

**Shimtech Industries Group Limited**

**Annual report and consolidated  
financial statements**

Registered number 07705641

For the year ended 31 March 2014

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## Strategic report

The group made a profit before tax in the year of \$513,000 (2013: loss \$390,000).

As is common in private equity ownership structures, non-cash finance costs include interest on shareholder notes of \$5,079,000 (2013: \$4,797,000) and preference shares of \$2,800,000 (2013: \$2,518,000). These are not due for payment until the earlier of a change in ownership of the business or the repayment date of the preference shares or the loan notes. During the year the repayment date for loan notes was revised to 31 March 2024. The repayment date for the preference shares is 31 March 2019.

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 obligatory 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 (2013: \$19,798,000) and \$35,601,000 (2013: \$35,601,000) respectively. The loan notes are presented net of loan deal costs of \$1,318,000 (2013: \$1,862,000). If these were presented within equity, the balance sheet deficit of \$6,096,000 (2013: \$4,778,000) would instead be positive shareholders' funds of \$47,985,000 (2013: \$48,759,000).

On 1 November 2013, the group acquired Performance Plastics Inc (see note 2).

Subsequent to the year end, the Group refinanced its funding position utilising \$18,500,000 of new USD bullet loan together with cash held on the balance sheet to repay \$24,900,000 of loan note A (see note 15). The directors believe that the overall saving in interest charge to the business of this exercise enhances the overall equity value of the Group.

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 2014, the charge for such assets was \$4,068,000 (2013: \$3,413,000).

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 2014 was \$719,000 (2013: \$815,000) of non-cash amortisation cost.

During the year ended 31 March 2014, \$557,000 (2013: \$100,000) of non-recurring costs were incurred. The 2014 costs were in relation to the acquisition of Performance Plastics Inc.

The underlying operating profit of the business was \$10,176,000 (2013: \$9,434,000) increasing to \$14,244,000 if the amortisation on the intangible assets of \$4,068,000 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.

## Strategic report (continued)

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

	2014	2013	
Cash generated from operations	\$14,032,000	\$13,147,000	Operating cash flow per cash flow statement before tax paid  Cash flow generation is in line with directors' expectations
Cash flow conversion	91%	94%	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	12%	13%	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. Furthermore, the acquisition made in the year enhances both the capability and capacity of the group and will provide a platform for further growth.

### 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.

#### 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.

## **Strategic report** *(continued)*

### ***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.

By order of the board

A handwritten signature in black ink, appearing to be 'H Kimberley', with a stylized, flowing script.

**H Kimberley**  
*Director*

27 June 2014

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2014.

### 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 acquisition of Performance Plastics Inc in the year (see note 2) added to the capability of the group in particular in respect to the manufacture of composite engineered structures. The group operates in North America, the UK, continental Europe and Asia.

### Proposed dividend

The directors do not recommend the payment of a dividend (2013: \$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 49 days (2013: 53 days).

### Directors

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

Adrian Willetts  
Howard Kimberley  
Clive Snowdon  
Kevin Reynolds  
Alastair Fanning

### Employees

Details of the number of employees and related costs can be found in note 6 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

27 June 2014

## **Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements**

The directors are responsible for preparing the group and parent company Strategic report and Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law, and have elected to prepare the 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;
- for the group financial statements, state whether they have been prepared in accordance with IFRS, as adopted by the EU;
- for the parent company financial statements, 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 2014 set out on pages 9 to 40. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 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**

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](http://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 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company's financial statements 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**

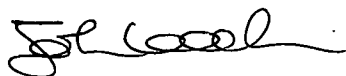
In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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*

27 June 2014

**Consolidated statement of comprehensive income**  
*for the year ended 31 March 2014*


	<i>Note</i>	<b>2014</b> <b>\$000</b>	<b>2013</b> <b>\$000</b>
<b>Revenue</b>	<b>3</b>	<b>71,033</b>	<b>56,079</b>
Cost of sales		(41,909)	(32,389)
<b>Gross profit</b>		<b>29,124</b>	<b>23,690</b>
Other operating income		103	96
Sales and distribution expenses		(2,869)	(1,893)
Administrative expenses		(14,218)	(11,042)
Other operating expenses		(1,964)	(1,517)
<b>Operating profit</b>	<b>4</b>	<b>10,176</b>	<b>9,334</b>
Analysed as:			
Underlying operating profit *		10,733	9,434
Non-recurring items	<b>5</b>	(557)	(100)
<b>Operating profit</b>		<b>10,176</b>	<b>9,334</b>
Financial expenses	<b>8</b>	(9,663)	(9,724)
<b>Profit/(loss) before tax</b>		<b>513</b>	<b>(390)</b>
Taxation	<b>9</b>	(2,956)	(2,250)
<b>Loss for the financial year</b>		<b>(2,443)</b>	<b>(2,640)</b>
<b>Other comprehensive income</b>			
Foreign exchange translation differences		1,125	(581)
<b>Total comprehensive loss for the year</b>		<b>(1,318)</b>	<b>(3,221)</b>

\* Underlying operating profit represents operating profit excluding non-recurring items described in note 4.

## Consolidated statement of financial position at 31 March 2014

	<i>Note</i>	2014 \$000	2013 \$000
<b>Non-current assets</b>			
Property, plant and equipment	10	6,135	4,011
Intangible assets	11	77,348	75,985
		<u>83,483</u>	<u>79,996</u>
<b>Current assets</b>			
Inventories	13	10,060	6,874
Trade and other receivables	14	11,071	7,648
Cash and cash equivalents	15	8,075	9,061
		<u>29,206</u>	<u>23,583</u>
<b>Total assets</b>		<u>112,689</u>	<u>103,579</u>
<b>Current liabilities</b>			
Other interest-bearing loans and borrowings	16	2,756	3,511
Trade and other payables	17	10,072	8,176
Tax payable		2,746	2,064
Financial liabilities		107	293
Provisions	19	3,445	739
		<u>19,126</u>	<u>14,783</u>
<b>Non current liabilities</b>			
Other interest bearing loans and borrowings	16	72,905	74,778
Trade and other payables	17	18,759	10,880
Provisions	19	760	528
Deferred tax liabilities	12	7,235	7,388
		<u>99,659</u>	<u>93,574</u>
<b>Total liabilities</b>		<u>118,785</u>	<u>108,357</u>
<b>Net liabilities</b>		<u>(6,096)</u>	<u>(4,778)</u>
<b>Equity attributable to equity holders of the parent</b>			
Ordinary share capital	20	2,874	2,874
Share premium		1,112	1,112
Retained earnings		(10,082)	(8,764)
<b>Total deficit</b>		<u>(6,096)</u>	<u>(4,778)</u>

These financial statements were approved by the board of directors on 27 June 2014 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 2014*

	Share capital \$000	Share premium \$000	Retained earnings \$000	Total equity \$000
<b>Balance at 1 April 2012</b>	2,874	1,112	(5,543)	(1,557)
<b>Total comprehensive income for the year</b>				
Loss for the year	-	-	(2,640)	(2,640)
Other comprehensive income	-	-	(581)	(581)
<b>Total comprehensive income for the year</b>	-	-	(3,221)	(3,221)
<b>Balance at 31 March 2013</b>	2,874	1,112	(8,764)	(4,778)
<b>Balance at 1 April 2013</b>	2,874	1,112	(8,764)	(4,778)
<b>Total comprehensive income for the year</b>				
Loss for the year	-	-	(2,443)	(2,443)
Other comprehensive income	-	-	1,125	1,125
<b>Total comprehensive income for the year</b>	-	-	(1,318)	(1,318)
<b>Balance at 31 March 2014</b>	2,874	1,112	(10,082)	(6,096)

**Statement of cash flow**  
*for the year ended 31 March 2014*

	<i>Note</i>	<b>2014</b> <b>\$000</b>	<b>2013</b> <b>\$000</b>
<b>Cash flows from operating activities</b>			
Loss for the period		(2,443)	(2,640)
Adjustments for:			
Depreciation and amortisation	10, 11	4,922	4,535
Financial expenses	8	9,663	9,724
Loss on disposal of property, plant and equipment		4	22
Taxation		2,956	2,250
<b>Operating cash flow before movement in working capital</b>		<b>15,102</b>	<b>13,891</b>
Increase in trade and other receivables		(2,407)	(723)
Increase in inventories		(2,764)	754
Increase in trade and other payables		1,194	(1,151)
Increase in provisions		2,907	376
<b>Cash generated from operating activities</b>		<b>14,032</b>	<b>13,147</b>
Tax paid		(2,151)	(2,698)
<b>Net cash from operating activities</b>		<b>11,881</b>	<b>10,449</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		2	2
Interest paid		(1,239)	(1,500)
Acquisition of subsidiaries, net of cash acquired	2	(6,788)	-
Acquisition of property, plant and equipment	10	(2,546)	(1,033)
Acquisition of intangible assets	11	(148)	(348)
<b>Net cash from investing activities</b>		<b>(10,719)</b>	<b>(2,879)</b>
<b>Cash flows from financing activities</b>			
Repayment of loan		(2,148)	(8,154)
Loan deal fees	16	-	(148)
<b>Net cash from financing activities</b>		<b>(2,148)</b>	<b>(8,302)</b>
Net increase in cash and cash equivalents		(986)	(732)
Opening cash and cash equivalents		9,061	9,793
<b>Cash and cash equivalents at 31 March</b>	15	<b>8,075</b>	<b>9,061</b>

## 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 2014.

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 2016 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 of the related goods or when the services have been provided.

#### *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. 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 terms 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 current period*

On 1 November 2013, the group acquired all 100% share capital of Performance Plastics Inc for \$9,292,000, including \$474,000 of deferred consideration.

## Notes (continued)

### 2 Acquisitions of subsidiaries (continued)

#### Acquisitions in the current period (continued)

Notes:

#### Effect of acquisition

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

	Recognised values on acquisition \$000
<b>Acquiree's net assets at the acquisition date:</b>	
Property, plant and equipment	158
Intangible assets	2,946
Inventories	1,163
Trade and other receivables	1,987
Cash and cash equivalents	2,030
Trade and other payables	(641)
Provisions	(1,098)
Deferred tax asset	349
	<hr/>
Net identifiable assets and liabilities	6,894
	<hr/>
Consideration paid:	
Cash price paid	8,818
Deferred consideration	474
	<hr/>
Goodwill on acquisition	2,398
	<hr/>

The fair value of the trade receivables was \$1,824,000.

Goodwill has arisen on the acquisition because of the combination of management expertise and technical capability in the aerospace sector and 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 within the aerospace sector.

#### Acquisition related costs

The group incurred acquisition related cost of \$557,000. These costs have been included in administrative expenses in the group's consolidated statement of comprehensive income.

## Notes (continued)

### 3 Revenue

Turnover is based on the amount recoverable for goods dispatched and services provided during the period, within the Group's ordinary activities, excluding value added tax.

An analysis of turnover by geographical destination, all of which relates to continuing operations, is given below.

	2014 \$000	2013 \$000
United Kingdom	11,163	11,742
Continental Europe	11,914	8,965
North America	32,955	24,643
Far East	13,015	9,047
Rest of World	1,986	1,682
	<u>71,033</u>	<u>56,079</u>

### 4 Operating profit

	2014 \$000	2013 \$000
<i>Operating profit is stated after charging</i>		
Depreciation of property, plant and equipment	854	760
Amortisation of intangible assets	4,068	3,775
Operating lease payments	696	852
	<u></u>	<u></u>

#### *Auditor's remuneration:*

	2014 \$000	2013 \$000
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	83	43
Compliance services relating to taxation	28	28
Advisory services relating to taxation	152	131
	<u></u>	<u></u>

### 5 Non-recurring expenses

The group income statement includes the following charges:

	2014 \$000	2013 \$000
Acquisition costs	557	100
	<u>557</u>	<u>100</u>

The costs in the period to 31 March 2014 were incurred in relation to the acquisition of Performance Plastics Inc (see note 2).

The costs in the period to 31 March 2013 were incurred in relation to an aborted acquisition.

## Notes (continued)

### 6 Staff numbers and costs

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

	2014	2013
Production	210	140
Administrative	45	35
Sales and marketing	16	15
	<u>271</u>	<u>190</u>

The aggregate payroll costs of these persons were as follows:

	2014 \$000	2013 \$000
Wages and salaries	14,865	10,887
Social security costs	1,307	950
Contributions to defined contribution plans	320	302
	<u>16,492</u>	<u>12,139</u>

### 7 Remuneration of directors

	2014 \$000	2013 \$000
Aggregate emoluments (including benefits)	863	838
Pension contributions	52	51
	<u>915</u>	<u>889</u>

The highest paid director (including pay, benefits and pension contributions) was \$517,000 (2013: \$494,000).

### 8 Finance expense

#### Recognised in profit or loss

	2014 \$000	2013 \$000
Net (profit)/loss on financial instruments designated as fair value through profit or loss	(186)	74
Total interest expense on financial liabilities measured at amortised cost	7,049	7,132
Preference share dividend classified as interest expense	2,800	2,518
	<u>9,663</u>	<u>9,724</u>



## Notes (continued)

### 9 Taxation

#### Recognised in the income statement

	2014 \$000	\$000	2013 \$000	\$000
<i>Current tax expense</i>				
Current period	3,109		4,522	
Adjustments in respect of prior period	(349)		(544)	
	<hr/>		<hr/>	
Current tax credit		2,760		3,978
<i>Deferred tax credit</i>				
Origination and reversal of temporary Differences	(1,288)		(775)	
Reduction in tax rate	91		5	
Adjustments in respect of prior period	1,393		(958)	
	<hr/>		<hr/>	
Deferred tax		196		(1,728)
		<hr/>		<hr/>
Total tax charge		2,956		2,250
		<hr/> <hr/>		<hr/> <hr/>

#### Reconciliation of effective tax rate

	2014 \$000	2013 \$000
Loss for the period	(2,443)	(2,640)
Total tax expense	2,956	2,250
	<hr/>	<hr/>
Profit/(loss) excluding taxation	513	(390)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 23% (2013: 24%)	118	(94)
Difference in overseas tax rates	301	675
Non-deductible expenses	1,332	3,874
Change in tax rates	-	5
Other short term timing differences	161	(708)
Prior period adjustments	1,044	(1,502)
	<hr/>	<hr/>
Total tax charge/(credit)	2,956	2,250
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 9 Taxation (continued)

#### Factors affecting future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2014 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

### 10 Property, plant and equipment

	Land and buildings \$000	Plant and equipment \$000	Total \$000
<b>Cost</b>			
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
Balance at 1 April 2013	515	4,281	4,796
Acquisition through business contribution	2	154	156
Additions	171	2,375	2,546
Disposals	-	(90)	(90)
Effects of movements in exchange rates	43	485	528
Balance at 31 March 2014	731	7,205	7,936
<b>Depreciation</b>			
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
Balance at 1 April 2013	142	643	785
Charge for the year	119	735	854
Disposals	-	(84)	(84)
Effects of movements in exchange rates	37	209	246
Balance at 31 March 2014	298	1,503	1,801
<b>Net book value</b>			
At 31 March 2014	433	5,702	6,135
At 31 March 2013	373	3,638	4,011

## Notes (continued)

### 9 Property, plant and equipment (continued)

#### Security

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

### 11 Intangibles

	Goodwill \$000	Customer relationships \$000	Customer orders \$000	Software \$000	Total \$000
<i>Cost</i>					
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
Balance at 1 April 2013	45,393	34,127	1,957	2,041	83,518
Acquisition through business contribution	2,398	2,656	290	2	5,346
Additions	-	-	-	148	148
Effects of movement in exchange rate	-	-	-	(10)	(10)
Balance at 31 March 2014	47,791	36,783	2,247	2,181	89,002
<i>Amortisation</i>					
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
Balance at 1 April 2013	-	5,119	1,957	457	7,533
Amortisation for the year	-	3,523	132	413	4,068
Effects of movement in exchange rate	-	-	-	53	53
Balance at 31 March 2014	-	8,642	2,089	923	11,654
<i>Net book value</i>					
At 31 March 2014	47,802	28,141	158	1,258	77,348
At 31 March 2013	45,393	29,008	-	1,584	75,985

#### Amortisation charge

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

#### Deferred tax

Included within deferred tax (see note 12) 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)

### 11 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	
	2014 \$000	2013 \$000
Aerospace	47,691	44,418
Non-Aerospace	975	975
	<u>48,666</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:

	2014		2013	
	Aero	Non-Aero	Aero	Non-Aero
Period on which management approved forecasts are based	3 years	3 years	2 years	2 years
Growth rate applied beyond approved forecast period	4.8%	2.5%	3.1%	2.5%
Pre tax discount rate	<u>11.28%</u>	<u>11.58%</u>	<u>13.66%</u>	<u>14.00%</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 4.8% 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 15.5% for aero and to 12.1% 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.

### 12 Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2014 Assets \$000	Liabilities \$000	2013 Assets \$000	Liabilities \$000
Property, plant and equipment	-	359	-	336
Intangible assets	-	8,662	-	8,352
Provisions	(1,786)	-	(1,300)	-
	<u>(1,786)</u>	<u>9,021</u>	<u>(1,300)</u>	<u>8,688</u>
Tax (assets)/liabilities	(1,786)	9,021	(1,300)	8,688
Net of tax liabilities/(assets)	<u>1,786</u>	<u>(1,786)</u>	<u>1,300</u>	<u>(1,300)</u>
	<u>-</u>	<u>7,235</u>	<u>-</u>	<u>7,388</u>
Net tax liabilities	-	7,235	-	7,388

## Notes (continued)

### 12 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

	At beginning of year \$000	Recognised in income \$000	Recognised on acquisition \$000	At end of year \$000
Property, plant and equipment	(336)	(23)	-	(359)
Intangible assets	(8,352)	(310)	-	(8,662)
Provisions	1,300	137	349	1,786
	<u>(7,388)</u>	<u>(196)</u>	<u>349</u>	<u>(7,235)</u>

### 13 Inventories

	2014 \$000	2013 \$000
Raw materials and consumables	3,651	2,726
Work in progress	2,449	1,163
Finished goods	3,960	2,985
	<u>10,060</u>	<u>6,874</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to \$34,744,000 (2013: \$27,363,000). The write-down of inventories to net realisable value amounted to \$397,000 (2013: \$650,000). The write-down is included in cost of sales.

### 14 Trade and other receivables

	2014 \$000	2013 \$000
Trade receivables	10,482	7,394
Prepayments	589	254
	<u>11,071</u>	<u>7,648</u>

See note 21 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 19.

### 15 Cash and cash equivalents

	2014 \$000	2013 \$000
Cash and cash equivalents	<u>8,075</u>	<u>9,061</u>

## Notes (continued)

### 16 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 \$2,241,000 (2013: \$2,956,000). Amortisation in the period was \$715,000 (2013: \$815,000). For more information about the group's exposure to interest rate and foreign currency risk, see note 20.

Subsequent to the year end, the Group borrowed a further \$18,500,000. The terms for this loan are the same as the current bullet USD loan. These funds, together with cash held on the balance sheet, were used to repay \$24,900,000 of Loan notes A. Fees incurred of \$672,000, will be capitalised on the balance sheet and amortised over the remaining terms of the loans.

	2014 \$000	2013 \$000
<b>Non-current liabilities</b>		
Secured bank loans	18,823	21,241
Loan notes	34,284	33,739
Redeemable preference shares	19,798	19,798
	<u>72,905</u>	<u>74,778</u>
<b>Current liabilities</b>		
Current portion of secured bank loans	2,756	3,511
	<u>75,661</u>	<u>78,289</u>

The current portion of bank borrowing is shown net of unamortised deal costs of \$317,000 (2013: \$336,000).

The non-current portion of bank borrowing is shown net of unamortised deal costs of \$606,000 (2013: \$758,000).

Loan notes are shown net of unamortised deal costs of \$1,318,000 (2013: \$1,862,000).

#### Terms and debt repayment schedule

The overall bank borrowing repayment schedule is as follows:

	Currency	Nominal interest rate	Year of maturity	2014 Face value \$000	Carrying amount \$000	2013 Face value \$000	Carrying amount \$000
Amortising USD	USD	5.1%	2017	6,975	6,975	9,900	9,900
Amortising GBP	GBP	5.4%	2017	2,409	2,409	3,122	3,122
Bullet USD	USD	5.5%	2018	9,750	9,750	9,750	9,750
Bullet GBP	GBP	5.9%	2018	3,368	3,368	3,074	3,074
				<u>22,502</u>	<u>22,502</u>	<u>25,846</u>	<u>25,846</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)

### 16 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	2014		2013	
				Face value \$000	Carrying amount \$000	Face value \$000	Carrying amount \$000
Loan notes A	USD	12%	2024	29,705	29,705	29,705	29,705
Loan notes B	GBP	12%	2024	5,896	5,896	5,896	5,896
				<u>35,601</u>	<u>35,601</u>	<u>35,601</u>	<u>35,601</u>

The final repayment date of both loan notes A and loan notes B is 31 March 2024. The maturity date of the A and B loan notes was extended from 31 March 2019 during the year. 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. Therefore the directors consider it appropriate to present the investor loans as due in more than one year. Subsequent to the year end \$24,900,000 of Loan notes A were repaid.

### 17 Trade and other payables

	2014 \$000	2013 \$000
Current trade payable	4,940	3,919
Non-trade payables and accrued expenses	5,132	4,257
	<u>10,072</u>	<u>8,176</u>
<i>Non-current</i>		
Interest payable on loan notes	12,253	7,173
Preference Share dividend accrued as interest	6,506	3,707
	<u>18,759</u>	<u>10,880</u>

### 18 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 \$320,000 (2013: \$302,000).

## Notes (continued)

### 19 Provisions

	Property \$000	Warranty \$000	Other \$000	Total \$000
At beginning of year	913	276	78	1,267
Provisions made during the year	1,208	-	480	1,688
Provisions utilised	(168)	-	-	(168)
Provisions recognised on acquisition	-	980	118	1,098
Provisions transferred from debtors	-	-	320	320
<b>At end of year</b>	<b>1,953</b>	<b>1,256</b>	<b>996</b>	<b>4,205</b>
Non-current	760	-	-	760
Current	1,193	1,256	996	3,445
	<b>1,953</b>	<b>1,256</b>	<b>996</b>	<b>4,205</b>

\$1,180,000 of the property provision relates to sites which the group expects to vacate and is in respect of the remaining rental and expected dilapidations costs to make good these locations. 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. Other provisions also relate to contract provisions and in respect to terminating an agreement for carbon dioxide supplies not required.

### 20 Capital and reserves

#### Share capital

	2014 \$000	2013 \$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
	<b>3,072</b>	<b>3,072</b>
Shares classified as liabilities	198	198
Shares classified in shareholders' funds	2,874	2,874
	<b>3,072</b>	<b>3,072</b>



## Notes (continued)

### 21 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 rising 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:

	2014 \$000	2013 \$000
Trade receivables	10,482	7,394
Prepayments	589	254
	<u>11,071</u>	<u>7,648</u>

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

	2014 \$000	2013 \$000
North America	4,850	1,430
United Kingdom	1,340	2,329
Europe	3,433	1,607
Other	859	2,028
	<u>10,482</u>	<u>7,394</u>

## Notes (continued)

### 21 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:

	2014 \$000	2013 \$000
Aerospace	8,010	4,895
Non-Aerospace	2,472	2,499
	<u>10,482</u>	<u>7,394</u>

#### Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was:

	2014 Gross \$000	Impairment \$000	2013 Gross \$000	Impairment \$000
Not past due	8,726	-	5,396	-
Past due 0-30 days	2,022	266	2,112	114
Past due 31-90 days	748	748	498	498
More than 90 days	322	322	124	124
	<u>11,818</u>	<u>1,336</u>	<u>8,130</u>	<u>736</u>

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

	2014 \$000	2013 \$000
Fair value at bought forward	736	775
Impairment loss recognised at acquisition	213	-
Impairment loss recognised	1,153	736
Impairment loss released	(736)	(775)
	<u>1,366</u>	<u>736</u>
Balance at 31 March	<u>1,366</u>	<u>736</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)**

**21 Financial instruments (continued)**

**(c) Liquidity risk (continued)**

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

**2014**

	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
<b>Non-derivative financial liabilities</b>						
Secured bank loans	22,502	25,472	4,161	4,063	17,248	-
Investor loan notes	35,602	132,440	-	-	-	132,440
Shares classified as debt	19,798	46,291	-	-	-	46,291
		<u>204,203</u>	<u>4,161</u>	<u>4,063</u>	<u>17,248</u>	<u>178,731</u>

**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
<b>Non-derivative financial liabilities</b>						
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>

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

**2014**

	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
<b>Interest rate swaps:</b>						
Liabilities	108	108	108	-	-	-

**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
<b>Interest rate swaps:</b>						
Liabilities	293	293	88	86	118	-

## Notes (continued)

### 21 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 2014

	Sterling \$000	Euro \$000	US Dollar \$000	Total \$000
Cash and cash equivalents	1,773	131	6,171	8,075
Trade receivables	1,448	674	7,360	9,482
Secured bank loans	(5,777)	-	(16,725)	(22,502)
Trade payables	(2,991)	(201)	(1,750)	(4,942)
Net (liability)/asset	(5,547)	604	(4,944)	(9,887)

#### 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)

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: \$0.60 (2013: \$0.66) and USD to EUR: \$0.84 (2013: \$0.78).

## Notes (continued)

### 21 Financial instruments (continued)

#### (d) Market risk (continued)

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

	2014 Increase in equity \$000	Increase in profit or loss \$000	2013 Increase in equity \$000	Increase in profit or loss \$000
€	47	308	120	283
£	1,624	416	1,130	264

A 10% percent strengthening of the above currencies against the US dollar at 31 March 2014 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.

### 22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2014 \$000	2013 \$000
Less than one year	1,201	804
Between one and five years	3,791	2,013
More than five years	2,465	1,067
	<u>7,457</u>	<u>3,884</u>

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

During the year \$696,000 (2013: \$852,000) was recognised as an expense in the income statement in respect of operating leases.

## Notes (continued)

### 23 Commitments

#### Capital commitments

During the year ended 31 March 2014, the group entered into commitments to purchase plant and equipment for \$1,203,000 (2013: \$160,000). These commitments are expected to be settled in the following financial year.

### 24 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.

	2014		2013	
	Administrative expenses \$000	Payables outstanding \$000	Administrative expenses \$000	Payables outstanding \$000
Ultimate parent of the group	240	120	240	360

### 25 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.

### 26 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
Performance Plastics Inc	USA	Aerospace and industrial parts supplier

\* owned by Shimtech Industries Holdings Limited

# owned by Shimtech Industries Midco Limited

+ owned by Shimtech Industries Limited

§ owned by Shimtech Industries US 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.

Performance Plastics Inc is located at 7,919 St Andrews Avenue, San Diego, CA, 92154.

**Company balance sheet**  
*at 31 March 2014*

	<i>Note</i>	<b>2014</b> <b>\$000</b>	<b>\$000</b>	<b>2013</b> <b>\$000</b>	<b>\$000</b>
<b>Fixed assets</b>					
Investments	28		3,946		3,946
<b>Current assets</b>					
Debtors including \$26,344,000 due after more than one year (2013: \$23,544,000)	29	26,344		23,544	
<b>Creditors: Amounts falling due within one year</b>		-		-	
<b>Net current assets</b>			26,344		23,544
<b>Total assets less current liabilities</b>			30,290		27,490
<b>Creditors: Amounts falling due after more than one year</b>	30		(26,304)		(23,504)
<b>Net assets</b>			3,986		3,986
<b>Capital and reserves</b>					
Called up share capital	31		2,874		2,874
Share premium account	32		1,112		1,112
<b>Shareholders' funds</b>	33		3,986		3,986

These financial statements were approved by the board of directors on 27 June 2014 and were signed on its behalf by:



**H Kimberley**  
*Director*

Company registered number: 07705641

## Notes

*(forming part of the financial statements)*

### 27 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)

### 28 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 2014	3,946
	<hr/>
At 31 March 2013	3,946
	<hr/>

A list of principal subsidiary undertakings is given in note 26.

### 29 Debtors

	2014 \$000	2013 \$000
Amounts owed by group undertakings	26,344	23,544
	<hr/>	<hr/>

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

### 30 Creditors: Amounts falling due after more than one year

	2014 \$000	2013 \$000
Preference share dividend liability	6,506	3,706
Shares classified as liabilities	19,798	19,798
	<hr/>	<hr/>
	26,304	23,504
	<hr/>	<hr/>

### 31 Capital and reserves

#### Share capital

	2014 \$000	2013 \$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
	<hr/>	<hr/>
	3,072	3,072
	<hr/>	<hr/>
Shares classified as liabilities	198	198
Shares classified in shareholders' funds	2,874	2,874
	<hr/>	<hr/>
	3,072	3,072
	<hr/>	<hr/>

See note 20 for full details of the terms associated with share capital.

**Notes** *(continued)*

**32 Share premium and reserves**

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

**33 Reconciliation of movement in shareholders' funds**

	2014 \$000	2013 \$000
Profit for the financial year	-	-
New share capital subscribed	-	-
Opening shareholders' funds	3,986	3,986
Closing shareholders' funds	3,986	3,986

**34 Related party disclosures**

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