

Shimtech Industries Group Limited

**Directors' report and consolidated
financial statements**

Registered number 07705641

For the year ended 31 March 2013

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2013

Principal activities

The group operates in the aerospace, general industrial and electronic components distribution sectors

The group's principal activities are the manufacture of shims, laminates, seals and gaskets and other small machined parts for the aerospace, industrial and semiconductor sectors. The group operates in North America, the UK, continental Europe and Asia

Business review

The group made a loss before tax in the year of \$390,000 (*period ended 31 March 2012 \$5,899,000*)

As is common in private equity ownership structures, non-cash finance costs include interest on shareholder notes of \$4,797,000 (*period ended 31 March 2012 \$2,376,000*) and preference shares of \$2,518,000 (*period ended 31 March 2012 \$1,188,000*). These are not due for payment until the earlier of a change in ownership of the business or March 2019. Subsequent to year-end the repayment date for loan notes was revised to March 2024.

Despite the non-cash nature of these subordinated obligations to shareholders, accounting standards require the group to present these shareholder investments (both capital and interest) as debt in the group's financial statements. This is due to the fixed nature of the dividend accruals on the cumulative preference shares, the interest accrual on the shareholder notes and the fixed redemption date for both. The capital value of investment by shareholders in preference shares and loan notes was \$19,798,000 (*period ended 31 March 2012 \$19,798,000*) and \$35,601,000 (*period ended 31 March 2012 \$39,601,000*) respectively. The loan notes are presented net of loan deal costs of \$1,862,000 (*period ended 31 March 2012 \$2,112,000*). If these were presented within equity, the balance sheet deficit of \$4,778,000 (*31 March 2012 \$1,557,000*) would instead be positive shareholders' funds of \$48,759,000 (*31 March 2012 \$55,730,000*).

International Financial Reporting Standards ("IFRS") rules stipulate that goodwill on acquisition is, where possible, separately identified within intangible assets and is subject to annual impairment testing. Separately identified intangible assets are amortised over their expected useful lives. This leads to a further non-cash charge within the income statement. For the year ended 31 March 2013, the charge for such assets was \$3,743,000 (*period ended 31 March 2012 \$3,848,000*).

Further, as a part of the financing arrangements of the group, costs were incurred which are being amortised over the term of the committed debt facility agreements. Included within the income statement for the year ended 31 March 2013 was \$815,000 (*period ended 31 March 2012 \$388,000*) of non-cash amortisation cost.

During the year ended 31 March 2013, \$100,000 (*period ended 31 March 2012 \$2,842,000*) of non-recurring costs were incurred. The 2013 costs were in relation to a potential acquisition.

The underlying operating performance of the business was \$9,434,000 (*period ended 31 March 2012 \$1,934,000*) increasing to \$13,177,000 if the amortisation on the intangible assets of \$3,743,000 is added back.

The directors regard the performance as satisfactory and believe the group is well placed to take advantage of the current and expected growth in its principal markets.

The group is funded by a combination of investor and bank loans and share capital. The bank loans are subject to a number of financial covenants, principally in relation to the group's ability to service its debt obligations. The group monitors its actual and projected compliance with these covenants on a regular basis.

Directors' report (continued)

Business review (continued)

In addition to financial measures, the main key performance indicators (KPIs) regularly monitored by the group are as follows

| | 2013 | 2012 | |
|--------------------------------|--------------|-------------|---|
| Cash generated from operations | \$13,147,000 | \$5,440,000 | Operating cash flow per cash flow statement before tax paid Cash flow generation is in line with directors' expectations |
| Cash flow conversion | 94% | 88% | Cash flow from operations expressed as a percentage of operating profit less depreciation & amortisation Cash flow generation is in line with directors' expectations |
| Working capital | 13% | 15% | The average for the period of the operational working capital (debtors add stock less creditors) expressed as a percentage of annualised sales Working capital is in line with directors' expectations |

Future development

The directors believe the group is well placed within its key aerospace and industrial marketplaces. The aerospace sector is likely to show growth through the medium term with customer orders at the key air frame manufacturers at record levels. The group is planning to utilise its excellent history in customer service and technical capability to proactively target new customers, markets and products.

Principal risks and uncertainties

The group's operations expose it to a variety of risks including credit risk, interest rate risk, foreign exchange risk and market risk. The group has put in place a risk management programme as described below to manage this risk.

Credit risk

The group has implemented policies whereby appropriate credit checks are required to be undertaken on customers prior to sales being made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the board. The board receives regular reports on amounts due and amounts significantly overdue and the relevant action is taken.

Interest rate risk

The group has a bank loan which is set at 4-4.5% above LIBOR. The group has undertaken a policy to either hedge or cap its exposure to interest increases on interest payments through to December 2014. The directors will continue to review the appropriateness of this strategy.

Foreign exchange risk

The group is exposed to foreign exchange risk through the global nature of the group's operations, customers and suppliers. The main currency flows of the business are US dollars, British pounds and Euros. Where possible the group aims to naturally hedge this risk. Where appropriate the group may limit any net exposure through a currency swap or forward exchange contract. This position is monitored continually by the directors.

Directors' report *(continued)*

Market risk

Increasing energy and metal prices continue to threaten margins. The group manages this risk by maintaining strong relationships with suppliers to enable negotiation and controlled management of potential future price increases and secure reliable supply. Further, the group seeks to negotiate group wide supply contracts on key commodities to optimise purchase prices and to negotiate commodity price risk sharing in contracts with customers. In addition, production methods are constantly being reviewed to ensure the most efficient operations are in place.

Liquidity risk

The group is funded by a combination of investor and bank loans. These loans are principally long term in nature. The group funds interest and capital payments from cash flows generated from operations. The directors are of the opinion that operating cash flows will be sufficient to meet interest and capital loan repayments in the foreseeable future.

Proposed dividend

The directors do not recommend the payment of a dividend (*period ended 31 March 2012 \$Nil*).

Policy and practice on payment of creditors

The group agrees payment terms with its suppliers when it enters into binding purchase contracts. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in line with the agreed terms and conditions. The group does not have a standard credit period and does not apply a general recognised code with regard to the payment of suppliers, but the average creditor days during the period was 53 days (*period ended 31 March 2012 64 days*).

Directors

The directors who held office during the year were as follows:

Adrian Willetts
Howard Kimberley
Clive Snowden
Kevin Reynolds
Alastair Fanning

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

The group pursues a policy of meeting with representatives of various groups of employees at which relevant information and developments are discussed.

Political and charitable contributions

Neither the company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



H Kimberley
Director

7 A/B Millington Road
Hayes
Middlesex
UB3 4AZ

12 July 2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Shimtech Industries Group Limited

We have audited the financial statements of Shimtech Industries Group Limited for the year ended 31 March 2013 set out on pages 8 to 39. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 March 2013 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Shimtech Industries Group 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



John Leech (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

12 July 2013

Consolidated statement of comprehensive income
for the year ended 31 March 2013

| | <i>Note</i> | Year ended 31 March 2013 \$000 | Period ended 31 March 2012 \$000 |
|--|-------------|---|---|
| Revenue | 1 | 56,079 | 27,664 |
| Cost of sales | | (32,389) | (16,125) |
| Gross profit | | 23,690 | 11,539 |
| Other operating income | | 96 | 57 |
| Sales and distribution expenses | | (1,893) | (1,542) |
| Administrative expenses | | (11,042) | (10,282) |
| Other operating expenses | | (1,517) | (680) |
| Operating profit/(loss) | 3 | 9,334 | (908) |
| Analysed as | | | |
| Underlying operating profit * | | 9,434 | 1,934 |
| Non-recurring items | 4 | (100) | (2,842) |
| Operating profit/(loss) | | 9,334 | (908) |
| Financial expenses | 7 | (9,724) | (4,991) |
| Loss before tax | | (390) | (5 899) |
| Taxation | 8 | (2,250) | 392 |
| Loss for the financial period | | (2,640) | (5 507) |
| Other comprehensive income | | | |
| Foreign exchange translation differences | | (581) | (36) |
| Total comprehensive loss for the period | | (3,221) | (5,543) |

* Underlying operating profit represents operating profit excluding non-recurring items

Consolidated statement of financial position at 31 March 2013

| | Note | 2013 \$000 | 2012 \$000 |
|--|------|-----------------------|-----------------------|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 4,011 | 3,925 |
| Intangible assets | 10 | 75,985 | 79,393 |
| | | <u>79,996</u> | <u>83,318</u> |
| Current assets | | | |
| Inventories | 12 | 6,874 | 7,816 |
| Trade and other receivables | 13 | 7,648 | 7,355 |
| Cash and cash equivalents | 14 | 9,061 | 9,793 |
| | | <u>23,583</u> | <u>24,964</u> |
| Total assets | | <u><u>103,579</u></u> | <u><u>108,282</u></u> |
| Current liabilities | | | |
| Other interest-bearing loans and borrowings | 15 | 3,511 | 2,585 |
| Trade and other payables | 16 | 8,176 | 9,457 |
| Tax payable | | 2,064 | 810 |
| Financial liabilities | | 293 | 218 |
| Provisions | 18 | 739 | 835 |
| | | <u>14,783</u> | <u>13,905</u> |
| Non current liabilities | | | |
| Other interest bearing loans and borrowings | 15 | 74,778 | 83,191 |
| Trade and other payables | 16 | 10,880 | 3,564 |
| Provisions | 18 | 528 | 74 |
| Deferred tax liabilities | 11 | 7,388 | 9,105 |
| | | <u>93,574</u> | <u>95,934</u> |
| Total liabilities | | <u><u>108,357</u></u> | <u><u>109,839</u></u> |
| Net liabilities | | <u><u>(4,778)</u></u> | <u><u>(1,557)</u></u> |
| Equity attributable to equity holders of the parent | | | |
| Ordinary share capital | 19 | 2,874 | 2,874 |
| Share premium | | 1,112 | 1,112 |
| Retained earnings | | <u>(8,764)</u> | <u>(5,543)</u> |
| Total deficit | | <u><u>(4,778)</u></u> | <u><u>(1,557)</u></u> |

These financial statements were approved by the board of directors on 12 July 2013 and were signed on its behalf by



H Kimberley
Director

Company registered number 07705641

Consolidated statement of changes in equity
for the year ended 31 March 2013

| | Share capital \$000 | Share premium \$000 | Retained earnings \$000 | Total equity \$000 |
|---|---------------------------|---------------------------|-------------------------------|--------------------------|
| Total comprehensive income for the period | | | | |
| Loss for the period | - | - | (5,507) | (5,507) |
| Other comprehensive income | - | - | (36) | (36) |
| Total comprehensive income for the period | - | - | (5,543) | (5,543) |
| Issue of shares | 2,874 | 1,112 | - | 3,986 |
| Total contributors by and distribution to owners | 2,874 | 1,112 | - | 3,986 |
| Balance as at 31 March 2012 | 2,874 | 1,112 | (5,543) | (1,557) |
| Balance at 1 April 2012 | 2,874 | 1,112 | (5,543) | (1,557) |
| Total comprehensive income for the year | | | | |
| Loss for the year | - | - | (2,640) | (2,640) |
| Other comprehensive income | - | - | (581) | (581) |
| Total comprehensive income for the year | - | - | (3,221) | (3,221) |
| Balance at 31 March 2013 | 2,874 | 1,112 | (8,764) | (4,778) |



Statement of cash flow
for the year ended 31 March 2013

| | <i>Note</i> | Year ended 31 March 2013 \$000 | Period ended 31 March 2012 \$000 |
|---|-------------|---|---|
| Cash flows from operating activities | | | |
| Loss for the period | | (2,640) | (5,507) |
| Adjustments for | | | |
| Depreciation and amortisation | 9,10 | 4,535 | 4,229 |
| Financial expenses | 7 | 9,724 | 4,991 |
| Loss on disposal of property, plant and equipment | | 22 | 15 |
| Taxation | | 2,250 | (392) |
| Operating cash flow before movement in working capital | | 13,891 | 3,336 |
| Increase in trade and other receivables | | (723) | (380) |
| Increase in inventories | | 754 | (413) |
| Increase in trade and other payables | | (1,151) | 2,603 |
| Increase in provisions | | 376 | 294 |
| Cash generated from operating activities | | 13,147 | 5,440 |
| Tax paid | | (2,698) | - |
| Net cash from operating activities | | 10,449 | 5,440 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 2 | 13 |
| Interest paid | | (1,500) | (418) |
| Acquisition of subsidiaries, net of cash acquired | 2 | - | (84,519) |
| Acquisition of property, plant and equipment | 9 | (1,033) | (61) |
| Acquisition of intangible assets | 10 | (348) | (36) |
| Net cash from investing activities | | (2,879) | (85,021) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of share capital | 19 | - | 23,784 |
| Proceeds from new loan | 15 | - | 69,601 |
| Repayment of loan | | (8,154) | - |
| Loan deal fees | 15 | (148) | (4,011) |
| Net cash from financing activities | | (8,302) | 89,374 |
| Net increase in cash and cash equivalents | | (732) | 9,793 |
| Opening cash and cash equivalents | | 9,793 | - |
| Cash and cash equivalents at 31 March | 14 | 9,061 | 9,793 |

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

Shimtech Industries Group Limited (the 'company') is a company incorporated and domiciled in the UK

The group financial statements consolidate those of the company and its subsidiaries (together referred to as the "group") The parent company financial statements present information about the company as a separate entity and not about its group

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") The company has elected to prepare its parent company financial statements in accordance with UK GAAP and these are presented on pages 35 to 38

The accounting policies set out below have been applied consistently for the year to 31 March 2013

The group financial statements are presented in US dollars and rounded to the nearest thousand dollars (\$000) except when indicated otherwise

The directors have prepared trading and cash flow forecasts for the period to 31 March 2014 from the date of approval of these financial statements These forecasts show that the group has sufficient financial resources to meet its obligations as they fall due and meet all banking covenant tests for the period of at least 12 months from the date that these financial statements were approved

The forecasts make assumptions in respect of future trading conditions and in particular, the build rates of key air frame manufacturers and their requirement for the products supplied by the group The nature of the group's business is such that there can be variation in the timing of revenue and cash flows due to the specific usage and demand patterns of the group's key customers The forecasts take into account the aforementioned factors to an extent which the directors consider to be reasonably prudent, based on the information that is available to them at the time of the approval of these financial statements

Further, the directors have taken note that due to the presentational requirements of accounting standards, preference shares are shown as debt rather than equity This coupled with the shareholders' loan notes included in debt and the non-cash amortisation of intangible assets, required under IFRS, result in the group showing a negative net worth on the balance sheet The directors consider, given the long term non-cash depleting nature of the investor funding (see directors' report) that the group is sufficiently operationally capitalised for the foreseeable future

Accordingly, after considering the forecasts, appropriate sensitivities, current trading and available funding facilities, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and therefore the directors have adopted the going concern basis in preparing the financial statements

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value financial instruments classified as fair value through the profit or loss

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control, the group takes into consideration potential voting rights that are currently exercisable The acquisition date is the date on which control is transferred to the acquirer The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

Notes (continued)

1 Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Customer orders

Revenue is recognised upon despatch.

Consignment inventory

For inventory held at customer locations, revenue is recognised as the inventory is utilised by the customer.

Classification of financial instruments issued by the group

Following the adoption of IAS 32, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group, and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the group's presentational currency, US dollars, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

The overall functional currency of the group is US dollars as this is the primary currency of the revenue, costs and funding of the group. Similarly, at an individual statutory entity level, Attewell Limited and Pillar Seals & Gaskets Limited are functionally denominated in British Pounds.

Derivative financial instruments and hedging

Derivative financial instruments

Interest rate derivative financial instruments are recognised at fair value in the consolidated balance sheet. Movements in the fair value of the derivatives are recognised through finance income or expense, as appropriate. A financial asset or liability is de-recognised when the contract that gives rise to it is settled, sold, cancelled or expired.

Notes (continued)

1 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows

| | | |
|---------------------|---|----------------|
| Buildings | - | up to 50 years |
| Plant and equipment | - | up to 10 years |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

Assets in the course of construction are not depreciated until their completion

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down to their recoverable amount. Useful lives are reviewed annually and where adjustments are required these are made prospectively

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continual use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition

Business combinations

The group measures goodwill at the acquisition date as

- the fair value of the consideration transferred, less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment

Intangible assets

Intangible assets that are acquired by the group are stated at cost less accumulated amortisation and accumulated impairment losses. The identified intangible assets are as follows

Customer relationship

The group has a number of long standing and strong relationships with key customers. The value of this asset is determined by considering the expected value of the income stream from these customers over the estimate life of the relationships

Customer orders

Customer orders are valued by considering the expected value of the income stream from these over the expected period to realise

Software

Part of the software balance represents the cost to replicate one of the group's in-house developed IT systems and is amortised over the average life of equivalent software packages

Notes (continued)

1 Accounting policies (continued)

Intangible assets and goodwill (continued)

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

| | | |
|------------------------|---|--------------------|
| Customer relationships | - | 10 years |
| Customer orders | - | in line with order |
| Software | - | 5 years |

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on either weighted average or the first-in first-out principle as deemed most appropriate for the relevant operating company and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Notes (continued)

1 Accounting policies (continued)

Impairment excluding inventories and deferred tax assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable, unwind of amortised deal costs, financial instruments designated as fair value through profit or loss and finance charges on shares classified as liabilities that are recognised in the income statement.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents above.

Financial assets and liabilities

Financial assets and liabilities are cash or contractual right to receive cash, or obligation to pay another entity or to exchange financial assets or liabilities with another entity at terms either favourable or adverse to the group.

Trade and other receivables

Trade and other receivables are carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the group will not be able to recover balances in full. The amount of the write-down is determined as the difference between the assets carrying amount and the present value of the estimated future cash flows. Receivables are not discounted and the time value of money is not considered to be material.

Trade and other payables

Trade and other payables are recognised and carried at their original invoiced value. Payables are not discounted to take into account the time value of money as the effect is not considered to be material.

Borrowings

Bank borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

Warranty provision

A provision is recognised when the group has a contractual or custom and practice driven obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Expected future cash flows are not discounted to present value as the effect is not material.

Notes (continued)

1 Accounting policies (continued)

Critical accounting assumptions and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the group's accounting policies which are described in this note, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

- the useful lives of tangible and intangible assets

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

- the measurement and impairment of goodwill,
- the measurement of warranty liabilities,
- the measurement and timing of property related provisions

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. This involves the estimation of future cash flows and choosing a suitable discount rate.

The measurement of warranty liabilities has been estimated based on past experience of actual costs incurred by the group. Management establishes these estimates based on historical information on the nature, frequency and average costs incurred.

Property related provisions are based on the best estimate of management of the actual costs which are likely to be incurred based on contractual liabilities, likely associated costs and the market conditions at the balance sheet date.

Adopted IFRS not yet applied

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2013 and have not been applied in preparing these consolidated financial statements. None of these are expected to have significant effect on the consolidated financial statements of the group.

2 Acquisitions of subsidiaries

Acquisitions in the prior period

On 3 October 2011, the group acquired all 100% of the share capital in Attewell Limited, Pillar Seals & Gaskets Limited, Pillar Seals & Gaskets CRO, Lamsco West Inc and Bolsan Company Inc for \$84,500,000, satisfied in cash from Hampson Industries plc, their previous parent undertaking. The operating companies manufacture shims, laminates, seals and gaskets and other small machined parts for the aerospace, industrial and semiconductor sectors. In the 6 months to 31 March 2012 the subsidiaries contributed \$5,600,000 to the underlying operating profit of \$1,900,000 group total for the period. If the acquisition had occurred on 1 April 2011, group revenue would have been \$51,100,000 and underlying operating profit would have been \$10,600,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2011.

Notes (continued)

2 Acquisitions of subsidiaries (continued)

Acquisitions in the prior period (continued)

Notes

Effect of acquisition

The acquisition had the following effect on the group's assets and liabilities

| | Recognised values on acquisition \$000 |
|---|---|
| Acquiree's net assets at the acquisition date. | |
| Property, plant and equipment | 4,276 |
| Intangible assets | 37,812 |
| Inventories | 7,464 |
| Trade and other receivables | 7,045 |
| Cash and cash equivalents | (19) |
| Trade and other payables | (6,549) |
| Deferred tax liabilities | (10,307) |
| Provisions | (615) |
| | <hr/> |
| Net identifiable assets and liabilities | 39,107 |
| | <hr/> |
| Consideration paid | |
| Cash price paid | 84,500 |
| | <hr/> |
| Goodwill on acquisition | 45,393 |
| | <hr/> |

The fair value of the trade receivables was \$6,614,000

The reason for the acquisition was that given the prospects for the businesses, particularly in the aerospace sector, and the unique combination of management expertise and marketplace positioning of the businesses represented an attractive commercial opportunity

Goodwill has arisen on the acquisition because of the combination of management expertise and experience in both the aerospace and non-aerospace sectors, the potential to further enhance relationships with key customers through their introduction of new models and materials, to establish relationships with new customers and the strong growth prospects in particular for the aerospace sector

Acquisition related costs

The group incurred acquisition related cost of \$2,219,000. These costs have been included in administrative expenses in the group's consolidated statement of comprehensive income

3 Operating loss

| | Year ended 31 March 2013 \$000 | Period ended 31 March 2012 \$000 |
|--|---|---|
| Operating loss is stated after charging | | |
| Depreciation of property, plant and equipment | 760 | 381 |
| Amortisation of intangible assets | 3,775 | 3,848 |
| Operating lease payments | 852 | 432 |
| | <hr/> | <hr/> |

Notes (continued)

3 Operating loss (continued)

Auditor's remuneration

| | | |
|---|-------------------|-------------------|
| Audit of these financial statements | 20 | 20 |
| Amounts receivable by auditor and their associates in respect of | | |
| Audit of financial statements of subsidiaries pursuant to legislation | 43 | 52 |
| Compliance services relating to taxation | 28 | 28 |
| Advisory services relating to taxation | 131 | 101 |
| | <u> </u> | <u> </u> |

4 Non-recurring expenses

The group income statement includes the following charges

| | Year ended 31 March 2013 \$000 | Period ended 31 March 2012 \$000 |
|---------------------------|---|---|
| Re-branding | - | 101 |
| Tax and legal set up work | - | 491 |
| Other | - | 31 |
| Acquisition costs | 100 | 2,219 |
| | <u> </u> | <u> </u> |
| | 100 | 2,842 |
| | <u> </u> | <u> </u> |

The costs in the period to 31 March 2012 were incurred in relation to the acquisition and subsequent re-branding and marketing of the acquired businesses (see note 2) under the Shimtech logo and the set up of the businesses as a stand-alone group

The costs in the period to 31 March 2013 were incurred in relation to a potential acquisition

5 Staff numbers and costs

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

| | Year ended 31 March 2013 | Period ended 31 March 2012 |
|---------------------|--------------------------------|----------------------------------|
| Production | 140 | 128 |
| Administrative | 35 | 29 |
| Sales and marketing | 15 | 14 |
| | <u> </u> | <u> </u> |
| | 190 | 171 |
| | <u> </u> | <u> </u> |

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

| | Year ended 31 March 2013 \$000 | Period ended 31 March 2012 \$000 |
|---|---|---|
| Wages and salaries | 10,887 | 4,979 |
| Social security costs | 950 | 370 |
| Contributions to defined contribution plans | 302 | 113 |
| | <u>12,139</u> | <u>5,462</u> |

6 Remuneration of directors

| | Year ended 31 March 2013 \$000 | Period ended 31 March 2012 \$000 |
|---|---|---|
| Aggregate emoluments (including benefits) | 838 | 356 |
| Pension contributions | 51 | 23 |
| | <u>889</u> | <u>379</u> |

The highest paid director (including pay, benefits and pension contributions) was \$494,000 (period ended 31 March 2012 \$211,000)

7 Finance expense

Recognised in profit or loss

| | Year ended 31 March 2013 \$000 | Period ended 31 March 2012 \$000 |
|---|---|---|
| Net loss on financial instruments designated as fair value through profit or loss | 74 | 218 |
| Total interest expense on financial liabilities measured at amortised cost | 7,132 | 3,585 |
| Preference share dividend classified as interest expense | 2,518 | 1,188 |
| | <u>9,724</u> | <u>4,991</u> |

Total finance expense

Notes (continued)

8 Taxation

Recognised in the income statement

| | Year ended 31 March 2013 \$000 | \$000 | Period ended 31 March 2012 \$000 | \$000 |
|--|--------------------------------------|---------|--|---------|
| <i>Current tax expense</i> | | | | |
| Current period | 4,522 | | 810 | |
| Adjustments in respect of prior period | (544) | | - | |
| | <hr/> | | <hr/> | |
| Current tax credit | | 3,978 | | 810 |
| <i>Deferred tax credit</i> | | | | |
| Origination and reversal of temporary Differences | (775) | | (1,101) | |
| Reduction in tax rate | 5 | | (101) | |
| Adjustments in respect of prior period | (958) | | - | |
| | <hr/> | | <hr/> | |
| Deferred tax | | (1,728) | | (1,202) |
| | | <hr/> | | <hr/> |
| Total tax charge/(credit) | | 2,250 | | (392) |
| | | <hr/> | | <hr/> |

Reconciliation of effective tax rate

| | Year ended 31 March 2013 \$000 | Period ended 31 March 2012 \$000 |
|---|---|---|
| Loss for the period | (2,640) | (5,507) |
| Total tax expense | 2,250 | (392) |
| | <hr/> | <hr/> |
| Loss excluding taxation | (390) | (5,899) |
| | <hr/> | <hr/> |
| Tax using the UK corporation tax rate of 24% (period ended 31 March 2012 26%) | (94) | (1,534) |
| Difference in overseas tax rates | 675 | (102) |
| Non-deductible expenses | 3,874 | 1,345 |
| Change in tax rates | 5 | (101) |
| Other short term timing differences | (708) | - |
| Prior period adjustments | (1,502) | - |
| | <hr/> | <hr/> |
| Total tax charge/(credit) | 2,250 | (392) |
| | <hr/> | <hr/> |

Notes (continued)

8 Taxation (continued)

Factors affecting future tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

9 Property, plant and equipment

| | Land and buildings \$000 | Plant and equipment \$000 | Total \$000 |
|--|--------------------------------|---------------------------------|----------------|
| Cost | | | |
| Balance at acquisition | 413 | 3,863 | 4,276 |
| Additions | 61 | - | 61 |
| Transfers | 11 | (11) | - |
| Disposals | - | (28) | (28) |
| Effects of movements in exchange rates | - | (4) | (4) |
| Balance at 31 March 2012 | 485 | 3,820 | 4,305 |
| Balance at 1 April 2012 | 485 | 3,820 | 4,305 |
| Additions | 34 | 999 | 1,033 |
| Disposals | - | (262) | (262) |
| Effects of movements in exchange rates | (4) | (276) | (280) |
| Balance at 31 March 2013 | 515 | 4,281 | 4,796 |
| Depreciation | | | |
| Balance at acquisition | - | - | - |
| Charge for period | 54 | 327 | 381 |
| Effects of movement in exchange rates | - | (1) | (1) |
| Balance at 31 March 2012 | 54 | 326 | 380 |
| Balance at 1 April 2012 | 54 | 326 | 380 |
| Charge for the year | 98 | 662 | 760 |
| Disposals | - | (246) | (246) |
| Effects of movements in exchange rates | (10) | (99) | (109) |
| Balance at 31 March 2013 | 142 | 643 | 785 |
| Net book value | | | |
| At 31 March 2013 | 373 | 3,638 | 4,011 |
| At 31 March 2012 | 431 | 3,494 | 3,925 |

Notes (continued)

9 Property, plant and equipment (continued)

Security

Lloyds TSB Bank plc holds a fixed and floating charge over all assets

10 Intangibles

| | Goodwill \$000 | Customer relationships \$000 | Customer orders \$000 | Software \$000 | Total \$000 |
|--------------------------------------|-------------------|------------------------------------|-----------------------------|-------------------|----------------|
| <i>Cost</i> | | | | | |
| Balance at acquisition | 45,393 | 34,127 | 1,957 | 1,728 | 83,205 |
| Additions | - | - | - | 36 | 36 |
| Balance at 31 March 2012 | 45,393 | 34,127 | 1,957 | 1,764 | 83,241 |
| Balance at 1 April 2012 | 45,393 | 34,127 | 1,957 | 1,764 | 83,241 |
| Additions | - | - | - | 348 | 348 |
| Disposals | - | - | - | (91) | (91) |
| Effects of movement in exchange rate | - | - | - | 20 | 20 |
| Balance at 31 March 2013 | 45,393 | 34,127 | 1,957 | 2,041 | 83,518 |
| <i>Amortisation</i> | | | | | |
| Balance at acquisition | - | - | - | - | - |
| Amortisation for the period | - | 1,706 | 1,957 | 185 | 3,848 |
| Balance at 31 March 2012 | - | 1,706 | 1,957 | 185 | 3,848 |
| Balance at 1 April 2012 | - | 1,706 | 1,957 | 185 | 3,848 |
| Amortisation for the year | - | 3,413 | - | 362 | 3,775 |
| Disposals | - | - | - | (84) | (84) |
| Effects of movement in exchange rate | - | - | - | (6) | (6) |
| Balance at 31 March 2013 | - | 5,119 | 1,957 | 457 | 7,533 |
| <i>Net book value</i> | | | | | |
| At 31 March 2013 | 45,393 | 29,008 | - | 1,584 | 75,985 |
| At 31 March 2012 | 45,393 | 32,421 | - | 1,579 | 79,393 |

Amortisation charge

The amortisation charge is recognised within administration costs in the income statement

Deferred tax

Included within deferred tax (see note 11) is a liability which equates to the income tax charge on the intangible asset at the rate of taxation in the relevant tax jurisdiction

Notes (continued)

10 Intangibles (continued)

Impairment

Goodwill considered significant in comparison to the group's total carrying amount of such assets has been allocated to cash generating units as follows

| | Goodwill | |
|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 |
| Aerospace | 44,418 | 44,418 |
| Non-Aerospace | 975 | 975 |
| | <u>45,393</u> | <u>45,393</u> |

The recoverable amount of each cash generating unit has been reviewed with reference to its value in use. The key assumptions of this calculation are shown below

| | 2013 | | 2012 | |
|---|---------------|---------------|---------------|---------------|
| | Aero | Non-Aero | Aero | Non-Aero |
| Period on which management approved forecasts are based | 2 years | 2 years | 3 years | 3 years |
| Growth rate applied beyond approved forecast period | 3.1% | 2.5% | 2.5% | 2.5% |
| Pre-tax discount rate | <u>13.66%</u> | <u>14.00%</u> | <u>12.49%</u> | <u>12.15%</u> |

A growth rate of 2.5% has been applied to the non-aero business representing the long term GDP growth rate forecast. Aerospace growth has historically been in excess of GDP and the directors believe a 3.1% rate is a conservative view of the expected growth rate.

Sensitivity analysis on the discount rate shows that the pre-tax discount rate would have to increase to 29.1% for aero and to 22.05% for non-aero before an impairment was triggered. If the growth rate beyond the forecast period for both aero and non-aero was reduced to zero, there is still ample headroom in the impairment test to support the carrying value of goodwill.

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

| | 2013 | | 2012 | |
|---------------------------------|-----------------|----------------------|-----------------|----------------------|
| | Assets \$000 | Liabilities \$000 | Assets \$000 | Liabilities \$000 |
| Property, plant and equipment | - | 336 | - | 126 |
| Intangible assets | - | 8,352 | - | 9,526 |
| Provisions | (1,300) | - | (547) | - |
| | <u>(1,300)</u> | <u>8,688</u> | <u>(547)</u> | <u>9,652</u> |
| Tax (assets)/liabilities | (1,300) | 8,688 | (547) | 9,652 |
| Net of tax liabilities/(assets) | <u>1,300</u> | <u>(1,300)</u> | <u>547</u> | <u>(547)</u> |
| | <u>-</u> | <u>7,388</u> | <u>-</u> | <u>9,105</u> |

Notes (continued)

11 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

| | At beginning of year \$000 | Recognised in income \$000 | At end of year \$000 |
|-------------------------------|----------------------------------|----------------------------------|----------------------------|
| Property, plant and equipment | (126) | (210) | (336) |
| Intangible assets | (9,526) | 1,174 | (8,352) |
| Provisions | 547 | 753 | 1,300 |
| | <u>(9,105)</u> | <u>1,717</u> | <u>(7,388)</u> |

12 Inventories

| | 2013 \$000 | 2012 \$000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 2,726 | 2,679 |
| Work in progress | 1,163 | 959 |
| Finished goods | 2,985 | 4,178 |
| | <u>6,874</u> | <u>7,816</u> |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to \$27,363,000 (2012 \$11,638,000). The write-down of inventories to net realisable value amounted to \$650,000 (2012 \$213,000). The write-down is included in cost of sales.

13 Trade and other receivables

| | 2013 \$000 | 2012 \$000 |
|-------------------|---------------|---------------|
| Trade receivables | 7,394 | 7,238 |
| Prepayments | 254 | 117 |
| | <u>7,648</u> | <u>7,355</u> |

See note 20 for the split by currency and associated credit risk. Trade receivables are shown net of provision. A split of gross receivable and provision is shown in note 20.

14 Cash and cash equivalents

| | 2013 \$000 | 2012 \$000 |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | <u>9,061</u> | <u>9,793</u> |

Notes (continued)

15 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the group's interest-bearing loans and borrowings, which are measured at amortised cost. The loans below are shown net of unamortised deal fees of \$2,956,000 (2012 \$3,623,000). Amortisation in the period was \$815,000 (2012 \$388,000). A further \$148,000 of loan deal fees were capitalised during the year following renegotiation of terms following the repayment of bank loans and loan notes during the period. For more information about the group's exposure to interest rate and foreign currency risk, see note 20.

| | 2013 \$000 | 2012 \$000 |
|---------------------------------------|---------------|---------------|
| Non-current liabilities | | |
| Secured bank loans | 21,241 | 25,904 |
| Loan notes | 33,739 | 37,489 |
| Redeemable preference shares | 19,798 | 19,798 |
| | <u>74,778</u> | <u>83,191</u> |
| Current liabilities | | |
| Current portion of secured bank loans | 3,511 | 2,585 |
| | <u>78,289</u> | <u>85,776</u> |
| Total borrowings | | |

The current portion of bank borrowing is shown net of unamortised deal costs of \$336,000 (2012 \$415,000).

The non-current portion of bank borrowing is shown net of unamortised deal costs of \$758,000 (2012 \$1,096,000).

Loan notes are shown net of unamortised deal costs of \$1,862,000 (2012 \$2,112,000).

Terms and debt repayment schedule

The overall bank borrowing repayment schedule is as follows:

| | Currency | Nominal interest rate | Year of maturity | 2013 Face value \$000 | 2013 Carrying amount \$000 | 2012 Face value \$000 | 2012 Carrying amount \$000 |
|----------------|----------|--------------------------|---------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|
| Amortising USD | USD | 5.1% | 2017 | 9,900 | 9,900 | 11,250 | 11,250 |
| Amortising GBP | GBP | 5.4% | 2017 | 3,122 | 3,122 | 3,750 | 3,750 |
| Bullet USD | USD | 5.5% | 2018 | 9,750 | 9,750 | 11,250 | 11,250 |
| Bullet GBP | GBP | 5.9% | 2018 | 3,074 | 3,074 | 3,750 | 3,750 |
| | | | | <u>25,846</u> | <u>25,846</u> | <u>30,000</u> | <u>30,000</u> |

The amortising loans are repaid according to an agreed schedule up to 31 March 2017. The bullet loans are repaid in equal instalments on 30 September 2017 and 31 March 2018.

Notes (continued)

15 Other interest loans and borrowings (continued)

Terms and debt repayment schedule

The overall investor note repayment schedule is as follows

| | Currency | Nominal interest rate | Year of maturity | 2013 | | 2012 | |
|--------------|----------|--------------------------|---------------------|------------------------|-----------------------------|------------------------|-----------------------------|
| | | | | Face value \$000 | Carrying amount \$000 | Face value \$000 | Carrying amount \$000 |
| Loan notes A | USD | 12% | 2019 | 29,705 | 29,705 | 33,705 | 33,705 |
| Loan notes B | GBP | 12% | 2019 | 5,896 | 5,896 | 5,896 | 5,896 |
| | | | | <u>35,601</u> | <u>35,601</u> | <u>39,601</u> | <u>39,601</u> |

The final repayment date of both loan notes A and loan notes B was 31 March 2019. Post year end, the maturity date of the A and B loan notes was extended until 2024, they are also repayable immediately on an exit or when recalled by the investors. However, the investors cannot recall the loans until the bank debt is fully settled. The \$4 million repaid in the year was approved by the bank. Therefore the directors consider it appropriate to present the investor loans as due in more than one year.

16 Trade and other payables

| | 2013 \$000 | 2012 \$000 |
|---|---------------|---------------|
| Current trade payable | 3,919 | 5,778 |
| Non-trade payables and accrued expenses | 4,257 | 3,679 |
| | <u>8,176</u> | <u>9,457</u> |
| <i>Non-current</i> | | |
| Interest payable on loan notes | 7,173 | 2,376 |
| Preference Share dividend accrued as interest | 3,707 | 1,188 |
| | <u>10,880</u> | <u>3,564</u> |

17 Employee benefits

Pension plans

Defined contribution plans

The group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was \$302,000 (period ended 31 March 2012: \$113,000).

Notes (continued)

18 Provisions

| | Property \$000 | Warranty \$000 | Other \$000 | Total \$000 |
|---------------------------------|-------------------|-------------------|----------------|----------------|
| At beginning of year | 547 | 276 | 86 | 909 |
| Provisions made during the year | 468 | - | - | 468 |
| Provisions utilised | (102) | - | (8) | (110) |
| At end of year | 913 | 276 | 78 | 1,267 |
| Non-current | 528 | | | 528 |
| Current | 385 | 276 | 78 | 739 |
| | 913 | 276 | 78 | 1,267 |

\$385,000 of the property provision relates to a site which the group expects to vacate and is in respect of the remaining rental and expected dilapidations costs to make good this location. It is anticipated that this provision will be realised within the next 12 months.

The warranty provision relates to the risk of re-work or similar remedial cost action taken on products supplied into the marketplace.

Other provisions relate to the costs associated with terminating car lease contracts and will be realised within the next 12 months.

19 Capital and reserves

Share capital

| | 2013 \$000 | 2012 \$000 |
|---|---------------|---------------|
| <i>Allotted, called up and fully paid</i> | | |
| 3,176,513 "A" ordinary shares of \$0.65 each | 2,065 | 2,065 |
| 786,120 "B" ordinary shares of \$1 each | 786 | 786 |
| 14,803 "C" ordinary shares of \$1 each | 14 | 14 |
| 9,404 "D" ordinary shares of \$1 each | 9 | 9 |
| 19,798,020 12% cumulative redeemable preference shares of \$0.01 each | 198 | 198 |
| | 3,072 | 3,072 |
| Shares classified as liabilities | 198 | 198 |
| Shares classified in shareholders' funds | 2,874 | 2,874 |
| | 3,072 | 3,072 |

Notes (continued)

20 Financial instruments

The group's financial instruments comprise secured bank loans, investor loans and cash. The group also has trade payables and receivables which arise directly from its operations. These short term assets and liabilities are included within the currency risk disclosure.

The main risk arising from the group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk as shown below. The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The group's risk policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risk and adherence to limits.

The board of directors oversees how management monitor compliance with the group risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

(a) Fair values

The fair values of all financial assets and financial liabilities were the same as book value.

Fair value hierarchy

Under IFRS7 assets and liabilities are classified by the way in which their value is calculated. All items are considered to be level 2 assets and liabilities. IFRS 7 defines level 2 assets and liabilities as "inputs, other than quoted prices included within level 1 that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices)".

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investment securities.

The group has implemented policies whereby appropriate credit checks are required to be undertaken on customers prior to sales being made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board. The Board receives regular reports on amounts due and amounts significantly overdue and the relevant action is taken.

Exposure to credit risk

The maximum exposure to credit risk at the balance sheet date by class of financial instrument was

| | 2013 \$000 | 2012 \$000 |
|-------------------|---------------|---------------|
| Trade receivables | 7,394 | 7,238 |
| Prepayments | 254 | 117 |
| | <u>7,648</u> | <u>7,355</u> |

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was

| | 2013 \$000 | 2012 \$000 |
|----------------|---------------|---------------|
| North America | 1,430 | 1,608 |
| United Kingdom | 2,329 | 2,392 |
| Europe | 1,607 | 3,088 |
| Other | 2,028 | 150 |
| | <u>7,394</u> | <u>7,238</u> |

Notes (continued)

20 Financial instruments (continued)

(b) Credit risk (continued)

The concentration of credit risk for trade receivables at the balance sheet date by type of counterparty was

| | 2013 \$000 | 2012 \$000 |
|---------------|---------------|---------------|
| Aerospace | 4,895 | 4,731 |
| Non-Aerospace | 2,499 | 2,507 |
| | <u>7,394</u> | <u>7,238</u> |

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was

| | 2013 | | 2012 | |
|---------------------|----------------|---------------------|----------------|---------------------|
| | Gross \$000 | Impairment \$000 | Gross \$000 | Impairment \$000 |
| Not past due | 5,396 | - | 6,517 | - |
| Past due 0-30 days | 2,112 | 114 | 980 | 259 |
| Past due 31-90 days | 498 | 498 | 421 | 421 |
| More than 90 days | 124 | 124 | 95 | 95 |
| | <u>8,130</u> | <u>736</u> | <u>8,013</u> | <u>775</u> |

The movement in the allowance for impairment in respect of trade receivables during the period was as follows

| | 2013 \$000 | 2012 \$000 |
|------------------------------|---------------|---------------|
| Fair value at bought forward | 775 | 431 |
| Impairment loss recognised | 736 | 344 |
| Impairment loss reversed | (775) | - |
| | <u>736</u> | <u>775</u> |
| Balance at 31 March | <u>736</u> | <u>775</u> |

The allowance account for trade receivables is used to record impairment losses unless the group is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the trade receivables directly

(c) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group is funded by a combination of bank loans, investor loans and capital. The investor funding is long term in nature. The bank funding combines a range of repayment elements which are governed by covenants which assess the group's ability to service this bank borrowing. The group monitors actual and projected compliance with these covenants on a regular basis. The directors are of the opinion that the group will have sufficient cash resources to meet the interest and capital repayments in the foreseeable future.

Notes (continued)

20 Financial instruments (continued)

(c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, excluding the effect of netting agreements

2013

| | Carrying amount \$000 | Contractual cash flows \$000 | 1 year or less \$000 | 1 to <2 years \$000 | 2 to <5 years \$000 | 5 years and over \$000 |
|---|-----------------------------|------------------------------------|----------------------------|---------------------------|---------------------------|------------------------------|
| Non-derivative financial liabilities | | | | | | |
| Secured bank loans | 25,846 | 28,857 | 5,918 | 4,044 | 18,895 | - |
| Investor loan notes | 35,601 | 132,440 | - | - | - | 132,440 |
| Shares classified as debt | 19,798 | 46,291 | - | - | - | 46,291 |
| | | <u>207,588</u> | <u>5,918</u> | <u>4,044</u> | <u>18,895</u> | <u>178,731</u> |

2012

| | Carrying amount \$000 | Contractual cash flows \$000 | 1 year or less \$000 | 1 to <2 years \$000 | 2 to <5 years \$000 | 5 years and over \$000 |
|---|-----------------------------|------------------------------------|----------------------------|---------------------------|---------------------------|------------------------------|
| Non-derivative financial liabilities | | | | | | |
| Secured bank loans | 30,000 | 36,980 | 4,547 | 4,125 | 12,677 | 15,631 |
| Investor loan notes | 39,601 | 92,595 | - | - | - | 92,595 |
| Shares classified as debt | 19,798 | 46,291 | - | - | - | 46,291 |
| | | <u>175,866</u> | <u>4,547</u> | <u>4,125</u> | <u>12,677</u> | <u>154,517</u> |

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur

2013

| | Carrying amount \$000 | Expected cash flows \$000 | 1 year or less \$000 | 1 to <2 years \$000 | 2 to <5 years \$000 | 5 years and over \$000 |
|----------------------------|-----------------------------|---------------------------------|----------------------------|---------------------------|---------------------------|------------------------------|
| Interest rate swaps | | | | | | |
| Liabilities | 293 | 293 | 88 | 86 | 118 | - |

2012

| | Carrying amount \$000 | Expected cash flows \$000 | 1 year or less \$000 | 1 to <2 years \$000 | 2 to <5 years \$000 | 5 years and over \$000 |
|----------------------------|-----------------------------|---------------------------------|----------------------------|---------------------------|---------------------------|------------------------------|
| Interest rate swaps | | | | | | |
| Liabilities | 218 | 218 | 77 | 84 | 57 | - |

Notes (continued)

20 Financial instruments (continued)

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments

Foreign currency risk

The group's exposure to foreign currency risk is as follows

31 March 2013

| | Sterling \$000 | Euro \$000 | US Dollar \$000 | Total \$000 |
|---------------------------|-------------------|---------------|--------------------|----------------|
| Cash and cash equivalents | 20 | 662 | 8,379 | 9,061 |
| Trade receivables | 3,867 | 717 | 2,810 | 7,394 |
| Secured bank loans | (6,196) | - | (19,650) | (25,846) |
| Trade payables | (2,645) | (178) | (1,096) | (3,919) |
| Net (liability)/asset | (4,954) | 1,201 | (9,557) | (13,310) |

31 March 2012

| | Sterling \$000 | Euro \$000 | US Dollar \$000 | Total \$000 |
|---------------------------|-------------------|---------------|--------------------|----------------|
| Cash and cash equivalents | 1 335 | 921 | 7,537 | 9 793 |
| Trade receivables | 4 335 | 430 | 2,473 | 7,238 |
| Secured bank loans | (7,500) | - | (22,500) | (30,000) |
| Trade payables | (4,376) | - | (1,402) | (5,778) |
| Net (liability)/asset | (6,206) | 1,351 | (13,892) | (18,747) |

Where possible, the group undertakes a policy of creating a natural hedge across currencies by matching income with expenses and purchases. The group monitors any net currency exposure on a regular basis together with potential forward movements in future exchange rates. If the group deems the forward currency risk to be significant then it will undertake a forward currency contract to eliminate this risk.

Sensitivity analysis

The functional currency for the group is the US dollar. A 10% percent weakening of the following currencies against the US dollar at 31 March would have increased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. The year-end exchange rates were USD to GBP 0.66 (2012 0.625) and USD to EUR 0.78 (2012 0.75).

Notes (continued)

20 Financial instruments (continued)

(d) Market risk (continued)

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant

| | 2013 | | 2012 | |
|---|--------------------------------|--|--------------------------------|--|
| | Increase in equity \$000 | Increase in profit or loss \$000 | Increase in equity \$000 | Increase in profit or loss \$000 |
| € | 120 | 283 | 721 | 418 |
| £ | 1,130 | 264 | 1,089 | 95 |

A 10% percent strengthening of the above currencies against the US dollar at 31 March 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant

Interest rate risk

The group has a bank loan which is set at 4-4.5% above LIBOR. Bank borrowing interest cost is determined by a set formula based on the leverage of the group, with the interest percentage charged on borrowings reducing as leverage reduces according to a pre-agreed method.

The group has undertaken a policy to either hedge or cap its exposure to interest increases on interest payments through to December 2014. At the balance sheet date the interest rate profile of the group's interest-bearing financial instruments was fully hedged to December 2014. The directors will continue to review the appropriateness of this strategy.

The fair value of interest rate swaps is based on bank quotes at the balance sheet date. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(e) Capital management

All capital expenditure is subject to strict approval justification. The overall capital expenditure value for the group is subject to covenant limits within its banking arrangements. Management believe these covenants are sufficient to meet ongoing business requirements. The group monitors compliance against these covenants on an ongoing basis.

21 Operating leases

Non-cancellable operating lease rentals are payable as follows

| | 2013 \$000 | 2012 \$000 |
|----------------------------|---------------|---------------|
| Less than one year | 804 | 772 |
| Between one and five years | 2,013 | 2,746 |
| More than five years | 1,067 | 1,061 |
| | <u>3,884</u> | <u>4,579</u> |

The group leases a number of warehouse and factory facilities under operating leases.

During the year \$852,000 (2012: \$432,000) was recognised as an expense in the income statement in respect of operating leases.

Notes (continued)

22 Commitments

Capital commitments

During the year ended 31 March 2013, the group entered into commitments to purchase plant and equipment for \$160,000 (2012 \$203,000). These commitments are expected to be settled in the following financial year.

23 Related parties

The group has contracted to pay a management fee to BBTPS LP (see note 24) in relation to its management of the group.

| | 2013 | | 2012 | |
|------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| | Administrative expenses \$000 | Payables outstanding \$000 | Administrative expenses \$000 | Payables outstanding \$000 |
| Ultimate parent of the group | 240 | 360 | 122 | 120 |

24 Ultimate parent company

Shimtech Industries Group Limited is the ultimate parent company of the group and is incorporated in the UK.

The ultimate controlling party is BBTPS LP, acting by its manager Bridgepoint Advisors II Limited.

25 Investments in subsidiaries

The group has the following investments in subsidiaries:

| | Country of incorporation | Nature of business |
|--------------------------------------|--------------------------|---|
| Shimtech Industries Holdings Limited | England and Wales | Holding company |
| Shimtech Industries Midco Limited * | England and Wales | Holding company |
| Shimtech Industries Limited # | England and Wales | Holding company |
| Shimtech Industries US Inc + | USA | Holding company |
| Lamsco West Inc § | USA | Aerospace parts supplier |
| Bolsan Company Inc § | USA | Aerospace and industrial parts supplier |
| Attewell Limited + | England and Wales | Aerospace and industrial parts supplier and distributor |
| Pillar Seals & Gaskets Limited λ | England and Wales | Dormant |
| Pillar Seals & Gaskets CRO λ | Czech Republic | Industrial parts distributor |

* owned by Shimtech Industries Holdings Limited

owned by Shimtech Industries Midco Limited

+ owned by Shimtech Industries Limited

§ owned by Shimtech Industries Inc

λ owned by Attewell Limited

All investments are 100% shareholdings in ordinary shares.

Lamsco West Inc and Shimtech Industries US Inc are located at 24823 Anza Drive, Santa Clarita, CA, 91355.

Bolsan Company Inc is located at 163 Linnwood Road, Eighty Four, PA 15330.

Pillar Seals & Gaskets CRO is located at Prumyslova, 14h, 796 01 Prostějov.

Company balance sheet
at 31 March 2013

| | <i>Note</i> | 2013 \$000 | \$000 | 2012 \$000 | \$000 |
|---|-------------|-----------------------------|---------------|-----------------------------|---------------|
| Fixed assets | | | | | |
| Investments | 27 | | 3,946 | | 3,946 |
| Current assets | | | | | |
| Debtors including \$23,544 000 due after more than one year | 28 | 23,544 | | 21,026 | |
| Creditors: Amounts falling due within one year | | - | | - | |
| Net current assets | | | 23,544 | | 21,026 |
| Total assets less current liabilities | | | 27,490 | | 24,972 |
| Creditors: Amounts falling due after more than one year | 29 | | (23,504) | | (20,986) |
| Net assets | | | 3,986 | | 3,986 |
| Capital and reserves | | | | | |
| Called up share capital | 30 | | 2,874 | | 2,874 |
| Share premium account | 31 | | 1,112 | | 1,112 |
| Shareholders' funds | 32 | | 3,986 | | 3,986 |

These financial statements were approved by the board of directors on 12 July 2013 and were signed on its behalf by



H Kimberley
Director

Company registered number 07705641

Notes

(forming part of the financial statements)

26 Company accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

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

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The result for the year was £Nil

As the ultimate holding company of the group, the company is exempt, in accordance with FRS 1 (Revised), from the requirement to present a cash flow statement as part of its own published consolidated financial statements

Under FRS 8, the company is exempt from the requirement to disclose transactions or balances with other wholly owned companies within the group as they are included in the consolidated financial statements

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Classification of financial instruments issued by the company

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (ie forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Notes (continued)

27 Fixed asset investments

| | Shares in group undertakings \$000 |
|------------------------------|---|
| <i>Cost</i> | |
| At beginning and end of year | 3,946 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 March 2013 | 3,946 |
| | <hr/> |
| At 31 March 2012 | 3,946 |
| | <hr/> |

A list of principal subsidiary undertakings is given in note 25

28 Debtors

| | 2013 \$000 | 2012 \$000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | 23,544 | 21,026 |
| | <hr/> | <hr/> |

Amounts owed by group undertakings are due after more than one year

29 Creditors: Amounts falling due after more than one year

| | 2013 \$000 | 2012 \$000 |
|-------------------------------------|---------------|---------------|
| Preference share dividend liability | 3,706 | 1,188 |
| Shares classified as liabilities | 19,798 | 19,798 |
| | <hr/> | <hr/> |
| | 23,504 | 20,986 |
| | <hr/> | <hr/> |

Notes (continued)

30 Capital and reserves

Share capital

| | 2013 \$000 | 2012 \$000 |
|--|---------------|---------------|
| <i>Allotted, called up and fully paid</i> | | |
| 3,176,513 "A" ordinary shares of \$0.65 each | 2,065 | 2,065 |
| 786,120 "B" ordinary shares of \$1 each | 786 | 786 |
| 14,803 "C" ordinary shares of \$1 each | 14 | 14 |
| 9,404 "D" ordinary shares of \$1 each | 9 | 9 |
| 12% cumulative redeemable preference shares of \$0.01 each | 198 | 198 |
| | <u>3,072</u> | <u>3,072</u> |
| Shares classified as liabilities | 198 | 198 |
| Shares classified in shareholders' funds | <u>2,874</u> | <u>2,874</u> |
| | <u>3,072</u> | <u>3,072</u> |

See note 19 for full details of the terms associated with share capital

31 Share premium and reserves

| | Share premium account \$000 | Profit and loss account \$000 |
|------------------------------|--------------------------------------|--|
| At beginning and end of year | 1,112 | - |

32 Reconciliation of movement in shareholders' funds

| | 2013 \$000 | 2012 \$000 |
|------------------------------|---------------|---------------|
| New share capital subscribed | - | 3,986 |
| Closing shareholders' funds | <u>3,986</u> | <u>3,986</u> |

33 Related party disclosures

The company is controlled by BBTPS LP, acting by its manager Bridgepoint Advisors II Limited. This is the ultimate controlling party.