

Registered number: 07464159

THERMASYS CS UK HOLDING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012



THERMASYS CS UK HOLDING LIMITED

COMPANY INFORMATION

DIRECTORS	K Namazi J Cordosi
COMPANY SECRETARY	P A Cox
COMPANY NUMBER	07464159
REGISTERED OFFICE	Sir Henry Parkes Road Canley Coventry CV5 6BN
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Cornwall Court 19 Cornwall Street Birmingham B3 2DT
SOLICITORS	Morgan, Lewis & Bockius Condor House 5 - 10 St Pauls Churchyard London EC4M 8AL

THERMASYS CS UK HOLDING LIMITED

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THERMASYS CS UK HOLDING LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012

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

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The principal activity of the company and its subsidiaries is the design and manufacture of cooling equipment for power generation, marine, off-highway vehicles and rail traction engine markets.

Covrad Heat Transfer Limited focuses primarily on the power generation, off highway and rail markets whilst Halco 1516 Limited focuses on the marine and industrial markets.

REVIEW OF THE BUSINESS

On 31st January 2012, ThermaSys CS UK Holding Limited was purchased by Wellspring Capital Management LLC. The directors believe that the expansion of the ThermaSys Group with the addition of API Heat Transfer will further extend the potential product offering and global footprint to enable us to better service our customers.

The investments made in production facilities over the past few years continue to help us deliver quality products, on time, and in line with customer expectation. The company maintains its ISO 9001 approval and has won other quality awards from its major customers such as the Caterpillar Inc. Supplier Quality Excellence Process Certification.

THERMASYS CS UK HOLDING LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012

Key performance indicators

Performance during the year and comparison with the previous year are detailed in the table below

	2012	2011	
Growth in sales % (all operations)	(7.8)%	n/a	Year on year sales growth expressed as a percentage
Gross profit %	19.1%	15.6%	Sales less cost of sales, before administration expenses, expressed as a percentage of sales

The company experienced a downturn in volume in 2012 mainly in the power generation sector which we believe was the result of global market conditions. Despite this the gross profit percentage was improved due to tight cost control and improvement initiatives.

Principal risks and uncertainties

Our business, financial condition and results of operations will be influenced by a range of factors, many of which are beyond the control of the company. The risk factors set out below and other information in this report should be considered carefully.

Changes in economic conditions

The two operating companies within the group are affected by world economic conditions to a greater extent than UK economic conditions as the customer base is either international in themselves or their end customers are international. The companies closely monitor demand trends and adjust the cost base as appropriate.

Financial risk management

Price risk

Commodity price risk is mitigated by material price variation agreements with the major customers.

Credit risk

Credit risk is addressed on an individual customer basis with financial stability being assessed for new customers and payment performance monitoring for established customers.

Liquidity risk

The companies within the group are working well within the banking facilities currently in place.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £367,262 (2011 - £1,683,672). The Directors do not recommend the payment of a dividend (2011 - £nil).

THERMASYS CS UK HOLDING LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements are given below

P Schmitz – resigned 7th May 2012
K Namazi
K Barrett – resigned 31st August 2012
J Cordosi – appointed 7th May 2012

DIRECTORS' INTERESTS

During the year, no rights to subscribe for shares in the company were granted to or exercised by any director

FUTURE DEVELOPMENTS

The company will remain committed to ensuring quality in the design, manufacture and maintenance/service of all its products. To this end the company is committed to invest, implement and maintain the standards required to achieve the appropriate quality standards

The directors are aware that the world economic situation has a direct influence on the business and, whilst they need to be aware of the possibilities of future uncertainties and uneven demand, they remain confident in the medium to long term prospects of the company

The balance sheet has continued to be impacted by an increase in the gross pension deficit during the year. However the directors believe that this is a longer term funding issue and these short term movements are not reflective of the true situation. The company has agreed a revised funding schedule with the trustees on the basis of the 2010 triennial review and will continue to implement this

FINANCIAL INSTRUMENTS

During the year the company does not have any abnormal exposure to price, liquidity and cash flow risks arising from its trading activities. The company did not enter into any hedging transactions and no trading in financial instruments is undertaken. It is envisaged that in future the company may enter into hedging arrangements with regards to copper pricing in order to provide a more stable cost structure for one or more of its customers

DIRECTORS' INDEMNITY

The company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

THERMASYS CS UK HOLDING LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2012**

AUDITOR

Crowe Clark Whitehill resigned as auditors during the period and PricewaterhouseCoopers LLP were appointed. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 15 November 2013 and signed on its behalf


J. Cordosi
Director

THERMASYS CS UK HOLDING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THERMASYS CS UK HOLDING LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Thermasys CS UK Holding Limited for the year ended 31 December 2012 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. 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).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 1, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

THERMASYS CS UK HOLDING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THERMASYS CS UK HOLDING LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Matthew Walker

Matthew Walker (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

15 November 2013

THERMASYS CS UK HOLDING LIMITED

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 <i>restated</i> £
TURNOVER	1,2	38,109,980	41,312,554
Cost of sales		<u>(30,818,967)</u>	<u>(34,866,843)</u>
GROSS PROFIT		7,291,013	6,445,711
Distribution costs		(675,969)	(465,802)
Administrative expenses (including exceptional items)		(4,763,545)	(2,986,233)
Other operating (expense)/income		<u>(202,528)</u>	<u>1,283</u>
OPERATING PROFIT	3	1,648,971	2,994,959
Interest payable and similar charges	6	(688,421)	(575,427)
Other finance expense	7	<u>(226,000)</u>	<u>(121,000)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		734,550	2,298,532
Tax on profit on ordinary activities	8	<u>(367,299)</u>	<u>(614,860)</u>
PROFIT FOR THE FINANCIAL YEAR/PERIOD	20	<u>367,262</u>	<u>1,683,672</u>

All amounts relate to continuing operations

The notes on pages 12 to 28 form part of these financial statements

There was no difference between both the profit on ordinary activities before taxation and the profit for the financial year and prior period stated above and their historical cost equivalents

The prior year comparative is for a period of 13 months from 8 December 2010 to 31 December 2011

THERMASYS CS UK HOLDING LIMITED

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2012**

		2012	2011
	Note	£	£
PROFIT FOR THE FINANCIAL YEAR/PERIOD	20	367,262	1,683,672
Actuarial loss related to pension scheme	24	(1,566,000)	(1,735,000)
Current tax relating to the actuarial loss on the pension scheme		103,390	-
Deferred tax attributable to actuarial loss on the pension scheme		139,060	389,667
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR/PERIOD		(956,288)	338,339

The notes on pages 12 to 28 form part of these financial statements


The prior year comparative is for a period of 13 months from 8 December 2010 to 31 December 2011

THERMASYS CS UK HOLDING LIMITED
REGISTERED NUMBER: 07464159

GROUP BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Intangible assets	9	5,570,581	6,266,903
Tangible assets	11	<u>3,055,559</u>	<u>3,375,373</u>
		8,626,140	9,642,276
CURRENT ASSETS			
Stocks	14	3,720,118	3,928,759
Debtors	15	7,054,297	5,743,480
Cash at bank and in hand		<u>158,887</u>	<u>169,762</u>
		10,933,302	9,842,001
CREDITORS: amounts falling due within one year	16	<u>(12,133,815)</u>	<u>(12,066,526)</u>
NET CURRENT LIABILITIES		<u>(1,200,513)</u>	<u>(2,224,525)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,425,627</u>	<u>7,417,751</u>
CREDITORS amounts falling due after more than one year	17	-	(1,950)
PROVISIONS FOR LIABILITIES			
Deferred tax	18	<u>(175,557)</u>	<u>(214,383)</u>
NET ASSETS EXCLUDING PENSION SCHEME ASSETS/(LIABILITIES)		<u>7,250,070</u>	<u>7,201,418</u>
Defined benefit pension scheme liability	24	<u>(5,657,190)</u>	<u>(4,652,250)</u>
NET ASSETS INCLUDING PENSION SCHEME ASSETS/(LIABILITIES)		<u>1,592,880</u>	<u>2,549,168</u>
CAPITAL AND RESERVES			
Called up share capital	19	2,210,829	2,210,829
Profit and loss account	20	<u>(617,949)</u>	<u>338,339</u>
SHAREHOLDERS' FUNDS	21	<u>1,592,880</u>	<u>2,549,168</u>

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on ...15 November 2013


J Cordosi
 Director

The notes on pages 12 to 28 form part of these financial statements

THERMASYS CS UK HOLDING LIMITED
REGISTERED NUMBER 07464159

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Investments	12	6,475,499	6,475,499
CURRENT ASSETS			
Debtors	15	493,862	102,163
CREDITORS amounts falling due within one year	16	<u>(6,257,292)</u>	<u>(4,658,517)</u>
NET CURRENT LIABILITIES		(5,763,430)	(4,556,354)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>712,069</u>	<u>1,919,145</u>
CAPITAL AND RESERVES			
Called up share capital	19	2,210,829	2,210,829
Profit and loss account	20	<u>(1,498,760)</u>	<u>(291,684)</u>
SHAREHOLDERS' FUNDS	21	<u>712,069</u>	<u>1,919,145</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 November 2013


J Cordosi
Director

The notes on pages 12 to 28 form part of these financial statements

THERMASYS CS UK HOLDING LIMITED

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

		2012		2011	
	Note	£	£	£	£
Net cash inflow from operating activities	22	-	1,190,175	-	4,847,873
Returns on investments and servicing of finance					
Interest paid		(104,097)	-	(152,263)	-
Hire purchase interest paid		(14,036)	-	(28,034)	-
Net cash outflow from returns on investments and servicing of finance		-	(118,133)	-	(180,297)
Taxation			(726,127)		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(330,041)	-	(425,222)	-
Net cash outflow from capital expenditure and financial investment		-	(330,041)	-	(425,222)
Acquisitions and disposals					
Purchase of subsidiary undertakings		-	-	(6,475,499)	-
Net cash acquired in subsidiary undertakings		-	-	141,940	-
Net cash outflow for acquisitions		-	-	-	(6,333,559)
Financing					
Issue of ordinary shares		-	-	2,210,829	-
Repayment of finance leases		(26,749)	-	(91,802)	-
Net cash (outflow)/inflow from financing		-	(26,749)	-	2,119,027
(Decrease)/increase in net cash		-	(10,875)	-	27,822
Reconciliation to net cash					
Net cash at 1 January		-	169,762	-	-
Net cash acquired in subsidiary undertakings		-	-	-	141,940
(Decrease)/increase in net cash		-	(10,875)	-	27,822
Net cash as at 31 December		-	158,887	-	169,762

The notes on pages 12 to 28 form part of these financial statements

THERMASYS CS UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES

1.1 Accounting convention and compliance with accounting standards

The financial statements have been prepared on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently are set out below.

The directors have considered the company's future working capital requirements and financing arrangements. The company continues to trade profitably and meets its day to day working capital requirements through the use of trade and group finance arrangements and the directors are not aware of any circumstances that may adversely affect the renewal of these facilities. Accordingly, the directors believe that it is appropriate to prepare the financial statements on the going concern basis.

Thermasys Group Holding Company Inc confirms that it will not seek repayment of the loan balance of £6,257,292 for the foreseeable future being a period of not less than 12 months from the date of the approval of the statutory accounts.

1.2 Basis of consolidation

The consolidated Profit and Loss account and Balance Sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2012. The results of subsidiaries sold or acquired are included in the Profit and Loss Account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

The directors have changed the classification of depreciation and carriage income within the profit and loss account. This has resulted in a restatement of the comparatives in the profit and loss account.

1.3 Turnover

Turnover represents the total amounts receivable by the company in the ordinary course of business for goods supplied and services provided net of VAT and trade discounts. Turnover is recognised on despatch of goods to its customers and services are recognised when they are rendered.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and Loss Account over its estimated economic life of 10 years.

Goodwill is stated after provision for impairment.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets, other than freehold land, are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Leasehold improvement	20% straight line
Plant & machinery	10% to 25% straight line
Fixtures & fittings	10% to 33% straight line
Jigs and tools	10% to 25% straight line

THERMASYS CS UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value

1.7 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives. Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress and finished goods are valued on the basis of direct cost plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

1.9 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

1.11 Pensions

Defined contribution

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable by the company during the year have been accounted for in the Profit and Loss Account.

THERMASYS CS UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

Defined benefit

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated costs over the service lives of the employees in the scheme, so as to ensure that the regular costs of providing benefits represents a substantially level percentage of the current and future pensionable payroll. Variations from regular costs are spread over the average remaining service lives of current employees in the scheme.

Benefits no longer accrue and the final salary link for active members in respect of benefits accrued has been broken. The scheme is now closed to new entrants.

1.12 Tooling

The company manufactures tooling which is used in production. The cost of such tooling is capitalised by the company as a fixed asset and depreciated in equal instalments over a period of three years. The costs capitalised consist of the direct labour and overheads involved in the production of the tools and a relevant proportion of indirect production overheads.

1.13 Warranties

The company provides warranties on large contracts. Costs to rectify claims made under these warranties are accrued in the financial statements.

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012**

2. TURNOVER

An analysis of turnover by class of business is as follows

	2012	2011
	£	£
Power generation	29,192,000	31,284,588
Railway traction	507,000	1,644,000
Off-highway	-	144,000
Marine and industrial	5,712,017	6,513,480
Scrap sales	161,369	215,591
Other	2,537,594	1,510,895
	<u>38,109,980</u>	<u>41,312,554</u>

A geographical analysis of turnover is as follows

	2012	2011
	£	£
United Kingdom	25,018,696	30,305,212
Rest of European Union	6,448,993	4,678,107
Rest of world	6,642,291	6,329,235
	<u>38,109,980</u>	<u>41,312,554</u>

Note that the prior year comparative is for a period of 13 months from 8 December 2010 to 31 December 2011

3 OPERATING PROFIT

The operating profit is stated after charging

	2012	2011
	£	£
Amortisation - intangible fixed assets	696,322	696,322
Depreciation of tangible fixed assets		
- owned by the group	530,877	513,771
- held under finance leases	118,979	118,979
Exceptional items	995,879	-
Operating lease rentals		
- plant and machinery	92,396	96,803
- other operating leases	9,955	9,501
Difference on foreign exchange	<u>60,301</u>	<u>4,722</u>

Exceptional items of £995,879 (2011 £nil) relate to a bonus payable to certain employees of Thermasys CS Holding Limited following a change of ownership that took place on 31 January 2012

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012**

Services provided by the company's auditors

During the year the group obtained the following services from the company's auditor

	2012 £	2011 £
Fees payable to company's auditor for the audit of parent company and consolidated financial statements	12,000	8,000
Fees payable to the company's auditors for other services		
The audit of company's subsidiaries	29,401	19,350
Audit-related assurance services	-	-
Tax compliance services	12,500	8,250
Tax advisory services	-	-
	<u>53,901</u>	<u>35,600</u>

Note that the prior year comparative is for a period of 13 months from 8 December 2010 to 31 December 2011

4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 <i>Restated</i> £
Wages and salaries	6,350,610	6,819,698
Social security costs	603,856	629,743
Other pension costs (Note 24)	225,413	231,008
	<u>7,179,879</u>	<u>7,680,499</u>

The average monthly number of employees, including the directors, during the year/period was as follows

	2012 No	2011 No
Production staff	191	212
Administrative staff	33	32
	<u>224</u>	<u>244</u>

Note that the prior year comparative is for a period of 13 months from 8 December 2010 to 31 December 2011

The other pension costs comparatives have been restated from £269,008 to £231,008 to be consistent with the disclosures in Note 24 pension commitments

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012**

5. DIRECTORS' REMUNERATION

	2012	2011
	£	£
Aggregate Emoluments	<u>797,749</u>	<u>276,395</u>
Company pension contributions to defined contribution pension schemes	<u>56,862</u>	<u>47,760</u>

During the year retirement benefits were accruing to one (2011 one) director in respect of defined contribution pension schemes

The highest paid director received remuneration of £797,749 (2011 £276,395)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £56,862 (2011 £47,760)

Note that the prior year comparative is for a period of 13 months from 8 December 2010 to 31 December 2011

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
On bank loans and overdrafts	42,068	46,754
On other loans	570,288	401,392
On finance leases and hire purchase contracts	14,036	28,034
Other interest payable	62,029	99,247
	<u>688,421</u>	<u>575,427</u>

Note that the prior year comparative is for a period of 13 months from 8 December 2010 to 31 December 2011

7 OTHER FINANCE EXPENSE

	2012	2011
	£	£
Expected return on pension scheme assets	441,000	589,000
Interest on pension scheme liabilities	(667,000)	(710,000)
	<u>(226,000)</u>	<u>(121,000)</u>

Note that the prior year comparative is for a period of 13 months from 8 December 2010 to 31 December 2011

THERMASYS CS UK HOLDING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012**

8 TAXATION

	2012 £	2011 £
Analysis of tax charge in the year/period		
Current tax		
UK corporation tax charge on profit for the year/period	406,125	425,673
Deferred tax		
Origination and reversal of timing differences	(32,349)	66,879
Deferred tax on pension scheme liability	-	157,917
Effect of tax rate change on opening balance	-	(12,663)
Adjustments in respect of prior period	(6,477)	(22,946)
Total deferred tax (see note 18)	(38,826)	189,187
Tax on profit on ordinary activities	367,299	614,860

Factors affecting tax charge for the year/period

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 24.5% (2011 26.49%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	734,550	2,298,532
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 26.49%)	179,965	608,881
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	170,599	184,456
Expenses not deductible for tax purposes	6,578	23,759
Depreciation in excess of capital allowances	39,497	35,284
Utilisation of tax losses	-	(87,876)
Pension scheme net finance credit	-	(110,463)
ACT	-	(238,753)
Other short term timing differences	9,486	8,429
Unutilised tax losses and other deductions arising in the period	-	2,166
Marginal relief	-	(210)
Current tax charge for the year/period (see note above)	406,125	425,673

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Payment as compensation for tax losses surrendered within the group has been determined at a rate of up to £1 for each £1 of loss surrendered

Factors that may affect future tax charges

During the year, as a result of the change in the UK corporation tax rate from 24% to 23% that is effective from 1 April 2013, all relevant deferred tax balances have been re-measured. Further changes to the UK corporation tax rate were announced which propose to reduce the rate by 2% to 21% by 1 April 2014 and then by a further 1% to 20% by 1 April 2015. These changes, which have been substantively enacted in the Finance Act 2013 on 2 July 2013, had not been substantively enacted at the balance sheet date and therefore have not been recognised in these financial statements.

Note that the prior year comparative is for a period of 13 months from 8 December 2010 to 31 December 2011

9 INTANGIBLE FIXED ASSETS

Group	Goodwill £
Cost	
At 31 December 2011	6,963,225
Additions	<u>-</u>
At 31 December 2012	<u>6,963,225</u>
Amortisation	
At 31 December 2011	696,322
Charge for the year	<u>696,322</u>
At 31 December 2012	<u>1,392,644</u>
Net book value	
At 31 December 2012	<u>5,570,581</u>
At 31 December 2011	<u>6,266,903</u>

10 ACQUISITIONS AND DISPOSALS

	2011 Vendors' book value £	2011 Final fair value adjustments £	2011 Final fair value to the group £
Assets and liabilities acquired			
Tangible fixed assets	2,679,566	903,335	3,582,901
Stocks	2,596,134	-	2,596,134
Debtors	6,376,838	-	6,376,838
Cash at bank	141,940	-	141,940
Loans and finance leases	(2,186,613)	-	(2,186,613)
Other creditors and provisions	(7,432,926)	-	(7,432,926)
Defined benefit pension scheme liability	(3,566,000)	-	(3,566,000)
Net assets acquired	<u>(1,391,061)</u>	<u>903,335</u>	<u>(487,726)</u>

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Satisfied by

Cash consideration	<u>6,475,499</u>
Goodwill arising on consolidation (see note 9)	<u>6,963,225</u>
Fair values arising on acquisition are determined to be final	

11 TANGIBLE FIXED ASSETS

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	S/Term Leasehold Property	Plant & machinery	Fixtures & fittings	Jigs & tools	Total
Group	£	£	£	£	£
Cost					
At 31 December 2011	48,787	3,703,570	224,496	31,270	4,008,123
Additions	(20,872)	303,653	26,310	20,950	330,041
At 31 December 2012	27,915	4,007,223	250,806	52,220	4,338,164
Accumulated depreciation					
At 31 December 2011	10,847	529,794	74,765	17,344	632,750
Charge for the year	7,247	564,046	67,473	11,090	649,856
At 31 December 2012	18,094	1,093,840	142,238	28,434	1,282,606
Net book value					
At 31 December 2012	9,821	2,913,383	108,568	23,786	3,055,559
At 31 December 2011	37,940	3,173,776	149,731	13,926	3,375,373

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2012	2011
Group	£	£
Plant and machinery, furniture, fixtures and fittings	<u>399,093</u>	<u>518,072</u>

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12 FIXED ASSET INVESTMENTS

	Investments in subsidiary companies
Company	£
Cost or valuation	
At 31 December 2011	6,475,499
Additions (see note 10)	-
At 31 December 2012	<u>6,475,499</u>
Net book value	
At 31 December 2012	<u>6,475,499</u>

Details of the principal subsidiaries can be found under note number 13

13 PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Covrad Holdings Limited	UK	100%	Holding company
Covrad Heat Transfer Limited*	UK	100%	Manufacturer of cooling equipment
Hallco 1516 Limited	UK	100%	Manufacturer of cooling equipment

* Indirectly owned by Covrad Holdings Limited

On 23 December 2010, the company acquired 100% of the share capital of Covrad Holdings Limited and Hallco 1516 Limited

14 STOCKS

	Group	Company	Group	Company
	2012	2012	2011	2011
	£	£	£	£
Raw materials	2,479,244	-	2,537,988	-
Work in progress	1,087,434	-	1,097,508	-
Finished goods and goods for resale	153,440	-	293,263	-
	<u>3,720,118</u>	<u>-</u>	<u>3,928,759</u>	<u>-</u>

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15. DEBTORS

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Trade debtors	5,601,396	-	5,502,135	-
Amounts owed by group undertakings	100,537	493,862	-	102,163
Other debtors	1,153,440	-	127,532	-
Corporation tax	72,000	-	-	-
Prepayments and accrued income	126,924	-	113,813	-
	<u>7,054,297</u>	<u>493,862</u>	<u>5,743,480</u>	<u>102,163</u>

Amounts owed by group undertakings include trading balances that are unsecured, interest free, have no fixed date of repayment and are repayable on demand

16 CREDITORS. Amounts falling due within one year

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Trade creditors	3,487,791	-	4,694,146	-
Amounts owed to group undertakings	6,917,970	6,257,292	5,588,810	4,658,517
Corporation tax	74,279	-	425,673	-
Social security and other taxes	176,892	-	205,141	-
Other creditors	649,906	-	587,637	-
Accruals and deferred income	826,977	-	565,119	-
	<u>12,133,815</u>	<u>6,257,292</u>	<u>12,066,526</u>	<u>4,658,517</u>

Amounts owed to group undertakings include trading balances that are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Thermasys Group Holding Company Inc confirms that it will not seek repayment of the loan balance of £6,257,292 for the foreseeable future being a period of not less than 12 months from the date of the approval of the statutory accounts

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17 CREDITORS Amounts falling due after more than one year

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Net obligations under finance leases and hire purchase contracts	-	-	1,950	-

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Between on and five years	-	-	1,950	-

18 DEFERRED TAXATION

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
As at 1 January	214,383	-	183,113	-
(Credit)/charge for the year/period	(38,826)	-	31,270	-
At 31 December	175,557	-	214,383	-

The provision for deferred taxation is made up as follows

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Accelerated capital allowances	187,788	-	241,332	-
Other short term timing differences	(12,231)	-	(26,949)	-
	175,557	-	214,383	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

19 SHARE CAPITAL

At incorporation on 8 December 2010, 2,210,829 ordinary shares of £1 each were issued at par

	2012 £	2011 £
Allotted, called up and fully paid		
2,210,829 (2011 2,210,829) ordinary shares of £1 each	2,210,829	2,210,829

20 RESERVES

	Profit and loss account £
Group	
At 31 December 2011	338,339
Profit for the year	367,262
Pension reserve movement	(1,323,550)
At 31 December 2012	(617,949)
	Profit and loss account £
Company	
At 31 December 2011	(291,684)
Loss for the year	(1,207,076)
At 31 December 2012	(1,498,760)

The closing balance on the Group Profit and Loss Account includes a £1,323,550 (2011 £1,345,333 debit), stated after deferred taxation of £242,450 (2011 £389,667), in respect of pension scheme liabilities of the Group and Company pension scheme

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Group		
Opening shareholders' funds	2,549,168	-
Profit for the year/period	367,262	1,683,672
Shares issued during the year/period	-	2,210,829
Other recognised gains and losses during the year/period	(1,323,550)	(1,345,333)
Closing shareholders' funds	1,592,880	2,549,168

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

Company	2012 £	2011 £
Opening shareholders' funds	1,919,145	-
Loss for the year/period	(1,207,076)	(291,684)
Shares issued during the year/period	-	2,210,829
Closing shareholders' funds	<u>712,069</u>	<u>1,919,145</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account

The loss for the year/period dealt with in the accounts of the company was £1,207,076 (2011 £291,684)

22 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit	1,648,971	2,994,959
Amortisation of intangible fixed assets	696,322	696,322
Depreciation of tangible fixed assets	649,856	632,750
Decrease/(increase) in stocks	208,641	(1,332,625)
Increase in debtors	(1,064,761)	(276,795)
(Decrease)/increase in creditors	(204,854)	2,671,262
Pension contributions in excess of amounts charged to operating profit	(744,000)	(538,000)
Net cash inflow from operating activities	<u>1,190,175</u>	<u>4,847,873</u>

23. ANALYSIS OF CHANGES IN NET DEBT

	31 December 2011 £	Cash flow £	Other non-cash changes £	31 December 2012 £
Cash at bank and in hand	169,762	(10,875)	-	158,887
Debt.				
Debts due within one year	(26,749)	26,749	(1,950)	(1,950)
Debts falling due after more than one year	(1,950)	-	1,950	-
Net funds	<u>141,063</u>	<u>15,874</u>	<u>-</u>	<u>156,937</u>

24. PENSION COMMITMENTS

Defined contribution

The group operates a defined contribution scheme for the benefit of its UK employees. The assets of the scheme are administered by trustees in funds independent from those of the company.

Contributions payable by the group for the year totalled £225,413 (2011 £231,008). Contributions totalling

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£16,152 (2011 £20,829) were payable into the scheme at 31 December 2012 and are included within other creditors

Defined benefit

The group operates a Defined Benefit Pension Scheme

The assets of the scheme are administered by trustees in funds independent from those of the company and invested directly on the advice of the independent professional investment managers

Benefits do not accrue and the final salary link for active members in respect of benefits has been broken. The scheme is now closed to new entrants

The treatment of pension costs in these financial statements is in accordance with the provisions of Financial Reporting Standard 17 "Retirement Benefits"

The last full actuarial valuation was carried out at 6 April 2010 and updated to 31 December 2011 by an independent qualified actuary

During the year, the group made contributions of £648,000 (2011 £468,000) towards the accumulated deficit in the scheme

The group expects to contribute £648,000 (2012 £500,000) to its Defined Benefit Pension Scheme in 2013

(a) Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages)

	2012	2011
Rate of increase in pensions payment	2.65%	2.80%
Discount rate	4.30%	4.90%
Inflation assumption	2.65%	2.80%
Expected return on equities	6.80%	8.20%
Expected return on bonds	3.90%	4.90%
Expected return on other assets	5.40%	6.80%

(b) The amounts recognised in the Balance Sheet are as follows

	2012	2011
	£	£
Fair value of scheme assets	8,308,000	7,569,000
Present value of scheme liabilities	(15,655,000)	(13,772,000)
Deficit in the scheme	(7,347,000)	(6,203,000)
Related deferred tax asset	1,689,810	1,550,750
Net liability	<u>(5,657,190)</u>	<u>(4,652,250)</u>

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(c) Reconciliation of present value of the defined benefit obligation are as follows

	2012	2011
	£	£
Liabilities as at start of year/period	13,772,000	12,880,000
Interest cost	667,000	710,000
Benefits paid	(319,000)	(395,000)
Actuarial Losses	1,535,000	577,000
Closing defined benefit obligation	<u>15,655,000</u>	<u>13,772,000</u>

(d) Changes in the fair value of scheme assets are as follows

	2012	2011
	£	£
Assets as at the start of the year	7,569,000	-
Expected return	441,000	589,000
Actuarial loss	(31,000)	(1,158,000)
Contributions by employer	648,000	538,000
Assets acquired on acquisition of subsidiaries	-	7,995,000
Benefits paid	(319,000)	(395,000)
	<u>8,308,000</u>	<u>7,569,000</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows

	2012	2011
Equities	59.11%	62.10%
Bonds	26.47%	24.07%
Other	14.42%	13.83%

(e) The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses was £3,301,000 (2011 £1,735,000)

(f) The amounts recognised in profit or loss are as follows

	2012	2011
	£	£
Interest on obligation	(667,000)	(710,000)
Expected return on scheme assets	441,000	589,000
Total	<u>(226,000)</u>	<u>(121,000)</u>

(g) Historical information

	2012	2011
	£	£
Defined benefit obligation	(15,655,000)	(13,772,000)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2012

Scheme assets	8,308,000	7,569,000
Deficit	(7,347,000)	(6,203,000)
Experience adjustments on scheme liabilities	(196,000)	126,000
Experience adjustments on scheme assets	(31,000)	(1,158,000)

25. OPERATING LEASE COMMITMENTS

At 31 December 2012 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings	Other	<i>Land and buildings</i>	<i>Other</i>
	2012	2012	<i>2011 Restated</i>	<i>2011</i>
Group	£	£	£	£
Expiry date				
Within 1 year	-	16,616	-	13,682
Within 2 to 5 years	-	70,038		90,677
After 5 years	200,000	-	<i>200,000</i>	-
	200,000	86,654	<i>200,000</i>	<i>104,359</i>

The comparatives of land and buildings has been restated to include the lease commitment which was omitted in the prior year

26. RELATED PARTY TRANSACTIONS

During the year, the company made purchases of £nil (2011 £2,171) and sales of £6,341 (2011 £15,252) with General Thermodynamics, a fellow group company incorporated in the U S A At 31 December 2012, the balance due from General Thermodynamics was £3,137 (2011 £3,159)

During the year, the company made purchases of £3,404,512 (2011 £3,587,457) from Thermasys Corporation, a fellow group company incorporated in the U S A At 31 December 2012, the balance due to Thermasys Corporation was £693,288 (2011 £1,174,179)

During the year, the company received a loan of £nil (2011 £4,017,330) and was charged interest of £570,288 (2011 £395,130) by Thermasys Group Holding Company Inc At 31 December 2012, the balance due to Thermasys Group Holding Company Inc was £5,978,625 (2011 £4,412,460)

The registered office in Coventry which is used by Covrad Heat Transfer Limited and is rented from Akea Properties LLP which has a common director, Kayvan Namazi, with the company and its subsidiaries The annual rental commitment is £200,000 and the lease expires on 8 February 2018

27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Thermasys Group Holding Company Inc , a company incorporated in the USA, which is the smallest group to consolidate these financial statements

The ultimate controlling party is Wellspring Capital Management LLC, a company incorporated in the USA It purchased Thermasys CS UK Holding Limited on 31 January 2012