisted	24,023	26,940
	<b><u>24,023</u></b>	<b><u>26,940</u></b>

## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 10. DEBTORS: Amounts falling due within one year

	2014	2013
	£	£
Trade debtors	651,913	167,171
Other debtors	146,060	176,165
Tax debtors	-	-
Prepayments and accrued income	98,104	121,731
	<u>896,077</u>	<u>465,067</u>

#### 11. CREDITORS: Amounts falling due within one year

	2014	2013
	£	£
Bank overdrafts	39,125	-
Other creditors	5,251	-
Taxation	(3,578)	11,690
Social Security	376,594	241,933
Accruals and deferred income	516,840	396,011
	<u>934,232</u>	<u>649,634</u>

#### 12. SHARE CAPITAL

	2014	2013
	£	£
a) Authorised, allotted, issued and fully paid up management shares of £1 each	<u>150,000</u>	<u>150,000</u>
b) Authorised, allotted, issued and fully paid up 'A' shares of £1 each	<u>120,000</u>	<u>120,000</u>

The 'A' shares rank pari passu with the management shares in all respects save that:

- i) The holders of the 'A' shares have a prior right to a cumulative dividend at the rate of 7.5 pence per share per annum; and
- ii) The holders of the 'A' shares have no right to attend or vote at general meetings unless payment of their dividend is in arrears.

## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 13. RESERVES

	Profit & Loss	Pensions Reserve	Cumulative Preference Share reserve	Total
	£	£	£	£
At 20 February 2013	810,652	(9,022,229)	72,000	(8,139,577)
Profit for the year ended 20 February 2014	523,807	-		523,807
Cumulative preference share reserve	-		9,000	9,000
Actuarial Gain on pensions liability		(1,993,600)	-	(1,993,600)
Transfer	(539,174)	539,174	-	-
<b>At 20 February 2014</b>	<b>795,285</b>	<b>(10,476,655)</b>	<b>81,000</b>	<b>(9,600,370)</b>

The requirement of FRS17 to make provision for net pension scheme liabilities has resulted in a £1,454,426 increase (2013: £2,713,893 decrease) in the pensions liability at the year end.

The cumulative preference share reserve recognises the obligation of the company to pay the "A" shareholders dividends when distributable reserves are available.

#### 14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Profit for the financial year	523,807	486,327
Actuarial gain/(loss)	(2,492,000)	2,761,000
Deferred tax	498,400	(552,200)
Cumulative preference share reserve	9,000	9,000
Net (decrease)/increase in shareholders' funds	<u>(1,460,793)</u>	<u>2,704,127</u>
Opening shareholders' funds	(7,869,577)	(10,573,704)
Closing shareholders' funds	<u><u>(9,330,370)</u></u>	<u><u>(7,869,577)</u></u>

## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 15. OPERATING LEASES

At 20 February 2014 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 2014 £	Other 2014 £	Land and buildings 2013 £	Other 2013 £
Operating leases to expire:				
within one year	-	4,685	35,798	5,535
in the second to fifth years inclusive	305,199	34,418	425,230	16,448
more than five years	374,930	-	379,764	-
	<u>680,129</u>	<u>39,103</u>	<u>840,792</u>	<u>21,983</u>

#### 16. DEFERRED TAX ASSET

	2014 £	2013 £
a) Analysis of deferred tax balances		
Accelerated capital allowances	561	18,802
Asset arising on timing differences	<u>561</u>	<u>18,802</u>
b) Analysis of movement in asset		
Asset at 21 February 2013	18,802	16,275
Originating and reversing timing differences	(18,241)	2,527
Asset at 20 February 2014	<u>561</u>	<u>18,802</u>

Deferred tax assets are recognised for short term timing differences where there is sufficient evidence of recoverability.

A deferred tax asset of £561 has been recognised at 20 February 2014 (2013: £18,802) which relates to the excess of depreciation charged over capital allowances at the balance sheet date.

## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 17. PENSIONS

The company operates a defined benefit scheme in the UK. An actuarial valuation for the purposes of FRS 17 was carried out as at January 2011 using full data extract and updated to 20 February 2014 by a qualified independent actuary. Total contributions payable by the company therefore amounted to £1,782,967.78 (2013: £1,792,365.68) in

The principal assumptions used by the actuary in his valuation as at 20 February 2014 were as follows:

	At 20.02.2014	At 20.02.2013
Discount rate	4.30%	4.80%
Expected long-term rate of return on Scheme assets	4.50%	4.60%
Increase in salaries	2.00%	2.00%
Inflation assumption (retail prices)	3.40%	3.50%
Inflation assumption (consumer prices)	2.40%	2.50%
Pension increases		
Pre April 1997 Pensionable Service	3.00%	3.00%
Pre April 2006/Post April 1997 Pensionable Service	3.40%	3.50%
Post April 2006 Pensionable Service	2.40%	2.50%

The inflation rates are based on gilt yield and Bank of England yield curves and investment return rates are based on historical rates of return. The discount rate is based on the rate of return of AA rated corporate bonds.

Contributions payable by the Company for the year ending 20 February 2015 are expected to total approximately £1,896,000

#### Employee Benefit Obligations

The amounts recognised in the balance sheet as at 20 February 2014 are as follows:

	Value at 20.02.2014 £000's	Value at 20.02.2013 £000's	Value at 20.02.2012 £000's	Value at 20.02.2011 £000's	Value at 20.02.2010 £000's
Present value of scheme liabilities	(49,462)	(44,960)	(49,450)	(43,164)	(43,531)
Total market value of assets	36,364	33,680	34,778	32,938	30,916
Deficit in scheme	(13,098)	(11,280)	(14,672)	(10,226)	(12,615)
Related deferred tax asset	2,621	2,258	2,936	2,149	2,651
Net pension liability	(10,477)	(9,022)	(11,736)	(8,077)	(9,964)

## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 17. PENSIONS continued

The amounts to be recognised in profit and loss for the year ending 20 February 2014 are as follows:

	2014 £000's	2013 £000's
Current service cost	500	569
Interest on Scheme liabilities	2,165	2,228
Expected return on Scheme assets	(1,556)	(1,636)
Past service cost	-	-
Total operating charge	<u>1,109</u>	<u>1,161</u>
Actual return on Scheme assets	<u>2,382</u>	<u>3,088</u>

Changes in the present value of the Scheme liabilities for the year ending 20 February 2014 are as follows:

	2014 £000's	2013 £000's
Present value of Scheme liabilities at beginning of year	44,960	49,450
Current service cost	500	569
Employee contributions	92	99
Past service cost	-	-
Interest cost	2,165	2,228
Actuarial losses	3,318	(1,309)
Benefits paid	(1,573)	(6,077)
Present value of Scheme liabilities at end of year	<u>49,462</u>	<u>44,960</u>

Changes in the fair value of the Scheme assets for the year ending 20 February 2014 are as follows:

	2014 £000's	2013 £000's
Market value of Scheme assets at beginning of year	33,680	34,778
Expected return	1,556	1,636
Actuarial gains	826	1,452
Benefits paid	(1,573)	(6,077)
Contributions paid by the Company	1,783	1,792
Employee contributions	92	99
Present value of Scheme assets at end of year	<u>36,364</u>	<u>33,680</u>

## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 17. PENSIONS continued

The major categories of Scheme assets as a percentage of total Scheme assets for the year ending 20 February 2014 are as follows:

	2014	2013
Equities and Property	8%	8%
Absolute Return Fund	15%	14%
Real Return Fund	22%	23%
Bonds	54%	54%
Cash	1%	1%
Total	<u>100%</u>	<u>100%</u>

An analysis of amounts recognised in statement of total recognised gains and losses ('STRGL') for the year ending 20 February 2014 is as follows:

	2014 £000's	2013 £000's
Actual return less expected return on pension scheme assets	826	1,452
Experience gains and losses arising on the scheme liabilities	154	1,003
Changes in assumptions underlying the present value of the scheme liabilities	(3,472)	306
Actuarial (loss)/gain recognised in STRGL	<u>(2,492)</u>	<u>2,761</u>

The cumulative amount of actuarial losses recognised in STRGL for the year ending 20 February 2014 is as follows:

	2014 £000's	2013 £000's
Cumulative actuarial loss at beginning of year	(17,029)	(19,790)
Recognised during the year	(2,492)	2,761
Cumulative actuarial loss at end of year	<u>(19,521)</u>	<u>(17,029)</u>

The movement in deficit during the year ending 20 February 2014 is as follows:

	2014 £000's	2013 £000's
Deficit in scheme at beginning of the year	(11,280)	(14,672)
Expenses recognised in profit and loss	(1,109)	(1,161)
Contributions	1,783	1,792
Actuarial (loss)/gain	(2,492)	2,761
Deficit in scheme at end of the year	<u>(13,098)</u>	<u>(11,280)</u>



## A. BILBROUGH & CO. LIMITED

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2014 continued

#### 17. PENSIONS continued

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

	2014 £000's	2013 £000's	2012 £000's	2011 £000's	2010 £000's
Present value of Scheme liabilities	(49,462)	(44,960)	(49,450)	(43,164)	(43,531)
Market value of Scheme assets	36,364	33,680	34,778	32,938	30,916
Deficit in the Scheme	(13,098)	(11,280)	(14,672)	(10,226)	(12,615)
Actual return less expected return on Scheme assets	826	1,452	(965)	1,698	5,394
Experience gains and losses arising on Scheme liabilities	154	1,003	(195)	890	112
Change in assumptions underlying the present value of Scheme liabilities	3,472	306	(6,801)	(1,482)	(4,939)

#### 18. RELATED PARTIES

The company manages the Association under a management contract and the Association owns preference ('A') shares in the company. The preference shares are described in Note 12. The dividends on these shares are in arrears. During the year the company earned fees of £11,864,979 (2013: £11,609,536) from the Association. At the balance sheet date the Association owed the company £648,534 (2013: £164,069).