Registered No 4616778

Express Engineering (Holdings) Limited

Report and Group Financial Statements

31 March 2013

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COMPANIES HOUSE

Directors
Christopher Thompson
Nigel Davison
Michael Blakey

Secretary
Peter Borrell

Auditors
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Newcastle upon Tyne NE1 4JD

Bankers
Lloyds Bank
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Newcastle Upon Tyne NE1 6AG

Solicitors
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Tyne and Wear NE11 0EG

Directors' report

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

Results and dividends

The group profit after taxation in the year was £4,785,778 (2012 £1,661,440) and the directors do not recommend payment of a dividend leaving a profit of £4,785,778 to be transferred to reserves

Principal activities and review of the business

The group's principal activities during the year continued to be contract manufacturing across a number of market sectors, particularly Oil & Gas but also Aerospace & Defence and Power Generation

The directors are delighted to report another excellent year of sales growth and continuing margin improvements The previous two years have seen significant investment in capacity and capabilities and 2013 has been no different, with a fourth factory being opened on the Team Valley in June 2012 and further investments made in CNC machine tools, weld cladding rigs and most importantly skilled employees This strong foundation for growth has resulted in turnover increasing from £11,254,943 in 2010-11 to £20,346,825 in 2011-12 and then to £29,443,182 in 2012-13 The order intake has also reached new record levels and has resulted in an order book that will allow Express Engineering to continue to grow across all market sectors in the future

People and skills continued to be recognised as the key resource within the business and training and development for employees remains a priority Investment continued into the apprentice scheme, with 10 new apprentices recruited into the business during the year, taking the total recruited in the last 4 years to 34

The capital expenditure programme continued during the year with over £1 5 million invested in new plant and equipment At the year-end there were further capital commitments of over £0 5 million for additional CNC machines and weld rigs During the year we acquired a Coordinate Measuring Machine (CMM) that is the largest of its kind being used in the UK Express Engineering is now unique, as it can measure everything it makes on a CMM, which further differentiates Express from its competitors Express also committed to a further 20,000 sq ft of production space in March 2012, this increased the overall production space in the UK to over 80,000 sq ft

Key account development continued, and as noted above, resulted in a growing and strong order book at the year end Growth was due to continued geographical penetration within global key accounts, as well as development of an expanded product offering During 2012-13 direct export orders accounted for a quarter of all sales, and worldwide sales to key account customers accounted for over 95% of turnover

During the year, Express has continued to invest in Petrotec Components de Precisao Ltda, and the operational performance of the JV has appreciably improved during the year During the year we recruited a new Business Leader and Operations Manager which will allow Petrotec to grow significantly in the years to come

The directors are confident that Express Engineering is in a very strong position to continue to meet the requirements of our key accounts in a growing market and we are confident that we will see further sales growth and margin improvements in the coming year

Directors' report

Future developments

The directors are delighted with the business performance to date in 2013-14 Order intake has been consistently high and the order book has remained extremely strong in the first 6 months of the year The activity levels continue to be strong with key accounts, particularly in the Oil & Gas and Aerospace and Defence markets, and cover all geographical areas and product groups

With a particularly buoyant Oil & Gas market, especially within deep water applications where Express Engineering is an acknowledged market leader, the directors are confident that there are significant opportunities to increase turnover and profitability in the years ahead and will therefore continue to invest in people, machines and facilities during this time

Due to the success of the NPE acquisition in July 2011, the directors continue to look at acquisitive opportunities at a discount that offer capacity and relevant skill sets to underpin the company's ambitious expansion plans to meet forecast market demand

Brazil continues to be the global leader in capital expenditure in deep water developments with legislation now in place requiring higher levels of local content in procurement contracts Significant further investment in Petrotec is therefore planned in plant and equipment during 2013 and 2014 The first phase of this investment involved the acquisition of the remaining 50% of shares from our joint venture partner, Brastec, which was completed on 2 July 2013 and Petrotec is now a 100% owned subsidiary of Express Engineering (Thompson) Limited The directors are confident that with further investment in capacity and capability Petrotec will deliver strong operational and financial growth and will become a core part of our key accounts' supply chain solutions within Brazil

The directors are confident the current growth plan is robust and the fundamental concepts of developing key account relationships and continuing to invest in capacity and capability to deliver high added value components and sub-assemblies will deliver enhanced value to all stakeholders

Events since the balance sheet date

On 17 May 2013, the group repurchased 218,871 of its own shares at a nominal value of £0 10 per share These shares were then cancelled by the company on the same date

On 23 August 2013, the group acquired the trade and assets of Burdon Limited, a company registered in England The company now trades as Express Engineering (Stokesley) Limited and will be used to expand services and reduce lead times to existing Express customers

Directors

The directors who served during the year were as follows

C S Thompson
N Davison
M V Blakey

Directors' report

Principal risks and uncertainties

The principal risks and uncertainties facing the group are broadly grouped as competitive, financial instrument risk and the use of derivatives

Competitive risks

The group competes in an open market environment The group's customers select suppliers based on a combination of factors including price, delivery, quality and reputation The group has mitigated these risks by, wherever possible, entering into long-term partnership agreements with a number of its key accounts The group also monitors key performance indicators (KPI's) including on-time delivery, cost of quality and quotation conversion rates to monitor its competitive position

Financial instrument risks

The group has established a risk and financial management framework whose primary objectives are to protect the group from events that hinder the achievement of the group's performance objectives The objectives aim to limit undue counterparty exposure and monitor the management of risk, ensuring sufficient working capital exists

Use of derivatives

Where appropriate the group enters into foreign currency forward contracts and currency swaps to mitigate any foreign currency and interest rate risk

Financial risk management policy

The group's principal financial investments comprise cash and loans Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the group's operating activities

The main risks associated with the group's financial assets and liabilities are set out below The group does not undertake any hedging activity and any significant financial risks are addressed on a case-by-case basis

Price risk

The group does not deem the exposure to price changes in their operating activity costs to be significant enough to consider any hedging activity

Credit risk

The group has external debtors, however, the group undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default

Interest rate risk

The group has access to a floating rate interest bearing working capital facility The group also has access to a floating rate interest earning deposit bank account The group's interest income and expense is therefore affected by movements in interest rates The group also enters into fixed interest rate asset finance contracts

Liquidity risk

The group aims to mitigate liquidity risk by managing cash generated by its operations and applying robust cash collection procedures

Cash flow risk

The group manages this risk, where significant, by use of derivatives as explained above

Directors' report

Employee involvement

The group operates a framework for employee information and consultation, which complies with the requirements of the Information and Consultation of Employees Regulations 2004 During the year, the policy of providing employees with information about the company has been continued through the weekly 'Team Brief' newsletter and the Monthly Business Updates Regular meetings are held between management and employee representatives to allow a free flow of information and ideas Employees participate directly in the success of the business through the group's profit sharing scheme

Going concern

The directors have considered the group's current and future prospects and its availability of financing, and are satisfied that the group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements For this reason the directors continue to adopt the going concern basis of preparation for these financial statements

Disclosure of information to auditors

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

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting

On behalf of the Board

Christopher Thompson
Director

4 October 2013

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 statement, and
- prepare the group financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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Independent auditors' report

to the members of Express Engineering (Holdings) Limited

We have audited the group financial statements of Express Engineering (Holdings) Limited for the year ended 31 March 2013 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Cash Flows and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Building a better working world

Independent auditors' report

to the members of Express Engineering (Holdings) 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company's 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

Darren Rutherford (Senior statutory auditor)
for and on behalf of Ernst & Young LLP Statutory Auditor
Newcastle upon Tyne

4 October 2013

Group profit and loss account

For the year ended 31 March 2013

	Notes	2013 £	2012 £
Turnover *Group and share of joint venture's turnover*		30,157,403	20,346,825
Less *Share of joint venture's turnover*		714,221	-
Group turnover	2	29,443,182	20,346,825
Cost of sales		17,226,521	13,326,126
Gross profit		12,216,661	7,020,699
Administrative expenses		5,390,181	4,763,121
Distribution costs		77,296	49,435
		5,467,477	4,812,556
		6,749,184	2,208,143
Other operating income		194,884	169,247
Group operating profit	3	6,944,068	2,377,390
Share of operating loss in joint venture		(486,668)	-
Amortisation of goodwill arising on acquisition of joint venture		(63,413)	(10,013)
Total operating profit group and share of joint venture		6,393,987	2,367,377
Interest payable and similar charges	6	(175,721)	(179,588)
Interest receivable		42	105
Share of interest payable and similar charges in joint venture		(218,084)	-
Group profit on ordinary activities before taxation		6,000,224	2,187,894
Tax charge on profit on ordinary activities	7	(1,214,446)	(526,454)
Group profit for the financial year	19	4,785,778	1,661,440

All activities of the group are continuing

Group Statement of total recognised gains and losses

for the year ended 31 March 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of £4,785,778 for the year ended 31 March 2013 (2012 £1,661,440)

Group balance sheet

At 31 March 2013

	Notes	2013 £	2013 £	2012 £	2012 £
Fixed assets					
Tangible assets	8		4,675,657		4,082,859
Investment in joint venture					
Share of gross assets of joint venture		1,748,380		968,900	
Share of gross liabilities of joint venture		(2,855,222)		(1,409,810)	
Goodwill	9(a)	1,194,826		791,007	
Loans to joint venture		1,942,910		435,410	
			2,030,894		785,507
Intangible asset – purchase goodwill	9(b)		118,274		260,198
Total fixed assets			6,824,825		5,128,564
Current assets					
Stocks	10		5,798,005		3,642,766
Debtors	11		7,534,211		6,162,389
Cash at bank and in hand	25(c)		7,088		16,237
			13,339,304		9,821,392
Creditors amounts falling due within one year	12		7,448,831		6,881,127
Net current assets			5,890,473		2,940,265
Total assets less current liabilities			12,715,298		8,068,829
Creditors amounts falling due after more than one year	13		2,026,595		2,218,611
Provisions for liabilities					
Deferred taxation	17		308,850		316,305
			2,335,445		2,534,916
Net assets			10,379,853		5,533,913
Capital and reserves					
Called up share capital	18		136,197		136,197
Profit and loss account	19		10,243,656		5,397,716
Equity shareholders' funds	19		10,379,853		5,533,913

The financial statements were approved by the Board on 4 October 2013 and signed on their behalf by

Christopher Thompson
Director

Company balance sheet

At 31 March 2013

	Notes	2013 £	2012 £
Fixed assets			
Investments	9(a)	108,957	108,957
Debtors	11	27,240	27,240
Net assets		136,197	136,197
Capital and reserves			
Called up share capital	18	136,197	136,197
Profit and loss account		-	-
Equity shareholders' funds		136,197	136,197

The financial statements were approved by the Board on 4 October 2013 and signed on their behalf by

Christopher Thompson
Director

Group statement of cash flows

For the year ended 31 March 2013

	Notes	2013 £	2012 £
Net cash inflow from operating activities	25(a)	5,323,487	641,509
Returns on investments and servicing of finance			
Interest paid		(65,236)	(64,089)
Interest received		42	105
Interest element of finance lease rental payments		(110,485)	(115,499)
		(175,679)	(179,483)
Capital expenditure and financial investment			
Payments to acquire purchased goodwill	9(b)	-	(354,816)
Payments to acquire tangible fixed assets		(346,737)	(457,902)
Receipt from sales of tangible fixed assets		208,250	280,000
Receipt of government grants	15	-	220,000
Investment in joint venture	9(a)	(1,974,732)	(303,000)
		(2,113,219)	(615,718)
Taxation paid		(1,053,221)	-
Net cash inflow/(outflow) before financing		1,981,368	(153,692)
Financing			
Repayments of capital element of finance lease contracts		(838,100)	(862,464)
Repayment of loans		(355,386)	(155,435)
New loans advanced		-	872,514
Amounts advanced against trade debtors		(797,031)	299,370
		(1,990,517)	153,985
(Decrease)/increase in cash	25(b)	(9,149)	293

Notes to the financial statements

At 31 March 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with applicable accounting standards except for the adoption of merger accounting referred to below

The group financial statements consolidate the financial statements of Express Engineering (Holdings) Limited, associates and its subsidiary undertaking up to 31 March each year No profit and loss account is presented by Express Engineering (Holdings) Limited as permitted by Section 408 of the Companies Act 2006 Express Engineering (Holdings) Limited made a profit after tax of £nil in the year ended 31 March 2013 (2012 £nil)

In the opinion of the directors, the combination with Express Engineering (Holdings) Limited is part of a group reconstruction rather than an acquisition, since the shareholders of the company are the same as the former shareholders in Express Engineering (Thompson) Limited, and the rights of each shareholder, relative to the others are unchanged, and no interests in the net assets of the group are altered Hence the shareholders have a continuing interest in the business of Express Engineering (Holdings) Limited and Express Engineering (Thompson) Limited both before and after the Group reconstruction Consequently, the directors consider that to record the Group reconstruction as an acquisition by the company, to attribute fair values to the assets and liabilities of the Group and to reflect only the post reconstruction results within these financial statements would fail to give a true and fair view of the group's results and financial position

Accordingly, having regard to the overriding requirement under Section 403 of the Companies Act 2006 for the financial statements to give a true and fair view of the group's results and financial position, the directors have adopted merger accounting principles in drawing up these financial statements

In the company financial statements advantage has been taken of merger relief rules, and the shares issued as consideration for the acquisition of Express Engineering (Thompson) Limited have been accounted for at nominal value

Depreciation

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

Plant and machinery	-	2 to 13 years
Fixtures and fittings	-	8 years
Computer equipment	-	4 to 8 years

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

Deferred government grants

Government grants in respect of specific projects are credited to a deferred income account and are released to the profit and loss account over the life of the project

Grants of a revenue nature are credited to income in the period to which they relate

Stocks

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

Raw materials and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Notes to the financial statements

At 31 March 2013

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives

The corresponding hire purchase obligation is capitalised in the balance sheet as a liability The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to income on a straight line basis over the lease term

Pensions

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

Deferred taxation

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

(i) Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

(ii) Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at on an undiscounted basis the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

Investments

Investments in joint ventures and subsidiaries are stated at cost less any provision for permanent diminution in value where appropriate

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

Goodwill

Purchased goodwill arising on acquisitions of unincorporated businesses is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life of 30 months

Goodwill arising on acquisition in shareholdings of joint venture is capitalised, classified as part of the investment in the joint venture in the balance sheet and amortised on a straight-line basis over its useful economic life of 20 years Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

1. Accounting policies (continued)

Share based payments

FRS 20 requires the fair value of options and share awards, if material, which ultimately vest to be charged to the profit and loss account over the vesting or performance period For equity settled

Notes to the financial statements

At 31 March 2013

transactions the fair value is determined at the date of the grant using an appropriate pricing model For cash settled transactions, fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled If an award fails to vest as the result of certain types of performance condition not being satisfied, the charge to the income statement will be adjusted to reflect this

2. Turnover

Group turnover, which is stated net of value added tax, represents amounts invoiced to third parties

The turnover and pre-tax profit is attributable to one continuing activity, namely precision engineering

An analysis of turnover by geographical market is given below

	2013	*2012*
	£	*£*
United Kingdom	22,516,072	13,450,642
Europe	3,349,164	3,310,799
Brazil	1,956,408	2,398,234
Rest of World	1,621,538	1,187,150
	29,443,182	20,346,825

3. Operating profit

This is stated after charging/(crediting)

	2013	*2012*
	£	*£*
Auditors' remuneration - audit services	20,500	17,500
- audit services (joint venture)	15,000	-
- non audit services (taxation)	21,337	22,840
Amortisation of purchased goodwill (note 9 (b))	141,924	94,618
Amortisation of goodwill on acquisition of joint venture (note 9 (a))	63,413	10,013
Depreciation of owned fixed assets	417,118	393,082
Depreciation of assets held under finance leases and hire purchase contracts	390,141	296,208
Operating lease rentals - land and buildings	511,950	403,950
- other	73,974	79,845
Profit on disposal of fixed assets	(6,620)	(6,398)
Release of government grants (note 15)	(100,000)	(100,000)

Notes to the financial statements

At 31 March 2013

4. Directors' emoluments

	2013 £	2012 £
Emoluments (salaries and fees)	245,079	227,738
Estimated benefits in kind	20,232	8,012
Contributions to defined contribution pension scheme	22,891	8,278
	288,202	244,028

The emoluments of the directors were as follows

	2013 £	2012 £
Emoluments of the highest paid director	115,375	103,753
Contributions paid to defined contribution pension schemes	7,400	4,700

The number of directors to whom retirement benefits are accruing at the year end in respect of qualifying services made

	2013 No	2012 No
Defined contribution pension schemes	2	2

5. Staff costs

	2013 £	2012 £
Wages and salaries	7,928,287	6,624,590
Social security costs	808,586	666,509
Other pension costs	160,885	134,470
	8,897,758	7,425,569

The average monthly number of employees during the year was as follows

	2013 No	2012 No
Administration	30	32
Manufacturing	188	151
	218	183

Notes to the financial statements

At 31 March 2013

6. Interest payable and similar charges

	2013	*2012*
	£	*£*
Finance charges payable under hire purchase contracts	110,485	115,499
Interest payable on loans	23,643	25,861
Interest payable on invoice discounting	41,593	38,228
	175,721	179,588

7. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2013	*2012*
	£	*£*
Current tax		
UK Corporation tax	1,457,724	556,497
Foreign corporation tax	21,342	-
Tax overprovided in previous years	(257,165)	-
Total current tax (note 7(b))	1,221,901	556,497
Deferred tax		
Origination and reversal of timing differences	(1,172)	19,949
Prior year adjustments	(6,283)	(49,992)
Deferred taxation (note 17)	(7,455)	(30,043)
Tax charge on profit on ordinary activities	1,214,446	526,454

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 24% (2012 26%) The differences are reconciled below

	2013	*2012*
	£	*£*
Profit on ordinary activities before tax	6,000,224	2,187,894
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 26%)	1,440,054	568,852
Disallowable expenses/(Non-taxable income)	5,971	6,649
Capital allowances less than/(in excess of) depreciation	1,131	(6,488)
Deferred tax movement – other timing differences	92	(15,123)
Tax overprovided in previous years	(257,165)	-
Research and development tax credit deduction	(173,883)	-
Other – consolidation adjustments – amortisation of goodwill	15,219	2,607
Brazilian joint venture loss	169,140	-
Foreign tax	21,342	-
Total current tax (note 7(a))	1,221,901	556,497

Notes to the financial statements

At 31 March 2013

7. Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

The UK government has announced its intention to reduce the UK corporation tax rate to 20% by 1 April 2015 The reduction from 26% to 24% was substantively enacted on 26 March 2012 and came into effect on 1 April 2012 A rate of 24% therefore applies to current tax liabilities arising during the period

A further reduction to 23% was announced in the Budget and substantively enacted on 3 July 2012 and this rate will instead come into effect on 1 April 2013

As the 23% rate was substantively enacted at the balance sheet date, this rate has been applied to the deferred tax liabilities at the year end

The company's future tax charge is also affected by the Government's reduction in the main rate of capital allowances from 20% to 18% and from 10% to 8% with effect from 1 April 2012

8. Tangible fixed assets

Group

	Leasehold property improvements	*Plant and machinery*	*Fixtures, fittings and equipment*	*Total*
	£	£	£	£
Cost				
At 1 April 2012	272,935	11,217,581	1,631,698	13,122,214
Additions	16,783	1,503,866	81,038	1,601,687
Disposals	-	(720,588)	-	(720,588)
At 31 March 2013	289,718	12,000,859	1,712,736	14,003,313
Depreciation				
At 1 April 2012	80,632	7,459,384	1,499,339	9,039,355
Provided during the year	32,944	722,342	51,973	807,259
Disposals	-	(518,958)	-	(518,958)
At 31 March 2013	113,576	7,662,768	1,551,312	9,327,656
Net book value				
At 31 March 2013	176,142	4,338,091	161,424	4,675,657
At 1 April 2012	192,303	3,758,197	132,359	4,082,859

The net book value of plant and machinery above includes an amount of £3,433,014 (2012 £2,602,793) in respect of assets held under hire purchase contracts

Notes to the financial statements

At 31 March 2013

9. (a) Investments

Group

	Joint Venture goodwill
	£
Cost	
At 1 April 2012	801,020
Additions – additional equity investments	467,232
At 31 March 2013	1,268,252
Amortisation	
At 1 April 2012	10,013
Goodwill amortised in the year	63,413
At 31 March 2013	73,426
Net book value	
At 31 March 2013	1,194,826
At 1 April 2012	791,007

During the year ended 31 March 2010, C S Thompson (Controlling Party) acquired a 25% stake in Petrotec Components de Precisão Ltda along with Express Engineering (Thompson) Limited also acquiring 25% On 7 December 2012, Express Engineering (Thompson) Limited acquired at cost the loan and equity interest of C S Thompson The Company now owns 50% of the equity and voting rights in Petrotec Components de Precisão Ltda

The joint venture in the group financial statements has been accounted for based on Petrotec Components de Precisão Ltda results for the year ending 31 December 2012

The results of Petrotec Components de Precisão Ltda for the 3 month period ended 31 March 2013 are also not material to the Express Engineering (Holdings) Limited financial statements for the year ended 31 March 2013 Therefore, the non-coterminous period end date at 31 December 2012 has been used for the purposes of consolidation, meaning no trading results for Petrotec Components de Precisão Ltda are identified in the group financial statements for the 3 month period ended 31 March 2013

On 2 July 2013, the group completed the acquisition of the remaining 50% of the share capital of Petrotec Components de Precisão Ltda, a company registered in Brazil, from its joint venture partner Brastec Technologies Ltda

Notes to the financial statements

At 31 March 2013

9. (a) Investments (continued)

Company

	Subsidiary undertakings £
Cost	
At 1 April 2012 and 31 March 2013	108,957

Details of the investments in which the company holds at least 20% of the nominal value of any class of share capital are as follows

Name of company	*Country of registration*	*Holding*	*Proportion of voting rights and shares*	*Nature of business*
Express Engineering (Thompson) Limited	United Kingdom	100%	100%	Engineering
Petrotec Components de Precisão Ltda (*)	Brazil	50%	50%	Engineering

(*) Owned by Express Engineering (Thompson) Limited

9 (b) Intangible asset – purchased goodwill

On 11 July 2012, the company acquired the trade and some of the assets of Northern Precision Engineering Limited (in administration receivership) for a consideration of £1,400,000 The difference between the consideration and the fair value of the assets acquired has been treated as purchased goodwill

The goodwill is to be amortised over 30 months

	£
Cost	
At 1 April 2012 and 31 March 2013	354,816
Amortisation	
At 1 April 2012	94,618
Charge in year	141,924
At 31 March 2013	236,542
Net book value	
At 31 March 2013	118,274
At 1 April 2012	260,198

Notes to the financial statements

At 31 March 2013

10. Stocks

	Group 2013 £	*Company 2013* £	*Group 2012* £	*Company 2012* £
Raw materials and consumables	86,025	-	108,363	-
Work in progress	5,711,980	-	3,534,403	-
	5,798,005	-	3,642,766	-

The difference between the purchase price or production cost of stocks and their replacement cost is not significant

11. Debtors

	Group 2013 £	*Company 2013* £	*Group 2012* £	*Company 2012* £
Trade debtors	7,276,321	-	5,963,429	-
Other debtors	797	-	3,473	-
Prepayments and accrued income	257,093	-	195,487	-
Amounts due from subsidiary undertaking	-	27,240	-	27,240
	7,534,211	27,240	6,162,389	27,240

12. Creditors: amounts falling due within one year

	Group 2013 £	*Company 2013* £	*Group 2012* £	*Company 2012* £
Obligations under finance leases and hire purchase contracts (note 16)	783,735	-	646,429	-
Current instalments due on loans (note 14)	6,560	-	7,872	-
Trade creditors	3,418,978	-	2,475,318	-
Other taxes and social security costs	813,731	-	820,710	-
Deferred government grants (note 15)	90,000	-	100,000	-
Deferred consideration (Note 9(b))	375,000	-	347,514	-
Accruals	1,088,406	-	961,170	-
Amounts advanced against trade debtors	168,586	-	965,617	-
Corporation tax payable	703,835	-	556,497	-
	7,448,831	-	6,881,127	-

Notes to the financial statements

At 31 March 2013

13. Creditors: amounts falling due after more than one year

	Group 2013 £	*Company 2013 £*	*Group 2012 £*	*Company 2012 £*
Loans (note 14)	-	-	6,560	-
Deferred consideration (note 9(b))	150,000	-	525,000	-
Obligations under finance leases and hire purchase contracts (note 16)	1,876,595	-	1,597,051	-
Deferred government grants (note 15)	-	-	90,000	-
	2,026,595	-	2,218,611	-

14. Loans

	Group 2013 £	*Company 2013 £*	*Group 2012 £*	*Company 2012 £*
Amounts repayable				
In one year or less	6,560	-	7,872	-
In more than one year but not more than two years	-	-	6,560	-
	6,560	-	14,432	-
Less included in creditors amounts falling due within one year (note 12)	6,560	-	7,872	-
	-	-	6,560	-

Details of loans wholly repayable within five years are as follows	*Group 2013 £*	*Group 2012 £*
Carbon Trust interest free loans	6,560	14,432
	6,560	14,432

The Carbon Trust loans are provided to facilitate the replacement of old, energy inefficient equipment with new, low-carbon technology The loans are interest free and repayable over two or three years, and are secured against the acquired assets

Notes to the financial statements

At 31 March 2013

15 Deferred government grants

Group

	£
Grants	
At 1 April 2012	190,000
Amortisation in the year (note 3)	(100,000)
At 31 March 2013	90,000
To be released within one year (note 12)	90,000
To be released in more than one year (note 13)	-
	90,000

16. Obligations under hire purchase contracts

The maturity of these amounts is as follows

	Group 2013 £	*Company 2013* £	*Group 2012* £	*Company 2012* £
Amounts payable				
Within one year	939,346	-	732,077	-
Within two to five years	1,888,692		1,688,253	-
	2,828,038	-	2,420,330	-
Less finance charges allocated to future periods	(167,708)	-	(176,850)	-
	2,660,330	-	2,243,480	-

Hire purchase contract obligations are analysed as

	Group 2013 £	*Company 2013* £	*Group 2012* £	*Company 2012* £
Current obligations (note 12)	783,735	-	646,429	-
Non current obligations (note 13)	1,876,595	-	1,597,051	-
	2,660,330	-	2,243,480	-

Notes to the financial statements

At 31 March 2013

17. Provisions for liabilities

Group

The movements in deferred taxation during the current and previous years are as follows

	2013	*2012*
	£	*£*
At 1 April	316,305	346,348
Deferred taxation credit for the year (note 7(a))	(7,455)	(30,043)
At 31 March	308,850	316,305

Deferred taxation provided at 23% (2012 24%) in the financial statements is as follows

	2013	*2012*
	£	*£*
Capital allowances in advance of depreciation	312,730	320,262
Other timing differences	(3,880)	(3,957)
	308,850	316,305

18. Share capital

Group	*Allotted, called up and fully paid*	
	2013	*2012*
	£	*£*
1,089,570 Ordinary shares of £0 10 each	108,957	108,957
272,400 "Y" Ordinary shares of £0 10 each	27,240	27,240
	136,197	136,197

Notes to the financial statements

At 31 March 2013

19 Reconciliation of shareholders' funds and movements on reserves

Group

	Share capital	Profit and loss account	Total
	£	£	£
At 1 April 2011	108,957	3,736,276	3,845,233
Shares issued in year	27,240	-	27,240
Profit for the year	-	1,661,440	1,661,440
At 1 April 2012	136,197	5,397,716	5,533,913
Profit for the year	-	4,785,778	4,785,778
Foreign currency movements on consolidation	-	60,162	60,162
At 31 March 2013	136,197	10,243,656	10,379,853

20. Pension commitments

Group

The group operates a defined contribution pension scheme for its directors and employees The assets of the scheme are held separately from those of the group in an independently administered fund The unpaid contributions outstanding at the year end, included in accruals (note 12) are £16,871 (2012 £16,487)

21 Other financial commitments

Group

At 31 March 2013 the group had annual commitments under non-cancellable operating leases as set out below

		Land and buildings		Other
	2013	2012	2013	2012
	£	£	£	£
Operating leases which expire				
within one year	-	-	16,578	22,105
within two to five years	-	-	111,971	66,026
in more than five years	522,950	522,950	-	-
	522,950	522,950	128,549	88,131

22. Contingent liabilities

Group and company

There were no contingent liabilities at 31 March 2013 which have not been provided for in the financial statements

Notes to the financial statements

At 31 March 2013

23. Capital commitments

Group and company

Amounts contracted for but not provided in the financial statements amounted to £550,000 for the Group and £nil for the company (2012 Group £1,075,030 and Company £nil)

24. Related parties

Group

During the year, the Group entered into the following transactions, in the ordinary course of business, with other related parties

	Sales to related parties	*Purchases from related parties*	*Amounts owned to related parties*	*Amounts owed by related parties*
	£	*£*	*£*	*£*
2013				
Northern Property Partnership LLP	-	145,096	-	-
Express Holdings (Thompson) Limited	55,992	300,055	145	-
2012				
Northern Property Partnership LLP	-	145,000	-	-
Express Holdings (Thompson) Limited	52,460	265,454	180	-

All related parties have the same controlling party, Mr C S Thompson

25. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2013	*2012*
	£	*£*
Operating profit	6,393,987	2,367,377
Depreciation	807,259	689,290
Amortisation of purchased goodwill	141,924	94,618
Share of operating loss of joint venture	486,668	-
Amortisation of goodwill on acquisition of joint venture	63,413	10,013
Increase in stocks	(2,155,239)	(1,485,533)
Increase in debtors	(1,371,822)	(2,894,137)
Increase in creditors	1,063,917	1,966,279
Deferred government grants released	(100,000)	(100,000)
Profit on sale of fixed assets	(6,620)	(6,398)
Net cash inflow from operating activities	5,323,487	641,509

Notes to the financial statements

At 31 March 2013

25. Notes to the statement of cash flows

b) Reconciliation of net cash flow to movement in net debt

	2013 £	2012 £
(Decrease)/increase in cash	(9,149)	293
Cash used to repay capital element of finance leases and hire purchase contracts	838,100	862,464
Cash used to repay loans	355,386	155,435
New loans	-	(872,514)
Increase in amounts advanced against trade debtors	797,031	(299,370)
Decrease/(increase) in net debt resulting from cash flows	1,981,368	(153,692)
New finance leases and hire purchase contracts	(1,254,950)	(978,982)
Decrease/(increase) in net debt	726,418	(1,132,674)
Net debt at beginning of year	(4,079,806)	(2,947,132)
Net debt at end of year	(3,353,388)	(4,079,806)

(c) Analysis of net debt

	At 1 April 2012 £	Cash Flow £	Other changes £	At 31 March 2013 £
Cash at bank and in hand	16,237	(9,149)	-	7,088
Other debt due within one year	(355,386)	355,386	(381,560)	(381,560)
Debt due after one year	(531,560)	-	381,560	(150,000)
Finance leases and hire purchase contracts	(2,243,480)	838,100	(1,254,950)	(2,660,330)
Amounts advanced against trade debtors	(965,617)	797,031	-	(168,586)
	(4,079,806)	1,981,368	(1,254,950)	(3,353,388)

26. Controlling party

The company is controlled by Mr C S Thompson

Notes to the financial statements

At 31 March 2013

27 Share-based payments

The company operates a share option scheme by which certain executive directors of the company and its subsidiary undertaking are able to subscribe for 10p A,B,C or D ordinary shares in Express Engineering (Holdings) Limited The interests of the directors of those share options were as follows

	At 1 April 2012	*Granted/ (exercised) during the year*	*At 31 March 2013*
K Scott	68,099	-	68,099
N Davison	68,099	-	68,099
M V Blakey	68,099	-	68,099
G Thirlwell	68,099	-	68,099

The weighted average fair value of options granted during the year was £nil (2012 £nil) The exercise price for options outstanding at the end of the year was 18 5p (2012 18 5p)

The fair value of equity settled share options granted is estimated as at the date of grant using the Black-Scholes option pricing model, taking account of the terms and conditions upon which the options were granted The following table lists the inputs to the model used for the options granted in the year ended 31 March 2007

Dividend yield	0%
Share price volatility	40%
Risk free interest rate	5%
Expected life of option	2 years
Underlying share price	£0 185

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome

No other features of options granted were incorporated into the measurement of fair value

The FRS 20 charge so calculated has been assessed as immaterial As such the expense recognised for equity settled share-based payments in respect of employee services received during the year to 31 March 2013 is £nil (2012 £nil)

28. Post balance sheet events

On 17 May 2013, the group repurchased 218,871 of its own ordinary shares These shares were cancelled by the company on the same date

On 2 July 2013, the group completed the acquisition of the remaining 50% of the share capital of Petrotec Components de Precisão Ltda, a company registered in Brazil, from its joint venture partner Brastec Technologies Ltda

On 23 August 2013, the group acquired the trade and assets of Burdon Limited, a company registered in England The company now trades as Express Engineering (Stokesley) Limited and will be used to expand services and reduce lead times to existing Express customers