

**GEMCO SERVICE LIMITED**

**Report and Financial Statements**

**30 June 2012**

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# **GEMCO SERVICE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2012**

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# **GEMCO SERVICE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2012**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

W Thomas  
L Nielsen

#### **SECRETARY**

C Barton

#### **REGISTERED OFFICE**

Brearley Works  
Luddendenfoot  
Halifax  
West Yorkshire  
HX2 6JB

#### **COMPANY REGISTRATION NUMBER**

3514486

#### **BANKERS**

Nordea Bank Finland plc  
London branch  
8<sup>th</sup> Floor, City Place House  
55 Basinghall Street  
London  
EC2V 5NB

#### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Nottingham, UK

# **GEMCO SERVICE LIMITED**

## **DIRECTORS' REPORT**

**30 June 2012**

The directors present their annual report and audited financial statements for the year ended 30 June 2012

### **BUSINESS ACTIVITIES**

The principal activity of the company is the installation, maintenance, thorough examination inspection, service and repair of garage workshop equipment. The company's unique selling point is the provision of UK wide service coverage which is particularly applicable to National account customers, however our UK group's expertise in garage equipment provides a seamless "one stop shop" to customers in several sectors

### **MARKETS**

Gemco Service Limited operates mainly in the UK with focus on the following key market segments

- National Fast fit centres
- Commercial workshops
- Independent garages
- Vehicle dealerships
- Public Sector

### **BUSINESS REVIEW**

Our relentless focus on delivering excellent customer service, response times, and quality of work is building our profile in the market place. We are now investing heavily in marketing our strengths which is resulting in market share growth. Our high efficiency levels and continuous process improvement projects have also contributed heavily to our profitability increase.

The Gemco UK organisation is now fully integrated and prepared to deliver continued market share growth with a focus on Independent garage sector customers, geographic expansion and key competitor customer base targets. The increased "Sales & Service" marketing focus, excellent service levels and competitive pricing will aid this growth.

Organic growth and acquisitive strategic options are being considered at present, and action plans devised as appropriate.

### **FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS**

The operating profit for the year was £902,097 (2011 £660,951). Net current assets were £2,185,937 at 30 June 2012 (2011 £1,581,519) and net assets at 30 June 2012 were £1,930,272 (2011 £1,388,692).

The underlying profitability of the business has increased substantially in percentage terms over the past three years, the improvement has been driven by excellent service management and new business generated from "word of mouth" recommendations and increased marketing.

### **DIVIDENDS**

The directors do not recommend the payment of a dividend (2011 £nil).

# **GEMCO SERVICE LIMITED**

## **DIRECTORS' REPORT**

**30 June 2012**

### **GOING CONCERN**

Gemco Service Limited has improved cash management controls decreasing net working capital, and therefore the directors are confident that the company's banking facilities are appropriate. Short-term and long term cash flow forecasting controls are in place to anticipate the use of the relevant credit facilities.

The company's actual results since the balance sheet date along with forecasts and projections from the date of approval of these financial statements up until June 2016 and taking account of reasonably possible changes in trading performance which could flow from the current economic uncertainties, show that the company is able to operate within the level of its current facilities. Hence the directors believe that it is appropriate to prepare the financial statements on the going concern basis. Credit risk applies on financial instruments such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history.

As at the date of signing of these financial statements, there is an ongoing investigation by the pensions regulator into the actuarial valuation as at 1 January 2009 which may have a subsequent impact on the recovery plan and schedule of contributions going forwards. The directors do not believe that the outcome of this investigation will have a material impact on the financial statements.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Board of Directors have put in place procedures for regular review of risk and uncertainties within Gemco Service Limited. The reviews are a multi-faceted approach to the business utilising internal management and external consultants as appropriate to ensure the sustainability of an effective business model. All risks identified have appropriate recovery plans developed to minimise the impact and residual risks covered by adequate insurance. The business employs a proactive approach to risk management and conducts quarterly reviews with its insurance brokers to ensure risks are identified at the earliest opportunity and appropriate responses taken. The company benefits from the internal audit resources of the parent company with regular reviews reported to both the local Board of Directors and the group audit committee.

The company is committed to representation on the relevant trade bodies to maintain the highest standards for our business and our industry. Our participation ensures that we are constantly aware of industry developments and speeds compliance within our business. The Board undertake a regular strategic review of the business to identify risks and threats to the business and the resultant plan outlines the management responses proportionate to the level of threat. Contingency planning and business recovery planning is a key element of the Board of Directors.

### **DIRECTORS**

The directors who served during the year and subsequently were as follows

L Nielsen

W Thomas

## **GEMCO SERVICE LIMITED**

### **DIRECTORS' REPORT**

**30 June 2012**

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

The directors are responsible for preparing the Annual 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 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 judgments and accounting estimates that are reasonable and prudent, and
- 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 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.

#### **AUDITOR**

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved and signed on behalf of the Directors



W Thomas

Director

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEMCO SERVICE LIMITED**

We have audited the financial statements of Gemco Service Limited for the year ended 30 June 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 22. 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, 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 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 annual 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.

### **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 30 June 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other 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.

### **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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Alistair Pritchard FCA*

Alistair Pritchard FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Nottingham, UK

*31 August 2012*

# GEMCO SERVICE LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 30 June 2012

	Note	2012 £	2011 £
Turnover	2	10,776,651	10,085,653
Cost of sales		(7,411,922)	(7,141,985)
<b>GROSS PROFIT</b>		<b>3,364,729</b>	<b>2,943,668</b>
Distribution costs		(391,761)	(384,094)
Administrative expenses		(2,070,871)	(1,898,623)
<b>OPERATING PROFIT</b>	3	<b>902,097</b>	<b>660,951</b>
Interest receivable and similar income	4	57,323	17,317
Interest payable and similar charges	5	(37,000)	(51,969)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>922,420</b>	<b>626,299</b>
Tax on profit on ordinary activities	6	(247,840)	(178,127)
<b>PROFIT FOR THE YEAR</b>	15,16	<b>674,580</b>	<b>448,172</b>

All activities are derived from continuing operations



## **GEMCO SERVICE LIMITED**

### **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES** **Year ended 30 June 2012**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Profit attributable to the members for the financial year</b>	674,580	448,172
Actuarial loss on defined benefit pension scheme (note 13)	(175,000)	(11,000)
Movement on deferred tax relating to pension scheme	42,000	2,773
<b>Total recognised gains and losses since the last annual report</b>	<b>541,580</b>	<b>439,945</b>

# GEMCO SERVICE LIMITED

## BALANCE SHEET 30 June 2012

	Note	2012 £	2011 £
<b>FIXED ASSETS</b>			
Intangible assets	7	12,000	15,000
Tangible assets	8	234,805	209,006
		<u>246,805</u>	<u>224,006</u>
<b>CURRENT ASSETS</b>			
Stocks	9	1,408,271	1,345,104
Debtors	10	3,324,317	2,934,031
Cash at bank and in hand		210,968	10,855
		<u>4,943,556</u>	<u>4,289,990</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(2,757,619)</u>	<u>(2,708,471)</u>
<b>NET CURRENT ASSETS</b>		<u>2,185,937</u>	<u>1,581,519</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,432,742</u>	<u>1,805,525</u>
<b>CREDITORS: amounts falling due after more than one year</b>	12	<u>(51,574)</u>	<u>(86,559)</u>
<b>NET ASSETS EXCLUDING PENSION SCHEME LIABILITY</b>		2,381,168	1,718,966
<b>PENSION SCHEME LIABILITY</b>	13	<u>(450,896)</u>	<u>(330,274)</u>
<b>NET ASSETS</b>		<u><u>1,930,272</u></u>	<u><u>1,388,692</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	200	200
Share premium account	15	2,327,579	2,327,579
Profit and loss account	15	<u>(397,507)</u>	<u>(939,087)</u>
<b>SHAREHOLDERS' FUNDS</b>	16	<u><u>1,930,272</u></u>	<u><u>1,388,692</u></u>

The financial statements for Gemco Service Limited (Registration Number 3514486) were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors

31/8/2012



W Thomas

Director

# GEMCO SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2012

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies adopted are described below and have been applied consistently in both the current year and prior year.

#### Accounting convention

The financial statements are prepared under the historical cost convention, and on a going concern basis after due consideration of the principal risks and uncertainties as disclosed in the director's report, and in accordance with the Companies Act 2006.

#### Going Concern

Gemco Service has improved cash management controls decreasing net working capital, and therefore the directors are confident that the company's banking facilities are appropriate. Short-term and long term cash flow forecasting controls are in place to anticipate the use of the relevant credit facilities.

The company's actual results since the balance sheet date along with forecasts and projections from the date of approval of these financial statements up until June 2016 and taking account of reasonably possible changes in trading performance which could flow from the current economic uncertainties, show that the company is able to operate within the level of its current facilities. Hence the directors believe that it is appropriate to prepare the financial statements on the going concern basis. Credit risk applies on financial instruments such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history.

As at the date of signing of these financial statements, there is an ongoing investigation by the pensions regulator into the actuarial valuation as at 1 January 2009 which may have a subsequent impact on the recovery plan and schedule of contributions going forwards. The directors do not believe that the outcome of this investigation will have a material impact on the financial statements.

#### Cash flow statement

The company has taken advantage of the exemption not to prepare a cashflow statement, on the grounds that the company is a wholly owned subsidiary of Stenhøj Holding A/S and a consolidated cashflow statement which includes the company is presented in the financial statements of Stenhøj Holding A/S.

#### Intangible assets

For acquisitions of customer lists, purchased intangibles are capitalised at cost in the year in which it arises and amortised over its estimated useful life of 5 years.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and provision for impairment. 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:

Land and buildings leasehold	33 1/3% straight line
Plant and machinery	10-20% straight line
Fixtures, fittings & equipment	10% straight line
Motor vehicles	20% straight line

#### Leases

Payments made under operating leases are charged to the profit and loss account in equal instalments over the period of the lease.

#### Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

## **GEMCO SERVICE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **Year ended 30 June 2012**

#### **1. ACCOUNTING POLICIES (Continued)**

##### **Taxation**

The tax expense represents the sum of the corporation tax currently payable and the deferred tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items which are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is accounted for under Financial Reporting Standard 19 ('FRS 19'), 'Deferred tax'. Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Deferred tax assets are only recognised to the extent that it is considered more likely than not that there will be taxable profits against which they will reverse in the reasonably foreseeable future. Deferred tax assets are not discounted.

##### **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 the profit and loss account.

##### **Pensions**

For the defined benefit scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. These are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the company, in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **2. TURNOVER**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

In the case of service agreements, turnover reflects the proportion of the invoiced value which is equivalent to the period of the agreement that has expired as at the end of the accounting period.

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

## **GEMCO SERVICE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **Year ended 30 June 2012**

#### **3. OPERATING PROFIT**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Operating profit is stated after charging:</b>		
Depreciation of tangible assets – owned	143,660	143,011
Amortisation of intangible assets	3,000	-
Operating lease rentals		
Plant and machinery	313,151	315,866
Land and buildings	82,100	84,600
Auditor's remuneration		
Annual audit services	17,510	17,000
Non-audit services	17,820	7,950

The non-audit services in the current and prior year are other services relating to taxation

#### **4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Interest on intercompany loans	57,323	17,317

#### **5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Foreign exchange losses	-	12,969
Net charge on pension scheme	37,000	39,000
	37,000	51,969

# GEMCO SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2012

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £	2011 £
<b>a) Current year tax</b>		
UK corporation tax at 25.5% (2011: 27.5%) based on the profit for the year	240,978	168,045
Adjustments in respect of prior periods	77	(272)
<b>Current tax (note 6b)</b>	<u>241,055</u>	<u>167,773</u>
<b>Deferred tax (note 10)</b>		
Origination and reversal of timing differences	(8,221)	4,937
Adjustments in respect of previous year	(1)	(6,671)
Effect of change in tax rates	15,007	12,088
<b>Tax on profit for the year</b>	<u>247,840</u>	<u>178,127</u>
<b>b) Factors affecting the tax charge for the year</b>		
The tax assessed for the year is different to the standard rate of corporation tax in the UK of 25.5% (2011: 27.5%). The differences are explained below		
	2012 £	2011 £
Profit on ordinary activities before taxation	922,420	626,299
Profit on ordinary activities at standard rate	235,217	172,232
<b>Effects of:</b>		
Non deductible expenses	165	886
Income not taxable	-	(4,648)
Difference between depreciation and capital allowances	12,313	(371)
Movement in short term timing differences	423	(54)
Pension timing differences	(7,140)	-
Adjustments in respect of prior periods	77	(272)
<b>Current tax charge (note 6a)</b>	<u>241,055</u>	<u>167,773</u>

On 23 March 2011 the Government announced that the main rate of Corporation Tax would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. The reduction in the rate of corporation tax to 26% from 1 April 2011 was substantively enacted on 29 March 2011.

The Government announced in the 2012 Budget a further reduction in the rate of corporation tax to 24% from 1 April 2012 and by a further 1% each year to 22% by 1 April 2014. The reduction in the rate of corporation tax to 24% from 1 April 2012 was substantively enacted on 26 March 2012. The effect of the further tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to profit before tax is as follows:

# GEMCO SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2012

### 7. INTANGIBLE ASSETS

	<b>Intangible Assets £</b>
<b>Cost</b>	
At 1 July 2011	15,000
Additions	-
	<hr/>
At 30 June 2012	15,000
	<hr/>
<b>Accumulated amortisation</b>	
At 1 July 2011	-
Charge for the year	3,000
	<hr/>
At 30 June 2012	3,000
	<hr/>
<b>Net book value</b>	
At 30 June 2012	12,000
	<hr/>
At 30 June 2011	15,000
	<hr/>

Intangible asset additions relate to a customer list which was purchased during the prior year

### 8. TANGIBLE FIXED ASSETS

	<b>Land and buildings leasehold £</b>	<b>Plant and machinery £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 July 2011	127,514	519,247	832,027	1,545	1,480,333
Additions	-	17,239	154,508	-	171,747
Disposals	-	-	(2,496)	-	(2,496)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2012	127,514	536,486	984,039	1,545	1,649,584
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>					
At 1 July 2011	127,514	419,670	722,598	1,545	1,271,327
Charge for the year	-	63,530	80,130	-	143,660
Disposals	-	-	(208)	-	(208)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2012	127,514	483,200	802,520	1,545	1,414,779
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 30 June 2012	-	53,286	181,519	-	234,805
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2011	-	99,577	109,429	-	209,006
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

# GEMCO SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2012

### 9. STOCKS AND WORK IN PROGRESS

	2012 £	2011 £
Finished goods and goods for resale	1,370,627	1,315,515
Work in progress	37,644	29,589
	<u>1,408,271</u>	<u>1,345,104</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

### 10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Trade debtors	1,335,112	1,504,926
Amounts owed by parent and fellow subsidiary undertakings	1,778,825	1,148,006
Amounts owed by Transervice Pension Scheme	7,134	7,390
Deferred taxation	49,802	40,965
Other debtors	34,875	31,991
Prepayments and accrued income	118,569	200,753
	<u>3,324,317</u>	<u>2,934,031</u>
<b>Deferred taxation</b>		<b>£</b>
Balance at 1 July 2011		40,965
Credit for the year		8,838
Adjustments in respect of prior periods		(1)
Balance at 30 June 2012		<u>49,802</u>
<b>The deferred tax asset is made up as follows</b>		
	2012 £	2011 £
Accelerated capital allowances	46,770	38,112
Short term timing differences	3,032	2,853
	<u>49,802</u>	<u>40,965</u>

The amount of the asset will be recovered against future taxable profits

The company has no unprovided deferred tax assets or liabilities



# GEMCO SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2012

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade creditors	523,739	449,571
Amounts owed to group companies	115,116	205,778
Other tax and social security	583,212	554,850
Other creditors	-	82,621
Contract payments in advance	1,060,347	1,065,590
Accruals and deferred income	346,442	275,022
Corporation tax	128,763	75,039
	<u>2,757,619</u>	<u>2,708,471</u>

Gemco Service Limited holds a debenture dated 10 December 2010, securing all monies due or to become due from Stenhøj Holding A/S and its subsidiaries to Nordea Bank Denmark A/S

### 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £	2011 £
Contract payments in advance	<u>51,574</u>	<u>86,559</u>

### 13. PENSION COSTS

#### Defined contribution

	2012 £	2011 £
Contribution payable by the company for the year	<u>134,987</u>	<u>129,866</u>

#### Defined benefit

The company operates a defined benefit pension scheme, the Transervice Pension Scheme. The Scheme is closed both to new entrants and to future benefit accrual.

A formal actuarial valuation of the scheme was carried out at 1 January 2009.

Contributions of £65,000 (2011 £55,900) were made by the company during the year. An estimate of the plan's funding position was carried out as at 30 June 2012 by a qualified independent actuary. The estimate was based on the last full valuation as at 1 January 2009.

Both the company and the trustees have recently been advised that the rate of inflation used for revaluation of deferred pensions will change from RPI to CPI. This change has been reflected in the year end valuation.

The financial assumptions used to calculate scheme liabilities under FRS 17 are

	Valuation at	
	2012	2011
Discount rate	4.4%	5.5%
Retail Prices Index (RPI) inflation	2.9%	3.6%
Consumer Prices Index (CPI) inflation	1.9%	2.6%
Future pension increases	<u>2.8%</u>	<u>3.5%</u>

# GEMCO SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2012

### 13. PENSION COSTS (Continued)

#### Mortality assumptions:

The assumptions adopted are based upon recently published standard tables and allow for expected future improvements to mortality rates

	Valuation at	
	2012 years	2011 years
Retiring today		
Males	20.8	20.0
Females	23.1	22.6
Retiring in 20 years		
Males	22.1	21.8
Females	24.7	24.4

Amounts recognised in the profit and loss account in respect of the defined benefit scheme are as follows

	2012 £'000	2011 £'000
Interest cost	(65)	(62)
Expected return on scheme assets	28	23
	<u>(37)</u>	<u>(39)</u>

The cumulative amount of gross actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is losses of £371,000 (2011 losses of £196,000)

# GEMCO SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2012

### 13 PENSION COSTS (Continued)

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit scheme is as follows

	2012 £'000	2011 £'000
Present value of defined benefit obligations	(1,299)	(1,204)
Fair value of scheme assets	706	758
Deficit in scheme	(593)	(446)
Related deferred tax asset	142	116
Liability recognised in the balance sheet	(451)	(330)

Movements in the present value of defined benefit obligations were as follows

	2012 £'000	2011 £'000
At 1 July	1,204	1,165
Interest cost	65	62
Actuarial losses	71	11
Benefits paid	(41)	(34)
At 30 June	1,299	1,204

Movements in the fair value of scheme assets were as follows

	2012 £'000	2011 £'000
At 1 July	758	714
Expected return on scheme assets	28	23
Actuarial losses	(104)	-
Contributions from the company	65	55
Benefits paid	(41)	(34)
At 30 June	706	758

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows

	Expected return		Fair value of assets	
	2012 %	2011 %	2012 £'000	2011 £'000
Equity instruments	7.60	7.50	473	538
Cash	0.50	0.50	233	220
			706	758

# GEMCO SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2012

### 13. PENSION COSTS (Continued)

The five-year history of experience adjustments is as follows

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefit obligations	(1,299)	(1,204)	(1,165)	(1,092)	(1,165)
Fair value of scheme assets	706	758	714	680	859
<b>Deficit in the scheme</b>	<b>(593)</b>	<b>(446)</b>	<b>(451)</b>	<b>(412)</b>	<b>(306)</b>
<b>Experience adjustments on scheme liabilities</b>					
Amount of losses (£'000)	71	11	33	(42)	(33)
Percentage of scheme liabilities (%)	5%	1%	3%	(4%)	(3%)
<b>Experience adjustments on scheme assets</b>					
Amount of losses (£'000)	(104)	-	(23)	(164)	(142)
Percentage of scheme assets (%)	(15%)	0%	(3%)	(24%)	(17%)

The most recent triennial valuation of the company's pension scheme for funding purposes was performed in 2009. Under the funding schedule agreed with the scheme trustees, the company aims to eliminate the current deficit over the next 10 years. The company will monitor funding levels annually and the funding schedule will be reviewed between the company and the trustees every three years, based on actuarial valuations. The next triennial valuation is due to be completed at 1 January 2012. The company considers that the contribution rates agreed with the trustees are sufficient to eliminate the current deficit over the agreed period.

As at the date of signing of these financial statements, there is an ongoing investigation by the pensions regulator into the actuarial valuation as at 1 January 2009 which may have a subsequent impact on the recovery plan and schedule of contributions going forwards. The directors do not believe that the outcome of this investigation will have a material impact on the financial statements.

# GEMCO SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2012

### 14 SHARE CAPITAL

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

### 15. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Profit and loss reserve £
Balance at 1 July 2011	2,327,579	(939,087)
Profit for the year	-	674,580
Net actuarial loss relating to pension scheme	-	(133,000)
Balance at 30 June 2012	2,327,579	(397,507)

### 16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Profit for the year	674,580	448,172
Net actuarial loss relating to pension scheme	(133,000)	(8,227)
Net increase in shareholders' funds	541,580	439,945
Opening shareholders' funds	1,388,692	948,747
Closing shareholders' funds	1,930,272	1,388,692

### 17 CONTINGENT LIABILITIES

For VAT purposes the company is grouped with its parent company in the S M Holdings Limited VAT group. Under this arrangement the company has joint and several liabilities for amounts due by this undertaking to HM Revenue & Customs. At 30 June 2012, this liability amounted to £5,000 (2011 £5,000).

# GEMCO SERVICE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2012

### 18. FINANCIAL COMMITMENTS

At 30 June 2012 the company was committed to making the following payments under non-cancellable operating leases

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Operating leases which expire				
Within one year	41,000	29,250	94,596	169,965
Between two and five years	-	-	261,740	217,892
	<u>41,000</u>	<u>29,250</u>	<u>356,336</u>	<u>387,857</u>

### 19. DIRECTORS' REMUNERATION

	2012	2011
	£	£
Emoluments for qualifying services	-	-
Compensation for loss of office	-	-
	<u>-</u>	<u>-</u>

None of the directors received any emoluments from the company (2012 £Nil)

The directors are directors of other group companies and have their remuneration paid and disclosed in those companies. It is not practicable to allocate their remuneration between services to Gemco Service Limited and other group companies during the year.

No directors (2011 Nil) accrued benefits during the year under the defined benefit pension scheme.

### 20. EMPLOYEES

	2012	2011
	Number	Number
The average monthly number of persons employed (including directors) during the year was		
Production	122	125
Finance and administration	12	14
	<u>134</u>	<u>139</u>
	£	£
Employment costs		
Wages and salaries	3,775,217	3,695,326
Social security costs	400,887	384,548
Other pension costs (note 13)	134,987	129,866
	<u>4,311,091</u>	<u>4,209,740</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Year ended 30 June 2012**

**21. PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent companies are S M Holdings Limited and SMG Holdings Limited who each own 50% of the share capital

The ultimate controlling party is DYOE Invest ApS who is 80% owner of LDN International APS, a company incorporated in Denmark

The largest and smallest group in which the results of the Company are consolidated is that headed by DYOE Invest ApS and Stenhoj Holding A/S respectively

Copies of the group financial statements of DYOE Invest ApS are available from the Danish Commerce and Companies Agency, Krampmannsgade, DK-1780 Copenhagen V, Denmark

**22. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption from the requirement to disclose transactions with other group undertakings conferred by FRS 8 on the grounds that 100% of the voting rights of the company are controlled within the group

There were no related party transactions with DYOE Invest ApS during the year (2011 £Nil)

The company operates a defined benefit pension scheme, the Transervice Pension Scheme. Transactions with the scheme during the year have been disclosed in Note 13. At the year end, Gemco Service Limited were owed £7,134 by the Transervice Pension Scheme (2011 £7,390)