

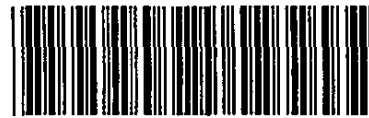
Company Registration No. 00370559

Hawker Siddeley Switchgear Limited

Annual Report and Financial Statements

31 December 2012

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Hawker Siddeley Switchgear Limited

Report and Financial Statements Year ended 31 December 2012

Officers and professional advisors

Directors

G P Martin
S A Peckham
G E Barnes
A G Peart
M J Richards
G D Morgan

Secretary

G E Barnes

Registered Office

Precision House
Arden Road
Alcester
Warwickshire
B49 6HN

Chartered Accountants and Statutory Auditor

Deloitte LLP
Chartered Accountants
Cardiff, United Kingdom

Hawker Siddeley Switchgear Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012

Principal activity and review of the business

The Company's principal activity is that of the assembly of indoor and outdoor switchgear and circuit breakers and power infrastructure equipment. The Directors do not expect any change in this activity in the foreseeable future.

Turnover for the year ended 31 December 2012 was £46,772,000 (year ended 31 December 2011: £52,966,000). The operating profit for the year ended 31 December 2012 was £7,892,000 (year ended 31 December 2011: profit of £5,352,000). The retained profit for the year ended 31 December 2012 was £8,225,000 (year ended 31 December 2011: profit of £3,633,000).

The Directors do not recommend the payment of a dividend in the year (year ended 31 December 2011: £nil).

Investment income relating to dividends from the associated undertaking for the year was £208,000 (year ended 31 December 2011: £nil).

The Directors are satisfied with the performance of the Company for the financial year and are confident that it will remain profitable in the future.

The Key Performance Indicators (KPIs) for the Company are in line with the KPIs of the Melrose Group, of which the Company is a trading subsidiary. The primary KPIs relate to revenue growth, operating margin growth and the conversion of operating profits into cash. Revenue reduced by 11.7% in 2012 compared to 2011 (2011: increase of 18%). Operating margins however increased from 10.1% in 2011 to 16.9% in 2012. The improved margins are in part attributable to a cost restructuring programme which was initiated by management in 2011.

Going concern

The Directors have considered the going concern assumption given the current uncertain economic climate and have reviewed the Company forecast for the foreseeable future. After making enquiries and considering the above facts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Financial risk management and policies

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk.

The Company's products and manufacturing processes require a variety of raw materials. Any increase or volatility in the price of these commodities and energy, together with shortages in supply, can affect the Company's performance. Purchasing policies and practices take this into account and seek to mitigate the dependence on any single item or supplier where practicable.

Credit risk

The Company's principal financial assets are bank balances and cash and trade and other receivables (including receivables from other Group undertakings).

The Company's credit risk is primarily attributable to its trade receivables and receivables from other Group undertakings. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company ensures regular communication with other Group companies.

Other risks

In addition to the above, the Company's involvement in global markets creates an exposure to other risk factors that are both external and internal to the Company. These risks include, but are not limited to, failure to comply with legislative and regulatory requirements including environmental and litigation risk, equipment failures, business continuity and the actions of competitors and customers, including credit risk. The Company has, as previously described, implemented risk controls and loss mitigation plans but cannot give absolute assurance that such procedures will be effective in identifying or controlling each of the operational risks faced by the Company.

Hawker Siddeley Switchgear Limited

Directors' report (continued)

Directors

The Directors who served throughout the year ended 31 December 2012 and thereafter are listed under 'Officers and professional advisors'

Directors' liabilities

The ultimate parent undertaking has indemnified one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force throughout the year and at the date of this report.

Supplier payment policy

The Company agrees terms and conditions for its business transactions with suppliers. Payment is made on those terms subject to the terms and conditions being met by the supplier. Trade creditors of the Company at 31 December 2012 were equivalent to 60 days purchases (year ended 31 December 2011: 53 days), based on the average daily amount invoiced by suppliers during the year.

Employment policies

The Company has developed a wide range of voluntary practices and procedures for employee involvement. The Company encourages this approach to provide information and consultation and believes this promotes understanding of the issues facing the individual business in which the employee works.

It is Company policy to achieve and maintain a high standard of health and safety by all practical means and the active involvement of employees in matters of health and safety is encouraged.

It is the policy of the Company to give full and fair consideration to applications made by disabled persons for job vacancies, where particular job requirements are within their ability and, where possible, arrangements are made for the continuing employment of employees who have become disabled.

Research and development

Product development and innovation is a continuous process. The Company has committed additional resources to the development of new products to enhance the organic growth of the business. The Company incurred research and development costs of £397,000 during the year (year ended 31 December 2011: £488,000).

Charitable and political donations

There were no political or charitable donations during the year (year ended 31 December 2011: £nil).

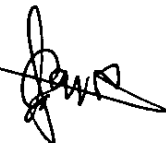
Auditor

Each of the persons who is a Director at the date of approval of this report confirms that
so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware,
and
the Directors have taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP have indicated their willingness to continue in office as auditor and will be deemed to be re-appointed after the end of the next "period for appointing auditors" as defined in s485(2) of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board



G E Barnes
Director
13 September 2013

Hawker Siddeley Switchgear Limited

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Hawker Siddeley Switchgear Limited

Independent auditor's report to the members of Hawker Siddeley Switchgear Limited

We have audited the financial statements of Hawker Siddeley Switchgear Limited for the year ended 31 December 2012, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

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

Hawker Siddeley Switchgear Limited

Independent auditor's report to the members of Hawker Siddeley Switchgear Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion,

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Wright

Andrew Wright FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cardiff, United Kingdom
13 September 2013

Hawker Siddeley Switchgear Limited

Profit and Loss Account Year ended 31 December 2012

		Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
	Note		
Turnover	2	46,772	52,966
Cost of sales		(33,739)	(40,439)
Gross profit		13,033	12,527
Distribution costs		(1,459)	(1,722)
Administrative expenses		(3,682)	(5,453)
Operating profit		7,892	5,352
Income from fixed asset investments	3	208	-
Impairment of fixed asset investments	3	-	(1,834)
Profit on ordinary activities before finance charges		8,100	3,518
Finance income	4	125	115
Profit on ordinary activities before taxation	5	8,225	3,633
Tax charge on profit on ordinary activities	8	-	-
Profit for the financial year	16	8,225	3,633

The above results derive from continuing operations

There are no recognised gains and losses in either year other than the profit and loss result for that year and, accordingly, no separate statement of total recognised gains and losses is presented

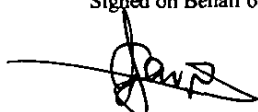
Hawker Siddeley Switchgear Limited

Balance Sheet

As at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	9	1,912	2,012
Investments	10	2,891	2,891
		<u>4,803</u>	<u>4,903</u>
Current assets			
Stocks	11	2,739	3,920
Debtors	12	54,698	55,341
Cash at bank and in hand		10,010	4,011
		<u>67,447</u>	<u>63,272</u>
Creditors amounts falling due within one year	13	(31,096)	(33,288)
Net current assets		<u>36,351</u>	<u>29,984</u>
Total assets less current liabilities		<u>41,154</u>	<u>34,887</u>
Provisions for liabilities	14	(1,313)	(3,271)
Net assets		<u>39,841</u>	<u>31,616</u>
Capital and reserves			
Called-up share capital	15	1,550	1,550
Profit and loss account	16	38,291	30,066
Shareholders' funds	17	<u>39,841</u>	<u>31,616</u>

The financial statements of Hawker Siddeley Switchgear Limited (registered number 00370559) were approved by the Board of Directors and authorised for issue on 13 September 2013
Signed on Behalf of the Board of Directors



G E Barnes
Director

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

I Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom law and accounting standards, and on a going concern basis as described in the Directors' report.

The company has taken advantage of the exemption from preparing group financial statements afforded by section 400 of the Companies Act 2006 because it is a wholly owned subsidiary undertaking of Melrose Industries PLC, which prepares consolidated financial statements which are publicly available.

Going concern

The Directors have considered the going concern assumption given the current uncertain economic climate and have reviewed the Company forecast for the foreseeable future. After making enquiries and considering the above facts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Statement of Cash Flow

Under the provisions of FRS 1 "Cash Flow Statements" (Revised 1996), the Company has not prepared a statement of cash flows because its ultimate parent undertaking, Melrose Industries PLC, has prepared consolidated financial statements which include the financial statements of the Company and which contain a Statement of Cash Flows.

Research and development costs

Research costs are expensed as incurred.

Costs relating to clearly defined and identifiable development projects are capitalised when there is a technical degree of exploitation, adequacy of resources and a potential market or development possibility in the undertaking that is recognisable, and where it is the intention to produce, market or execute the project, and a correlation also exists between the costs incurred and future benefits and those costs can be measured reliably. Capitalised expenses are expensed on a straight-line basis over their useful lives. Costs not meeting such criteria are expensed as incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Plant and equipment

3 to 15 years

Investments

The Company's investments in shares in Group companies are stated at cost less provision for impairments in value.

Associates

In the financial statements investments in associates are accounted for at costs, less provisions for any amounts written off.

Stocks and works in progress

Stocks are stated at the lower of cost or net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises the actual cost of raw materials and direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

1 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the Balance Sheet date there is a binding agreement to sell the revalued asset and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis

Turnover

Turnover comprises the invoiced value of goods and services supplied by the Company exclusive of value added taxes. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of goods

Revenue from servicing and repair of assets which remain the property of their owners during the work is recognised over the period in which the service is provided

Defined benefit pension scheme

The Company participates in a defined benefit pension scheme, with the assets of the scheme held separately from those of the Company in separate trustee administered funds. The Company's contributions are affected by the surplus/deficit in the scheme. However, it is not possible to identify the Company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis

Therefore, in accordance with the FRS 17 multi-employer exemption, the scheme is accounted for as if it were a defined contribution scheme. For defined contribution schemes the amount charged to the Profit and Loss Account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet

The latest available information relating to the scheme and the implications for the Company are detailed in the notes to the financial statements

Defined contribution pension scheme

Pension costs for the Company's defined contribution pension scheme are recognised within operating profit or loss at an amount equal to the contributions payable to the scheme for the year. Any prepaid or outstanding contributions at the Balance Sheet date are recognised respectively as assets or liabilities within prepayments or accruals

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and leases which result in the transfer to the Company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated over their expected useful lives or over the primary lease period, whichever is the shorter, in accordance with the above policy. The capital elements of future lease obligations are recorded as liabilities whilst the finance element of the rental payments are charged to the Profit and Loss Account over the period of the lease or hire purchase contract so as to produce a constant rate of charge on the outstanding balance of the net obligation in each year. Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated into sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount on the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair values were determined.

2 Segment information

An analysis of turnover by end market is given below

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Utilities	33,052	37,828
Aftermarket	6,094	4,465
Rail	7,626	10,673
	<u>46,772</u>	<u>52,966</u>

An analysis of turnover by geographical market is given below

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
United Kingdom	31,298	35,516
Rest of Europe	970	870
North America	5,694	6,741
Rest of world	8,810	9,839
	<u>46,772</u>	<u>52,966</u>

3 Non operating exceptional items

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Non operating exceptional income		
Income from fixed asset investments	208	-
	<u>208</u>	<u>-</u>
	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Non operating exceptional expense		
Impairment of fixed asset investment	-	(1,834)
	<u>-</u>	<u>(1,834)</u>

In the year ended 31 December 2011, a group restructuring programme was undertaken during the year. As part of the program management announced the closure of the Switchgear operation in China which comprises FKI Switchgear (Hong Kong) Limited and its subsidiary FKI Switchgear (Shanghai) Co Limited. As a consequence, loans made to these entities which were previously presented as investments in subsidiaries were fully impaired during the prior year.

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

4 Finance income

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Interest receivable and similar income		
Loans to fellow Group undertakings	117	109
Bank interest receivable	8	6
	<hr/> 125	<hr/> 115

5 Profit on ordinary activities before taxation

This is stated after charging/(crediting)

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Impairment of investments	-	1,834
Exceptional costs - restructuring	-	1,195
Depreciation of owned tangible fixed assets	294	301
Dividends received from associate undertaking	(208)	-
Research and development current costs	397	488
Operating lease rentals - plant and machinery	185	154
Operating lease rentals - other	520	506
	<hr/>	<hr/>
Fees payable to the Company's auditor for the audit of the Company's annual accounts	25	24
Fees payable to the Company's auditor for other services	-	2
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The restructuring expense in the prior year comprised of redundancy costs of £887,000, consultancy fees of £108,000 and other costs of £200,000

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

6 Staff costs

The average monthly number of employees (including Directors) was

	Year ended 31 December 2012 Number	Year ended 31 December 2011 Number
Production	180	232
Distribution	12	13
Administration	47	55
	<u>239</u>	<u>300</u>

The aggregate remuneration comprised

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Wages and salaries	6,683	8,252
Social security costs	642	712
Defined contribution pension costs	237	-
Defined benefit pension costs	-	417
	<u>7,562</u>	<u>9,381</u>

7 Directors' remuneration

The Directors received no remuneration for their services to the Company during the year (year ended 31 December 2011 £nil). The Directors of the Company who served during the year were also Directors of a number of the companies within the Melrose Group. The Directors' services to the Company do not occupy a significant amount of their time. As such, the Directors do not consider that they have received any remuneration for their incidental services to the Company for the year ended 31 December 2012 or the year ended 31 December 2011.

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

8 Tax on ordinary activities

The tax charge comprises

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Current tax		
UK corporation tax	-	-
Total current tax charge	-	-
Deferred tax	-	-
Total tax charge	-	-

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

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Profit on ordinary activities before taxation	8,225	3,633
Tax on profit on ordinary activities before taxation at standard UK corporation tax rate of 24.5% (31 December 2011: 26.5%)	2,015	963
Effects of		
Expenses not deductible for tax purposes	14	504
Non-taxable income	(51)	-
Capital allowances in excess of depreciation	(8)	(14)
Other timing differences	(7)	131
Group relief claimed at nil consideration	(1,963)	(1,584)
Current tax charge	-	-

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

9 Tangible fixed assets

	Plant and equipment £'000	Total £'000
Cost		
At 1 January 2012	11,235	11,235
Additions	413	413
At 31 December 2012	<u>11,648</u>	<u>11,648</u>
Depreciation		
At 1 January 2012	(9,223)	(9,223)
Charge for the year	(294)	(294)
Impairment losses	(219)	(219)
At 31 December 2012	<u>(9,736)</u>	<u>(9,736)</u>
Net book value		
At 31 December 2012	<u>1,912</u>	<u>1,912</u>
At 31 December 2011	<u>2,012</u>	<u>2,012</u>

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

10. Investments

	Investment in Subsidiaries £'000	Investment in associate £'000	Total £'000
Cost			
At 1 January 2012	26,834	102	26,936
Disposals	(1,834)	-	(1,834)
At 31 December 2012	<u>25,000</u>	<u>102</u>	<u>25,102</u>
Provision for impairment			
At 1 January 2012	(23,943)	(102)	(24,045)
Disposals	1,834	-	1,834
At 31 December 2012	<u>(22,109)</u>	<u>(102)</u>	<u>(22,211)</u>
Net book value			
At 31 December 2012	<u>2,891</u>	<u>-</u>	<u>2,891</u>
At 31 December 2011	<u>2,891</u>	<u>-</u>	<u>2,891</u>

The Company has investments in the following subsidiary undertakings and associates

Name	Nature of business	Country	Holding
Subsidiary undertakings			
Brush Switchgear Limited	Dormant	Great Britain	100%
Bristol Mec Australasia Pty Limited	Holding	Australia	100%
Hawker Siddeley Switchgear Pty Limited	Manufacturing	Australia	100%
Associates			
Mediterranean Power SA	Manufacturing	Malta	26% *

* Ordinary 'A' Shares

In previous years, loan amounts advanced on a long term basis to fellow Group undertakings relating to the financing of FKI Switchgear (Shanghai) Co Limited and FKI Switchgear (Hong Kong) Limited were disclosed as investments in subsidiaries. These were fully impaired in prior years and written off in the current year.

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

11 Stocks

	2012 £'000	2011 £'000
Raw materials and consumables	1,643	2,325
Work in progress	1,096	1,595
	<u>2,739</u>	<u>3,920</u>

There is no material difference between the Balance Sheet value of stocks and their replacement cost

12. Debtors

	2012 £'000	2011 £'000
Amounts falling due within one year:		
Trade debtors	7,668	7,587
Amounts owed by fellow Group undertakings	46,941	47,662
Prepayments and accrued income	89	92
	<u>54,698</u>	<u>55,341</u>

13. Creditors-amounts falling due within one year

	2012 £'000	2011 £'000
Bank overdrafts	121	21
Trade creditors	5,510	5,834
Amounts owed to fellow Group undertakings	22,501	23,781
Other taxation and social security	217	259
Accruals and deferred income	2,747	3,393
	<u>31,096</u>	<u>33,288</u>

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

14. Provisions for liabilities

	Restructuring provision £'000	Warranty provision £'000	Total £'000
At 1 January 2012	1,013	2,258	3,271
Charged to Profit and Loss Account	-	352	352
Utilisation of provision	(922)	(488)	(1,410)
Released to Profit and Loss Account	-	(900)	(900)
At 31 December 2012	<u>91</u>	<u>1,222</u>	<u>1,313</u>

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

15 Called-up share capital

	2012 £'000	2011 £'000
Allotted, called-up and fully-paid 6,200,000 Ordinary Shares of 25 pence each	1,550	1,550

16. Reserves

	Profit and loss account £'000	Total £'000
At 1 January 2011	26,433	26,433
Result for the year	3,633	3,633
At 1 January 2012	30,066	30,066
Result for the year	8,225	8,225
At 31 December 2012	38,291	38,291

17. Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	8,225	3,633
Net addition to shareholders' funds	8,225	3,633
Opening shareholders' funds	31,616	27,983
Closing shareholders' funds	39,841	31,616

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

18. Retirement benefit schemes

Defined Contribution Scheme Member

The Company participates in a defined contribution pension scheme. Contributions to this scheme in the year amounted to £237,000 (year ended 31 December 2011: £nil).

There were no amounts prepaid or accrued in the Balance Sheet at the year end date.

Defined Benefit Scheme Member and holder

The Company participates in a Group defined benefit scheme. It is not possible to identify the Company's share of assets and liabilities in the scheme on a consistent and reasonable basis. Therefore, in accordance with FRS 17 paragraph 9 (b) (multi-employer exemption), the scheme is accounted for as if it were a defined contribution scheme.

The Group closed the plan to future service accrual from 28 February 2011. Melrose PLC holds a deed of guarantee with FKI UK Pension Trust Limited, the trustee of the FKI UK Pension Plan, pursuant to which it agreed to contribute £18.5 million to the FKI UK Pension Plan per annum from 1 July 2010 until 1 October 2017. Following the latest full actuarial review as of 31 December 2011, it has been agreed that annual contributions of £20.0 million will be made.

Contributions to this scheme made by the Company in the year amounted to £nil (year ended 31 December 2011: £417,000).

The valuation of the Group scheme shows the following deficit: UK Group scheme £100,024,000 (year ended 31 December 2011: £79,349,000).

For the purposes of these financial statements, these figures are illustrative only and do not impact on the results or the Balance Sheet of the Company. It should also be noted that these figures include a substantial proportion of pension assets and liabilities relating to other Group companies which also participate in the scheme. It has not been possible to identify the share of the deficit which relates solely to Hawker Siddeley Switchgear Limited.

The measurement bases required by FRS 17 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension scheme's assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the scheme, which are recommended by the independent actuaries based on the expected long term rate of return on the scheme assets.

The assets in the scheme and the expected rates of return at 31 December 2012 and 2011 were:

	31 December 2012	2012	31 December 2011	2011
	Long term rate of return expected %	Value £'000	Long term rate of return expected %	Value £'000
Equities	7.00	213,000	7.00	186,200
Debt instruments	3.86	409,200	3.97	408,200
Other assets	4.51	7,950	5.71	5,925
Total fair value of scheme assets		630,150		600,325
Present value of scheme liabilities		(730,174)		(679,674)
Deficit in scheme		(100,024)		(79,349)

The figures above were calculated on the basis of the following assumptions:

	2012	2011
	%	%
Discount rate	4.50	4.90
Future pension increases	2.90	3.00
Inflation	3.00	3.10

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

18 Retirement benefit schemes (continued)

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

	2012 £'000	2011 £'000
At 1 January	(679,674)	(627,874)
Service cost	-	(500)
Interest cost	(32,600)	(34,200)
Contributions from scheme members	-	(300)
Actuarial losses	(47,500)	(45,200)
Benefits paid	29,600	28,400
At 31 December	(730,174)	(679,674)
Experience adjustments on scheme liabilities	7%	7%

Movements in the value of scheme assets were as follows

	2012 £'000	2011 £'000
At 1 January	600,325	549,325
Expected return on plan assets	28,200	30,000
Actuarial gains	12,400	30,600
Member company contributions	18,825	18,500
Contributions from scheme members	-	300
Benefits paid	(29,600)	(28,400)
At 31 December	630,150	600,325
Experience adjustments on scheme assets	2%	5%
Net deficit in scheme	(100,024)	(79,349)

Mortality assumptions

Mortality assumptions for the most significant plan in the Group, the FKI UK plan, as at 31 December 2012 are based on the Self Administered Pension Scheme ("SAPS") "S1" base tables with scaling factors of 110% and 105% for deferred members and pensioners respectively, which reflect the results of a mortality analysis carried out on the plan's membership. Future improvements are in line with the Continuous Mortality Investigation ("CMI") improvement model with a long-term rate of improvement of 1.25% p.a. for both males and females.

The assumed life expectancy on retirement at age 65 are

	2012	2011
Retiring today		
Males	87.10	85.30
Females	89.20	88.70
Retiring in 20 years		
Males	88.50	87.80
Females	90.80	91.00

The remainder of the five year history of experience adjustments is as follows

	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefit obligations	(627,874)	(618,857)	(520,300)
Fair value of scheme assets	549,325	508,762	462,700
Net deficit	(78,549)	(110,095)	(57,600)
Experience adjustments on scheme liabilities	(8,600)	(85,500)	(2,400)
Experience adjustments on scheme assets	17,600	25,400	(58,200)

Hawker Siddeley Switchgear Limited

Notes to the financial statements Year ended 31 December 2012

19 Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings	
	2012	2011
	£'000	£'000
Operating leases which expire:		
Between two and five years	451	442
	<u>451</u>	<u>442</u>
	Other	
	2012	2011
	£'000	£'000
Operating leases which expire:		
Within one year	40	17
Between two and five years	118	168
	<u>158</u>	<u>185</u>

20 Contingent Liabilities

The Company has provided unlimited and multilateral guarantees to Lloyds TSB Bank plc as agent in respect of the bank loans and overdrafts of its ultimate parent undertaking, Melrose Industries PLC, and certain fellow subsidiaries. The net liabilities outstanding under these guarantees at the Balance Sheet date were £1,169.0 million (2011: £488.7 million). In addition, the Company has granted security over certain of its assets to Lloyds TSB Bank plc as agent in connection with the borrowings of its parent undertaking.

Other outstanding bonds and guarantees at the year end amounted to £1,729,000 (31 December 2011: £1,772,000).

21. Related party transactions

The Company is a wholly owned subsidiary of Melrose Industries PLC, formerly a wholly owned subsidiary of Melrose PLC, the consolidated accounts of which are publicly available. Accordingly, the Company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Melrose Group for which 100% of the ownership rests within the Melrose Group.

22. Ultimate parent company

On 27 November 2012 a group restructure resulted in Melrose Industries PLC, a company incorporated in Great Britain and registered in England and Wales, becoming the new top company for the Melrose Group of companies. Since this date the Directors regard Melrose Industries PLC as the ultimate parent undertaking and controlling party. Prior to 27 November 2012 Melrose PLC was the ultimate controlling party. The immediate parent company is FKI Engineering Limited, which is registered in Great Britain.

The smallest and largest group into which the results of the company are consolidated is that headed by Melrose Industries PLC. Copies of the financial statements are available from the Company Secretary, Melrose Industries PLC, Precision House, Arden Road, Alcester, Warwickshire, B49 6HN.