

COMPANY REGISTRATION NUMBER 02292621

SURFACE TECHNOLOGY INTERNATIONAL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MAY 2012



S F BROCKLEHURST & CO
Chartered Accountants & Statutory Auditor
Forest Lodge
Forest Road
Pyrford
Surrey
GU22 8NA

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

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SURFACE TECHNOLOGY INTERNATIONAL LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	Mr S Best Mr C Lyon Mr A Best Mr N J Davey
Company secretary	Reid & Co Professional Services Limited
Registered office	Osborn Way Hook Hampshire RG27 9XH
Auditor	S F Brocklehurst & Co Chartered Accountants & Statutory Auditor Forest Lodge Forest Road Pyrford Surrey GU22 8NA
Bankers	HSBC 165 High Street Southampton SO14 2NZ

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

CHAIRMAN'S STATEMENT

YEAR ENDED 31 MAY 2012

Despite the challenging global macro backdrop, the company's performance was broadly in line with expectations, with turnover increasing to £50.1 million and profits above expectation at £3.35m. We continue investing in new equipment, bringing on new facilities and building for the future, targeting new market sectors, developing new and existing customers and strengthening our talent pool. We continue to develop STI-P, our manufacturing facility in Cebu, Philippines, however, we remain behind expectations taking longer than planned to modernising the equipment and developing our customer base. We remain confident in achieving success with this facility going forward.

FUTURE

While we expect market conditions to remain tough for the foreseeable future, we remain confident about delivering further growth across all market sectors, we are forecasting group sales of £70m - £75m. To do this we need to continue our investments plans, develop further our new Research and Development business, all now incorporated under the STI Enterprises PLC banner. We have successfully launched an integrated graduate recruitment and university collaboration program in the UK, and are in the process of launching a similar scheme in Barcelona, Spain and Cebu, Philippines. We have integrated our two training schools, training all operators world wide to IPC Class 3 and expect the Cebu operation to be AS9100C compatible by December 2012.

The Directors recognise the key contribution of the Company's Management team and all its personnel and pay tribute to their continued hard work in building the company for a secure future. We will endeavour to continually outperform our customer's expectations and constantly to improve our relationships with our customers, suppliers and our employees.



Simon Best
Chairman
Dated 31st August 2012

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MAY 2012

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 May 2012

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of the provision of assembly services for the electronics industry.

The directors consider the state of the company to be satisfactory and a review of the business is enclosed in the Chairman's Statement within these accounts

FUTURE DEVELOPMENTS

The future developments of the company are noted in the Chairman's Statement enclosed in these accounts

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,405,343 Particulars of dividends paid are detailed in note 8 to the financial statements

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise bank balances, trade creditors, trade debtors and finance lease agreements The main purpose of these instruments is to raise funds and to finance the company's operations Due to the nature of the financial instruments used by the company, there is no exposure to price risk The company's approach to managing other risks applicable to the financial instruments concerned is shown below

- a)The company is a lessee in respect of finance leased assets The liquidity risk in respect of these is managed by ensuring that there are sufficient funds to meet payments when they arise
- b)Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits
- c)Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

RESEARCH AND DEVELOPMENT

The company continues to invest in research and development and will do so into the foreseeable future

DIRECTORS

The directors who served the company during the year were as follows

Mr S Best
Mr C Lyon
Mr A Best
Mr K Crossley
Mr N J Davey

Mr N J Davey was appointed as a director on 20 January 2012.

Mr K Crossley resigned as a director on 28 February 2012

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MAY 2012

POLICY ON THE PAYMENT OF CREDITORS

It is the policy of the Company to settle terms of payment with suppliers on a timely basis in the ordinary course of business, and to agree appropriate terms and conditions in advance with its suppliers. The company endeavours to make payment in accordance with those terms and conditions, provided that the supplier has complied with them. Suppliers and their payment terms are looked at on an individual basis and regularly reviewed. The company believes that the average payment period for suppliers is 60 days. A copy of the company's standard payment practice can be obtained from the company's premises.

DIRECTORS' RESPONSIBILITIES

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

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

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

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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DONATIONS

During the year the company made the following contributions

	2012	2011
	£	£
Charitable	<u>3,521</u>	<u>4,375</u>

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MAY 2012

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit sharing schemes and are encouraged to invest in the company through participation in share option schemes.

AUDITOR

S F Brocklehurst & Co are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed by order of the directors



REID & CO PROFESSIONAL SERVICES LIMITED

Company Secretary

Approved by the directors on 31 August 2012

SURFACE TECHNOLOGY INTERNATIONAL LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SURFACE TECHNOLOGY INTERNATIONAL LIMITED
YEAR ENDED 31 MAY 2012

We have audited the financial statements of Surface Technology International Limited for the year ended 31 May 2012. 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 shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the Annual Report, 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 (APB'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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2012 and of its 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 MATTERS 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.

SURFACE TECHNOLOGY INTERNATIONAL LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SURFACE TECHNOLOGY INTERNATIONAL LIMITED *(continued)*

YEAR ENDED 31 MAY 2012

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 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



STEPHEN BROCKLEHURST (Senior
Statutory Auditor)
For and on behalf of
S F BROCKLEHURST & CO
Chartered Accountants
& Statutory Auditor

Forest Lodge
Forest Road
Pyrford
Surrey
GU22 8NA

31 August 2012

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MAY 2012

	Note	2012 £	2011 £
TURNOVER	2	50,089,338	41,173,298
Cost of sales		<u>37,554,277</u>	<u>30,824,023</u>
GROSS PROFIT		12,535,061	10,349,275
Administrative expenses		<u>9,186,169</u>	<u>8,180,292</u>
OPERATING PROFIT	3	3,348,892	2,168,983
Interest receivable		<u>4,891</u>	<u>1,783</u>
Interest payable and similar charges	6	<u>(176,457)</u>	<u>(34,307)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,177,326	2,136,459
Tax on profit on ordinary activities	7	<u>771,983</u>	<u>469,636</u>
PROFIT FOR THE FINANCIAL YEAR		<u>2,405,343</u>	<u>1,666,823</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 11 to 22 form part of these financial statements

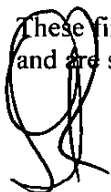
SURFACE TECHNOLOGY INTERNATIONAL LIMITED

BALANCE SHEET

31 MAY 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Tangible assets	9	<u>3,054,197</u>	<u>2,510,014</u>
CURRENT ASSETS			
Stocks	10	6,141,955	8,929,577
Debtors	11	15,888,469	12,724,173
Cash in hand		112	2,474
		<u>22,030,536</u>	<u>21,656,224</u>
CREDITORS: Amounts falling due within one year	12	<u>15,767,787</u>	<u>17,212,928</u>
NET CURRENT ASSETS		<u>6,262,749</u>	<u>4,443,296</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,316,946</u>	<u>6,953,310</u>
CREDITORS: Amounts falling due after more than one year	13	–	12,750
PROVISIONS FOR LIABILITIES			
Deferred taxation	16	<u>187,168</u>	<u>193,125</u>
		<u>9,129,778</u>	<u>6,747,435</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	125,600	125,600
Share premium account	21	375,000	375,000
Other reserves	22	100,000	100,000
Profit and loss account	23	8,529,178	6,146,835
SHAREHOLDERS' FUNDS	24	<u>9,129,778</u>	<u>6,747,435</u>

These financial statements were approved by the directors and authorised for issue on 31 August 2012, and are signed on their behalf by



MR S BEST

Company Registration Number 02292621

The notes on pages 11 to 22 form part of these financial statements

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MAY 2012

	Note	2012 £	2011 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	2,108,395	1,116,227
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25	(171,566)	(32,524)
TAXATION	25	(1,148,066)	(202,024)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25	(1,475,106)	(1,119,199)
EQUITY DIVIDENDS PAID		(23,000)	(50,367)
CASH OUTFLOW BEFORE FINANCING		<u>(709,343)</u>	<u>(287,887)</u>
FINANCING	25	(58,136)	(154,458)
DECREASE IN CASH	25	<u>(767,479)</u>	<u>(442,345)</u>

The notes on pages 11 to 22 form part of these financial statements

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax

Research and development

Research and development expenditure is written off in the year in which it is incurred

Fixed assets

All fixed assets are recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold Property	-	over life of lease
Fixtures & Fittings	-	10-33% per annum
Motor Vehicles	-	25% per annum

Stocks

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

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

1. ACCOUNTING POLICIES *(continued)*

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

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 a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	2012 £	2011 £
United Kingdom	49,700,179	40,693,480
Overseas	389,159	479,818
	<u>50,089,338</u>	<u>41,173,298</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2012 £	2011 £
Research and development expenditure written off	1,656,120	814,274
Depreciation of owned fixed assets	896,923	707,928
Depreciation of assets held under hire purchase agreements	34,000	55,692
Profit on disposal of fixed assets	–	(1,770)
Auditor's remuneration		
- as auditor	23,800	15,000
Operating lease costs		
- Plant and equipment	145,813	122,274
- Other	37,176	21,097
Net loss/(profit) on foreign currency translation	<u>210,845</u>	<u>(228,585)</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2012 No	2011 No
Number of production staff	324	290
Number of management & administrative staff	31	28
Number of sales staff	32	28
	<u>387</u>	<u>346</u>

The aggregate payroll costs of the above were

	2012 £	2011 £
Wages and salaries	9,125,102	8,683,937
Social security costs	989,656	947,447
Other pension costs	240,623	233,614
Other pension costs	90,949	13,537
	<u>10,446,330</u>	<u>9,878,535</u>

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2012	2011
	£	£
Remuneration receivable	436,919	242,235
Value of company pension contributions to money purchase schemes	90,949	13,537
	<u>527,868</u>	<u>255,772</u>

Remuneration of highest paid director:

	2012	2011
	£	£
Total remuneration (excluding pension contributions)	136,250	136,250
Value of company pension contributions to money purchase schemes	66,000	3,000
	<u>202,250</u>	<u>139,250</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2012	2011
	No	No
Money purchase schemes	<u>4</u>	<u>3</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Interest payable on bank borrowing	88,499	22,128
Finance charges	9,178	12,179
Other similar charges payable	78,780	—
	<u>176,457</u>	<u>34,307</u>

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2012 £	2011 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 24/26% (2011 - 26/28%)	777,940	497,959
Under provision in prior year	-	2,520
Total current tax	<u>777,940</u>	<u>500,479</u>
Deferred tax		
Origination and reversal of timing differences (note 16)		
Capital allowances	(5,957)	(30,843)
Tax on profit on ordinary activities	<u>771,983</u>	<u>469,636</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 26% (2011 - 28%)

	2012 £	2011 £
Profit on ordinary activities before taxation	<u>3,177,326</u>	<u>2,136,459</u>
Profit on ordinary activities by rate of tax	826,105	598,209
Capital allowances for period less than depreciation	3,036	49,082
Research and development credit	(105,468)	(169,822)
Expenses not deductible for tax purposes	64,370	26,506
Adjustments to tax charge in respect of previous periods	-	2,520
Tax chargeable at lower rates	(10,103)	(6,016)
Total current tax (note 7(a))	<u>777,940</u>	<u>500,479</u>

8. DIVIDENDS

Equity dividends

	2012 £	2011 £
Paid		
Equity dividends on ordinary shares	<u>23,000</u>	<u>50,367</u>

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

9. TANGIBLE FIXED ASSETS

	Leasehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST				
At 1 June 2011	368,689	8,163,850	36,361	8,568,900
Additions	–	1,475,106	–	1,475,106
At 31 May 2012	<u>368,689</u>	<u>9,638,956</u>	<u>36,361</u>	<u>10,044,006</u>
DEPRECIATION				
At 1 June 2011	262,972	5,784,802	11,112	6,058,886
Charge for the year	51,171	870,662	9,090	930,923
At 31 May 2012	<u>314,143</u>	<u>6,655,464</u>	<u>20,202</u>	<u>6,989,809</u>
NET BOOK VALUE				
At 31 May 2012	<u>54,546</u>	<u>2,983,492</u>	<u>16,159</u>	<u>3,054,197</u>
At 31 May 2011	<u>105,717</u>	<u>2,379,048</u>	<u>25,249</u>	<u>2,510,014</u>

Hire purchase agreements

Included within the net book value of £3,054,197 is £45,333 (2011 - £99,224) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £34,000 (2011 - £55,692).

10. STOCKS

	2012 £	2011 £
Raw materials	5,434,718	7,976,717
Work in progress	707,237	952,860
	<u>6,141,955</u>	<u>8,929,577</u>

11. DEBTORS

	2012 £	2011 £
Trade debtors	10,832,179	10,134,920
Amounts owed by group undertakings	2,866,372	–
Other debtors	24,859	2,469,211
Prepayments and accrued income	2,165,059	120,042
	<u>15,888,469</u>	<u>12,724,173</u>

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

12. CREDITORS: Amounts falling due within one year

	2012 £	2011 £
Bank overdraft and loan	3,982,374	3,217,257
Trade creditors	5,923,960	7,563,530
Other creditors including taxation and social security		
Corporation tax	447,940	818,066
PAYE and social security	267,006	270,649
VAT	1,555,187	753,124
Hire purchase agreements	12,750	58,136
Other creditors	5,585	17,786
Directors' current accounts	714,657	717,708
	<u>12,909,459</u>	<u>13,416,256</u>
Accruals and deferred income	2,858,328	3,796,672
	<u>15,767,787</u>	<u>17,212,928</u>

The bank overdraft and loan are secured over the leasehold premises of the company and a fixed and floating charge over the assets of the company

13. CREDITORS: Amounts falling due after more than one year

	2012 £	2011 £
Other creditors		
Hire purchase agreements	—	12,750

14. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	2012 £	2011 £
Amounts payable within 1 year	12,750	58,136
Amounts payable between 2 to 5 years	—	12,750
	<u>12,750</u>	<u>70,886</u>

Obligations under lease and hire purchase contracts are shown after deducting £2,263 (2011 - £16,139) financing charges which are allocated to future years

15. PENSIONS

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The total contributions paid in the year amounted to £331,572 (2011: £247,151). There were no outstanding contributions due or prepaid contributions made as at the year end.

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

16. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	2012 £	2011 £
Provision brought forward	193,125	223,968
Profit and loss account movement arising during the year	(5,957)	(30,843)
Provision carried forward	<u>187,168</u>	<u>193,125</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2012 £	2011 £
Excess of taxation allowances over depreciation on fixed assets	187,168	193,125
	<u>187,168</u>	<u>193,125</u>

17. COMMITMENTS UNDER OPERATING LEASES

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

	2012		2011	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	14,254	11,000	-
Within 2 to 5 years	-	193,285	-	205,434
After more than 5 years	368,152	-	272,922	-
	<u>368,152</u>	<u>207,539</u>	<u>283,922</u>	<u>205,434</u>

18. TRANSACTIONS WITH THE DIRECTORS

At the year end date the director Mr A Best was owed £714,657 (2011 - £717,708) The loan due to be repaid within twelve months of the commencement date of 31st March 2010, however this deadline has been extended at the agreement of the director Interest is calculated annually at a rate of 5% above Bank of England base rate on the month end balance

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

19. RELATED PARTY TRANSACTIONS

In the opinion of the Board, the company is controlled during this year by Mr S Best, the director and majority shareholder in the holding company

During the year Surface Technology International Philippines Inc (formerly Surface Technology International Fourlink Inc) became a fellow group company. At the balance sheet date £2,866,372 (2011 - £2,508,061) was owed by this company and goods of £335,140 were purchased from and goods of £8,909 sold to this company in the normal course of business

During the year the company acquired International Supplychain Limited This company ceased to trade, and has since been struck off At the balance sheet date £Nil (2011 - £313,054) was owed by this company

At the balance sheet date £13,827 was owed to ISL Asia, a company in which Mr S Best has a shareholding (2011 - £109,820 owed by) Goods of £679,373 were purchased from this company in the normal course of business

During the year goods of £199,135 were purchased from and goods of £29,462 sold to Cardionetics Limited, a company in which Mr S Best and Mr A Best are directors of and control, in the normal course of business

Dividends of £50,367 were paid in 2011 to the directors as follows - Mr S Best £21,000 and Mr C Lyon £29,367

20. SHARE CAPITAL

Allotted, called up and fully paid:

	2012		2011	
	No	£	No	£
125,000 Ordinary shares of £1 each	125,000	125,000	125,000	125,000
600 A - F Ordinary shares of £1 each	600	600	600	600
	<u>125,600</u>	<u>125,600</u>	<u>125,600</u>	<u>125,600</u>

21. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial year

22. OTHER RESERVES

	2012	2011
	£	£
Capital redemption reserve	<u>100,000</u>	<u>100,000</u>

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

23. PROFIT AND LOSS ACCOUNT

	2012 £	2011 £
Balance brought forward	6,146,835	4,530,379
Profit for the financial year	2,405,343	1,666,823
Equity dividends	(23,000)	(50,367)
Balance carried forward	<u>8,529,178</u>	<u>6,146,835</u>

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Profit for the financial year	2,405,343	1,666,823
Equity dividends	(23,000)	(50,367)
Net addition to shareholders' funds	<u>2,382,343</u>	<u>1,616,456</u>
Opening shareholders' funds	<u>6,747,435</u>	<u>5,130,979</u>
Closing shareholders' funds	<u>9,129,778</u>	<u>6,747,435</u>

25. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit	3,348,892	2,168,983
Depreciation	930,923	763,620
Profit on disposal of fixed assets	–	(1,770)
Decrease/(increase) in stocks	2,787,622	(3,282,293)
Increase in debtors	(3,164,296)	(2,477,747)
(Decrease)/increase in creditors	(1,794,746)	3,945,434
Net cash inflow from operating activities	<u>2,108,395</u>	<u>1,116,227</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2012 £	2011 £
Interest received	4,891	1,783
Interest paid	(167,279)	(22,128)
Interest element of hire purchase	(9,178)	(12,179)
Net cash outflow from returns on investments and servicing of finance	<u>(171,566)</u>	<u>(32,524)</u>

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

25. NOTES TO THE CASH FLOW STATEMENT *(continued)*

TAXATION

	2012 £	2011 £
Taxation	<u>(1,148,066)</u>	<u>(202,024)</u>

CAPITAL EXPENDITURE

	2012 £	2011 £
Payments to acquire tangible fixed assets	(1,475,106)	(1,147,249)
Receipts from sale of fixed assets	–	28,050
Net cash outflow from capital expenditure	<u>(1,475,106)</u>	<u>(1,119,199)</u>

FINANCING

	2012 £	2011 £
Capital element of hire purchase	(58,136)	(154,458)
Net cash outflow from financing	<u>(58,136)</u>	<u>(154,458)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2012 £	2011 £
Decrease in cash in the period	(767,479)	(442,345)
Cash outflow in respect of hire purchase	<u>58,136</u>	154,458
	<u>(709,343)</u>	<u>(287,887)</u>
Change in net debt	(709,343)	(287,887)
Net debt at 1 June 2011	<u>(3,285,669)</u>	(2,997,782)
Net debt at 31 May 2012	<u>(3,995,012)</u>	<u>(3,285,669)</u>

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2012

25. NOTES TO THE CASH FLOW STATEMENT *(continued)*

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jun 2011 £	Cash flows £	At 31 May 2012 £
Net cash			
Cash in hand and at bank	2,474	(2,362)	112
Bank overdrafts and loan	(3,217,257)	(765,117)	(3,982,374)
	<u>(3,214,783)</u>	<u>(767,479)</u>	<u>(3,982,262)</u>
Debt			
Hire purchase agreements	(70,886)	58,136	(12,750)
Net debt	<u>(3,285,669)</u>	<u>(709,343)</u>	<u>(3,995,012)</u>

26. ULTIMATE PARENT COMPANY

On the 2nd June 2011, the directors exchanged their shares in Surface Technology International Limited for shares in STI Enterprises plc, hence making STI Enterprises plc the parent and ultimate controlling company