LANGLEY

Langley Holdings plc
Annual Report & Accounts 2012

2012

langleyholdings.com

Mission: To provide world-class engineering, building mutually beneficial long-term relationships.

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IFRS Annual Report and Accounts 2012

Group Overview

The Langley Group is a global, multi-disciplined engineering organisation whose capital equipment technologies form the core of many industrial and commercial processes around the world.

Cutting-edge technology and a systems-based approach continue to ensure that the Group's businesses are either outright market leaders or key niche players in their particular fields.

Established in 1975 by current Chairman and CEO Mr Tony Langley, the Group remains financially independent and still under the ownership of its founding family.

True to its original vision, the Group takes pride in operating a highly transparent business, making annual and interim reports readily available to all of its trading partners and employees as well as respecting their right to know who is behind the companies with which they are engaged.

Langley Holdings comprises 4 divisions, based principally in Germany, France and the UK but also with a substantial presence in the United States. These divisions are supported by an international network of subsidiaries in The Americas, Europe, The Far East and Australasia. In 2012 the Group employed 2,264 people worldwide.

In 2012 the Langley sponsored ***Gladiator*** competed in premier grand-prix yacht racing circuit, the TP52 Super Series. Inset: Tony Langley receives 3rd place trophy in the Copa Del Rey in Palma de Mallorca from Prince Philippe of Spain.

Piller Division

Piller Power Systems is Europe's leading producer of uninterruptable power supply (UPS) and backup systems for high-end data centres.

The company was founded in 1909 by Anton Piller and remained in the ownership of the Piller family until 1993, when it was acquired by German utility RWE AG. It became part of the Langley Group in 2004.

With modern manufacturing facilities at Osterode and state-of-the-art testing facilities at Bilshausen, Piller is now universally acknowledged as the leader in the field of high-end rotary power protection. Piller systems

Frankfurt Financial District where Piller uninterruptible power protection systems (UPS) protect 90% of institutions. Photo: Frank Hebeisen.

Location: Germany

Activity:
Power protection systems
Airport ground power systems
Naval military systems

Revenue 2012: €196.6m

Revenue 2011: €189.8m

Employees: 764

piller.com

support the global banking and finance community, broadcasters, telecommunications networks, healthcare as well as other sectors.

Piller also manufactures ground power systems for civil and military airports and on-board electrical systems for surface and submarine naval military applications.

Piller – Nothing protects quite like Piller

Claudius Peters Division

For over a century, Claudius Peters has been producing innovative materials handling and processing systems for the global cement and gypsum industries, as well as coal pulverising and injection systems for the world's steel industry.

The company's aerospace division manufactures aircraft 'stringers' (longitudinal supports) which are to be found in every Airbus aircraft currently in service anywhere in the world.

Claudius Peters serves its global markets via a network of overseas subsidiaries. The division's vigorous research, development and test programme at nearby Buxtehude has helped ensure it remains the leader in its field.

Claudius Peters was a division of the UK's Babcock International plc until it was acquired by Langley in 2001.

Claudius Peters – We know how

LANGLEY

Claudius Peters stockyard system, just one of the 'techniks' supplied to a turnkey cement plant in Peru.

Location: Germany

Activity:
Process plant equipment
Aerospace components

Revenue 2012: €139.6m

Revenue 2011: €135.4m

Employees: 540

claudiuspeters.com

ARO Division

The ARO Welding Technologies Group provides the automotive manufacturing industry with advanced robotic, manual and stationery welding technology and is widely regarded as the world leader in resistance welding technology.

ARO was founded by M. Albert Rolland in 1949 to produce welding machines for the auto body repair market. The company became part of the German MDAX engineering group IWKA AG and then part of the Langley Group in December 2006.

ARO widely regarded as the world leader in resistance welding technology.

LANGLEY

Location:	France
Activity:	Automotive welding technology
Revenue 2012:	€136.2m
Revenue 2011:	€109.7m
Employees:	498

arotechnologies.com

Headquartered near Le Mans, France, today, ARO produces state-of-the-art welding equipment in the US and China, serving its global automotive clients via a network of subsidiaries in Belgium, Germany, Mexico, Spain, Sweden, Slovakia and the UK.

ARO – La qualité sans compromis

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Other Businesses

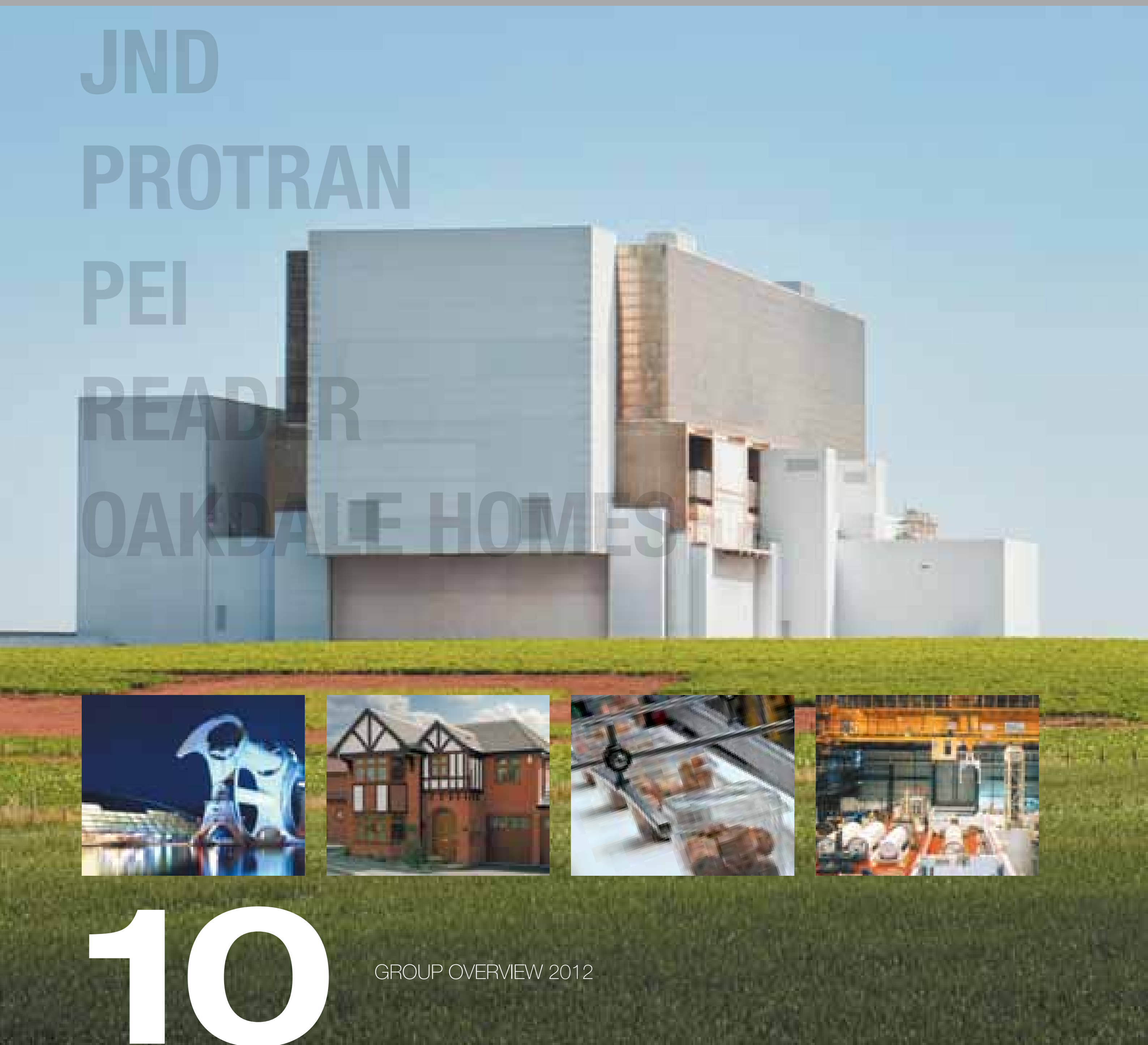
Other businesses within The Langley Group (operating at various locations in the US and the UK) include:

The Clarke Chapman Group: Acquired by Langley from Rolls Royce plc in December 2000, Clarke Chapman produces specialised cranes for the nuclear, military and other sectors. The Clarke Chapman Group operates principally from the UK cities of Newcastle, Leeds, Wolverhampton and Bristol.

Bradman Lake Group: A part of the Langley Group since October 2007, Bradman Lake Group produces integrated cartoning, wrapping and end-of-line packaging systems for the food industry. Bradman Lake clients include some of the world's leading food companies. The group operates from East Anglia and Bristol in the UK and Rock Hill, South Carolina in the US.

CLARKE CHAPMAN GROUP

BRADMAN LAKE GROUP



JND

PROTRAN

PEI

READER

OAKDALE HOMES

Smaller units within the Other Businesses division:

- **JND:** specialising in rotary thermal technologies
- **Protran:** a fabricator of liquefied compressed gas road transport vehicles
- **PEI:** a builder of pressure vessels and heat exchangers
- **Reader:** a blender of cement grouts and grout machinery
- **Oakdale Homes:** a regional UK house builder

All of these business units have their own websites which can be accessed through the main portal: **www.langleyholdings.com**

High integrity mechanical handling equipment at Torness Nuclear Plant, Scotland, UK supplied by Clarke Chapman's Wellman Booth division.

Location:	UK & USA
Activity:	Diverse capital equipment Construction
Revenue 2012:	€54.7m
Revenue 2011:	€59.8m
Employees:	462

Global Locations

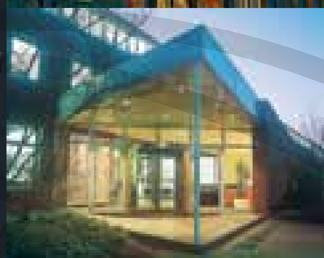
ASIA PACIFIC SINGAPORE **|** **AUSTRALIA** SYDNEY **|** **BELGIUM** BRUSSELS **|** **BRAZIL** SAO PAULO **|** **CHINA** BEIJING, HONG KONG, WUHAN **|** **FRANCE** LE MANS, MULHOUSE, PARIS **|** **GERMANY** HAMBURG, HANOVER, AUGSBURG **|** **INDIA** MUMBAI **|** **ITALY** BERGAMO, MILAN **|** **MEXICO** PUEBLA **|** **ROMANIA** SIBIU **|** **RUSSIA** MOSCOW **|** **SLOVAKIA** BRATISLAVA **|** **SPAIN** BARCELONA, MADRID **|** **SWEDEN** FJÄRÅS **|** **USA** ROCK HILL (SOUTH CAROLINA), DALLAS, NEW YORK, DETROIT **|** **UNITED KINGDOM** VARIOUS LOCATIONS

Dallas, USA

New York, USA

Detroit, USA

Le Mans, France



Hamburg, Germany

Mulhouse, France

Hanover, Germany

Retford, UK

• Principal office locations

• Manufacturing plants

IFRS Annual Report and Accounts 2012

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Company Information

YEAR ENDED 31 DECEMBER 2012

DIRECTORS:	A J Langley – Chairman J J Langley – Non-Executive B A Watson
SECRETARY:	B A Watson
REGISTERED OFFICE:	Enterprise Way Retford Nottinghamshire DN22 7HH England
REGISTERED IN ENGLAND NUMBER:	1321615
AUDITORS:	Nexia Smith & Williamson Statutory Auditor Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA England
PRINCIPAL BANKERS:	Barclays Bank plc PO Box 3333 One Snowhill Snowhill Queensway Birmingham B4 6GN England Deutsche Bank AG Adolphsplatz 7 20457 Hamburg Germany

Key Highlights

YEAR ENDED 31 DECEMBER 2012

	Year ended 31 December 2012 €'000	Year ended 31 December 2011 €'000
REVENUE	527,065	494,670
OPERATING PROFIT	115,992	73,132
NON-RECURRING ITEMS	25,158	–
PRE TAX PROFIT	121,253	76,312
NET ASSETS	382,729	295,852
NET CASH	208,223	245,728
ORDERS ON HAND	238,653	273,977
	No.	**No.**
EMPLOYEES	2,264	2,225

Chairman's Review

YEAR ENDED 31 DECEMBER 2012

In the year to 31 December 2012 the Group recorded revenues of €527.1 million (2011: €494.7 million) and generated an operating profit before non-recurring items of €90.8 million (2011: €73.1 million). Of this, rental income contributed €3.9 million (2011: €1.1 million) and income from finance activities added €5.5 million (2011: €3.4 million). During the period there was a non-recurring gain of €25.2 million (2011: €nil). This all resulted in a profit before tax of €121.3 million (2011: €76.3 million) and a profit after tax of €85.4 million (2011: €56.4 million). At 31 December 2012, net cash was €208.2 million (2011: €245.7 million) and net assets €382.7 million (2011: €295.9 million). Orders on hand at the year-end were €238.7 million (2011: €274.0 million).

In my review at the half-year, I said that I was expecting 2012 to be another record year for the Langley Group. That has proven to be the case, with these results surpassing those of 2008 and 2011. At €527.1 million, revenues were up by 6.5% on 2011 with operating profits excluding exceptional gains increased by 24.2% on the previous year, as our factories reached unprecedented levels of utilisation.

For some years now the Group has been operating debt free and with substantial cash reserves. Recently, we have invested some of our surplus cash to acquire business premises occupied by our subsidiaries. The most significant real estate purchase in this programme so far occurred in February 2012, when the Group purchased the million-plus square foot headquarters and manufacturing facilities of related company, Manroland Sheetfed GmbH, in Offenbach, Germany. As rental income from our subsidiaries and related companies is now a material amount we have identified this within operating profit for the first time this year. The Offenbach purchase gave rise to a fair value adjustment of €25.2 million which is shown as a non-recurring gain in these Accounts.

PILLER DIVISION

Revenue: €196.6m. (2011: €189.8m)

Headquarters: Germany. Employees: 764 (2011: 748)

Piller Division was the principal driver of the 2012 result. Piller is a leading producer of advanced power conditioning and back-up systems for data centres, together with aircraft ground power equipment and naval military electrical systems. From its headquarters and manufacturing facilities near Hanover, in Germany, the division recorded revenues of €196.6 million (2011: €189.8 million).

The excellent performance of Piller was brought about principally by strong demand for data centre systems, which in turn gave rise to very high utilisation of the production facilities, coupled with a favourable business mix. Revenues from the higher margin aftermarket have increased by around 50% over recent years and represented approximately 30% of total revenues in 2012. A slight shortfall in expected revenues in the US subsidiary was made up by the UK and German companies, while Piller France, Italy and Spain performed in line with expectations in a subdued market. Piller Australia had another very successful year, experiencing continued strong demand, mainly from the data centre sector in Australia. Piller Singapore, the company we established in 2009 to service the Pacific Rim, also performed well. Notably, Piller has achieved the current levels of business without material contribution from the BRIC countries and in 2012 management began to examine these markets, in order to develop business in these areas for the future.

CLAUDIUS PETERS DIVISION

Revenue: €139.6m. (2011: €135.4m)

Headquarters: Germany. Employees: 540 (2011: 548)

Claudius Peters (CP), headquartered near Hamburg in Germany, has two quite separate revenue streams. The principal activity is the design and manufacture of plant and machinery for the cement, steel and alumina industries. The company also produces stringers for the Airbus programme and celebrated thirty years of this activity in 2012, having supplied these components to every Airbus ever built. The division overall experienced a satisfactory trading year with sales of €139.6 million (2011: €135.8 million). The CP subsidiary in China saw a slow down after several years of strong demand, as did Brazil which had performed well in 2011. In the US, the business, which had been languishing since the financial crisis, picked up in 2012 whereas subsidiaries in Spain, Italy and the UK, not unexpectedly, reported continued weak demand. This was compensated by Germany and the markets it serves directly. CP France continued to trade at a historically high level on the strength of materials handling contracts in former French dependencies, but operating margins were impacted by a problematic contract which left the business only marginally profitable. However, all losses on that contract are now fully provided for. CP's aerospace division meanwhile, managed moderate growth over the previous year and maintained margins. Orders on hand at the year end for the CP division were €76.5 million (2011: €123.8 million).

ARO DIVISION

Revenue: €136.2m. (2011: €109.7m)

Headquarters: France. Employees: 498 (2011: 451)

ARO Division, which is based near Le Mans in central France and operates a second manufacturing plant in Detroit in the US, is the leading producer of resistance welding equipment to the automotive sector. The division experienced a remarkably successful year in 2012 as both European and US automobile producers continued to invest in new production lines. Despite the malaise in European car sales, investment in new production lines outside of Europe was extremely buoyant and the trend, which resulted in a record year in 2011, continued and strengthened in 2012 to reach an all-time high revenue of €136 million. This resulted in a very healthy operating margin of 18%, largely due to extremely high utilisation of the factories in both France and the US. Management viewed 2012, like 2011, as an exceptional year and although the current level of activity looks set to continue until mid-2013, the business is forecasting a slow-down in the second half. At the year end the division had orders on hand of €38.1 million (2011: €34.0 million).

OTHER BUSINESSES

Revenue: €54.7m. (2011: €59.8m)

Located: United Kingdom & United States. Employees: 462 (2011: 478)

Other businesses had a reasonably satisfactory year overall. Bradman Lake, the packaging machinery specialist, experienced a slower year than in 2011 but nevertheless made a positive contribution, its operations in both the UK and the US reporting a slow down after a record year in 2011. Clarke Chapman had a similar year to 2011 and remained acceptably profitable as did JND. Oakdale Homes, which represents less than 1% of total group revenues, was the only business unit to make a negative contribution, although I expect 2013 will see it return to profit. The other businesses closed the year with order books of €19.7 million (2011: €21.3 million).

MANROLAND SHEETFED

In the interim trading statement I reported that in February 2012, the Group had funded the acquisition of German printing press manufacturer, Manroland Sheetfed GmbH and that after five months the new business was trading within expectations and standing on its own feet financially. That continued to be the case through the second half and the business which was re-structured during the year, reached an underlying operating break-even in the last quarter. The restructuring was completed during 2012 and all related costs were accounted for in 2012, as were non-recurring gains arising from the acquisition.

In 2013 the Manroland Sheetfed Group, which includes some forty subsidiaries world-wide, is now structured to break even on revenue of €350 million. At this level the production facilities in Germany would be operating at around one third of capacity and at 80% utilisation with

CHAIRMAN'S REVIEW (CONTINUED) YEAR ENDED 31 DECEMBER 2012

Manroland Sheetfed HQ in Germany: the most significant real estate purchase to date.

current manning levels. Considering demand for printing presses remains depressed and there is currently significant overcapacity in the market, this is a satisfactory situation. As the business achieved slightly over this volume in a year which saw much upheaval, I would expect to see something of an improvement in 2013.

Manroland Sheetfed will report its trading results to 31st December 2012 in March. Summary unaudited figures are shown in the table below. This also gives an indication of how the existing Group and Manroland Sheetfed would have looked had they been combined at 31 December 2012. The Manroland trading result for 2012 includes substantial non-recurring costs and gains and now that trading has been normalised, it is planned to incorporate the press builder as a division of Langley Holdings plc in 2013.

	Manroland Sheetfed Group Year ended 31 December 2012 €000's	**Langley Holdings plc** Year ended 31 December 2012 €000's	**Total** Year ended 31 December 2012 €000's
REVENUE	358,032	527,065	885,097
OPERATING PROFIT	71,400	115,992	187,392
NET FINANCE (COST)/INCOME	(2,548)*	5,261	2,713
PROFIT BEFORE TAX	68,852	121,253	190,105
NET ASSETS	80,920	382,729	463,649
CASH	46,390	208,223	254,613
EMPLOYEES	1,740	2,264	4,004

*Payable to Langley Holdings plc

OUR PEOPLE

As is customary, no review of our Group would be complete without mention of our many employees around the world who, through their hard work and determination, make the Group the success that it is today. Although not yet formally part of the group I would like to take this opportunity of welcoming to our family of businesses, those people in over forty countries around the world that comprise the Manroland Sheetfed group. 2012 was a year that saw fundamental culture change in that business and I have been impressed by the enthusiasm with which the Langley culture has been embraced. Finally, I would like to especially welcome to the Group, Mr Bernard Langley, my eldest son. Bernard joined the company in October 2012 to become the fifth generation of the family to come into the engineering business.

Bernard Langley joined the Group in October 2012.

CONCLUSION & OUTLOOK 2013

2012 was a remarkably successful year for our Group. Our businesses, with only minor exceptions, have performed ahead of expectation and much credit is due to our divisional management for this achievement. At the group level much of our attention in 2012 has been focused on re-aligning the Manroland business in readiness to become a part of the Group. Looking to 2013, the outlook is positive for our businesses although I do not expect to reach the 2012 heights, or for Manroland Sheetfed to make a substantial contribution; that will come later. Capital equipment, the majority of our Group's engagement, is a notoriously cyclical business and although the diversity of our activities in theory means that peaks and troughs are less pronounced, 2012 was a year which saw the majority of our businesses at a high point and I would not expect this to be repeated. Carry-over of orders on hand at the year-end of €238.7 million is healthy enough but compared with €274.0 million at the end of 2011, is an indication that 2013 will not be as remarkable as 2012.

Anthony J Langley

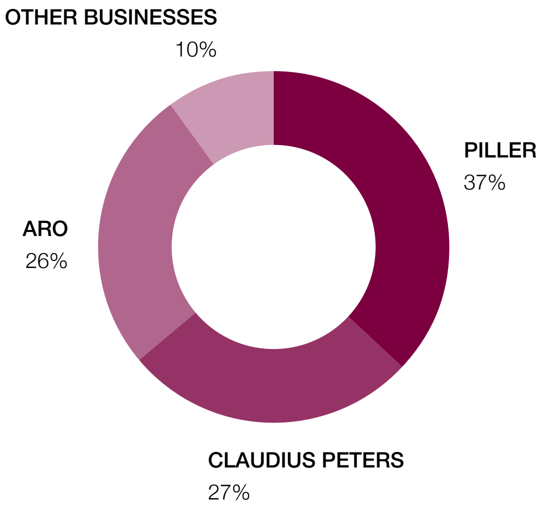
Chairman

31 January 2013

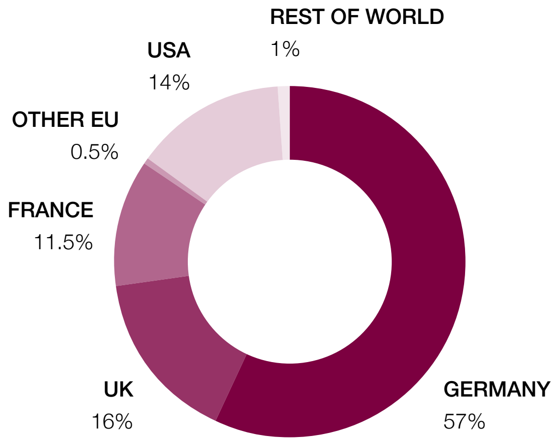
Geographical Distribution

YEAR ENDED 31 DECEMBER 2012

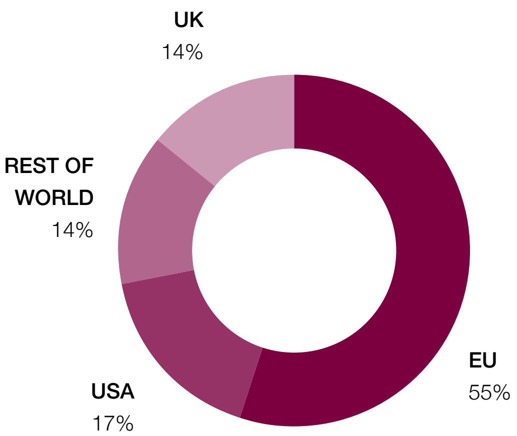
REVENUE BY DIVISION



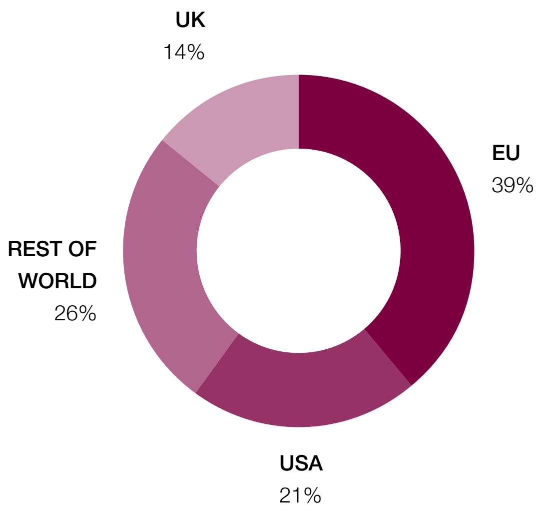
SITU OF FIXED ASSETS



REVENUE BY ORIGIN



REVENUE BY DESTINATION



LANGLEY

Directors' Report

YEAR ENDED 31 DECEMBER 2012

The Directors present their report together with the audited Accounts of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company continued to be that of a managing and parent company for a number of trading subsidiaries organised in divisions and business units engaged principally in the engineering sector. The specific activities of the subsidiary undertakings are as disclosed in note 16 to the Accounts.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out on page 28. The profit attributable to the shareholder for the financial year was €85,426,000 (2011 - €56,387,000).

Dividends of €nil per share were paid to the ordinary shareholders during the year (2011 - €nil). No final dividend was proposed at the year end.

BUSINESS REVIEW

(a) Development performance and position

The Directors are satisfied with the trading results of the Group for the year. The Chairman's review on pages 17 to 21 contains an analysis of the development and performance of the Group during the year and its position at the end of the year.

(b) Principal risks and uncertainties

There are a number of risks and uncertainties which may affect the Group's performance. A risk assessment process is in place and is designed to identify, manage and mitigate business risks. However it is recognised that to identify, manage and mitigate risks is not the same as to eliminate them entirely. The Group ensures that it limits its exposure to any downturn in its traditional trading sector by continuing to diversify its activities, identifying opportunities for existing product offerings into new markets and for new products for all markets. The Group has a wide range of customers which limits exposure to any material loss of revenue. The Group's exposure to the volatility of exchange rates is mitigated through its geographical spread of operations.

(c) Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Review on pages 17 to 21. The financial position of the Group, its cash flows and liquidity position are also described in the Chairman's Review. In addition, note 34 to the Accounts includes the Group's policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments, and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Thus they continue to adopt the going concern basis of accounting in preparing the annual Accounts.

Directors' Report (continued)

YEAR ENDED 31 DECEMBER 2012

(d) Key performance indicators (KPI's)

The Board uses a number of tools to monitor the Group's performance including a review of key performance indicators (KPI's) on a regular and consistent basis across the Group. Examples of KPI's currently used include:

Targets

- Regular monthly monitoring of sold and developed contract margins
- Minimum return on capital, being profit before tax for the year as a percentage of equity, of 25%
- Minimum return on sales, being profit before tax for the year as a percentage of sales, of 8%

	2012	2011
Return on Capital	32%	26%
Return on Sales	23%	15%

The Board also considers the following non-financial key performance indicators:

- Staff turnover
- Orders on hand

These are reviewed monthly on information provided to the Board and details are shown on page 16.

(e) Research and development

The Group is committed to innovation and technical excellence. The Group, through its divisions, maintains a programme of research and development to ensure that it remains at the forefront of respective technologies in its key sectors.

EMPLOYMENT POLICY

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability, without discrimination of any kind, and to training for the existing and likely needs of the business.

It is the Group's policy to keep its employees informed on matters affecting them and actively encourage their involvement in the performance of the Group.

FINANCIAL RISK MANAGEMENT

Prudent liquidity risk management implies maintaining sufficient cash on deposit and the availability of funding through an adequate amount of committed credit facilities. The Directors are satisfied that cash levels retained in the business, committed credit facilities and surety lines are more than adequate for future foreseeable requirements. Further details are set out in note 34 to the Accounts.

POLICY ON THE PAYMENT OF CREDITORS

The Group seeks to maintain good relations with all of its trading partners. In particular, it is the Group's policy to abide by the terms of payment agreed with each of its suppliers. The average number of days' purchases included within trade creditors for the Group at the year end was 30 days (2011 – 31 days).

DIRECTORS' INTERESTS

The Directors of the Company in office during the year and their beneficial interests in the issued share capital of the Company were as follows:

Directors' Report (continued)

YEAR ENDED 31 DECEMBER 2012

DIRECTORS' INTERESTS (continued)

	At 31 Dec 2012 Ordinary shares of £0.10 each	At 31 Dec 2011 Ordinary shares of £0.10 each
A J Langley (Chairman)	1,000,000	1,000,000
J J Langley (Non-Executive)	-	-
B A Watson	-	-

The shareholding of Mr A J Langley represents 100% of the issued share capital of the Company.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each person who was a Director at the time this report was approved:

- so far as that Director was aware there was no relevant available information of which the Company's auditors were unaware;
- and that Director had taken all steps that the Director ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare Accounts for each financial year. Under that law the Directors have elected to prepare the Accounts in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Accounts, as applied in accordance with the provisions of the Companies Act 2006. Under company law the Directors must not approve the Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit of the Group for that period. In preparing these Accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the Accounts comply with IFRSs as adopted by the European Union;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Accounts 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.

By order of the Board

B A WATSON
Company Secretary

Langley Holdings plc

Registered in England and Wales   Company number 01321615

31 January 2013

Independent Auditor's Report to the Member

YEAR ENDED 31 DECEMBER 2012

We have audited the Accounts of Langley Holdings plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes 1 to 40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company Accounts, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member, 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 Statement of Directors' Responsibilities, set out on page 25, the Directors are responsible for the preparation of the Accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Accounts 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 ACCOUNTS

A description of the scope of an audit of Accounts is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

OPINION ON ACCOUNTS

In our opinion:

- the Accounts give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- the Group Accounts have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Accounts have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Accounts have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report to the Member (continued)

YEAR ENDED 31 DECEMBER 2012

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 Accounts are prepared is consistent with the Accounts.

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 Accounts 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 Neale
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Portwall Place
Portwall Lane
Bristol BS1 6NA

31 January 2013

Consolidated Income Statement

YEAR ENDED 31 DECEMBER 2012

	Note	2012 €'000	2011 €'000
REVENUE	2	527,065	494,670
Cost of sales	3	(348,985)	(339,991)
GROSS PROFIT		178,080	154,679
Net operating expenses	3	(62,088)	(81,547)
OPERATING PROFIT	4	115,992	73,132
OPERATING PROFIT BEFORE NON-RECURRING ITEMS		90,834	73,132
NON-RECURRING ITEMS	5	25,158	-
		115,992	73,132
Finance income	7	5,488	3,359
Finance costs	8	(227)	(179)
PROFIT BEFORE TAXATION		121,253	76,312
Income tax expense	12	(35,827)	(19,925)
PROFIT FOR THE YEAR		85,426	56,387

All of the activities of the Group are classed as continuing. Profit for the year is attributable to the Equity holder of the Parent Company.

The notes on pages 36 to 84 form part of these accounts

Consolidated Statement of Comprehensive Income

YEAR ENDED 31 DECEMBER 2012

	Note	2012 **€'000**	2011 **€'000**
Profit for the year		85,426	56,387
Other comprehensive income:			
Actuarial loss on defined benefit pension schemes	31	(553)	(475)
Deferred tax relating to actuarial loss	32	127	118
		(426)	(357)
Other deferred tax movements	32	53	118
Gain on revaluation of properties	15	2,263	-
Deferred tax on revaluation surplus		(855)	-
Exchange differences on translation of foreign operations		416	2,115
Other comprehensive income for the year		1,451	1,876
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		86,877	58,263

The notes on pages 36 to 84 form part of these accounts

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2012

	Note	2012 €'000	€'000	2011 €'000	€'000
NON-CURRENT ASSETS					
Intangible assets	14		2,553		2,774
Property, plant and equipment	15		63,263		57,099
Investment property	17		48,448		-
Trade and other receivables	18		744		75
Deferred income tax assets	32		8,891		8,401
Income tax recoverable	19		16		499
			123,915		68,848
CURRENT ASSETS					
Inventories	20	78,038		66,670	
Trade and other receivables	22	183,338		115,936	
Cash and cash equivalents	23	208,223		245,728	
Current income tax recoverable	24	2,747		3,261	
		472,346		431,595	
CURRENT LIABILITIES					
Current portion of long term borrowings	28	20		20	
Current income tax liabilities	27	10,168		8,939	
Trade and other payables	25	141,531		137,835	
Provisions	26	20,164		25,328	
		171,883		172,122	
NET CURRENT ASSETS			300,463		259,473
Total assets less current liabilities			424,378		328,321
NON-CURRENT LIABILITIES					
Provisions	26	2,479		3,170	
Long term borrowings	29	20		40	
Trade and other payables	30	11,029		10,713	
Retirement benefit obligations	31	9,436		7,780	
Deferred income tax liabilities	32	18,685		10,766	
			41,649		32,469
NET ASSETS			382,729		295,852
EQUITY					
Share capital	36		163		163
Revaluation reserve	37		4,363		3,058
Retained earnings	38		378,203		292,631
TOTAL EQUITY			382,729		295,852

Approved by the Board of Directors on 31 January 2013 and signed on its behalf by

A J LANGLEY
Director

J J LANGLEY
Director

The notes on pages 36 to 84 form part of these accounts

Consolidated Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2012

	Share capital €'000	Revaluation reserve €'000	Retained earnings €'000	Total €'000
AT 1 JANUARY 2011	163	3,097	234,329	237,589
Profit for the year	-	-	56,387	56,387
Depreciation transfer	-	(40)	158	118
Currency exchange difference arising on retranslation	-	1	2,114	2,115
Actuarial losses on defined benefit schemes net of deferred tax	-	-	(357)	(357)
TOTAL COMPREHENSIVE INCOME	-	(39)	58,302	58,263
Dividends paid	-	-	-	-
AT 31 DECEMBER 2011	163	3,058	292,631	295,852
Profit for the year	-	-	85,426	85,426
Depreciation transfer	-	(106)	159	53
Currency exchange difference arising on retranslation	-	3	413	416
Gain on revaluation of properties	-	2,263	-	2,263
Deferred tax on revaluation surplus	-	(855)	-	(855)
Actuarial losses on defined benefit schemes net of deferred tax	-	-	(426)	(426)
TOTAL COMPREHENSIVE INCOME	-	1,305	85,572	86,877
Dividends paid	-	-	-	-
AT 31 DECEMBER 2012	163	4,363	378,203	382,729

The notes on pages 36 to 84 form part of these accounts

Company Statement of Financial Position

AS AT 31 DECEMBER 2012

	Note	2012 €'000	€'000	2011 €'000	€'000
NON-CURRENT ASSETS					
Property, plant and equipment	15		8,005		6,214
Investments	16		7,669		6,958
Deferred income tax assets	32		125		150
			15,799		13,322
CURRENT ASSETS					
Inventories	20	28		33	
Trade and other receivables	22	104,496		20,951	
Cash and cash equivalents	23	77,341		99,272	
Current income tax recoverable	24	622		284	
		182,487		120,540	
CURRENT LIABILITIES					
Trade and other payables	25	3,369		3,205	
		3,369		3,205	
NET CURRENT ASSETS			179,118		117,335
Total assets less current liabilities			194,917		130,657
NET ASSETS			194,917		130,657
EQUITY					
Share capital	36		163		163
Revaluation reserve	37		36		46
Retained earnings	38		194,718		130,448
TOTAL EQUITY			194,917		130,657

Approved by the Board of Directors on 31 January 2013 and signed on its behalf by

A J LANGLEY
Director

J J LANGLEY
Director

The notes on pages 36 to 84 form part of these accounts

Company Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2012

	Share capital €'000	Revaluation reserve €'000	Retained earnings €'000	Total €'000
AT 1 JANUARY 2011	163	54	101,288	101,505
Profit for the year	-	-	28,313	28,313
Depreciation transfer	-	(10)	15	5
Currency exchange differences arising on retranslation	-	2	832	834
TOTAL COMPREHENSIVE INCOME	-	(8)	29,160	29,152
Dividends paid	-	-	-	-
AT 31 DECEMBER 2011	163	46	130,448	130,657
Profit for the year	-	-	65,404	65,404
Depreciation transfer	-	(11)	17	6
Currency exchange differences arising on retranslation	-	1	(1,151)	(1,150)
TOTAL COMPREHENSIVE INCOME	-	(10)	64,270	64,260
Dividends paid	-	-	-	-
AT 31 DECEMBER 2012	163	36	194,718	194,917

The notes on pages 36 to 84 form part of these accounts

Consolidated Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2012

	Note	2012 €'000	€'000	2011 €'000	€'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	40		75,035		80,321
Bank and loan interest paid			(227)		(120)
Interest received			5,488		3,359
Income taxes paid			(26,630)		(18,128)
NET CASH FROM OPERATING ACTIVITIES			53,666		65,432
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of intangible assets		-		(77)	
Purchase of investment property		(23,290)		-	
Purchase of property, plant and equipment		(11,613)		(7,443)	
Proceeds from sale of property, plant and equipment		305		198	
Amounts loaned to related undertaking		(55,635)		-	
NET CASH USED IN INVESTING ACTIVITIES			(90,233)		(7,322)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of amounts borrowed		(20)		(20)	
NET CASH USED IN FINANCING ACTIVITIES			(20)		(20)
Net (decrease)/increase in cash and cash equivalents			(36,587)		58,090
Cash and cash equivalents at 1 January 2012			245,728		186,835
Effects of exchange rate changes on cash and cash equivalents			(918)		803
Cash and cash equivalents at 31 December 2012			208,223		245,728
CASH AND CASH EQUIVALENTS CONSISTS OF:					
Cash in hand, at bank and short term deposits	23		208,223		245,728

The notes on pages 36 to 84 form part of these accounts

Company Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2012

	Note	2012 €'000	€'000	2011 €'000	€'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash (used in) / generated from operations	40		(11,137)		11,949
Interest paid			(25)		(16)
Interest received			4,897		1,871
Income taxes (paid) / received			(225)		11
NET CASH (USED IN) / FROM OPERATING ACTIVITIES			(6,490)		13,815
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received		61,567		26,966	
Amounts loaned to group company		(21,838)		-	
Amounts loaned to related undertaking		(54,674)		-	
Purchase of property, plant and equipment		(2,265)		(320)	
Proceeds from sale of property, plant and equipment		57		23	
Purchase of subsidiary undertakings		(536)		(77)	
NET CASH (USED IN) / FROM INVESTING ACTIVITIES			(17,689)		26,592
Net (decrease)/increase in cash and cash equivalents			(24,179)		40,407
Cash and cash equivalents at 1 January 2012			99,272		58,360
Effects of exchange rate changes on cash and cash equivalents			2,248		505
Cash and cash equivalents at 31 December 2012			77,341		99,272
CASH AND CASH EQUIVALENTS CONSISTS OF:					
Cash in hand, at bank and short term deposits	23		77,341		99,272

The notes on pages 36 to 84 form part of these accounts

Notes to the Accounts

YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES

a Basis of preparation

Langley Holdings plc is a Company incorporated in the United Kingdom.

The Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved for use in the European Union applied in accordance with the provisions of the Companies Act 2006.

The Accounts have been prepared on a historical cost basis, except for the revaluation of property, plant and equipment and investment properties.

New and amended standards which became effective during the year

There were a number of Amendments to Standards dealing with disclosures of transfers of financial instruments, first time adoption of IFRS and accounting for deferred tax, but none of these had a material impact on the group in the current period.

New and amended standards which are not effective for the current period

IFRS 9, *Financial instruments*, is in issue but not yet effective and has not yet been approved by the European Union.

IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosures of Interests in Other Entities*, and IFRS 13, *Fair Value Measurement*, are in issue but are not yet effective and have been approved by the European Union.

A number of Amendments, Improvements and Interpretations have also been issued but are not yet effective including dealing with presentation and disclosure of financial instruments and other comprehensive income, accounting for defined benefit pension schemes and termination costs.

The directors are currently assessing the impact of these new Standards, Interpretations and Amendments on the Group's financial statements.

b Consolidation

The Consolidated Accounts incorporate the Accounts of the Company and all of its subsidiary undertakings for the year ended 31 December 2012 using the purchase method and exclude all intra-group transactions. Assets, liabilities and contingent liabilities of acquired companies are measured at fair value at the date of acquisition. Any excess or deficiency between the cost of acquisition and fair value is treated as positive or negative goodwill as described below. Where subsidiary undertakings are acquired or disposed of during the year, the results and turnover are included in the Consolidated Income Statement from, or up to, the date control passes.

The Company has taken advantage of the exemption granted by Section 480 of the Companies Act 2006 from presenting its own Income Statement (note 13).

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

c Goodwill

When the fair value of the consideration for an acquired undertaking exceeds the fair value of its separable net assets, the difference is treated as purchased goodwill and is recognised as an asset at cost and reviewed for impairment annually. Any impairment is recognised immediately in the Consolidated Income Statement and is not reversed in subsequent years.

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking the difference is credited to the Consolidated Income Statement in the year of acquisition.

d Impairment of intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are reviewed for impairment annually and when there are indications that the carrying value may not be recoverable. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The amortisation charged on those intangible assets that do not have an indefinite useful life is calculated as follows:

Patents and licenses	-	2 to 10 years straight line

e Property, plant and equipment

Property, plant and equipment is stated at cost of purchase or valuation, net of depreciation and any impairment provision.

Freehold land	-	not depreciated
Freehold buildings	-	50 years straight line
Vehicles	-	4 to 10 years straight line
Plant and machinery	-	4 to 20 years straight line
Computers	-	3 to 8 years straight line

Revaluations of land and buildings are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the year end.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

f Investment properties

Investment properties are accounted for in accordance with IAS 40 Investment Property under the fair value model. No depreciation is provided in respect of such properties. All gains and losses are recognised through the Consolidated Income Statement.

g Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables do not carry any interest and are initially measured at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts, and subsequently at their amortised cost.

Borrowings
Interest-bearing loans and overdrafts are recorded initially when the proceeds are received. Finance charges are accounted for at amortised cost using the effective interest rate method.

Trade payables
Trade payables are non-interest bearing and are initially measured at their fair value and subsequently at their amortised cost.

h Investments

Investments represent the Parent Company's holdings in its subsidiaries and are presented as non current assets and stated at cost less any impairment in value. Any impairment is charged to the Company Income Statement.

i Inventories and work in progress

Inventories are valued at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials and consumables	-	cost of purchase on first in, first out basis.
Finished goods	-	cost of raw materials and labour together with attributable overheads.
Work in progress	-	cost of raw materials and labour together with attributable overheads.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

j Construction contracts

Contract costs are recognised when incurred. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to either the contract costs incurred up to the year end as a percentage of total estimated costs for each contract, or by reference to milestone conditions as defined in the contracts, as appropriate to the circumstances of the particular contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion, and are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers and retentions are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

k Taxes

Income tax expense represents the sum of the income tax currently payable and deferred income tax.

Deferred income tax is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Accounts. Deferred income tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

l Foreign currencies

(a) Transactions and balances
Transactions in currencies other than euro are recorded at the rates of exchange prevailing on the dates of the transactions. At each year end, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the year end. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

(b) Accounts of overseas operations
On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

m Revenue recognition

Revenue from sale of goods is recognised when the Group has delivered the products and the customer has accepted them, and is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts.

n Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and short-term deposits with banks and similar financial institutions with a maturity of six months or less, and bank overdrafts.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

o Pension obligations

For defined benefit post employment schemes, the difference between the fair value of the scheme assets (if any) and the present value of the scheme liabilities is recognised as an asset or liability in the Statement of Financial Position.

Any asset recognised is restricted, if appropriate, to the present value of any amounts the Group expects to recover by way of refunds from the plan or reductions in future contributions. Actuarial gains and losses arising in the year are taken to the Statement of Comprehensive Income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the Income Statement, including the current service cost and any past service cost. The interest cost less the expected return on assets is also charged to the Income Statement. The amount charged to the Income Statement in respect of these schemes is included within operating costs.

The most significant assumptions used in accounting for pension schemes are the long term rate of return on scheme assets, the discount rate and the mortality assumptions. The long term rate of return on scheme assets is used to calculate interest income on pension assets, which is credited to the Group's Income Statement. The discount rate is used to determine the net present value of future liabilities. The discount rate used is the yield on high quality corporate bonds with maturity and terms that match those of the post employment obligations as closely as possible. Where there is no developed corporate bond market in a country, the rate on government bonds is used. Each year, the unwinding of the discount on those liabilities is charged to the Group's Income Statement as the interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Valuations of liabilities are carried out using the projected unit method. The long term rate of return on pension scheme assets is determined as management's best estimate of the long term return on the major asset classes, i.e. equity, debt, property and other, weighted by the actual allocation of assets among the categories at the measurement date. The expected rate of return is calculated using geometric averaging.

The values attributed to scheme liabilities and the long term rate of return are assessed in accordance with the advice of independent qualified actuaries.

The Group's contributions to defined contribution pension schemes are charged to the Income Statement in the period to which the contributions relate.

For defined contribution plans, contributions are recognised as an employee benefit expense when they are due.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

p Leased assets

All leases are treated as "operating leases" and the relevant annual rentals are charged to the Consolidated Income Statement on a straight line basis over the lease term.

q Government grants

Government grants received to fund training of employees are credited to the Consolidated Income Statement in the period received.

r Dividend policy

Dividend distribution to the Company's Shareholder is recognised as a liability in the Group's Accounts in the period in which the dividends are approved by the Company's Shareholder.

s Key assumptions and significant judgements

The preparation of the Accounts in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the Accounts. The areas where the most judgement is required are highlighted below:

i Pensions

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth, mortality and expected return on scheme assets. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 11 for further details.

ii Property, plant and equipment

The property, plant and equipment used within the Group have estimated service lives of between 3 and 20 years, with the exception of property which has an estimated service life of 50 years, and the depreciation charge is clearly sensitive to the lives allocated to the various types of asset. Asset lives are reviewed regularly and changed where necessary to reflect the current view on their remaining lives in light of the technological change, prospective economic utilisation and the physical condition of the assets.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

s Key assumptions and significant judgements (continued)

iii *Revenue recognition*
Revenue and profit are recognised for contracts undertaken based on estimates of the stage of completion of the contract activity. The Group's policies for the recognition of revenue and profit are set out above.

iv *Impairment of assets*
Property, plant and equipment and intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

v *Income taxes*
The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes in each territory. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provision in the period to which such determination is made. See notes 12 and 32 for further information.

vi *Provisions*
Provision is made for liabilities that are uncertain in timing or amount of settlement. These include provision for rectification and warranty claims. Calculations of these provisions are based on cash flows relating to these costs estimated by management supported by the use of external consultants where needed and discounted at an appropriate rate where the impact of discounting is material.

t Research and development

Research and development expenditure is charged to the Income Statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset is met. Other development expenditure is recognised in the Income Statement as incurred.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

2 REVENUE

An analysis of the Group's revenue between each significant category is as follows:

	2012 €'000	2011 €'000
Revenue from construction contracts	183,292	176,075
Sale of goods	343,773	318,595
	527,065	494,670

3 ANALYSIS OF NET OPERATING EXPENSES

	2012 €'000	2011 €'000
Distribution costs	27,902	26,620
Administrative expenses	68,574	61,656
Non-recurring items (note 5)	(25,158)	-
Other operating income (note 6)	(9,230)	(6,729)
Net operating expenses	62,088	81,547

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

4 OPERATING PROFIT

	2012 €'000	2011 €'000
Operating profit has been arrived at after charging/(crediting)		
Directors' emoluments (note 9)	2,458	1,340
Depreciation of owned assets (note 15)	7,202	6,231
Amortisation of intangibles (note 14)	178	178
Research and development costs	6,023	5,844
Loss/(profit) on sale of property, plant and equipment	211	(51)
Fees payable to the Group's auditor for the audit of the Group's Accounts	101	101
Fees payable to the Group's auditor and its associates for other services		
- the auditing of Subsidiary Accounts	558	566
- other services relating to taxation compliance	79	76
- other services relating to taxation advisory	11	7
- all other services	116	124
Operating leases - land and buildings	2,366	2,351
- other	205	258
Impairment of trade receivables	127	62
Cost of inventories recognised as an expense (included in cost of sales)	211,439	201,450
Net loss/(profit) on foreign currency translation	272	(216)
Write down of inventories	2,389	2,585

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

5 NON-RECURRING ITEMS

The non-recurring gain of €25,158,000 in the year relates to a fair value adjustment of investment properties in CPVA GmbH. Further details are disclosed in note 17.

6 OTHER OPERATING INCOME

	2012 €'000	2011 €'000
Public grants	752	876
Rents receivable	3,001	295
Other income	3,814	4,058
Licences	-	1,500
Management charge from related undertakings	1,663	-
	9,230	6,729

7 FINANCE INCOME

	2012 €'000	2011 €'000
Bank interest receivable	2,859	3,229
Related undertaking loan interest receivable	2,458	-
Other interest receivable	171	130
	5,488	3,359

8 FINANCE COSTS

	2012 €'000	2011 €'000
Other interest	227	179
	227	179

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

9 KEY MANAGEMENT PERSONNEL COMPENSATION

	2012 €'000	2011 €'000
Salaries and short-term employee benefits	2,534	1,405
Post-employment benefits	37	34
	2,571	1,439

All of the above key management personnel compensation relates to Directors.

Directors' emoluments

	2012 €'000	2011 €'000
Aggregate emoluments as Directors of the Company	2,421	1,306
Value of Group pension contributions to money purchase schemes	37	34
	2,458	1,340
Emoluments of the highest paid Director	1,929	916

	No.	No.
Number of Directors who are accruing benefits under money purchase pension schemes	3	3

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

10 EMPLOYEE NUMBERS AND COSTS

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

	2012 **No.**	2011 **No.**
Management, office and sales	983	925
Manufacturing and direct labour	1,281	1,300
	2,264	2,225

The aggregate payroll costs of these persons were as follows:

	2012 **€'000**	2011 **€'000**
Wages and salaries	117,510	109,887
Social security costs	24,325	22,756
Other pension costs	3,019	1,529
	144,854	134,172

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

11 RETIREMENT BENEFIT SCHEMES

Pension schemes operated

The Group operates four pension schemes in the United Kingdom: a self administered scheme for A J Langley and J J Langley; a scheme which provides defined benefits for certain employees of Piller (UK) Limited ("the defined benefits scheme"); a scheme which provides defined benefits in respect of pre 1 April 1991 service and defined contribution benefits in respect of post 1 April 1991 service (the "hybrid scheme") for certain employees in the 'Jenkins Newell Dunford Group of Companies' and 'Clarke Chapman Group of Companies', and a defined contribution scheme for certain other employees within these 'groups'. The Group contributed to other personal defined contribution schemes of various employees.

The total cost charged to income includes €390,000 (2011 - €163,000) representing contributions payable to the defined contribution schemes and the defined contribution section of the hybrid scheme by the Group at rates specified in the rules of the scheme.

The Group operates overseas pension schemes which are unfunded defined benefits schemes ("the unfunded schemes") for certain employees of Claudius Peters Projects GmbH, Claudius Peters Technologies SAS, ARO Welding Technologies GmbH and ARO Welding Technologies SAS.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

11 RETIREMENT BENEFIT SCHEMES (continued)

Scheme assets

The major categories of the scheme assets as a percentage of the fair value of total scheme assets are as follows:

	2012	2011
Equity instruments	20.5%	20.2%
Diversified growth fund	17.4%	17.2%
Debt instruments	37.8%	35.8%
Gilts	20.3%	21.0%
Other	4.0%	5.8%
	100.0%	100.0%

The assets of the defined benefits scheme and hybrid scheme are generally managed on a day-to-day basis by external specialist fund managers.

Main assumptions (rates per annum)

The main assumptions for the valuations of the schemes under IAS19 are set out below:

	2012 UK	2012 Eurozone	2011 UK	2011 Eurozone
Rate of increase in salaries	2.2-2.9%	0.5-2.4%	4.0%	0.5-1.9%
Rate of increase in pensions	2.1-2.9%	0.0-3.0%	2.2-4.0%	2.0-3.0%
Discount rate	4.2-4.3%	2.9-3.6%	4.7%	3.2-4.8%
Inflation (a)	2.9%	0.5-2.4%	3.0%	0.5-1.9%

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

11 RETIREMENT BENEFIT SCHEMES (continued)

(a) The inflation assumption shown for the UK is for the Retail Price Index. The assumption for the Consumer Price Index at 31 December 2012 was 2.2 - 2.4%.

The post retirement mortality assumptions allow for future improvements in longevity. The mortality tables used imply that a man aged 65 at the statement of financial position date has a weighted average expected future lifetime of between 20.7 and 22.6 years (2011: 22 years) and that a man aged 65 in 2036 could have a weighted average expected future lifetime of between 22.5 and 24.5 years (2011: 24 years).

	2012	2011
UK Long term rate of return expected		
Defined benefits scheme	4.2%	5.0%
Hybrid scheme	3.0%	4.0%

Total expense recognised in the Income Statement

	2012 €'000	2011 €'000	2010 €'000
Interest cost	(544)	(531)	(546)
Expected return on assets	630	681	666
Past service (cost)/credit (a)	(1,384)	(267)	1,241
Total defined benefit (expense)/credit and total expense recognised in the income statement	(1,298)	(117)	1,361

(a) The credit in 2010 includes €1.86m of unfunded defined benefits released on employees leaving employment of overseas subsidiaries.

The above amounts are included as an employee cost within net operating expenses.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

11 RETIREMENT BENEFIT SCHEMES (continued)

Total amount recognised in other comprehensive income before tax

	2012 €'000	2011 €'000	2010 €'000
Actuarial gains/(losses)	144	(550)	(567)
Adjustment for surplus not recoverable and unrecognised actuarial gain	(697)	75	-
Gain/(loss) on currency translation on plans not using euro as their functional currency	26	116	(52)
Total gain/(loss) recognised in other comprehensive income	527	(359)	(619)

	2012 €'000	2011 €'000
Actual return on scheme assets	980	842

Deficits in the schemes

The following amounts were measured in accordance with IAS19 at 31 December:

	2012 €'000	2011 €'000	2010 €'000	2009 €'000	2008 €'000
Total fair value of scheme assets	14,520	13,235	12,194	10,594	7,551
Present value of obligations – funded	(12,242)	(11,401)	(10,152)	(9,218)	(7,689)
Present value of obligations – unfunded	(8,310)	(6,907)	(6,715)	(8,026)	(8,977)
Present value of obligations – total	(20,552)	(18,308)	(16,867)	(17,244)	(16,666)
Unrecognised net actuarial losses	(728)	(511)	(699)	(364)	(201)
Surplus not recoverable	(2,676)	(2,196)	(2,083)	(1,496)	(144)
Aggregate deficit to be shown in the statement of financial position	(9,436)	(7,780)	(7,455)	(8,510)	(9,460)

Deficits are shown in the statement of financial position as post retirement benefits. See note 31.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

11 RETIREMENT BENEFIT SCHEMES (continued)

Movements in the present value of the defined benefit obligation and in the fair value of assets

The amounts shown below include the costs, contributions, gains and losses in respect of employees who participate in the schemes and who are employed in operations that are consolidated. Defined contribution plans are excluded from the movements below.

Changes in present value of obligations	2012 **€'000**	2011 **€'000**
Present value of obligations at start of the year	(18,308)	(16,867)
Adjustment	17	19
Interest cost	(544)	(531)
Actuarial losses	(402)	(711)
Amount provided and utilised in unfunded schemes	(1,402)	(193)
Benefits paid	396	287
Reclassification in unfunded schemes	-	(93)
Other movements	(1)	-
Exchange differences	(308)	(219)
Present value of obligation at end of the year	(20,552)	(18,308)

	2012 **€'000**	2011 **€'000**
Present value of obligation in the defined benefits scheme	(9,259)	(8,682)
Present value of obligation in the hybrid scheme	(2,983)	(2,719)
Present value of obligation in the unfunded schemes	(8,310)	(6,907)
	(20,552)	(18,308)

Gains and losses on obligations

	2012 **€'000**	2011 **€'000**	2010 **€'000**	2009 **€'000**	2008 **€'000**
Experience gains/(losses) (variances between the estimate of obligations and the subsequent outcome)	402	711	279	742	(1,270)

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

11 RETIREMENT BENEFIT SCHEMES (continued)

Changes in the fair value of scheme assets:

	2012 **€'000**	2011 **€'000**
Fair value of scheme assets at the start of the year	13,235	12,194
Expected return on assets	630	681
Actuarial gains	547	161
Contributions by employers	170	151
Benefits paid	(396)	(287)
Exchange differences	334	335
Fair value of scheme assets at the end of the year	14,520	13,235

	2012 **€'000**	2011 **€'000**
Fair value of assets in the defined benefits scheme	11,935	10,878
Fair value of assets in the hybrid scheme	2,585	2,357
	14,520	13,235

Difference between the expected return and actual return on scheme assets:

	2012 **€'000**	2011 **€'000**	2010 **€'000**	2009 **€'000**	2008 **€'000**
Gain/(loss)	299	358	634	833	(1,851)

The Group expects to contribute €162,000 to the defined benefit pension scheme and the defined benefit section of the hybrid scheme in 2013.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

12 INCOME TAX EXPENSE

(a) Charge for the year

	2012 €'000	2011 €'000
Current income tax:		
UK corporation tax at 24.5% (2011 – 26%)	2,337	1,485
Overseas tax	26,190	21,568
Adjustments to prior year UK tax	(211)	(1,288)
Adjustments to prior year overseas tax	370	(460)
Total current taxation	28,686	21,305
Deferred income tax:		
Movement in overseas deferred tax	7,014	(1,158)
Movement in UK deferred tax	127	(222)
Total deferred taxation	7,141	(1,380)
Income tax expense	35,827	19,925

(b) Factors affecting tax expense

	2012 €'000	2011 €'000
Profit before taxation	121,253	76,312
Profit before taxation multiplied by the standard rate of tax of 24.5% (2011 - 26%)	29,707	19,841
Depreciation in excess of capital allowances	292	(547)
Expenses not deductible for tax purposes	559	1,342
Income not taxable	(2,048)	-
Timing differences	(1,565)	(870)
Effect of foreign tax rates	9,975	3,994
Utilisation of losses brought forward	(159)	(1,833)
Deferred tax assets not recognised	22	467
Exchange adjustment	(977)	(721)
Adjustment to tax charge in previous period	21	(1,748)
Tax expense	35,827	19,925

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

12 INCOME TAX EXPENSE (continued)

(c) Factors that may affect future tax charges

The Group had UK tax losses of approximately €2,875,000 at 31 December 2012 (2011 - €3,601,000) available for carry forward against future trading profits. In addition the Claudius Peters Group had overseas tax losses of approximately €771,000 at 31 December 2012 (2011 - €1,492,000) available for carry forward against future trading profits of that Group.

(d) Impact of future tax rate changes

On 22 June 2010 the Government announced its intention to propose to Parliament a staggered reduction in the corporation tax rate of 1% every year culminating in a rate of 24% for the tax year 2014/15. The 2011 and 2012 Budgets and the 2012 Autumn Statement accelerated the reduction, resulting in a rate of 24% from 1 April 2012 reducing to a rate of 21% for the tax year 2014/15.

As at 31 December 2012, the further reduction in the tax rate for the tax year starting 2014 has not been substantively enacted.

13 COMPANY PROFIT

The Company has taken advantage of the exemption granted by Section 408 of the Companies Act 2006 whereby no individual Income Statement of the Company is disclosed. The Company's profit for the financial year amounted to €65,404,000 (2011 – €28,313,000).

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

14 INTANGIBLE ASSETS

GROUP	Positive Goodwill €'000	Patents and Licences €'000	Total €'000
Cost			
At 1 January 2012	2,250	2,616	4,866
Additions	-	-	-
Exchange adjustment	(43)	(14)	(57)
At 31 December 2012	2,207	2,602	4,809
Aggregate impairment and amortisation			
At 1 January 2012	-	2,092	2,092
Amortisation charge for the year	-	178	178
Exchange adjustment	-	(14)	(14)
At 31 December 2012	-	2,256	2,256
Net book values			
At 31 December 2012	2,207	346	2,553
At 31 December 2011	2,250	524	2,774
Cost			
At 1 January 2011	2,122	2,623	4,745
Additions	77	-	77
Exchange adjustment	51	(7)	44
At 31 December 2011	2,250	2,616	4,866
Aggregate impairment and amortisation			
At 1 January 2011	-	1,921	1,921
Amortisation charge for the year	-	178	178
Exchange adjustment	-	(7)	(7)
At 31 December 2011	-	2,092	2,092
Net book values			
At 31 December 2011	2,250	524	2,774
At 31 December 2010	2,122	702	2,824

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

15 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land & buildings €'000	Plant and machinery €'000	Vehicles €'000	Computers €'000	Total €'000
Cost or valuation					
At 1 January 2012	68,612	74,976	9,371	16,539	169,498
Additions	4,051	4,379	1,958	1,225	11,613
Disposals	(8)	(2,028)	(1,307)	(4,433)	(7,776)
Revaluation	2,263	-	-	-	2,263
Reclassification	48	(12)	-	(36)	-
Exchange adjustments	(50)	(8)	115	(27)	30
At 31 December 2012	74,916	77,307	10,137	13,268	175,628
Depreciation					
At 1 January 2012	31,394	60,737	5,550	14,718	112,399
Charge for the year	1,564	3,316	1,498	824	7,202
Disposals	(8)	(1,929)	(1,190)	(4,134)	(7,261)
Exchange adjustments	(17)	-	63	(21)	25
At 31 December 2012	32,933	62,124	5,921	11,387	112,365
Net book amount					
At 31 December 2012	41,983	15,183	4,216	1,881	63,263
At 31 December 2011	37,218	14,239	3,821	1,821	57,099

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

15 PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	Freehold land & buildings €'000	Plant and machinery €'000	Vehicles €'000	Computers €'000	Total €'000
Cost or valuation					
At 1 January 2011	67,683	71,809	8,927	16,639	165,058
Additions	636	4,606	1,242	959	7,443
Disposals	-	(1,667)	(905)	(1,196)	(3,768)
Exchange adjustments	293	228	107	137	765
At 31 December 2011	68,612	74,976	9,371	16,539	169,498
Depreciation					
At 1 January 2011	29,963	59,435	4,901	15,103	109,402
Charge for the year	1,401	2,787	1,359	684	6,231
Disposals	-	(1,657)	(771)	(1,193)	(3,621)
Exchange adjustments	30	172	61	124	387
At 31 December 2011	31,394	60,737	5,550	14,718	112,399
Net book amount					
At 31 December 2011	37,218	14,239	3,821	1,821	57,099
At 31 December 2010	37,720	12,374	4,026	1,536	55,656

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

15 PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	Freehold land & buildings €'000	Plant and machinery €'000	Vehicles €'000	Computers €'000	Total €'000
Cost or valuation					
At 1 January 2012	5,591	2,174	1,618	525	9,908
Additions	1,014	351	726	174	2,265
Disposals	-	(583)	(302)	(253)	(1,138)
Exchange adjustments	136	58	39	14	247
At 31 December 2012	6,741	2,000	2,081	460	11,282
Depreciation					
At 1 January 2012	154	1,906	1,159	475	3,694
Disposals	-	(547)	(275)	(253)	(1,075)
Charge for the year	100	140	288	31	559
Exchange adjustments	3	52	30	14	99
At 31 December 2012	257	1,551	1,202	267	3,277
Net book amount					
At 31 December 2012	6,484	449	879	193	8,005
At 31 December 2011	5,437	268	459	50	6,214

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

15 PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	Freehold land & buildings €'000	Plant and machinery €'000	Vehicles €'000	Computers €'000	Total €'000
Cost or valuation					
At 1 January 2011	5,425	2,093	1,507	468	9,493
Additions	29	46	202	43	320
Disposals	-	(19)	(132)	-	(151)
Exchange adjustments	137	54	41	14	246
At 31 December 2011	5,591	2,174	1,618	525	9,908
Depreciation					
At 1 January 2011	64	1,735	1,013	450	3,262
Disposals	-	(19)	(130)	-	(149)
Charge for the year	85	141	246	13	485
Exchange adjustments	5	49	30	12	96
At 31 December 2011	154	1,906	1,159	475	3,694
Net book amount					
At 31 December 2011	5,437	268	459	50	6,214
At 31 December 2010	5,361	358	494	18	6,231

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

15 PROPERTY, PLANT AND EQUIPMENT (continued)

The gross value of land and buildings is stated at:

	Group		Company	
	2012	2011	2012	2011
	€'000	**€'000**	**€'000**	**€'000**
Freehold land and buildings				
Existing use open market value 2012	15,224	-	-	-
Existing use open market value 2009	844	822	-	-
Existing use open market value 2007	4,392	4,392	-	-
Existing use open market value 2006	6,800	6,800	-	-
Existing use open market value 2004	564	550	564	550
Existing use open market value 2002	1,524	1,524	-	-
Cost	45,567	54,524	6,211	5,041
	74,915	68,612	6,775	5,591

All other assets are stated at historical cost. If these assets had not been revalued they would have been included at the following historical cost amounts:

	Group		Company	
	2012	2011	2012	2011
	€'000	**€'000**	**€'000**	**€'000**
Freehold land and buildings				
Cost	68,476	65,245	6,014	4,892
Aggregate depreciation	31,811	30,272	255	152

LANGLEY

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

16 NON-CURRENT INVESTMENTS

	Company
	Shares in group undertakings
	€'000
COST	
At 1 January 2012	6,958
Additions	536
Exchange adjustment	175
At 31 December 2012	7,669
Carrying amount	
At 31 December 2012	7,669
At 31 December 2011	6,958

	Company
	Shares in group undertakings
	€'000
COST	
At 1 January 2011	6,709
Additions	77
Exchange adjustment	172
At 31 December 2011	6,958
Carrying amount	
At 31 December 2011	6,958
At 31 December 2010	6,709

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

16 NON-CURRENT INVESTMENTS (continued)

The following companies are wholly owned unlisted trading subsidiaries at 31 December 2012:

Company	Country of Registration	Principal Activity
The Clarke Chapman Group Limited	England	Design, manufacture, maintenance, refurbishment and repair of cranes and other mechanical handling equipment
Clarke Chapman Aftermarket Limited	England	Design, manufacture, maintenance, refurbishment and repair of cranes and other mechanical handling equipment
JND Technologies Limited	England	Design, manufacture and refurbishment of process plant, road tankers and cementitious grouts
Oakdale Homes Limited	England	House builders
Oakdale Properties Limited	England	Residential property
Claudius Peters Group GmbH	Germany	Parent company (see below)
Piller Holding GmbH (formerly Claudius Peters Aerospace GmbH)	Germany	Parent company (see below)
Pressure Engineering International Limited	England	Manufacture of process plant and equipment, steel structures, heat exchangers, tankage and pressure vessels
Langley Aviation Limited	England	Aircraft transport
ARO Welding Technologies SAS ARO Welding Technologies Inc	France United States of America	All of the ARO companies are involved in the design, manufacture, maintenance, repair and/or distribution of resistance welding equipment and control systems
Bradman Lake Group Limited	England	Dormant holding company (see below)
Retford Investments LLC	United States of America	Holder of real estate for other group companies
CPVA GmbH	Germany	Property rental

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

16 NON-CURRENT INVESTMENTS (continued)

The following companies are wholly owned unlisted trading subsidiaries of ARO Welding Technologies SAS, at 31 December 2012:

Company	Country of Registration	Principal Activity
ARO Welding Technologies AB	Sweden	All of the companies are involved in the design, manufacture, maintenance, repair and/or distribution of resistance welding equipment and control systems
ARO Welding Technologies SA de CV	Mexico	
ARO Welding Technologies SAU	Spain	
ARO Welding Technologies Limited	England	
ARO Welding Technologies SA-NV	Belgium	
ARO Welding Technologies s.r.o	Slovakia	
ARO Welding Technologies GmbH	Germany	
ARO Welding Technologies (Wuhan) Ltd	China	

The following companies are wholly owned unlisted trading subsidiaries of The Clarke Chapman Group Limited at 31 December 2012:

Company	Country of Registration	Principal Activity
Clarke Chapman Manufacturing Ltd	England	Provision of manufacturing services
Clarke Chapman Engineering Services Ltd	Ireland	Provision of facilities management services
Clarke Chapman Facilities Management Limited	England	Provision of facilities management services
Clarke Chapman Machining Limited	England	Provision of machining services

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

16 NON-CURRENT INVESTMENTS (continued)

The following companies are wholly owned unlisted trading subsidiaries of Claudius Peters Group GmbH at 31 December 2012:

Company	Country of Registration	Principal Activity
Claudius Peters Projects GmbH	Germany	All of the companies are involved in the design, manufacture, maintenance, refurbishment and repair of materials processing and handling equipment
Claudius Peters Technologies SAS	France	
Claudius Peters (Italiana) srl	Italy	
Claudius Peters (Iberica) SA	Spain	
Claudius Peters (China) Limited	Hong Kong	
Claudius Peters (UK) Limited	England	
Claudius Peters (Americas) Inc	United States of America	
Claudius Peters (do Brasil) Ltda	Brazil	
Claudius Peters (Romania) srl	Romania	
Claudius Peters (Beijing) Machinery Services Limited	China	
Claudius Peters (India) Pvt. Limited	India	
Claudius Peters (Asia Pacific) Pte Ltd	Singapore	

The following companies are wholly owned unlisted trading subsidiaries of Piller Holding GmbH (formerly Claudius Peters Aerospace GmbH), at 31 December 2012:

Company	Country of Registration	Principal Activity
Piller Group GmbH	Germany	See below
Piller Dynasine GmbH	Germany	See below

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

16 NON-CURRENT INVESTMENTS (continued)

The following companies are wholly owed unlisted trading subsidiaries of Piller Group GmbH, at 31 December 2012:

Company	Country of Registration	Principal Activity
Piller Australia Pty Limited	Australia	All of the companies are involved in producing electrical machinery, specialising in high capacity uninterruptible power supply (UPS) systems. The Group is also involved in the production of converters for aircraft ground power and naval military applications.
Piller France SAS	France	
Piller USA Inc	United States of America	
Piller UK Limited	England	
Piller Italia Srl	Italy	
Piller Iberica SL	Spain	
Piller Power Singapore Pte. Limited	Singapore	
Piller Germany GmbH & Co KG	Germany	
Piller Management GmbH	Germany	

The following companies are wholly owned unlisted trading subsidiaries of Bradman Lake Group Limited, at 31 December 2012:

Company	Country of Registration	Principal Activity
Bradman-Lake Limited	England	Both of the companies are involved in the design and manufacture of packaging equipment.
Bradman-Lake Inc	United States of America	

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

17 INVESTMENT PROPERTY

	Freehold property	Total
	€'000	**€'000**
Valuation		
At 1 January 2012	-	-
Additions	23,290	23,290
Revaluations	25,158	25,158
Fair value at 31 December 2012	48,448	48,448

Freehold investment properties are accounted for under the fair value model. The determination of fair value is supported by market evidence, based on a valuation by an independent valuer. The directors are of the opinion that these valuations reflect the fair value of the properties as at 31 December 2012.

The original historical cost of freehold investment property acquired in February 2012 was €23,290,000. The amount recognised in the income statement in relation to the revaluation to fair value of these properties is €25,158,000. No depreciation has been charged.

18 NON-CURRENT TRADE AND OTHER RECEIVABLES

	Group	
	2012	2011
	€'000	**€'000**
Other receivables	712	48
Pension scheme prepayment	32	27
	744	75

19 NON-CURRENT INCOME TAX RECOVERABLE

	Group	
	2012	2011
	€'000	**€'000**
Income tax	16	499

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

20 INVENTORIES

	Group		Company	
	2012	2011	2012	2011
	€'000	**€'000**	**€'000**	**€'000**
Raw materials	35,885	34,695	-	-
Work in progress	24,274	22,664	-	-
Finished goods	17,879	9,311	28	33
	78,038	66,670	28	33

21 CONSTRUCTION WORK IN PROGRESS

Contracts in progress at the year end:

	Group	
	2012	2011
	€'000	**€'000**
Amounts due from contract customers included in trade and other receivables (note 22)	18,259	10,171
Amounts due to contract customers included in trade and other payables (note 25)	(3,519)	(4,583)
	14,740	5,588
Contract costs incurred plus recognised profit less recognised losses to date	141,132	113,969
Less: Progress billings	(126,392)	(108,381)
	14,740	5,588

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

22 CURRENT TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Trade receivables	90,517	83,173	5,214	103
Retentions	2,339	2,091	-	-
Amounts recoverable on construction contracts	18,259	10,171	-	-
Amounts owed by Group undertakings	-	-	41,804	17,559
Amounts owed by Related undertakings	55,635	-	54,674	-
Directors' current accounts (note 35)	160	459	160	459
Other receivables	2,799	7,233	-	2,627
VAT recoverable	5,054	3,548	177	149
Prepayments and accrued income	8,575	9,261	2,467	54
	183,338	115,936	104,496	20,951

For terms and conditions relating to related party receivables, refer to note 35.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

22 CURRENT TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables are disclosed net of provisions for bad and doubtful debts, an analysis of which is as follows:

	Group	
	2012	2011
	€'000	€'000
Balance at beginning of the year	2,350	2,125
Exchange differences	-	7
Charge for the year	415	371
Amounts written off	(82)	(58)
Unused amounts reversed	(134)	(95)
Balance at end of the year	2,549	2,350

Trade receivables are non-interest bearing and are generally on 30 – 90 day terms.

At 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Past due but not impaired				
	<30 days	31-60 days	61-90 days	91-120 days	>121 days
	€'000	€'000	€'000	€'000	€'000
Group					
2012	15,933	2,958	1,141	1,974	278
2011	18,565	7,172	1,552	3,018	550
Company					
2012	96	1	9	114	-
2011	-	-	-	4	94

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Cash in hand, at bank and short term deposits	208,223	245,728	77,341	99,272

24 CURRENT INCOME TAX RECOVERABLE

	Group		Company	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Income tax	2,747	3,261	622	284

25 CURRENT TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Trade payables	30,287	30,682	386	616
Other payables	6,560	6,736	106	82
Other taxes and social security	5,813	5,083	466	30
Accruals and deferred income	48,717	38,029	559	685
VAT payable	4,193	1,716	-	-
Amounts owed to Group undertakings	-	-	1,852	1,792
Payments on account	42,442	51,006	-	-
Amounts due on construction contracts	3,519	4,583	-	-
	141,531	137,835	3,369	3,205

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

26 PROVISIONS

GROUP	Warranty Provision €'000	Other Provision €'000	Total €'000
Balance at 1 January 2012	26,103	2,395	28,498
Additional provision recognised	8,538	2,718	11,256
Provision utilised during the year	(8,332)	(1,126)	(9,458)
Provision released during year	(7,373)	(255)	(7,628)
Foreign exchange difference	(9)	(16)	(25)
Balance at 31 December 2012	18,927	3,716	22,643
Current	16,754	3,410	20,164
Non-current	2,173	306	2,479

	Warranty Provision €'000	Other Provision €'000	Total €'000
Balance at 1 January 2011	17,926	1,885	19,811
Additional provision recognised	17,531	1,425	18,956
Provision utilised during the year	(7,044)	(625)	(7,669)
Provision released during year	(2,362)	(275)	(2,637)
Foreign exchange difference	52	(15)	37
Balance at 31 December 2011	26,103	2,395	28,498
Current	23,144	2,184	25,328
Non-current	2,959	211	3,170

The warranty provision is arrived at using estimates from historical warranty data. The other provision includes specific claims, redundancy and restructuring provisions. There were no provisions in the Company.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

27 CURRENT INCOME TAX LIABILITIES

	Group	
	2012	2011
	€'000	**€'000**
Income tax	10,168	8,939

28 CURRENT PORTION OF LONG TERM BORROWINGS

	Group	
	2012	2011
	€'000	**€'000**
Loans	20	20

29 LONG TERM BORROWINGS

	Group	
	2012	2011
	€'000	**€'000**
Loans	40	60
Due within one year (included in current liabilities)	(20)	(20)
	20	40
Amounts payable:		
Between one and two years	20	20
Between two and five years	-	20
	20	40

The fair value of the loans are approximately equivalent to the book value disclosed above. Interest was charged at 0% (2011 - 0%) on those loans during the year.

The Company has no long term borrowings.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

30 NON-CURRENT TRADE AND OTHER PAYABLES

	Group	
	2012	2011
	€'000	€'000
Trade payables	434	348
Accruals and deferred income	10,595	10,365
	11,029	10,713

31 RETIREMENT BENEFIT OBLIGATIONS

GROUP	2012	2011
	€'000	€'000
At 1 January 2012	7,780	7,455
Utilised in year	(48)	(57)
Total expense charged in the Income Statement in the year	1,365	100
Transfer direct to equity on actuarial loss	553	475
Contributions paid	(170)	(151)
Reclassification	-	93
Exchange differences	(44)	(135)
At 31 December 2012	9,436	7,780

UK Defined Benefit Schemes	1,126	873
Overseas Unfunded Defined Benefit Obligations	8,310	6,907
Retirement benefit obligation in balance sheet	9,436	7,780

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

32 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	Group		Company	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Deferred tax assets	8,891	8,401	125	150
Deferred tax liabilities	(18,685)	(10,766)	-	-
	(9,794)	(2,365)	125	150

The net movement on the deferred income tax account is as follows:

	Group		Company	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
At 1 January 2012	2,365	4,036	(150)	33
On revaluation in year	855	-	-	-
Transfer to revaluation reserve	(53)	(118)	(5)	(21)
Exchange differences	(387)	(55)	-	(6)
Income Statement charge/(credit) (note 12)	7,141	(1,380)	30	(156)
Release to equity on actuarial loss	(127)	(118)	-	-
At 31 December 2012	9,794	2,365	(125)	(150)

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

32 DEFERRED INCOME TAX (continued)

GROUP

The movement in net deferred tax assets and liabilities during the year is as follows:

	Accelerated tax depreciation €'000	Tax losses €'000	Other short term temporary differences €'000	Retirement benefit obligations €'000	Fair value gains €'000	Total €'000
At 1 January 2011	2,184	(864)	3,138	(958)	536	4,036
Charge/(credit) to income	207	402	(1,133)	(258)	(598)	(1,380)
Release to equity on actuarial loss	-	-	-	(118)	-	(118)
Transfer to revaluation reserve	-	-	-	-	(118)	(118)
Exchange differences	(47)	9	(39)	21	1	(55)
At 31 December 2011	2,344	(453)	1,966	(1,313)	(179)	2,365
Charge/(credit) to income	1,122	321	(1,530)	163	7,065	7,141
Recognised in equity on revaluation in year	-	-	-	-	855	855
Release to equity on actuarial loss	-	-	-	(127)	-	(127)
Transfer to revaluation reserve	-	-	-	-	(53)	(53)
Exchange differences	(22)	1	(3)	10	(373)	(387)
At 31 December 2012	3,444	(131)	433	(1,267)	7,315	9,794

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

32 DEFERRED INCOME TAX (continued)

COMPANY

	Accelerated capital allowances €'000	Fair value gains €'000	Total €'000
At 1 January 2011	-	33	33
Credit to income	(140)	(32)	(172)
Credit to equity	-	(5)	(5)
Exchange differences	(5)	(1)	(6)
At 31 December 2011	(145)	(5)	(150)
Charge to income	25	5	30
Credit to equity	-	(5)	(5)
Exchange differences	-	-	-
At 31 December 2012	(120)	(5)	(125)

Unprovided deferred taxation

	Group		Company	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Accelerated tax depreciation	-	153	-	-
Tax losses available	231	999	-	-
Other short term timing differences	161	195	-	-
Retirement benefit obligation	98	84	-	-
	490	1,431	-	-

No deferred tax asset has been recognised in respect of the above accelerated tax depreciation, other short term temporary differences and tax losses because the Group is not expected to have sufficient relevant taxable profits to utilise these assets in the near future.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

33 CONTINGENT LIABILITIES

Contingent liabilities exist at the balance sheet date in respect of:

	Group		Company	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
UK Group bank guarantees	-	-	9,471	7,781
UK Group value added tax	-	-	709	304
UK Bonds, guarantees and indemnities	3,881	355	624	355
Overseas bank guarantees	76,977	59,569	-	-
Overseas bonds, guarantees and indemnities	26,100	28,206	-	-
	106,958	88,130	10,804	8,440

The Company has guaranteed the bank facilities of UK subsidiaries and is party to a group VAT registration. Throughout the Group, contingent liabilities exist in respect of guarantees, performance bonds and indemnities issued on behalf of Group companies by banks and insurance companies in the ordinary course of business.

In view of net cash position held with the same UK bank within the group, the Directors believe that the likelihood of the guarantees being invoked is unlikely, therefore no provision has been recognised in these Accounts.

34 FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise borrowings, cash and short term deposits, bank loans and overdrafts and various items such as trade payables and trade receivables that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations, as well as to manage its working capital, liquidity and surplus funds.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and interest rate risk. Liquidity risk is not considered to be a main risk to the Group given the Group's cash and cash equivalents balances being considerably higher than any bank borrowings.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

34 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of individual Group entities (which are principally sterling, euro and US dollars).

The Group publishes its Consolidated Accounts in euro and as a result, it is subject to foreign currency exchange translation risk in respect of the results and underlying net assets of its operations where the euro is not the functional currency of that operation.

Financial risk

The following table demonstrates the sensitivity to a reasonably possible change in the sterling to euro and other currencies to euro exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of monetary assets and liabilities.

	Increase/decrease in sterling rate	Effect on profit before tax	Increase/decrease in other exchange rates	Effect on profit before tax
		€'000		**€'000**
2012	+10%	(684)	+10%	(2,083)
	-10%	836	-10%	2,545
2011	+10%	(1,054)	+10%	(1,715)
	-10%	1,288	-10%	2,096

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant.

With respect to credit risk arising from the other financial assets of the Group, comprising of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

34 FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's money on deposit.

Capital risk management

The Group defines capital as being share capital plus reserves and manages capital to ensure adequate resources are retained for continued growth of the Group. Access to capital includes the retention of cash on deposit and availability of funding through agreed capital facilities. Long term deposits are used to obtain more favourable rates of return only when adequate cash resources are maintained on shorter term deposit for the Group's working capital requirements.

35 RELATED PARTY TRANSACTIONS

At 31 December 2012, A J Langley owed €160,000 (2011 - €459,000) to the Company. The maximum overdrawn balance during the year was €591,000 (2011 - €17,317,000). The full amount has been repaid since the year end.

During the year, the Company invoiced management charges and provided funding to Group companies with the following amounts outstanding at the year end:

	Amount outstanding at the year end	
	2012	2011
	€'000	**€'000**
Company		
The Bradman Lake group of companies	3,585	3,990
CPVA GmbH	21,838	-
Retford Investments LLC	7,496	6,038

Transactions with related parties are at market value, and are unsecured. The Company has recorded a €702,000 impairment of receivables relating to amounts owed by subsidiary undertakings during the year (2011 - €2,150,000) and reversed €338,000 (2011 - €2,357,000) against previous impairments.

The Company and Group are controlled by A J Langley, a Director of the Company.

Transactions between subsidiaries have been eliminated on consolidation and are disclosed in the individual company Accounts.

During the year, A J Langley, a Director of the Company acquired a new Company, Manroland Sheetfed Holdings Limited and its subsidiaries, together the Manroland Sheetfed Group. Management charges of €1,663,000 were invoiced to this group. This group was provided funding by Langley Holdings during the year, with €54,674,000 outstanding at the year end. Interest of €2,468,000 was charged on this loan and paid to the Company.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

36 SHARE CAPITAL

	2012	2011
	€'000	**€'000**
Authorised:		
1,000,000 ordinary shares of £0.10 each	163	163
Allotted, issued and fully paid:		
1,000,000 ordinary shares of £0.10 each	163	163

37 REVALUATION RESERVE

This reserve is used to reflect changes in the fair value of assets, net of deferred tax, as indicated in note 1(e). It is not available for the payment of dividends.

38 RETAINED EARNINGS

Included within the retained earnings of the Group are foreign currency translation reserves of €(4,036,000) (2011 - €(4,449,000)). Included within the retained earnings reserve for the Company is €1,817,000 (2011 - €666,000) of foreign currency translation reserves.

The net currency exchange difference arising on retranslation in the year was a gain of €413,000 (2011 – €2,114,000) for the Group and a gain of €1,151,000 (2011 – €832,000) for the Company. The foreign currency translation reserve contains the accumulated foreign currency translation differences arising when the Accounts of the Company and Group operations are translated from their own functional currency to the euro, being the presentation currency for the group Accounts.

Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

39 COMMITMENTS UNDER OPERATING LEASES

At the year end, the Group had outstanding commitments for future minimum lease payments and other costs under non-cancellable operating leases, which fall due as follows:

	2012 €'000	2011 €'000
Within one year	2,072	1,946
In two to five years	2,906	2,448
After five years	557	353
	5,535	4,747

The lease commitments relate primarily to leases of land and buildings. The leases have various terms and renewal rights.

40 CASH GENERATED FROM OPERATIONS

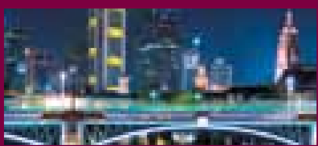
GROUP	2012 €'000	2011 €'000
Profit before taxation	121,253	76,312
Revaluation of investment property	(25,158)	-
Depreciation	7,202	6,231
Loss / (profit) on sale of property, plant and equipment	211	(51)
Amortisation of intangibles	178	178
Interest income	(5,488)	(3,359)
Interest expense	227	179
Increase in inventories	(11,368)	(13,603)
(Increase) / decrease in trade and other receivables	(12,436)	8,048
(Decrease) / increase in trade and other payables	(1,817)	5,831
Movement in retirement benefit obligations	1,148	(167)
Foreign exchange translation adjustments	1,083	722
Cash generated from operations	75,035	80,321

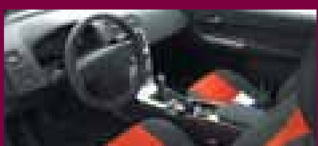
Notes to the Accounts (continued)

YEAR ENDED 31 DECEMBER 2012

40 CASH GENERATED FROM OPERATIONS (continued)

COMPANY	2012 €'000	2011 €'000
Profit before taxation	65,436	28,255
Depreciation	559	485
Loss / (profit) on sale of property, plant and equipment	5	(21)
Dividend income received	(61,567)	(26,966)
Interest income	(4,897)	(1,872)
Interest expense	25	16
Decrease / (increase) in inventories	4	(33)
(Increase) / decrease in trade and other receivables	(7,146)	12,359
Increase / (decrease) in trade and other payables	167	(283)
Foreign exchange translation adjustments	(3,723)	9
	(11,137)	11,949





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