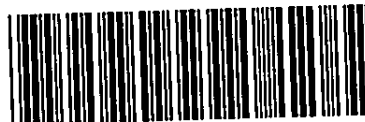


Armfield Limited

Directors' Report and Consolidated Financial Statements

for the Year Ended 31 December 2012

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Armfield Limited
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Armfield Limited
Company Information

Directors	C J Addis S F Farrow E E Sansom D J Sawyer
Registered office	Bridge House West Street Ringwood Hampshire BH24 1DY
Auditors	Princercroft Willis LLP Chartered Accountants & Registered Auditors Towngate House 2-8 Parkstone Road Poole Dorset BH15 2PW

Armfield Limited
Directors' Report for the Year Ended 31 December 2012

The directors present their report and the consolidated financial statements for the year ended 31 December 2012

Directors of the company

The directors who held office during the year were as follows

C J Addis
S F Farrow
E E Sansom
D J Sawyer

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 group and the company 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 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, 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the group is the design and supply of research and training equipment for use mainly in the fields of water resource engineering, process engineering and food technology.

Dividends

The directors recommend a final dividend payment of £509,090 be made in respect of the financial year ended 31 December 2012. This dividend has not been recognised as a liability in the financial statements.

Armfield Limited
Directors' Report for the Year Ended 31 December 2012

..... *continued*

Business review

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and nature of our business and is written in the context of the risks and uncertainties we face.

As a manufacturer and exporter of engineering teaching and research equipment, the Company continues to sell to educational establishments, government bodies and the R&D departments of major food, drink and flavourings businesses around the world. The Company's activities are organised so that educational and industrial sales forces are split, all other activities are combined. The Company's US subsidiary, Armfield Incorporated, sells only Armfield Ltd products in both market-places in the USA and the majority of its employees are sales staff.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, being turnover and Gross Margin. The turnover of the Company, organised on a geographical basis was

	2012	2011
	£000	£000
UK	1,131	1,180
Europe	708	2,264
USA	3,356	2,400
Rest of World	7,512	6,348
Total turnover	<u>12,707</u>	<u>12,192</u>

And by market sector

Educational	10,200	9,626
Industrial	<u>2,507</u>	<u>2,566</u>
Total turnover	<u>12,707</u>	<u>12,192</u>

Armfield Limited
Directors' Report for the Year Ended 31 December 2012

..... continued

Educational Sales continue to fluctuate annually, following the worldwide trend in the timing of major projects and economic circumstances. Following political upheaval in 2011 in the Middle East, which has always been an important market for the Company, and despite continuing worldwide economic problems, orders in 2012 continued at a similar level to 2011, but with a smaller closing backlog of £2,941K. Prospects for 2013, including particularly China and South America, are also encouraging. In the USA, large orders late in 2011 resulted in exceptional sales in 2012. Special flow channels are again expected to contribute in 2013. Competition among the small number of manufacturers in this market remains aggressive, and is now evident around the World.

Both spares orders and annual service contracts for industrial customers continue to be part of the company's plans to maintain customer satisfaction and communication, but both are priced to contribute to profits.

The reported Gross Profit for 2012 at 47.1% was a drop from 2011's 50.0%. Production margins achieved by Armfield Ltd are a little lower than in 2011, but the value of agents' commission included in the Gross Sales figure, and which varies according to how equipment is sold in different countries each year, increased from 2011's £590,935 to £833,925, representing almost 2% of Gross Turnover.

The reported Group operating profit for 2012 of £1,474,485 was 27% more than in 2011, as an increase in other administrative expenses in 2012 is more than offset by the shareholders taking income mainly as dividends in 2012 rather than the bonus's that were paid in 2011 and included in employment costs. Profit before tax of £1,511,110 for 2012 (2011 £1,174,921) was affected this year by a net pension scheme finance income of £6,000 (2011 a £14,000 cost).

The business environment in which the company operates is governed more than most by international political events and uncertainties. The fluctuating value of the pound compared to both the US dollar and the Euro, and its relative strength throughout 2012, continues to make overseas pricing and margins difficult to plan, although the company strives to fix exchange rates on specific contracts wherever possible, as well as for its income from the US subsidiary. With continuing poor short term prospects in the EU and as unrest affects different countries in the Middle East, both historically important contributors to turnover, the BRIC and N11 countries are providing useful opportunities, particularly in South America, while developing countries continue to provide the biggest challenges and the occasional big project.

The main competition faced in both Market sectors is from a small number of foreign competitors operating in the same niche market-places, with most of these based in mainland Europe. However, in some developing markets local suppliers providing inferior but much cheaper equipment continue to win individual tenders where price is the over-riding factor in the purchasing decision.

We continue to develop new products for both markets and to update existing products and software. During 2012 the company has focused its development efforts on providing products for new areas of engineering education, expanding into the teaching of Structures and in producing a range of simple, lower cost products aimed at teaching students basic engineering principles and aimed at colleges and high schools.

The use of the internet as a marketing tool has expanded into Social networks while the full catalogue is now available from the Company's web-site. Although recent growth in the industrial market has not been as rapid as hoped, this remains an area with great potential for growth in the future. The Company continues to review the levels and qualifications of its staff to cope with turnover and changing development needs.

All of these plans are, however, subject to unforeseen future external events and the continuing worldwide economic uncertainty, particularly in the Euro zone, which continues to make predicting sales prospects even more difficult than in the past.

Armfield Limited

Directors' Report for the Year Ended 31 December 2012

..... continued

Research and development

The group will continue its policy of investment in research and development in order to retain a competitive position in the market

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of

 Approved by the Board on

and signed on its behalf by

C J Addis
Director

Independent Auditor's Report to the Members of Armfield Limited

We have audited the financial statements of Armfield Limited for the year ended 31 December 2012, set out on pages 8 to 33. 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 Statement of Directors Responsibilities (set out on page 2), 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 group's and parent 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the Members of
Armfield Limited**

..... continued

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

Mark Johns

Mark Johns FCCA ACA (Senior Statutory Auditor)
For and on behalf of Princecroft Willis LLP, Statutory Auditor

Towngate House
2-8 Parkstone Road
Poole
Dorset
BH15 2PW

19 September 2013

Armfield Limited
Consolidated Profit and Loss Account for the Year Ended 31 December 2012

	Note	2012 £	2011 £
Turnover	2	12,707,288	12,191,887
Cost of sales		<u>(6,724,904)</u>	<u>(6,100,880)</u>
Gross profit		5,982,384	6,091,007
Administrative expenses		<u>(4,507,899)</u>	<u>(4,932,692)</u>
Group operating profit	3	1,474,485	1,158,315
Other interest receivable and similar income	7	30,625	30,606
Pension scheme finance costs	8	<u>6,000</u>	<u>(14,000)</u>
Profit on ordinary activities before taxation		1,511,110	1,174,921
Tax on profit on ordinary activities	9	<u>(284,199)</u>	<u>(176,767)</u>
Profit for the financial year attributable to members of the parent company	19	<u><u>1,226,911</u></u>	<u><u>998,154</u></u>

Turnover and operating profit derive wholly from continuing operations

Armfield Limited
Consolidated Statement of Total Recognised Gains and Losses for the Year Ended 31
December 2012

	Note	2012 £	2011 £
Profit for the financial year		1,226,911	998,154
Foreign currency translation differences		(15,652)	(3,570)
Actuarial gain/(loss) recognised on defined benefit pension scheme		144,000	(586,000)
Deferred tax on actuarial (loss)/gain recognised on defined benefit pension scheme		<u>(96,000)</u>	<u>50,000</u>
Total recognised gains and losses relating to the year		<u><u>1,259,259</u></u>	<u><u>458,584</u></u>

Armfield Limited
Consolidated Balance Sheet at 31 December 2012

		2012	2011
	Note	£	£
Fixed assets			
Tangible fixed assets	11	188,778	152,495
Current assets			
Stocks	13	1,621,922	1,772,662
Debtors	14	1,893,593	1,796,018
Cash at bank and in hand		<u>2,460,294</u>	<u>2,737,034</u>
		5,975,809	6,305,714
Creditors Amounts falling due within one year	15	<u>(2,140,978)</u>	<u>(3,004,769)</u>
Net current assets		<u>3,834,831</u>	<u>3,300,945</u>
Net assets excluding pension asset/liability		4,023,609	3,453,440
Net pension liability	21	<u>(868,000)</u>	<u>(1,048,000)</u>
Net assets		<u><u>3,155,609</u></u>	<u><u>2,405,440</u></u>
Capital and reserves			
Called up share capital	17	101,818	101,818
Capital redemption reserve	19	726,182	726,182
EMI share option reserve	19	13,776	13,776
Profit and loss account	19	<u>2,313,833</u>	<u>1,563,664</u>
Shareholders' funds	20	<u><u>3,155,609</u></u>	<u><u>2,405,440</u></u>

Approved by the Board on 24 September 2013 and signed on its behalf by

C J Addis
Director

S F Farrow
Director

Armfield Limited
(Registration number: 01962034)
Balance Sheet at 31 December 2012

	Note	2012 £	2011 £
Fixed assets			
Tangible fixed assets	11	127,866	95,813
Investments	12	187,153	187,153
		<u>315,019</u>	<u>282,966</u>
Current assets			
Stocks	13	1,616,796	1,746,948
Debtors	14	1,654,928	1,646,337
Cash at bank and in hand		2,163,896	2,297,511
		<u>5,435,620</u>	<u>5,690,796</u>
Creditors Amounts falling due within one year	15	<u>(1,790,302)</u>	<u>(2,732,972)</u>
Net current assets		<u>3,645,318</u>	<u>2,957,824</u>
Total assets less current liabilities		3,960,337	3,240,790
Creditors Amounts falling due after more than one year	16	<u>(180,000)</u>	<u>(180,000)</u>
Net assets excluding pension asset/liability		3,780,337	3,060,790
Net pension liability	21	<u>(868,000)</u>	<u>(1,048,000)</u>
Net assets		<u>2,912,337</u>	<u>2,012,790</u>
Capital and reserves			
Called up share capital	17	101,818	101,818
Capital redemption reserve	19	726,182	726,182
EMI share option reserve	19	13,776	13,776
Profit and loss account	19	2,070,561	1,171,014
Shareholders' funds	20	<u>2,912,337</u>	<u>2,012,790</u>

Approved by the Board on

and signed on its behalf by

C J Addis
Director

S F Farrow
Director

Armfield Limited
Consolidated Cash Flow Statement for the Year Ended 31 December 2012

Reconciliation of operating profit to net cash flow from operating activities

	2012 £	2011 £
Operating profit	1,474,485	1,158,315
Depreciation, amortisation and impairment charges	99,031	150,961
Profit on disposal of fixed assets	(13,478)	(13,977)
Decrease/(increase) in stocks	150,740	(140,830)
(Increase)/decrease in debtors	(97,575)	50,337
(Decrease)/increase in creditors	(952,264)	864,564
Foreign exchange difference on translation of overseas subsidiary	(13,158)	(3,570)
Net cash inflow from operating activities	<u>647,781</u>	<u>2,065,800</u>

Cash flow statement

	2012 £	2011 £
Net cash inflow from operating activities	<u>647,781</u>	<u>2,065,800</u>
Returns on investments and servicing of finance		
Interest received	<u>30,625</u>	<u>30,606</u>
Tax paid	<u>(195,726)</u>	<u>(320,199)</u>
Capital expenditure and financial investment		
Purchase of intangible fixed assets	-	(39,000)
Purchase of tangible fixed assets	(148,144)	(104,232)
Sale of tangible fixed assets	23,814	22,115
Defined benefit scheme pension contributions	<u>(126,000)</u>	<u>(326,000)</u>
	(250,330)	(447,117)
Equity dividends paid	<u>(509,090)</u>	<u>(610,908)</u>
Net cash (outflow)/inflow before management of liquid resources and financing	<u>(276,740)</u>	<u>718,182</u>
(Decrease)/increase in cash	<u>(276,740)</u>	<u>718,182</u>

Armfield Limited

Consolidated Cash Flow Statement for the Year Ended 31 December 2012

..... continued

Reconciliation of net cash flow to movement in net debt

	Note	2012 £	2011 £
(Decrease)/increase in cash		<u>(276,740)</u>	<u>718,182</u>
Movement in net debt	23	(276,740)	718,182
Net funds at 1 January	23	<u>2,737,034</u>	<u>2,018,852</u>
Net funds at 31 December	23	<u><u>2,460,294</u></u>	<u><u>2,737,034</u></u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

1 Accounting policies

Basis of preparation

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

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2012. Subsidiary undertakings are included using the acquisitions method of accounting. Under this method the group profit and loss account and statement of cashflows include the results and cashflows of subsidiaries from the date of acquisition and to the date of sale outside the group in the case of disposals of subsidiaries. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its profit for the financial year was £1,299,639 (2011 - £1,141,831).

Turnover

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers.

Goodwill

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Amortisation

Amortisation is provided on intangible fixed assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Goodwill	over expected useful life

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Demonstration equipment	50% p a on a straight line basis
Motor vehicles	25% p a on a straight line basis
Furniture and equipment	20% p a on a straight line basis
Computer equipment	33.33% p a on a straight line basis

Designs, moulds, patterns and loose tools are written off in the year of acquisition, as is computer software.

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Warranties for products

Provision is made for the estimated costs in relation to commissioning and rectification.

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Foreign currency

Company

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are included in the profit and loss account.

Group

The financial statements of overseas subsidiary undertakings are translated at the rate ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also taken to reserves.

Operating leases

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

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

Pensions

The company operates a pension scheme, for employees in post on 31 December 2000, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company and are invested with insurance companies. In accordance with Financial Reporting Standard 17 (FRS 17), assets and liabilities of the scheme are shown in the company's balance sheet. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Adjustments to comply with FRS 17 have been made in the profit and loss account and statement of total recognised gains and losses, as shown in note 19.

The company operates a defined contribution pension scheme for the benefit of employees joining the company after 31 December 2000. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme. The company also contributes to a separate pension scheme for the benefit of shareholder directors to top up the accrued benefits under the defined benefit scheme.

EMI share options

On 26 August 2008 options were granted to two of the directors under the Enterprise Management Incentive Scheme. As at 31 December 2012 there were unexercised options in existence. A fair value adjustment has been made to the financial statements in accordance with FRS20 Share based payments, in relation to these options.

2 Turnover

An analysis of turnover by geographical location is given below

	2012 £	2011 £
Sales - UK	1,130,982	1,179,664
Sales - Europe	708,157	2,264,451
Sales - Rest of world	10,868,149	8,747,772
	<u>12,707,288</u>	<u>12,191,887</u>

3 Operating profit

Operating profit is stated after charging

	2012 £	2011 £
Operating leases - other assets	12,365	12,521
Foreign currency gains	(137,717)	(116,938)
Profit on sale of tangible fixed assets	(13,478)	(13,977)
Depreciation of owned assets	99,031	111,961
Amortisation	-	39,000
Auditor's remuneration	19,764	18,930
	<u> </u>	<u> </u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

4 Auditor's remuneration

	2012 £	2011 £
Audit of the financial statements	12,875	12,500
Other fees to auditors		
Other services	6,889	6,430
	<u>19,764</u>	<u>18,930</u>

£12,875 (2011 - £12,500) of the fee for auditing the financial statements and £6,889 (2011 - £6,430) of other fees to auditors relates to the company

5 Particulars of employees

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows

	2012 No	2011 No.
Administration and support	57	51
Directors	4	4
	<u>61</u>	<u>55</u>

The aggregate payroll costs were as follows

	2012 £	2011 £
Wages and salaries	2,378,315	2,813,377
Social security costs	249,016	309,727
Staff pensions	250,212	244,592
	<u>2,877,543</u>	<u>3,367,696</u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... *continued*

6 Directors' remuneration

The directors' remuneration for the year was as follows

	2012 £	2011 £
Remuneration (including benefits in kind)	567,217	1,219,218
Company contributions paid to money purchase schemes	86,451	95,771
	<u> </u>	<u> </u>

During the year the number of directors who were receiving benefits and share incentives was as follows

	2012 No	2011 No.
Accruing benefits under money purchase pension scheme	2	2
	<u> </u>	<u> </u>

In respect of the highest paid director

	2012 £	2011 £
Remuneration	203,100	502,438
	<u> </u>	<u> </u>

7 Other interest receivable and similar income

	2012 £	2011 £
Bank interest receivable	30,625	30,606
	<u> </u>	<u> </u>

8 Interest payable and similar charges

	2012 £	2011 £
Pension scheme other finance costs	(6,000)	14,000
	<u> </u>	<u> </u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... *continued*

9 Taxation

Tax on profit on ordinary activities

	2012 £	2011 £
Current tax		
Corporation tax charge	209,002	108,488
US taxation charge	<u>75,197</u>	<u>68,279</u>
UK Corporation tax	<u><u>284,199</u></u>	<u><u>176,767</u></u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)

The differences are reconciled below

	2012 £	2011 £
Profit on ordinary activities before taxation	<u>1,511,110</u>	<u>1,174,921</u>
Corporation tax at standard rate	370,222	311,354
Capital allowance in excess of depreciation	1,901	4,176
Additional tax relief and expenses not deductible for tax purposes	(112,739)	(152,305)
US taxation at higher rate	27,699	22,283
Sale of fixed assets	(2,884)	(3,720)
Marginal relief	<u>-</u>	<u>(5,021)</u>
Total current tax	<u><u>284,199</u></u>	<u><u>176,767</u></u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... *continued*

10 Intangible fixed assets

Group

	Goodwill £	Total £
Cost		
At 1 January 2012	39,000	39,000
At 31 December 2012	39,000	39,000
Amortisation		
At 1 January 2012	39,000	39,000
At 31 December 2012	39,000	39,000
Net book value		
At 31 December 2012	-	-
At 31 December 2011	-	-

Company

	Goodwill £	Total £
Cost		
At 1 January 2012	39,000	39,000
At 31 December 2012	39,000	39,000
Amortisation		
At 1 January 2012	39,000	39,000
At 31 December 2012	39,000	39,000
Net book value		
At 31 December 2012	-	-
At 31 December 2011	-	-

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... *continued*

11 Tangible fixed assets

Group

	Demo equipment £	Motor vehicles £	Furniture and equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2012	165,986	308,064	213,838	102,358	790,246
Foreign currency retranslation	-	(3,798)	(1,007)	-	(4,805)
Additions	5,611	113,172	22,284	7,077	148,144
Disposals	-	(90,219)	-	(937)	(91,156)
At 31 December 2012	<u>171,597</u>	<u>327,219</u>	<u>235,115</u>	<u>108,498</u>	<u>842,429</u>
Depreciation					
At 1 January 2012	157,626	200,561	191,140	88,424	637,751
Foreign currency retranslation	-	(2,536)	227	-	(2,309)
Charge for the year	11,164	62,787	12,397	12,683	99,031
Eliminated on disposals	-	(79,885)	-	(937)	(80,822)
At 31 December 2012	<u>168,790</u>	<u>180,927</u>	<u>203,764</u>	<u>100,170</u>	<u>653,651</u>
Net book value					
At 31 December 2012	<u>2,807</u>	<u>146,292</u>	<u>31,351</u>	<u>8,328</u>	<u>188,778</u>
At 31 December 2011	<u>8,360</u>	<u>107,503</u>	<u>22,698</u>	<u>13,934</u>	<u>152,495</u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

Company

	Demo equipment £	Motor vehicles £	Furniture and equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2012	165,986	221,846	190,974	102,358	681,164
Additions	5,611	93,380	11,771	7,077	117,839
Disposals	-	(71,679)	-	(937)	(72,616)
At 31 December 2012	<u>171,597</u>	<u>243,547</u>	<u>202,745</u>	<u>108,498</u>	<u>726,387</u>
Depreciation					
At 1 January 2012	157,626	161,531	177,770	88,424	585,351
Charge for the year	11,164	47,894	8,841	12,683	80,582
Eliminated on disposals	-	(66,475)	-	(937)	(67,412)
At 31 December 2012	<u>168,790</u>	<u>142,950</u>	<u>186,611</u>	<u>100,170</u>	<u>598,521</u>
Net book value					
At 31 December 2012	<u>2,807</u>	<u>100,597</u>	<u>16,134</u>	<u>8,328</u>	<u>127,866</u>
At 31 December 2011	<u>8,360</u>	<u>60,315</u>	<u>13,204</u>	<u>13,934</u>	<u>95,813</u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

12 Investments held as fixed assets

Group

Company

	2012 £	2011 £
Shares in group undertakings	<u>187,153</u>	<u>187,153</u>

The original investments in 'Armfield' companies was £1,455,153. The investments in those companies above is net of a permanent diminution in value of £1,268,000 which arose following a transfer to the company of the business, assets and liabilities of Armfield Technical Education Company Limited and was charged to the profit and loss account in the year ended 31 December 1989.

Details of undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Armfield Inc (incorporated in USA)	Ordinary	100%	Distribution of research & training equipment
Armfield Technical Education Company Limited	Ordinary	100%	Dormant

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

13 Stocks

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Components	748,088	814,176	748,088	814,176
Finished goods	873,834	958,486	868,708	932,772
	<u>1,621,922</u>	<u>1,772,662</u>	<u>1,616,796</u>	<u>1,746,948</u>

14 Debtors

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	1,678,967	1,483,742	1,326,763	1,270,520
Amounts owed by group undertakings	-	-	137,371	78,617
Other debtors	73,707	189,563	68,160	189,563
Prepayments and accrued income	140,919	122,713	122,634	107,637
	<u>1,893,593</u>	<u>1,796,018</u>	<u>1,654,928</u>	<u>1,646,337</u>

15 Creditors Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	1,134,759	1,413,300	833,447	1,189,993
Corporation tax	229,579	141,106	209,002	108,488
Other taxes and social security	59,673	59,065	52,360	55,296
Other creditors	354,109	274,981	332,637	262,879
Accruals and deferred income	362,858	1,116,317	362,856	1,116,316
	<u>2,140,978</u>	<u>3,004,769</u>	<u>1,790,302</u>	<u>2,732,972</u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts owed to group undertakings	<u>-</u>	<u>-</u>	<u>180,000</u>	<u>180,000</u>

17 Share capital

Allotted, called up and fully paid shares

	2012		2011	
	No	£	No.	£
Ordinary shares of £1 each	<u>101,818</u>	<u>101,818</u>	<u>101,818</u>	<u>101,818</u>

18 Dividends

	2012	2011
	£	£
Dividends paid		
Current year interim dividend paid	<u>509,090</u>	<u>610,908</u>
Recommended final dividend proposed for approval by shareholders	<u>509,090</u>	<u>-</u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

19 Reserves

Group

	Capital redemption reserve £	EMI share option scheme reserve £	Profit and loss account £	Total £
At 1 January 2012	726,182	13,776	1,563,664	2,303,622
Profit for the year	-	-	1,226,911	1,226,911
Dividends	-	-	(509,090)	(509,090)
Foreign currency translation losses	-	-	(15,652)	(15,652)
Actuarial gain on pension schemes	-	-	144,000	144,000
Deferred tax relating to actuarial gain/loss on pension schemes	-	-	(96,000)	(96,000)
At 31 December 2012	<u>726,182</u>	<u>13,776</u>	<u>2,313,833</u>	<u>3,053,791</u>

Company

	Capital redemption reserve £	EMI share option scheme reserve £	Profit and loss account £	Total £
At 1 January 2012	726,182	13,776	1,171,014	1,910,972
Profit for the year	-	-	1,360,637	1,360,637
Dividends	-	-	(509,090)	(509,090)
Actuarial gain on pension schemes	-	-	144,000	144,000
Deferred tax relating to actuarial gain/loss on pension schemes	-	-	(96,000)	(96,000)
At 31 December 2012	<u>726,182</u>	<u>13,776</u>	<u>2,070,561</u>	<u>2,810,519</u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

20 Reconciliation of movement in shareholders' funds

Group

	2012 £	2011 £
Profit attributable to the members of the group	1,226,911	998,154
Other recognised gains and losses relating to the year	32,348	(539,570)
Dividends	(509,090)	(610,908)
Net addition/(reduction) to shareholders' funds	750,169	(152,324)
Shareholders' funds at 1 January	2,405,440	2,557,764
Shareholders' funds at 31 December	3,155,609	2,405,440

Company

	2012 £	2011 £
Profit attributable to the members of the company	1,360,637	1,141,831
Other recognised gains and losses relating to the year	48,000	(536,000)
Dividends	(509,090)	(610,908)
Net addition/(reduction) to shareholders' funds	899,547	(5,077)
Shareholders' funds at 1 January	2,012,790	2,017,867
Shareholders' funds at 31 December	2,912,337	2,012,790

21 Pension schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £250,212 (2011 - £244,592).

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... *continued*

Defined benefit scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The most recent triennial actuarial valuation was performed by an independent actuary for the trustees of the scheme and was carried out on 31 March 2011.

Contributions payable to the pension scheme at the end of the year are £nil (2011 - £nil).

The total contributions in the next year are expected to be £126,000.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2012 £	2011 £
Fair value of scheme assets	4,710,000	4,290,000
Present value of scheme liabilities	<u>(5,852,000)</u>	<u>(5,708,000)</u>
Defined benefit pension scheme deficit	(1,142,000)	(1,418,000)
Related deferred tax asset	<u>274,000</u>	<u>370,000</u>
Net liability in the balance sheet	<u><u>(868,000)</u></u>	<u><u>(1,048,000)</u></u>

Scheme assets

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

	2012 £	2011 £
Fair value at start of year	4,290,000	3,986,000
Expected return on assets	267,000	265,000
Actuarial gains and losses	144,000	(250,000)
Employer contributions	126,000	326,000
Benefits paid	<u>(117,000)</u>	<u>(37,000)</u>
Fair value at end of year	<u><u>4,710,000</u></u>	<u><u>4,290,000</u></u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

Analysis of assets

The major categories of scheme assets are as follows

	2012 £	2011 £
Equity instruments	34	14
Debt instruments	10	-
Property	7	-
Cash	1	7
Other assets	48	79
	<u>100</u>	<u>100</u>

Actual return on scheme's assets

	2012 £	2011 £
Actual return on scheme assets	<u>411,000</u>	<u>15,000</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes

Scheme liabilities

Changes in the present value of scheme liabilities are as follows

	2012 £	2011 £
Present value at start of year	5,708,000	5,130,000
Actuarial gains and losses	-	336,000
Interest cost	261,000	279,000
Benefits paid	<u>(117,000)</u>	<u>(37,000)</u>
Present value at end of year	<u>5,852,000</u>	<u>5,708,000</u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows

	2012 %	2011 %
Discount rate	4.60	4.60
Future pension increases	3.00	3.00
Inflation	3.10	3.20
Expected return on scheme assets - equity	5.90	6.20

Amounts recognised in the profit and loss account

	2012 £	2011 £
Amounts recognised in operating profit		
Recognised in arriving at operating profit	-	-
Amounts recognised in other finance (income)/cost		
Interest income	(261,000)	(279,000)
Expected return on scheme assets	267,000	265,000
Recognised in other finance cost	6,000	(14,000)
Total recognised in the profit and loss account	6,000	(14,000)

Amounts recognised in the statement of total recognised gains and losses

	2012 £	2011 £
Deferred tax movement on pension scheme deficit	(96,000)	50,000
Other actuarial gains (losses)	144,000	(586,000)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	48,000	(536,000)

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 4 periods are as follows

	2012	2011	2010	2009	2008
	£	£	£	£	£
Fair value of scheme assets	4,710,000	4,290,000	3,986,000	5,038,000	3,384,000
Present value of scheme liabilities	<u>(5,852,000)</u>	<u>(5,708,000)</u>	<u>(5,130,000)</u>	<u>(7,193,000)</u>	<u>(5,344,000)</u>
Deficit in scheme	<u>(1,142,000)</u>	<u>(1,418,000)</u>	<u>(1,144,000)</u>	<u>(2,155,000)</u>	<u>(1,960,000)</u>
Experience adjustments					
	2012	2011	2010	2009	2008
	%	%	%	%	%
Experience adjustments arising on scheme assets	<u>3</u>	<u>(6)</u>	<u>12</u>	<u>6</u>	<u>43</u>
Experience adjustments arising on scheme liabilities	<u>-</u>	<u>7</u>	<u>13</u>	<u>-</u>	<u>2</u>

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... *continued*

22 Commitments

Operating lease commitments

Group

As at 31 December 2012 the group had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	2012 £	2011 £
Land and buildings		
Within two and five years	97,202	75,000
Over five years	45,000	45,000
	<u>142,202</u>	<u>120,000</u>
Other		
Within one year	3,346	-
Within two and five years	1,465	11,502
	<u>4,811</u>	<u>11,502</u>

Company

As at 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	2012 £	2011 £
Land and buildings		
Within two and five years	75,000	75,000
Over five years	45,000	45,000
	<u>120,000</u>	<u>120,000</u>
Other		
Within one year	3,346	-
Within two and five years	1,465	11,502
	<u>4,811</u>	<u>11,502</u>

Other commitments

The group has entered into foreign forward contracts to provide a hedge against foreign currency fluctuations. At 31 December 2012, the company had entered into £634,996 (2011 £189,719) of foreign exchange forward contracts. Any exchange gains or losses will be recorded at the date of transaction and no provision has been recorded in the financial statements.

Armfield Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

23 Analysis of net debt

	At 1 January 2012 £	Cash flow £	At 31 December 2012 £
Cash at bank and in hand	2,737,034	(276,740)	2,460,294
Net funds	<u>2,737,034</u>	<u>(276,740)</u>	<u>2,460,294</u>

24 Related party transactions

Other related party transactions

During the year the company made the following related party transactions

C J Addis and S F Farrow

(Directors)

During the year the group paid rent to the directors and their wives, which amounted to £75,000 (2011 £75,000)

During the year the group paid the following dividends to its directors C J Addis £254,545 (2011 £305,454) and S F Farrow £254,545 (2011 £305,454) At the balance sheet date the amount due to C J Addis and S F Farrow was £nil (2011 - £nil)

25 Control

The company is controlled by the directors C J Addis and S F Farrow by virtue of their shareholdings