

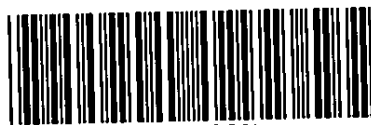
Star Refrigeration Limited

SC 48005

Report and financial statements

31 December 2012

TUESDAY



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09/04/2013

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COMPANIES HOUSE

Directors

A H Brown C Eng (Chairman)
C J Fraser C Eng Bsc
R A Lamb B Eng PhD
A B Pearson C Eng PhD
S F Pearson C Eng PhD
J R Rowell
G D A Stuart CIMA
S Thompson LLM

Secretary

J D Bolster CA

Auditors

Ernst & Young LLP
G1 Building
5 George Square
Glasgow G2 1DY

Bankers

The Royal Bank of Scotland plc
300 Bath Street
Glasgow G2 4RS

Solicitors

Maclay Murray & Spens LLP
1 George Square
Glasgow G2 1AL

Registered Office

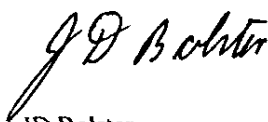
Thornliebank Industrial Estate
Glasgow G46 8JW

Notice of Annual General Meeting

Notice is hereby given that the forty second Annual General Meeting of the company will be held at Hampden Park, Glasgow, G42 9BA on Wednesday 1st May at 4.30pm for the purpose of transacting the following business:

1. To receive the directors' report and financial statements for the year ended 31 December 2012 and the auditors' report thereon
2. To re-elect Mr A H Brown who is retiring by rotation, as a director
3. To re-elect Dr S F Pearson who is retiring by rotation, as a director
4. To re-appoint Ernst & Young LLP as auditors and authorise the directors to fix their remuneration

On behalf of the Board



JD Bolster
Secretary

Thornliebank Industrial Estate
Glasgow
G46 8JW

Every shareholder is entitled to attend and vote. Any person so entitled may appoint a proxy (whether a shareholder or not) to attend and, on a poll, to vote in his stead.

Directors' report

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

Results and dividends

The group loss for the year after taxation amounted to £112,000 (2012 – loss of £444,000). The directors do not recommend a dividend for the year.

Principal activities and review of the business

The company's principal activity continues to be the design, manufacture, installation and maintenance of industrial refrigeration plant. The major uses of this plant are in temperature controlled buildings, food processing factories, breweries and other industrial processes requiring the removal of heat. Starfrost (UK) Limited's principal activity is the manufacture of automated freezing and chilling systems for various types of food products. Star M&E Solutions Ltd's business is electrical and mechanical contracting including the manufacture of electrical control panels. MPR Controls Limited is dormant.

The group's key financial and other performance indicators during the year were as follows:

	2012 £000	2011 £000	Change %
Group turnover	38,553	38,484	0.2%
Gross profit	3,858	3,726	3.5%
Gross profit %	10.1%	9.7%	0.4%
Loss on ordinary activities before tax	(139)	(488)	71.7%
Employees	343	361	(5.0%)

Group turnover was below expectations although marginally higher than prior year. The group loss reported reflects the impact of lower sales volume for Star Refrigeration and Starfrost and increased development expenditure on new innovation projects. Staff numbers were reduced during the year and despite the continuing challenging economic climate, the underlying business performance is strong. The Group continues to deliver a strong positive cash-flow, however the board considers that payment of a dividend to shareholders is not appropriate.

Business in the food and beverage sector continued to experience severe competitive pressure resulting in reduced margin however for the second year running, order intake was strong in the final quarter of the year. The non-food business continues to experience a slowdown in business activity. Despite lower project sales volume our Operations business reported significant growth in service & maintenance business volume. Star Technical Solutions continues to show impressive growth and produced another record result while Star Learning Solutions produced a small loss.

Environmental issues continue to drive change in the industry but the economic climate is clearly delaying investment by our customers. Nevertheless, the company held a satisfactory order book at the year end with a number of promising sales prospects awaiting confirmation.

Subsidiaries

Starfrost (UK) Limited suffered from reduced sales volume during the middle of the year which contributed to an overall loss for the year, however the business ended the year with a healthy order intake with strong prospects of a return to profit in 2013.

Star M&E Solutions Ltd produced a very satisfactory operating profit following a significant restructure of the business.

Directors' report (continued)

Environment

The majority of our installations continue to be environmentally-friendly ammonia and carbon dioxide systems. In addition we successfully completed testing of an Indigochiller using low-GWP refrigerant and continue to develop electricity generation from waste energy. Work associated with the phase-out of R22 continues with many more systems still to be modified or replaced.

Future developments

The company continues to invest in a full technical and product development programme, focussing on, natural refrigerant solutions, energy efficiency, product standardisation and new technologies in collaboration with partners.

Principal risks and uncertainties

The economic climate continued to constitute the biggest risk to the business. Cost and credit control remain high priority areas.

Financial instrument risks

The group's policy does not permit trading in any financial instruments. Forward exchange contracts are sometimes taken out as hedges against specific committed exposures. The group's principal financial instruments comprise cash, short term deposits and/or borrowings.

The group has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations.

The main risks arising from the group's financial instruments are with liquidity and credit. The group has clear policies for managing these risks as summarised below.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Investment and cash-flows are carefully controlled, with authorisation limits operating at different levels up to group board level.

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the group provides goods and services on deferred credit terms. Group policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Goods may be sold on a cash-with-order basis to mitigate credit risk.

Directors

The directors who served the company during the year and to the date of this report were as follows:

A H Brown	C Eng	(Chairman)
C J Fraser	C Eng BSc	
R A Lamb	B Eng PhD	
A B Pearson	C Eng PhD	
S F Pearson	C Eng PhD	
J R Rowell		
G D A Stuart	CIMA	
S Thompson	LLM	

Directors' report (continued)

Research and development

Research and development is primarily focused on highly efficient refrigeration systems with low environmental impact. We also provide technical support to a number of university research projects.

Political and charitable contributions

Charitable donations totalling £1,635 were made during the year (2011 – £2,757).

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing staff with information about the group has continued. Regular meetings are held between local management and staff to allow free flow of information and ideas. Employees participate directly in the success of the business through the group's profit sharing schemes. In December 2007 the group received HMRC approval for an all employee share ownership scheme. An employee share trust was established in 2007 and 68 employees were allocated shares through this trust in 2012.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



GDA Stuart

Director

5th April 2013

Statement of directors' responsibilities

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

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

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

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

Independent auditors' report

to the members of Star Refrigeration Limited

We have audited the financial statements Star Refrigeration 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 Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 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 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 of the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report

to the members of Star Refrigeration Limited (continued)

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Mark Harvey (Senior Statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

5 April 2013

Group profit and loss account

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover	2	38,553	38,484
Cost of sales		(34,695)	(34,758)
Gross profit		3,858	3,726
Distribution costs		(1,661)	(1,951)
Administrative expenses		(2,858)	(3,071)
Other operating income		535	809
Group operating loss	3	(126)	(487)
Share of operating loss in joint venture		(13)	-
Total Group operating loss	3	(139)	(487)
Interest receivable		3	5
Interest payable	6	(3)	(6)
Loss on ordinary activities before taxation		(139)	(488)
Tax on loss on ordinary activities	7	27	44
Loss for the financial year	20	(112)	(444)

Group statement of total recognised gains and losses

for the year ended 31 December 2012

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £112,000 in the year ended 31 December 2012 (2011 – loss of £444,000).

Group balance sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Intangible assets	10	20	-
Investment in Joint Venture:			
Share of gross assets	12	48	-
Share of gross liabilities	12	(32)	-
		<u>16</u>	<u>-</u>
Tangible assets	11	2,301	2,396
		<u>2,337</u>	<u>2,396</u>
Current assets			
Stocks	13	1,560	1,926
Debtors	14	5,776	7,345
Cash at bank and in hand		1,483	2,229
		<u>8,819</u>	<u>11,500</u>
Creditors: amounts falling due within one year	15	(5,524)	(8,174)
Net current assets		<u>3,295</u>	<u>3,326</u>
Total assets less current liabilities		<u>5,632</u>	<u>5,722</u>
Provisions for liabilities	16	(730)	(723)
Accruals and deferred income			
Deferred government grants	18	(27)	(42)
		<u>(757)</u>	<u>(765)</u>
Net assets		<u>4,875</u>	<u>4,957</u>
Capital and reserves			
Called up share capital	19/20	922	902
Share premium account	20	236	185
Reserve for own shares	20	-	(4)
Profit and loss account	20	3,717	3,874
Shareholders' funds	20	<u>4,875</u>	<u>4,957</u>

G Stuart

GDA Stuart
Director
5th April 2013

Company balance sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	11	2,260	2,358
Investments	12	939	939
		<u>3,199</u>	<u>3,297</u>
Current assets			
Stocks	13	1,427	1,762
Debtors	14	5,694	6,921
Cash at bank and in hand		1,203	1,696
		<u>8,324</u>	<u>10,379</u>
Creditors: amounts falling due within one year	15	(4,930)	(6,999)
		<u>3,394</u>	<u>3,380</u>
Net current assets			
		<u>6,593</u>	<u>6,677</u>
Total assets less current liabilities			
		<u>6,593</u>	<u>6,677</u>
Provisions for liabilities	16	(646)	(677)
Accruals and deferred income			
Deferred government grants	18	(27)	(42)
		<u>(673)</u>	<u>(719)</u>
Net assets		<u>5,920</u>	<u>5,958</u>
Capital and reserves			
Called up share capital	19/20	922	902
Share premium account	20	236	185
Reserve for own shares	20	-	(4)
Profit and loss account	20	4,762	4,875
		<u>5,920</u>	<u>5,958</u>
Shareholders' funds	20	<u>5,920</u>	<u>5,958</u>

G. Stuart

GDA Stuart

Director

5th April 2013

Group statement of cash flows

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Net cash (outflow)/inflow from operating activities	3(b)	(577)	1,198
Returns on investments and servicing of finance			
Interest paid	6	(3)	(6)
Interest received		3	5
		-	(1)
Taxation			
Corporation tax refunded/(paid)		62	(178)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	11	(212)	(690)
Investment in share of joint venture		(49)	-
		(261)	(690)
Equity dividends paid	8,20	(45)	(132)
Net cash (outflow)/inflow before financing		(821)	197
Financing			
Issue of ordinary share capital	20	71	93
Allocation of trust shares		4	-
(Decrease)/increase in cash		(746)	290
Reconciliation of net cash flow to movement in net funds			
		2012 £000	2011 £000
Change in net funds resulting from cash flows		(746)	290
Net funds at 1 January		2,229	1,939
Net funds at 31 December		1,483	2,229

Net funds consist of cash at bank and in hand on the balance sheet.

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain leasehold properties.

The financial statements are prepared in accordance with applicable accounting standards.

Group financial statements

The group financial statements consolidate the financial statements of Star Refrigeration and its subsidiaries Starfrost (UK) Limited, Star M&E Solutions Ltd. and MPR Controls Limited. No profit and loss account is presented for Star Refrigeration Limited as permitted by section 408 of the Companies Act 2006. The Group Profit and Loss Account, Group Balance Sheet and Group Statement of Cash Flows also include the results and cash flows of Starfrost Asia PVT Ltd for the six month period from its acquisition on 20 June 2012.

Entities in which the group holds an interest on a long-term basis and are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

Intangible fixed assets

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

Tangible fixed assets

All tangible fixed assets are initially recorded at cost. Certain leasehold properties have subsequently been revalued at 31 December 1989, with the revaluation surplus being taken to a revaluation reserve. The revaluation reserve was used subsequently for a scrip issue of ordinary shares. The company has adopted the transitional provisions of FRS 15, and therefore these valuations have not been updated.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold property	–	over 25 years
Leasehold property	–	shorter of 50 years or over the lease term
Plant and equipment	–	over 3 to 10 years
Motor vehicles	–	over 3 to 8 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed asset investments

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

- Raw materials – purchase cost on a first-in, first-out basis.
- Work in progress – cost of direct materials, sub-contractors' costs and direct labour plus attributable production 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. Payments on account received and receivable are deducted from work in progress or, to the extent that they exceed the stated value of work in progress, are included in creditors.

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Contracts in progress

Where the requirements of SSAP 9 are met, revenue from contracts in progress at the year-end is recognised by reference to the stage of completion where the outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of work carried out at the year end, by recording turnover and related costs of labour and materials as contract activity progresses. Losses on contracts are recognised in the period when such losses are first foreseen.

Maintenance contracts

Revenue is recognised over the life of the contract.

Service, spares and other revenue

Revenue is recognised on completion of the work or dispatch of the goods.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Royalty income

Royalty income is accounted for on an accruals basis.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the profit and loss account over the period of the lease and represent a constant proportion of the balance of capital repayments outstanding.

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

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Government grants

Government grants related to expenditure on tangible assets are credited to profit and loss account at the same rate as the depreciation on the assets to which the grants relate. The amounts shown in the balance sheet in respect of grants consist of the total grants receivable to date, less the amounts so far credited to profit and loss account.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

The group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

- The instrument must be related to a firm foreign currency commitment;
- It must involve the same currency as the hedged item; and
- It must reduce the risk of foreign currency exchange movements on the group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are not recognized until the transaction occurs.

Research and development

Research and development expenditure is written off in the year of expenditure.

Provision for liabilities

Provision is made for liabilities estimated to arise in the future under guarantees on completed contracts. The effect of the time value of money is not material and therefore the provisions are not discounted.

Treasury shares

Treasury shares held by the Employee Share Trust are classified in capital and reserves, as 'reserve for own shares' and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to the profit and loss reserve. No gain or loss is recognised on the purchase, sale issue or cancellation of equity shares.

Notes to the financial statements

at 31 December 2012

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

Ongoing group turnover is attributable to one continuing activity, the manufacture and commissioning of industrial refrigeration plant, and also to related service, maintenance, supply of spares and product licence fees.

The business of Starfrost (UK) Limited in supplying industrial freezing equipment is considered by the directors to fall within the continuing activity of the group.

Turnover from Star M&E Solutions Ltd is derived from their work as Mechanical and Electrical contractors and panel builders. A high proportion of this work is as a sub-contractor for the parent company and as such is part of the continuing activity of the group. Non-refrigeration turnover of Star M&E Solutions Limited is not considered material for segmental reporting purposes.

An analysis of turnover by geographical market is given below.

	2012 £000	2011 £000
United Kingdom	36,075	34,277
European Union	804	1,873
Rest of the World	1,674	2,334
	<u>38,553</u>	<u>38,484</u>

3. Group operating profit

(a) This is stated after charging

	Note	2012 £000	2011 £000
Auditors' remuneration		52	50
Depreciation – owned assets	11	292	272
Depreciation – leased assets	11	11	12
Amortisation of goodwill	10	-	211
Loss on disposal of tangible fixed assets		3	3
Release from deferred Government grants		(15)	(14)
Research and development expenditure		228	206
Operating lease rentals – land and buildings		306	309
– plant and machinery		741	799
		<u>25</u>	<u>23</u>
Audit of the financial statements*		11	11
Statutory audits for subsidiaries		<u>36</u>	<u>34</u>
Other fees to auditors taxation services		16	16
		<u>52</u>	<u>50</u>

*£25,000 (2011 – £23,000) of this relates to the company.

Notes to the financial statements

at 31 December 2012

3. Group operating profit (continued)

(b) Reconciliation of group operating profit to net cash outflow from operating activities:

	2012	2011
	£000	£000
Operating loss	(126)	(487)
Depreciation	304	284
Amortisation of goodwill	-	211
Loss on disposal of fixed assets	3	3
Government grants released	(15)	(14)
Decrease in stocks	366	670
Decrease/(increase) in debtors	1,549	(1,279)
(Decrease)/increase in creditors	(2,651)	1,941
Decrease in guarantee provision	(7)	(131)
	<u>(577)</u>	<u>1,198</u>

4. Directors' emoluments

	2012	2011
	£000	£000
Emoluments	<u>533</u>	<u>570</u>
Company contributions paid to money purchase pension scheme	<u>68</u>	<u>69</u>
	2012	2011
	No.	No.
Members of money purchase pension scheme	<u>6</u>	<u>6</u>
The amounts in respect of the highest paid director are as follows:		
	2012	2011
	£000	£000
Emoluments	<u>84</u>	<u>86</u>
Company contributions paid to money purchase pension scheme	<u>33</u>	<u>24</u>

Notes to the financial statements

at 31 December 2012

5. Staff costs

	<i>Note</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Wages and salaries		11,824	11,812
Social security costs		1,314	1,291
Pension costs	21	769	772
Other staff costs		81	67
		<u>13,988</u>	<u>13,942</u>

The weekly average number of employees during the year was as follows:

	<i>2012</i> <i>No.</i>	<i>2011</i> <i>No.</i>
Management and sales	138	142
Technical and production	205	219
	<u>343</u>	<u>361</u>

6. Interest payable

	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Bank loans and overdrafts	3	6

Notes to the financial statements

at 31 December 2012

7. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2012 £000	2011 £000
<i>Current tax:</i>		
UK corporation tax on results for the year	-	(40)
Over provision in prior years	(6)	(6)
	(6)	(46)
Deferred tax (note 7(c))	(21)	2
	(27)	(44)
Tax on loss on ordinary activities		

(b) Factors affecting the tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%). The differences are explained below:

	2012 £000	2011 £000
Loss on ordinary activities before tax	(139)	(488)
Loss on ordinary activities multiplied by the tax rate above	(34)	(129)
<i>Effects of:</i>		
Disallowed expenses and non taxable income	15	103
Depreciation in excess of capital allowances	5	(10)
Other timing differences	(24)	(2)
Adjustments in respect of previous periods	(6)	(6)
Difference on tax rates on losses carried back	-	(2)
Unrelieved tax losses	35	-
Unrelieved tax losses in overseas Joint Venture	3	-
Current tax for the year (note 7(a))	(6)	(46)

Notes to the financial statements

at 31 December 2012

7. Tax (continued)

(c) Deferred taxation

The movement in the deferred taxation balance in the year is as follows:

	<i>Group</i> <i>£000</i>	<i>Company</i> <i>£000</i>
Amount provided at 1 January 2012	101	107
Provided during the year	(27)	(14)
Adjustment in respect of prior years	6	6
Amount provided at 31 December 2012	<u>80</u>	<u>99</u>

	<i>2012</i> <i>£000</i>	<i>Group</i> <i>2011</i> <i>£000</i>	<i>2012</i> <i>£000</i>	<i>Company</i> <i>2011</i> <i>£000</i>
Accelerated capital allowances	95	102	99	107
Short term timing differences	(15)	(1)	–	–
	<u>80</u>	<u>101</u>	<u>99</u>	<u>107</u>

	<i>Notes</i>	<i>2012</i> <i>£000</i>	<i>Group</i> <i>2011</i> <i>£000</i>	<i>2012</i> <i>£000</i>	<i>Company</i> <i>2011</i> <i>£000</i>
Deferred tax assets	14	(41)	(6)	–	–
Deferred tax liabilities	16	121	107	99	107
		<u>80</u>	<u>101</u>	<u>99</u>	<u>107</u>

The government has announced that it intends to reduce the rate of UK corporation tax to 20% by 1 April 2015. The rate of corporation tax reduced from 26% to 24%, effective from 1 April 2012, and was included in the Finance Bill that was enacted on 17 July 2012. A further reduction in the corporation tax rate to 23%, effective from 1 April 2013, was also included in the Finance Bill. As the reduction in the rate to 23% was enacted at the balance sheet date, this is the rate at which deferred tax is recognised.

Notes to the financial statements

at 31 December 2012

8. Dividends

	2012 £000	2011 £000
Declared and paid during the year:		
Equity dividends on ordinary shares of 15p per ordinary share (2011 – 10p)	45	132
Nil dividend proposed for approval of shareholders at the AGM (2011 – 5p)	–	45

9. Profit attributable to members of the parent undertaking

The loss dealt with in the financial statements of the parent undertaking is £68,000 (2011 – loss of £245,000).

10. Intangible fixed assets

<i>Group</i>	<i>Goodwill £000</i>
Cost:	
At 1 January 2012	1,161
Additions	20
At 31 December 2012	1,181
Amortisation:	
At 1 January 2012 and 31 December 2012	1,161
Net book value:	
At 31 December 2012	20
At 1st January 2012	–

Goodwill arising on the acquisition of Starfrost (UK) Limited Star M&E Solutions Ltd and MPR Controls Limited has been fully amortised. Goodwill arising in 2012 relates to the acquisition of Starfrost Asia PVT, a joint venture company in which Starfrost (UK) Ltd has a 55% equity interest.

Notes to the financial statements

at 31 December 2012

11. Tangible fixed assets

<i>Group</i>	<i>Property</i>			<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>Freehold</i>	<i>Long leasehold</i>	<i>Short leasehold</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:						
At 1 January 2012						
Cost	1,920	230	67	2,777	15	5,009
Valuation	–	297	–	–	–	297
	1,920	527	67	2,777	15	5,306
Additions	91	–	–	100	21	212
Disposals	–	–	–	(91)	–	(91)
At 31 December 2012	2,011	527	67	2,786	36	5,427
Depreciation:						
At 1 January 2012	843	174	61	1,817	15	2,910
Provided during the year	72	11	1	219	1	304
Disposals	–	–	–	(88)	–	(88)
At 31 December 2012	915	185	62	1,948	16	3,126
Net book value:						
At 31 December 2012	1,096	342	5	838	20	2,301
At 1 January 2012	1,077	353	6	960	–	2,396

Notes to the financial statements

at 31 December 2012

11. Tangible fixed assets (continued)

<i>Company</i>	<i>Property</i>			<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>Freehold</i>	<i>Long leasehold</i>	<i>Short leasehold</i>			
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:						
At 1 January 2012						
Cost	1,920	230	67	2,606	–	4,823
Valuation	–	297	–	–	–	297
	1,920	527	67	2,606	–	5,120
Additions	91	–	–	79	21	191
Disposals	–	–	–	(71)	–	(71)
At 31 December 2012	2,011	527	67	2,614	21	5,240
Depreciation:						
At 1 January 2012	843	174	61	1,684	–	2,762
Provided during the year	72	11	1	201	1	286
Disposals	–	–	–	(68)	–	(68)
At 31 December 2012	915	185	62	1,817	1	2,980
Net book value:						
At 31 December 2012	1,096	342	5	797	20	2,260
At 1 January 2012	1,077	353	6	922	–	2,358

Long leasehold properties in the group and company were valued by the directors at open market value, on an existing use basis, at 31 December 1989. On the implementation of FRS15, the company followed the transitional provisions to retain the book value of these revalued assets, but not to adopt a policy of revaluation in the future. Had no revaluations taken place, long leasehold property would have been stated on the historical cost basis as follows:

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Cost at 31 December	391	391
Accumulated historical depreciation	(136)	(127)
Net book value at 31 December	255	264

Notes to the financial statements

at 31 December 2012

12. Investments

<i>Group</i>	<i>2012</i>
	<i>£000</i>
Joint Venture:	
At 1 January 2012	-
Interest acquired 20 th June 2012	29
Share of loss retained by joint venture	(13)
At 31 December 2012	16

On 20th June 2012 Starfrost UK Ltd signed an agreement to acquire a 55% shareholding in an Indian company Starfrost Asia PVT Ltd. This company was registered in 2011 as part of joint venture discussions to sell freezers into India. The company has not been consolidated as control of the joint venture is equally shared with our joint venture partner

<i>Company</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
<i>Subsidiary companies</i>		
	939	939

Details of the investments, which the group holds, are as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Starfrost (UK) Limited	Ordinary shares	100%	Freezer manufacturer
Star M&E Solutions Ltd	Ordinary shares	100%	General electrical contractor
MPR Controls Limited	Ordinary shares	100%	Dormant
Smart Energy Technologies Ltd	Ordinary shares	100%	Dormant

Notes to the financial statements

at 31 December 2012

13. Stocks

<i>Group</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Work in progress – costs less loss provisions	2,143	5,166
– payments on account received or receivable	(1,052)	(3,955)
	<u>1,091</u>	<u>1,211</u>
Raw material and consumables	469	715
	<u>1,560</u>	<u>1,926</u>
	<u><u>1,560</u></u>	<u><u>1,926</u></u>
<i>Company</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Work in progress – costs less loss provisions	1,933	4,474
– payments on account received or receivable	(958)	(3,409)
	<u>975</u>	<u>1,065</u>
Raw material and consumables	452	697
	<u>1,427</u>	<u>1,762</u>
	<u><u>1,427</u></u>	<u><u>1,762</u></u>

14. Debtors

<i>Group</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Trade debtors	4,421	5,610
Other debtors	242	203
Deferred tax asset (note 7(c))	41	6
Corporation tax asset	-	61
Prepayments and accrued income	1,072	1,465
	<u>5,776</u>	<u>7,345</u>
	<u><u>5,776</u></u>	<u><u>7,345</u></u>
<i>Company</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Trade debtors	4,069	4,784
Other debtors	67	191
Prepayments and accrued income	1,000	1,426
Corporation tax asset	-	61
Loans due from other group companies	558	459
	<u>5,694</u>	<u>6,921</u>
	<u><u>5,694</u></u>	<u><u>6,921</u></u>

Notes to the financial statements

at 31 December 2012

15. Creditors: amounts falling due within one year

<i>Group</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Payments on account	1,048	891
Deferred income	7	189
Trade creditors	2,106	4,058
Other taxes and social security costs	839	1,186
Accruals	1,524	1,850
	<u>5,524</u>	<u>8,174</u>
	<u><u>5,524</u></u>	<u><u>8,174</u></u>
 <i>Company</i>	 <i>2012</i>	 <i>2011</i>
	<i>£000</i>	<i>£000</i>
Payments on account	789	422
Deferred income	7	164
Trade creditors	1,767	3,170
Other taxes and social security costs	721	1,037
Amounts owed to other group companies	325	470
Accruals	1,321	1,736
	<u>4,930</u>	<u>6,999</u>
	<u><u>4,930</u></u>	<u><u>6,999</u></u>

16. Provisions for liabilities

<i>Group</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Provision for guarantee costs (note 17)	609	616
Deferred tax (note 7(c))	121	107
	<u>730</u>	<u>723</u>
	<u><u>730</u></u>	<u><u>723</u></u>
 <i>Company</i>	 <i>2012</i>	 <i>2011</i>
	<i>£000</i>	<i>£000</i>
Provision for guarantee costs (note 17)	547	570
Deferred tax (note 7(c))	99	107
	<u>646</u>	<u>677</u>
	<u><u>646</u></u>	<u><u>677</u></u>

Notes to the financial statements

at 31 December 2012

17. Provision for guarantee costs

<i>Group</i>	<i>£000</i>
At 1 January 2012	616
Arising during the year	642
Utilised during year	(312)
Released in year	(337)
At 31 December 2012	609
<i>Company</i>	<i>£000</i>
At 1 January 2012	570
Arising during the year	523
Utilised during year	(218)
Released in year	(328)
At 31 December 2012	547

The above provisions cover expected warranty claims on contracts completed. It is expected that most of these costs will have been incurred within 18 months of the balance sheet date.

18. Deferred government grant

<i>Group and company</i>	<i>£000</i>
At 1 January 2012	42
Released to profit and loss account	(15)
At 31 December 2012	27

19. Issued share capital

	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	922,455	922	902,348	902

20,107 ordinary shares of £1 each were issued during the year for a total cash consideration of £71,581. The principal reason for this allotment was to encourage employees to participate in the ownership of the company through the Employee Share Ownership Trust.

Notes to the financial statements

at 31 December 2012

20. Reconciliation of shareholders' funds and movements on reserves

<i>Group</i>	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Reserve for own shares £000</i>	<i>Profit and loss account £000</i>	<i>Total share-holders' funds £000</i>
At 1 January 2011	881	113	(4)	4,450	5,440
Loss for the year	—	—	—	(444)	(444)
Dividends declared and paid	—	—	—	(132)	(132)
Arising on share issues	21	72	—	—	93
At 1 January 2012	902	185	(4)	3,874	4,957
Loss for the year	—	—	—	(112)	(112)
Dividends declared and paid	—	—	—	(45)	(45)
Allocation of trust shares	—	—	4	—	4
Arising on share issues	20	51	—	—	71
At 31 December 2012	922	236	—	3,717	4,875

<i>Company</i>	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Reserve for own shares £000</i>	<i>Profit and loss account £000</i>	<i>Total share-holders' funds £000</i>
At 1 January 2011	881	113	(4)	5,252	6,242
Loss for the year	—	—	—	(245)	(245)
Dividends declared and paid	—	—	—	(132)	(132)
Arising on share issues	21	72	—	—	93
At 1 January 2012	902	185	(4)	4,875	5,958
Loss for the year	—	—	—	(68)	(68)
Dividends declared and paid	—	—	—	(45)	(45)
Allocation of trust shares	—	—	4	—	4
Arising on share issues	20	51	—	—	71
At 31 December 2012	922	236	—	4,762	5,920

The Star Refrigeration Limited Employee Share Trust holds NIL (2011 – NIL) shares in Star Refrigeration Limited. The Trust is funded by Star Refrigeration Limited to meet their obligations under the employee share purchase scheme. All expenses incurred by the Trust are settled directly by Star Refrigeration Limited and charged in the financial statements as incurred.

Notes to the financial statements

at 31 December 2012

21. Pension costs

The company and its subsidiaries operate defined contribution pension schemes. These consist of a group personal pension scheme that began in May 2006. The pension cost charge of £769,544 (2011 – £771,521) represents contributions payable by the company to individual employees' group personal pensions. There were no outstanding contributions payable to the fund at the year end (2011 – £nil).

22. Other financial commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below:

	2012	2012	2011	2011
	<i>Land and</i>	<i>Plant and</i>	<i>Land and</i>	<i>Plant and</i>
	<i>buildings</i>	<i>machinery</i>	<i>buildings</i>	<i>machinery</i>
	£000	£000	£000	£000
Amounts payable in the next year on leases which expire:				
Within one year	208	294	62	174
In two to five years	46	351	190	541
Over five years	41	–	41	–
	<u>295</u>	<u>645</u>	<u>293</u>	<u>715</u>

23. Contingent liabilities

The company may be called up to the extent of £2,095,754 (2011 – £572,744) in relation to guarantees, performance bonds and other trading contingencies. Of this amount guarantees worth £1,483,010 have expired by the date of signing. No new guarantees have been given.

Bank overdraft facilities are secured by a fixed charge on the company's freehold property and by a bond and floating charges over all the assets of the group.

24. Related party transactions

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with wholly owned subsidiaries. No transactions were entered into with other related parties.