Company Number: 00110663

ASSOCIATED BRITISH ENGINEERING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2013

ASSOCIATED BRITISH ENGINEERING PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

CONTENTS **Page**

The Directors' Report on pages 3 to 5 and the Directors' Remuneration Report on pages 42 and 43 have each been drawn up in accordance with the requirements of English law and liability in respect thereof is also governed by English law. In particular, the responsibility of the directors for these reports is owed solely to Associated British Engineering plc.

The directors submit to the members their Report and Accounts for the Group for the year ended 31 March 2013. Pages 1 to 5 and 38 to 44, including the Financial Highlights, Chairman's Statement, Directors' Report, Corporate Governance Report, Directors' Remuneration Report and the Directors, Registered Office and Advisers page form part of the Report of the Directors.

ASSOCIATED BRITISH ENGINEERING PLC

FINANCIAL HIGHLIGHTS

	2013 £'000	2012 £'000
REVENUE	**2,488**	3,342
OPERATING (LOSS)/PROFIT	**(31)**	529
LOSS BEFORE TAXATION	**(112)**	(629)
NET ASSETS	**3,754**	3,567
BASIC EARNINGS PER 2.5p ORDINARY SHARE	**(6p)**	(47p)
EQUITY SHAREHOLDERS' FUNDS PER 2.5p ORDINARY SHARE	**£1.83**	£1.74

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

The Group's operating profit fell from £529,000 in the previous year to a loss of £31,000 in the year to 31 March 2013. This decrease in profitability was largely due to a fall in revenue at the Group's main operating subsidiary, British Polar Engines Limited ("BPE"), which fell from £3.3m to £2.5m in the year to 31 March 2013. The BPE business by its nature remains volatile and subject to the vagaries of the offshore oil drilling market and world demand generally.

I am pleased to say that during the year your Board implemented measures enabling the Company to prepay all outstanding loan notes.

It is your Board's opinion that these measures leave the Company with a more attractive capital structure which should enable future corporate transactions to be considered more readily.

The IAS 19 Pension Valuation has resulted in a decrease in the pension deficit for BPE, a positive and welcome outcome. The actuarial deficit was £931,000 at 31 March 2013 (£975,000 at 31 March 2012).

The Board announced to the market in January 2013 that it had made an investment in Akoris Trading Limited ("Akoris"), through an investment by BPE. Akoris is actively negotiating some commodity finance transactions and examining a number of commodity asset opportunities.

The Board continues to keep central costs at a low level and seeks to identify a suitable corporate transaction to take the Group forward.

D A H Brown
Chairman

26 June 2013

The directors submit their report and audited accounts for the year ended 31 March 2013.

PRINCIPAL ACTIVITY

During the year the Company has acted as a parent undertaking for a subsidiary engaged in diesel and related engineering activities, for another new subsidiary engaged in commodity and natural resource trading, finance and investment and also a dormant subsidiary. Details of the subsidiaries are set out in notes 23 & 24.

BUSINESS REVIEW AND PRINCIPAL RISKS FACING THE BUSINESS

A review of the business and of events during the year is contained in the Chairman's Statement.

The Group's main operating business is its subsidiary British Polar Engines Limited. Business activity in the sector in which BPE primarily operates has in recent years been buoyed by sales to the oil services business. The past year has demonstrated that this business remains sensitive to economic downturn as orders have been delayed and deferred.

The trading outlook for BPE remains unpredictable and the Company is exposed to both volatile pricing and periodic cyclical swings. A review of the record of the trading results over the last decade amply demonstrates this with both revenue and operating profit increasing and declining with the oil sector. The Group's income stream fluctuates throughout the year as a result of the nature and size of the orders and order flows. It is therefore difficult to forecast trading and profitability to any great degree.

The economic downturn generally, and in our area of operation specifically, will continue to impact on the income and performance of the Group. In response to this the directors aim to keep abreast of the economic climate and business strategy will be continually reviewed and updated to deal with changes.

In January BPE invested in Akoris Trading Limited, a venture over which your company has control. This newly created subsidiary of BPE is exploring ways in which to develop its business in natural resource trading, finance and investment finance and commodity services.

Further consideration of risks and uncertainties in respect of financial instruments that face the Group and Company is contained in note 19 to the Group financial statements.

KEY PERFORMANCE INDICATORS

The Group uses various indicators to monitor its progress. Sales, service and production are continually monitored against set monthly budgets to compare and improve upon gross profit and operating profit margins. Budgets are set on a monthly and annual basis but the directors have not enhanced the disclosures in this regard as one key transaction stalling could have a significant impact on the feasibility of the budget meaning that such disclosures are not considered useful to users of the accounts.

The Group reviews the Pension Fund liability, the key assumptions underpinning the actuarial valuation and the minimum funding requirement on a continual basis. The key assumptions underpinning the actuarial valuation are reviewed and compared with industry norms; there were no notable variances from the prior year.

There is nothing to report on environmental, employee, social and community matters or essential contractual or other arrangements.

RESULTS AND DIVIDENDS

The Group's loss after tax, including the one off impact of the share restructuring exercise, amounted to £127,000. The directors are unable to recommend a dividend on the ordinary shares for the year (2012: nil per ordinary share).

CORPORATE GOVERNANCE

Details of corporate governance, which is part of this report for the year to 31 March 2013, are disclosed in the corporate governance report.

DIRECTORS

The names of the directors who served during the period from 1 April 2012 to 31 March 2013 are:

Mr D A H Brown	Chairman
Mr S J Cockburn	Non-Executive Director
Mr C Weinberg	Non-Executive Director
Mr A R Beaumont	Non-Executive Director

Biographical details of the directors are set out on page 44.

In accordance with the Articles of Association Mr C Weinberg retires by rotation and, being eligible, offers himself for re-election.

SUBSTANTIAL HOLDINGS

As at 12 June 2013 the Company had been notified of the following substantial interests, in excess of 3%, in the issued ordinary share capital of the Company:

W B Nominees Limited	20.3%
R A Pearce Gould	11.4%
(Part of Mr Pearce Gould's holding for his pension fund is held in Rulegale Nominees Limited – see below)	
Pershing Nominees Limited (BFCLT)	11.3%
(Of which Magro Investments has 4.2% of issued ordinary shares)	
Fiske Nominees Limited (FISKPOOL)	8.9%
(Of which I A W Tyler has 3.2% of issued ordinary shares)	
Rulegale Nominees Limited (JAMSCLT)	7.4%
(Of which R A Pearce Gould's pension fund has 4.0% of issued ordinary shares; this holding is included above under Mr Pearce Gould's overall beneficial holding)	
The Investment Company PLC	4.9%
Hargreaves Lansdown (Nominees) Limited	4.5%
(Of which D Newlands has 4.1% of issued ordinary shares)	

BENEFICIAL INTERESTS IN SIGNIFICANT CONTRACTS

None of the directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was party during the year.

BENEFICIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The beneficial interests of the directors, their spouses and children in the share capital of the Company according to the register kept by the Company as at 1 April 2012 and 31 March 2013 were as follows:

	Ordinary shares of	
	2.5p	**2.5p**
	2013	2012
	No.	No.
Mr D A H Brown	93,312	89,312
Mr S J Cockburn	72,237	72,237
Mr C Weinberg	115,916	111,916

At the relevant dates Mr S J Cockburn had a non-beneficial interest in 80,859 ordinary shares.

At 31 March 2013 David Brown had a 12.4% interest in the shares of Akoris Trading Limited

No share options were held by any of the directors at 31 March 2013 or 31 March 2012.

Since 31 March 2013 and up to and including 31 May 2013 there have been no changes in the directors' interests in the share capital of the Company.

CREDITOR PAYMENT POLICY

The Company's current policy concerning the payment of the majority of its trade creditors is to follow the Better Payment Practice Code co-ordinated by the Better Payment Practice Group. For other suppliers the Company's policy is to:

(a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
(b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
(c) pay in accordance with its contractual and other legal obligations.

Wherever possible the subsidiary follows the same policy. The average number of days which the Company took to pay creditors was 30 days (2012: 30 days).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group uses various financial instruments and these include cash, equity investments, loan stock and various others, such as trade receivables and trade payables which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The structure of the Group's and Company's capital, at nominal value, is as follows:

	No. in issue	Nominal Value £	Total Value £	% of Capital %
Ordinary shares	2,048,990	2.5p	51,225	1.9
Deferred shares	1,313,427	£1.975	2,594,018	98.1

Further details of the policies adopted by the Group in respect of the financial risk management are included within note 19 to the Group financial statements.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations during the year of £100 (2012: £nil).

DISABLED PERSONS

It is the Group's policy to give sympathetic consideration to the recruitment, continuing employment, training, career development and promotion of disabled persons.

AUDITOR

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with section 489 (4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

By order of the Board

For and on behalf of haysmacintyre Company Secretaries Limited
Company Secretary
26 June 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH ENGINEERING PLC

We have audited the Group financial statements of Associated British Engineering plc for the year ended 31 March 2013 which comprise the Group accounting policies, the Group income statement, the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the directors are responsible for the preparation of the Group 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 Group 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
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

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 Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Under the Listing Rules, we are required to review:

- the directors' statement, set out on page 41, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code (June 2010) specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter
We have reported separately on the parent Company financial statements of Associated British Engineering plc for the year ended 31 March 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
26 June 2013

BASIS OF PREPARATION
The Company is incorporated in the United Kingdom under the Companies Act 2006.

These Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The policies set out below have been consistently applied to all the years presented.

The consolidated financial statements have been prepared using accounting policies specified by those IFRSs that are in effect at the end of the reporting period (31 March 2013) or which have been adopted early.

NEWLY ISSUED ACCOUNTING STANDARDS
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IAS 1 Presentation of Financial Statements (amendments effective 1 July 2012)
- IAS 16 Property Plant & Equipment (amendments effective from 1 January 2013)
- IAS 19 Employee Benefits (amendment effective from 1 January 2013)
- IAS 27 Separate Financial Statements (amendment effective 1 January 2013)
- IAS 28 Investments in Associates and Joint Ventures (effective from 1 January 2013)
- IAS 32 Financial Instruments Presentation (amendment effective 1 January 2014)
- IAS 34 Interim Finance Reporting (Revised 2011) (amendment effective 1 January 2013)
- IFRS 1 First-time Adoption of International Financial Reporting Standards (amendment effective 1 January 2013)
- IFRS 7 Financial Instruments (amendments effective 1 January 2013)
- IFRS 9 Financial Instruments (effective from 1 January 2015)
- IFRS 10 Consolidated Financial Statements (amendment effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective from 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (amendment effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective from 1 January 2013)

The directors anticipate that the adoption of the above Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME

(Effective for annual periods beginning after 1 July 2011)
Amendments to IFRS 7: Disclosures – Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.

For the purpose of these financial statements the directors do not believe the amendments have any impact on the financial statements as no transfers of financial assets took place in the year.

(Effective for annual periods beginning on or after 1 January 2012)
Amendments to IAS 12: Deferred Tax – Recovery of Underlying Assets

The amendments to IAS 12 provide an exception to the general principle set out in IAS 12 *Income Taxes* that the measurements of deferred tax should reflect the manner in which an entity expects to recover the carrying amount of an asset. Specifically, the amendments establish a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in IAS 40 Investment Property will be recovered entirely through sale.

For the purpose of these financial statements the directors do not believe the amendments have any impact on the financial statements as no investment properties were held during the year.

GOING CONCERN
The financial statements have been prepared on the going concern basis. There have been no changes to accounting policies in the year. The most notable accounting event has been the recent restructuring of the Company's capital base and the decrease in the pension scheme deficit based on this year's actuarial forecast and referred to in the Chairman's Statement. The directors have agreed a revised schedule of the contributions to eliminate the deficit on the ABE Pension Fund over thirteen years starting from the year ended 31 March 2010. Based on the Group's budgets and cash forecasts, the Board considers that the Group has sufficient resources to meet all necessary outgoings and to enable it to continue in operational existence for the foreseeable future.

BASIS OF CONSOLIDATION
The Group financial statements incorporate the financial statements of Associated British Engineering plc and its subsidiary undertakings to 31 March each year. All inter-company balances and transactions have been eliminated in full. The Group financial statements include the results of subsidiaries acquired or disposed of during the year from or to the effective date of acquisition or disposal.

BUSINESS COMBINATIONS
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with the Standard.

Goodwill is measured in the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

REVENUE RECOGNITION
Revenue is measured at the fair value of the consideration receivable by the Group for goods supplied and services provided, excluding value added tax and trade discounts. Revenue from the sale of spare parts is recognised when the goods are dispatched or, if under a bill and hold arrangement, when they are available for despatch to a specific customer. Revenue from the sale of engines is recognised in accordance with the performance of contractual terms and specifically when the engines have been satisfactorily tested in accordance with contractual terms. Revenue from servicing and repair work is recognised when the work is completed.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Management are required, in accordance with IFRS, to exercise judgement and to make estimates and assumptions regarding the application of accounting policies and the resulting effect on reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience and a review of current conditions prevailing at the time but actual results may differ from these estimates. Any such revision is recognised in the financial statements in the period in which the change in circumstance is detected.

Accounting Judgements

The key areas where management have exercised judgement in the year, and the thought processes undertaken, are as follows:

Pension Scheme

The directors are in regular contact with the Trustees of the pension scheme in connection with three keys areas where judgement is exercised; the assumptions underpinning the actuarial valuation, continued negotiations regarding the pension scheme and in relation to the payment plan. The directors then assess the relevant estimates and assumptions made to ensure that where possible, all statutory obligations are met.

In evaluating the assumptions underpinning the actuarial valuation the directors have sought the professional advice of a firm of actuaries who prepare the valuation according to industry standards and norms. During the year under review an actuarial gain of £1,000 (2012: £643,000 gain) was recognised in the Group accounts.

The assumptions underpinning the actuarial valuation are disclosed further in note 17 to the Group financial statements.

Loan notes

The Group is also funded by £555,000 of loan notes with a 6% per annum coupon rate. IAS 39 states that financial liabilities should initially be recognised at fair value. The directors are of the opinion that the coupon rate is a market rate of return and therefore the loan notes were recognised at their transaction cost of £555,000, which was considered to be the same as their fair value. During the year, these loan notes were redeemed in full.

Deferred tax

Please refer to Taxation Policy below and note 20.

Accounting Estimates

The accounting estimate having an impact on carrying amounts of assets and liabilities in the reporting period is as follows:

Inventories

Inventories held by the Group consist of raw material (mainly components), work in progress (manufactured engine parts) and finished goods (both purchased and manufactured engine parts). A specific provision is made, on a 100% basis, for all stock lines that are obsolete or slow moving for periods in excess of four years. A general provision is made of 5%, 12.5%, 25% and 50% over all stock lines that have not moved for one, two, three and four years respectively.

The inventory provision at the year end amounted to £2,145,000 (2012: £2,080,000). The gross value of inventories at the year end is £3,174,000 (2012: £3,169,000).

The directors review their assumptions and accounting estimates, along with the accounting policies adopted in preparing these financial statements, on a regular basis and recognise any change in the period in which circumstances vary.

INVENTORIES AND IMPAIRMENT OF INVENTORIES

Inventories of raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Work in progress and finished goods include an appropriate allocation of overheads.

Cost is on a first in, first out basis. Net realisable value is the estimated selling price in the normal course of business, less estimated costs of completion and provision is made for obsolete, slow moving and defective inventories.

LEASED ASSETS

Leases of property and plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Assets held under finance leases are capitalised at lease inception at the lower of the asset's fair value and the present value of the minimum lease payments. Obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate within borrowings. The interest element of the finance cost is charged to the income statement over the life of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment is depreciated on the same basis as owned plant and equipment or over the life of the lease, if shorter.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals (net of any related lease incentives) are charged against profit on a straight line basis over the period of the lease.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation and any impairment in value. Freehold land is not depreciated. Depreciation is calculated to write down the cost of all property, plant and equipment less its residual value by annual instalments over their expected useful lives on the following bases:

Freehold buildings	5 per cent
Plant and machinery	7½- 33⅓ per cent

These useful lives and residual values are reviewed in each financial period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, over the term of the relevant lease. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

The carrying values of property, plant and machinery are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rates ruling at the balance sheet date. All exchange differences are dealt with through the income statement.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Group statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to cumulative unrecognised past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The Group has recognised the actuarial losses and gains immediately within the Statement of Comprehensive Income in accordance with the provisions stated within IAS 19 'Employee benefits'.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with a maturity of three months or less which are subject to an insignificant risk of changes in value.

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Further analysis of the Group’s financial instruments, and the relevant exposure to risks and uncertainties, is stated in note 19 below and the various classifications of financial assets and liabilities are identified and explained.

Trade and other receivables

Trade and other receivables are originally recognised at fair value. Subsequent measurement is at amortised cost using the effective interest rate method. A provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The total of bad and doubtful debts at the year end was £32,000 (2012: £7,000). Trade receivables and cash and cash equivalents are classified as loans and receivables.

Trade and other payables

Trade and other payables are originally recognised at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest rate method.

Investments in securities

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, with all transaction costs being written off to the income statement as incurred.

Investments in securities (continued)
Investments are classified as held for trading and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value of held for trading financial assets are included in the net profit or loss for the period. At the year end an adjustment of £25,000 (increase) was made to align the investments in securities with their fair value.

SHARE BASED PAYMENTS AND SHARE OPTIONS
Former employees of the Group have received remuneration in the form of share based payment transactions, whereby employees render services in exchange for rights over shares ('equity settled transactions'). The cost of these transactions is measured by reference to their fair value at the date at which the options are granted. The fair value is determined by using the Black-Scholes Option pricing model. There has been no charge recognised with respect to the share options as all those in issue fall outside the scope of IFRS 2, having been granted before November 2002.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT
At each balance sheet date the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

SEGMENTAL REPORTING
The standard requires financial information to be disclosed in the financial statements in the same format in which it is disclosed to the chief operating decision-maker. The chief decision-maker has been identified as the Board, at which level strategic decisions are made.

EQUITY AND RESERVES
Share capital represents the nominal value of shares that have been issued except for the preference shares classified as debt.

Deferred shares represents shares arising from the sub-division of ordinary shares of £2.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits and losses.

Other reserves relate to movements not classified in any of the reserves detailed above.

All transactions with owners of the parent are recorded separately within equity.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £'000	2012 £'000
REVENUE	1	**2,488**	3,342
Operating costs	2	**2,519**	(2,813)
OPERATING (LOSS)/PROFIT		**(31)**	529
Finance expense	7	**(119)**	(1,188)
Finance income	7	**38**	30
LOSS BEFORE TAXATION		**(112)**	(629)
Taxation	8	**(15)**	(28)
LOSS FOR THE YEAR		**(127)**	(657)
EARNINGS PER SHARE ON LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
BASIC AND DILUTED	9	**(6p)**	(47p)
Loss for the year attributable to:			
Owners of the Company		**(90)**	(657)
Non-controlling interests		**(37)**	-
		(127)	(657)

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

		2013 £'000	2012 £'000
Loss for the year		**(127)**	(657)
Other comprehensive income			
Actuarial gains on retirement benefit obligation	17	**1**	643
Other comprehensive income for the year		**1**	643
TOTAL COMPREHENSIVE (LOSS)/ FOR THE YEAR		**(126)**	(14)
Total comprehensive loss attributable to:			
Owners of the Company		**(89)**	(14)
Non-controlling interests		**(37)**	-
		(126)	(14)

All activities are classified as continuing.

The accounting policies on pages 7 to 12 and the notes on pages 17 to 29 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC **Company Number: 00110663**

GROUP BALANCE SHEET

31 MARCH 2013

	Note	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**380**	68
Current assets			
Inventories	12	**1,029**	1,089
Trade and other receivables	13	**497**	510
Held for trading investments	14	**84**	69
Cash and cash equivalents		**3,532**	4,031
		5,142	5,699
Total assets		**5,522**	5,767
EQUITY AND LIABILITIES			
Called up share capital	15	**51**	51
Deferred shares	15	**2,594**	2,594
Share premium account		**5,370**	5,370
Other components of equity		**11**	11
Retained earnings		**(4,548)**	(4,459)
Equity attributable to the Company's Equity shareholders		**3,478**	3,567
Non-controlling interests		**276**	-
Total equity		**3,754**	3,567
LIABILITIES			
Non-current liabilities			
Retirement benefit obligation	17b	**931**	975
Loan notes	18	**-**	555
Obligation under finance leases	18	**237**	-
Deferred tax liabilities	20	**15**	
		1,183	1,530
Current liabilities			
Trade and other payables	18	**520**	642
Obligations under finance leases	18	**65**	-
Current tax liabilities		**-**	28
		585	670
Total liabilities		**1,768**	2,200
Total equity and liabilities		**5,522**	**5,767**

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2013 and were signed below on its behalf by:

C Weinberg
Director

The accounting policies on pages 7 to 12 and the notes on pages 17 to 29 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Share capital £'000	Share premium £'000	Deferred shares £'000	Other reserve £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 April 2011	2,627	5,038	-	11	(4,907)	2,769	-	2,769
Loss for the year	-	-	-	-	(657)	(657)	-	(657)
Other comprehensive income								
Actuarial gain in defined benefit plan	-	-	-	-	643	643	-	643
Total comprehensive income for the year	-	-	-	-	(14)	(14)	-	(14)
Capital restructuring	(2,576)	332	2,594	-	462	812	-	812
Balance at 31 March 2012	51	5,370	2,594	11	(4,459)	3,567	-	3,567
Loss for the year	-	-	-	-	(127)	(90)	(37)	(127)
Other comprehensive income								
Actuarial gain in defined benefit plan	-	-	-	-	1	1	-	1
Total comprehensive income for the year	-	-	-	-	(126)	(89)	(37)	(126)
Additional non-controlling interest arising on the acquisition of Akoris Trading Limited	-	-	-	-	-	-	313	313
Balance at 31 March 2013	**51**	**5,370**	**2,594**	**11**	**(4,585)**	**3,478**	**276**	**3,754**

The accounting policies on pages 7 to 12 and the notes on pages 17 to 29 form part of these accounts.

ASSOCIATED BRITISH ENGINEERING PLC

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

	2013 £'000	2012 £'000
Cash flows from operating activities		
Cash used in operations	**(245)**	(20)
Interest received	**38**	30
Interest paid	**(32)**	(2)
Net cash (used in)/generated from operating activities	**(239)**	8
Cash flows from investing activities		
Proceeds from sale of equipment	**1**	10
Purchase of equipment	**(349)**	(5)
Sale proceeds from trading investments	**28**	30
Net cash (used in)/generated from investing activities	**(320)**	35
Cash flows from financing activities		
Cash raised from open offer of shares	**-**	43
Cash raised from non-controlling interests	**313**	-
Proceeds from finance leases	**302**	-
Redemption of loan notes	**(555)**	-
Net cash generated from financing activities	**60**	43
Net (decrease)/increase in cash and cash equivalents	**(499)**	86
Cash and cash equivalents at beginning of year	**4,031**	3,945
Cash and cash equivalents at end of year	**3,532**	4,031

CASH FLOW FROM OPERATING ACTIVITIES

	2013 £'000	2012 £'000
Before taxation	**(112)**	(629)
Adjustments for:		
Depreciation	**37**	35
Interest income	**(38)**	(30)
Finance expense	**32**	858
Pension scheme interest expense	**87**	156
Cash paid in excess of current service cost	**(130)**	(390)
Profit on disposal of equipment	**(1)**	(9)
(Profit)/loss on disposal of Held for Trading investments	**(33)**	32
Changes in working capital:		
Decrease in inventories	**60**	170
Decrease in trade and other receivables	**13**	240
Decrease in payables	**(122)**	(217)
Increase in investments	**(10)**	(12)
	(217)	204
Taxes paid	**(28)**	(224)
Cash (used in)/generated from operations	**(245)**	(20)

The accounting policies on pages 7 to 12 and the notes on pages 17 to 29 form part of these accounts.

1. SEGMENTAL REPORTING

The following table shows an analysis of the Group's external sales by geographical market:

	2013	2012
	£'000	£'000
United Kingdom	**947**	1,234
Europe	**811**	1,356
Far East and Australasia	**345**	317
Africa	**206**	125
North and South America	**70**	279
Middle East	**82**	26
Russia	**27**	5
	2,488	3,342

All of the above revenue arises from diesel and related engineering activities and originates in the United Kingdom.

In the years ended 31 March 2013 and 31 March 2012 all of the assets held by the Group were located in the United Kingdom and all capital expenditure was incurred within the United Kingdom.

Operating segments

The following segment information has been prepared in accordance with IFRS 8, "Operating Segments", which defines requirements for the disclosure of financial information of an entity's operating segments.

The Board consider the Group on an individual company basis. Reports by individual companies are used by the chief decision-maker in the Group. Significant operating segments are Associated British Engineering Plc, British Polar Engines Limited and Akoris Trading Limited.

The Group's operations are located in the United Kingdom. Any transactions between business units are on normal commercial terms and conditions.

British Polar Engines Limited's activities consist of the manufacture and supply of diesel engines and spare parts for diesel engines together with associated repair work.

Akoris Trading Limited's activities consist of commodity and natural resource trading, finance and investment. The company only incurred set up expenditure in the period to 31 March 2013.

Associated British Engineering Plc is the Group holding company.

Year to 31 March 2013	**Associated British Engineering Plc £'000**	**British Polar Engines Limited £'000**	**Akoris Trading Limited £'000**	**Consolidated £'000**
External sales	-	2,488	-	2,488
Segment result (PBIT)	253	(211)	(73)	(31)
Net finance expenses				(81)
Taxation				(15)
Profit after tax				(127)
Other information				
Capital additions	-	349	-	349
Balance sheet				
Segment assets	244	4,650	628	5,522

1. SEGMENTAL REPORTING (continued)

Year to 31 March 2012	Associated British Engineering Plc £'000	British Polar Engines Limited £'000	Consolidated £'000
External sales	-	3,342	3,342
Segment result (PBIT)	(236)	765	529
Net finance expenses			(1,158)
Taxation			(28)
Profit after tax			(657)
Other information			
Capital additions	-	5	5
Balance sheet			
Segment assets	343	5,424	5,767

Included in the total Group revenue was £286,735 (2012: £748,021) of sales which arose from one customer who contributed to 10% or more of the total Group revenue for the year ended 31 March 2013 (2012: three customers).

2. OPERATING COSTS

	2013 £'000	2012 £'000
Changes in inventories	**60**	170
Raw materials used	**1,133**	1,368
Staff costs	**1,031**	1,231
Depreciation and amortisation	**37**	35
Other expenses	**258**	9
	2,519	2,813

3. OPERATING PROFIT

	2013 £'000	2012 £'000
Operating profit is stated after charging/(crediting)		
Depreciation on owned assets	**18**	35
Depreciation on assets held under finance leases	**19**	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts:		
PLC audit costs	**22**	22
The audit of the Company's subsidiaries pursuant to legislation	**17**	20
Operating lease rental on plant and machinery	**25**	37
Foreign exchange gain	**-**	(8)
Profit on disposal of fixed assets	**(1)**	-

4. STAFF COSTS AND EMPLOYEES

	2013	2012
	£'000	£'000
Wages and salaries	**851**	917
Social security costs	**86**	103
Other pension costs	**94**	114
	1,031	1,134

The average monthly number of persons employed by the Group during the year was:

	2013	2012
	Number	Number
By activity		
Production	**11**	9
Administration	**19**	17
	30	26

5. DIRECTORS' REMUNERATION

Directors received emoluments of £47,000 (2012: £35,000). Further details can be found on page 43.

6. KEY MANAGEMENT COMPENSATION

	2013	2012
	£'000	£'000
Remuneration of Group directors	**47**	35

The Group made no pension contributions in respect of Group directors during the year ended 31 March 2013 or 31 March 2012.

7. NET FINANCE EXPENSE

	2013	2012
	£'000	£'000
Interest on obligations under finance leases	**3**	2
Borrowings at amortised cost:	**-**	
7% Cumulative preference dividend	**-**	6
7% Cumulative preference share capital	**-**	8
8% Cumulative redeemable preference dividend	**-**	2
8% Cumulative redeemable preference share capital	**-**	2
Redemption / cancellation of preference shares *	**-**	840
Costs of redemption / cancellation of preference shares *	**-**	172
Loan stock interest	**29**	
Interest expenses for borrowings at amortised cost	**32**	1,032
Pension interest cost less expected return on scheme assets	**87**	156
	119	1,188
Interest receivable on cash and cash equivalents	**(38)**	(30)
	81	1,158

* These relate to the loss and legal/professional costs associated with the redemption of preference shares, associated dividend arrears and a capital restructuring exercise. These costs were one off in nature.

8. TAXATION

	2013 £'000	2012 £'000
The tax charge is set out below:		
Current tax:		
United Kingdom corporation tax at 24% (2012: 26%)	-	28
Deferred tax:		
In respect of current year	15	-
Total current tax and tax on profit on ordinary activities	15	28

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are explained as follows:

	2013 £'000	2012 £'000
Loss on ordinary activities before tax	(127)	(629)
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 24% (2012: 26%)	(30)	(163)
Effects of:		
Expenses not deductible for tax purposes	88	375
Tax losses and advance corporation tax relief (ACT)	(35)	(15)
Other differences	7	(162)
Capital allowances for the period in excess of depreciation	(15)	(7)
Total tax for period	15	28

The Group has trading losses of approximately £1.4 million (2012: £1.2 million), surplus advance corporation tax relief of approximately £865,000 (2012: £865,000) and capital losses of £9.2 million (2012: £9.2 million). These are available to set against future taxable profits, taxation liabilities and capital gains respectively. The trading losses are available to be used against future profits arising from the same trade within Associated British Engineering plc. These amounts are subject to agreement with Her Majesty's Revenue and Customs.

9. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	Loss £'000	2013 Weighted Average number of Shares	Per shares amount pence	Loss £'000	2012 Weighted Average Number of Shares	Per shares amount Pence
Basic and diluted earnings per share	(127)	2,048,990	(6)	(657)	1,387,787	(47)

.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
COST			
At 1 April 2012	689	1,281	1,970
Additions	-	349	349
Disposals	-	(78)	(78)
At 31 March 2013	**689**	**1,552**	**2,241**
ACCUMULATED DEPRECIATION			
At 1 April 2012	689	1,213	1,902
Charge for year	-	37	37
Eliminated on disposals	-	(78)	(78)
At 31 March 2013	**689**	**1,172**	**1,861**
CARRYING AMOUNTS			
At 31 March 2013	**-**	**380**	**380**
At 31 March 2012	-	68	68

11. CAPITAL COMMITMENTS

At 31 March 2013 the Group had capital commitments of £Nil (2012: £Nil).

12. INVENTORIES

	2013 £'000	2012 £'000
Raw materials	**146**	138
Work in progress	**93**	140
Finished goods	**790**	811
	1,029	1,089

The closing inventory balance of £3,174,000 (2012: £3,169,000) is stated net of provisions of £2,145,000 (2012: £2,080,000). There was an increase in provision of £65,000 in relation to slow moving stock.

13. TRADE AND OTHER RECEIVABLES

	2013 £'000	**2012 £'000**
Trade receivables	**332**	376
Prepayments and accrued income	**165**	134
	497	510

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. At the year end a provision against the trade receivables balance amounts to £31,661 (2012: £7,385).

14. HELD FOR TRADING INVESTMENTS

	2013 £'000	2012 £'000
Listed Securities	**84**	69

	Financial assets at fair value through profit or loss £
Opening balance	69
Additions	10
Net profit recognised	25
Disposals	(20)
Closing balance	84

Gains or losses on held for trading investments are presented within the operating costs heading.

The fair value of the equity investments held is calculated by reference to the quoted market price at the year end.

15. CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Nominal value:		
Allotted and fully paid:		
2,048,990 ordinary shares of £0.025 each	**51**	51
1,313,427 deferred shares of £1.975 each	**2,594**	2,594
	2,645	2,645
Carrying value:		
Equity shares:		
2,040,000 ordinary shares of £0.025 each	**51**	51

The structure of the Group and Company's capital is as follows:

	Number of ordinary shares	Ordinary shares £'000	Number of deferred shares	Deferred shares £'000	Share premium £'000
Balance at 1 April 2012 (£0.025/£1.9752 shares)	**2,048,990**	**51**	**1,313,427**	**2,594**	**5,370**

Further to the Extraordinary General Meeting held on 1 September 1999 the ordinary shares have 200 votes per share.

The deferred shares do not have voting rights and do not carry any entitlement to attend general meetings of the Company; they are not admitted to any Stock Exchange and carry a right to participate in any return of capital once an amount of £100 has been paid in respect of each new ordinary share.

16. SHARE BASED PAYMENTS

The Company operates an Executive Share Option Scheme (ESOP) under which options are granted with the guidance of the remuneration committee. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of the grant. The contractual life of an option is 10 years. Options granted under the ESOP will become exercisable on the third anniversary of the date of the grant. There were no unexercised share options at the end of the year as all share options have lapsed.

17. RETIREMENT BENEFIT SCHEMES

Previously the Group operated a defined benefit pension scheme, holding the assets in a separate trustee administered fund ("the ABE Pension Fund"). The required contributions were assessed with the advice of an independent qualified actuary using the projected unit credit method. The Group also has a designated Group personal pension plan which meets stakeholder requirements.

In the year ended 31 March 2009 the Company came to agreement with the Trustees of the scheme and a resolution was approved whereby the Group is no longer liable for its previously recognised retirement obligations for the ABE section of the fund. The elimination of the ABE section resulted in an elimination of £3,047,000 of the opening obligation which was reflected through the Statement of Comprehensive Income. The remaining obligation relates to the BPE section of the scheme and is summarised below:

17. RETIREMENT BENEFIT SCHEMES (continued)

(a) Pension cost (recognised in Income Statement)

	2013 £'000	2012 £'000
Operating charge		
Current service cost	**41**	60
Total operating charge	**41**	60
Other finance charges		
Interest on pension scheme liabilities	**307**	359
Expected return on pension scheme assets	**(220)**	(203)
Net finance charge	**87**	156
Total pension cost recognised in the Income Statement	**128**	216

(b) Benefit liability

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of funded obligations	**6,748**	6,451	6,577	6,663	5,142
Fair value of plan assets	**(5,817)**	(5,476)	(4,725)	(4,436)	(3,725)
Net liability	**931**	975	1,852	2,227	1,417

The major categories of plan assets are as follows:

	2013 £'000	2012 £'000
Equities	**866**	738
Bonds	**4,929**	4,499
Cash	**22**	239
	5,817	5,476

(c) Change in benefit obligation

Benefit obligation at beginning of the year	**6,451**	6,577
Current service cost	**41**	60
Interest cost	**307**	359
Actuarial losses/(gains)	**402**	(337)
Contributions by plan participants	**7**	13
Benefits paid	**(460)**	(221)
Benefit obligation at end of the year	**6,748**	6,451

17. RETIREMENT BENEFIT SCHEMES (continued)

(d) Change in plan assets

	2013 £'000	2012 £'000
Fair value of plan assets at beginning of the year	**5,476**	4,725
Expected return on plan assets	**220**	203
Actuarial gains on plan assets	**403**	306
Contributions made by employer	**171**	450
Contributions by plan participants	**7**	13
Benefits paid	**(460)**	(221)
Fair value of plan assets at end of the year	**5,817**	5,476

The cumulative amount of actuarial gain recognised in the Group statement of comprehensive income is £3,528,000 (2012: £3,527,000). The actuarial gain for the year recognised in the Group statement of comprehensive income is £1,000 (2012: £643,000).

The expected long term return on cash is determined by reference to current and expected long-term bank base rates. The expected return on bonds is determined by reference to United Kingdom long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date. The expected rates have then all been reduced to reflect the level of anticipated future expenses.

The expected long term rates of return (net of expenses) are as follows:

	2013 % per annum	2012 % per annum
Equities	**5.8**	6.1
Bonds	**3.5**	3.9
Cash	**0.5**	0.5
Overall rate of return for the plan	**3.3**	3.5

The actual return on the plan assets over the year ended 31 March 2013 was £625,000 (2012: £509,000).

(e) Principal actuarial assumptions

	2013	2012
Inflation	**2.3**	3.2
Rate of increase in pensionable salaries	**2.5**	2.5
Discount rate	**4.6**	4.9
Pension in payment increases	**2.3**	2.2
Revaluation rate for deferred pensioners	**2.3**	2.2
Pre-retirement mortality	PNMAOO, MC 1% PNFAOO, MC 1%	PNMAOO, MC 1% PNFAOO, MC 1%
Post retirement mortality	PNMAOO, MC 1% PNFAOO, MC 1%	PNMAOO, MC 1% PNFAOO, MC 1%

17. RETIREMENT BENEFIT SCHEMES (continued)

(f) History of experience gains and losses

(i) Experience (gains) and losses on Scheme assets	**2013**	2012	2011	2010	2009
(a) Amount (£'000)	**403**	306	95	519	(403)
(b) Percentage of scheme assets	**7%**	6%	1%	12%	(11)%
(ii) Experience (gains) and losses on scheme liabilities					
(a) Amount (£'000)	**(29)**	2	92	(20)	10
(b) Percentage of present value of scheme liabilities	**0%**	0%	4%	0%	0%

The best estimate of contributions to be paid by the Group to the plan for the period beginning after 31 March 2013 is £208,000.

18. PAYABLES

	2013	2012
	£'000	£'000
Current		
Obligations under finance leases	**65**	-
Trade payables	**170**	266
Other taxation and social security	**35**	36
Other payables	**63**	42
Accruals and deferred income	**252**	298
	585	642
Non-current		
Loan notes	**-**	555
	-	555
The loan notes and net finance lease obligations are due:		
In one year or less	**65**	**-**
Between two and three years	**237**	**555**
	302	**555**

All current payables apart from obligations under finance leases are expected to mature within a period of 6 months.

19. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, loan stock, and various items, such as trade and other receivables, held for trading investments and trade and other payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations. At 31 March 2013 the Group has cash balances of £3,532,000 (2012: £4,031,000) and no bank overdraft (2012: £Nil). No sensitivity analysis to movements in interest rates or foreign currency exchange rates has been included as the Board do not consider such information to be material.

RISKS

The main risks arising from the Group's financial instruments are market risk, liquidity risk and credit risk. Market risk includes price commodity risk, foreign exchange risk and interest rate risk. The Group has limited exposure to foreign exchange risk and also has no loans. Loan notes with a fixed coupon rate of 6% were redeemed in the year and therefore the analysis given below excludes these two items.

A significant risk that is also not considered below is that of the Group's pension funds. This is discussed in depth throughout the financial statements, and more specifically in Note 17, and has therefore not been further analysed below but is a key risk to the future of the Group. The Board meets on a regular basis to discuss the various funds and investment opportunities with each other and the Trustees.

The Board reviews and agrees policies for managing each of the above risks and they are summarised overleaf and in the accounting policies to the Group financial statements. These policies have been consistently applied throughout the period.

COMMODITY PRICE RISK

The Group is dependent upon its suppliers to effectively operate a 'just in time' stock management system, which is utilised to mitigate high warehousing costs. There is the potential to leave the Group exposed to 'stock out' or shortages but the Group has not experienced stock difficulties of this nature in the current or prior year and does not envisage this going forward, due to its strong supplier relations.

When prices are advantageous a strategic decision may be taken to increase a stock level which mitigates the issue of price commodity risk. There are a number of suppliers used, each with various contractual terms, and therefore the Board do not consider this a significant risk.

LIQUIDITY RISK

The Group's liquidity is dependent on the cash balances available and it is the Group's policy to place surplus cash on deposit to ensure as high a rate of return as possible. The maturity profile of the Group's loan notes and finance lease liabilities is set out in note 18.

CREDIT RISK

The Group's principal financial assets are cash deposits and trade and other receivables. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade and other receivables.

In order to manage credit risk the directors of the subsidiary company set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the subsidiary's directors on a regular basis in conjunction with debt ageing and collection history. In 2013 and 2012 there were no concentrations of credit risk, with exposure being spread over a large number of customers, with over 200 customers at the year end.

At the year end the Group's top five customers comprised 40% of the year end trade receivables. The Board consider their strong customer relations to be strength rather than a risk as they are the preferred suppliers to these customers.

19. FINANCIAL INSTRUMENTS (continued)

CREDIT RISK (continued)

Where appropriate, the subsidiary company requests payment or part-payment in advance of shipment which generally covers the cost of the goods. In connection with the trade receivables, there is a risk of warranty claims, which the subsidiary company tries to minimise. The carrying value of the trade receivables represents the maximum credit risk exposure and therefore sensitivity analysis has not been performed.

Collection procedures in relation to receivables are initiated once the credit terms are exceeded and trade receivables both due and not yet due are reviewed on a line by line basis, with adequate provision being made against period end balances where appropriate. During the year an additional provision of £25,000 has been included in the financial statements.

At the year end 12% of current financial assets are aged greater than 90 days. These amounted to £41,000 and £32,000 have been provided for.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The directors consider that the fair values of the Group's financial instruments at 31 March 2013 and 31 March 2012 were not materially different from their book values.

20. DEFERRED TAXATION

The deferred taxation liability at 31 March 2013 was £15,000 (31 March 2012: Nil).

The directors consider that there are currently no plans for the distribution of the retained reserves of the overseas subsidiary that would give rise to a UK corporation tax liability. Consequently no deferred tax provision has been made.

No provision has been made for the potential deferred tax assets on the trading losses carried forward as they are not sufficiently certain to crystallise in the foreseeable future, with future pension obligations deemed to exceed the potential future cash inflows. This assumption will be revisited on an annual basis or as and when circumstances change. The amounts not recognised (all of which have been calculated at 20% (2012: 26%)) are set out below:

Group	**2013**	2012
	£'000	£'000
Arising from trading losses	**272**	324
Arising from capital losses	**1,831**	2,392
Arising from pension deficit	**173**	253
	2,276	2,969

21. CONTINGENT LIABILITIES

		2013	2012
		£'000	£'000
a)	Banker's indemnities	**30**	30

The indemnities relate to provision of services such as letters of credit or international guarantees by the bank.

b) There were no other contingent liabilities at 31 March 2013 or 31 March 2012.

22. COMMITMENTS UNDER OPERATING LEASES

At 31 March the Group had the following commitments under non-cancellable operating leases:

	Other	
	2013	2012
	£'000	£'000
Within one year	**23**	32
Between two and five years inclusive	**17**	36
	40	68

23. SUBSIDIARIES

At 31 March 2013 and 31 March 2012 the Company held 100% of the share capital of the following subsidiaries:

	Share Capital	**Proportion held by the parent**	**Country of incorporation**	**Nature of Business**
British Polar Engines Limited	Ordinary	100%	Great Britain	Manufacture and supply of diesel engines, associated servicing and sale of spare parts
Danway Limited	Ordinary	100%	Cayman Islands	Dormant

24. SUBSIDIARY ACQUIRED

During the year ended 31 March 2013, the group acquired 50% of the ordinary share capital of the following company:

	Principal activity	**Proportion of voting equity interests**	**Country of incorporation**	**Date of acquisition**	**Consideration transferred (cash) £'000**
Akoris Trading Limited	Commodity and natural resource trading, finance and investment.	50%	Great Britain	02/01/2013	£312

The group controls 100% of the voting power of the subscribed shares and has control over the financial and operational policies of Akoris Trading Limited. Therefore, Akoris Trading Limited is controlled by the group and consolidated in these financial statements.

Acquisition-related costs amounting to £8,000 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.

The group subscribed for new shares in the company when it was a dormant entity and prior to the company's acquisition of any assets or it incurring any liabilities.

25. RELATED PARTY TRANSACTIONS

At 31 March 2013 David Brown, a company director, had a 12.4% interest in the shares of Akoris Trading Limited.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH ENGINEERING PLC

We have audited the Parent Company financial statements of Associated British Engineering plc for the year ended 31 March 2013 which comprise the principal accounting policies, the Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the directors are responsible for the preparation of the parent Company 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 parent Company 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
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion the parent Company financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 March 2013;
- 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 part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

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 and the part of the Directors' Remuneration Report to be audited 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.

Other matter
We have reported separately on the Group financial statements of Associated British Engineering plc for the year ended 31 March 2013.

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
26 June 2013

BASIS OF PREPARATION

The Company accounts have been prepared in accordance with applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice). The summary of the principal accounting policies, which have been applied consistently, is set out below. The policies have remained unchanged from the previous year.

BASIS OF ACCOUNTING

The accounts are prepared on the historical cost basis, modified to include the revaluation of current asset investments.

GOING CONCERN

The financial statements have been prepared on the going concern basis. The most notable accounting event has been the decrease in the pension scheme deficit based on this year's actuarial forecast and mentioned in the Chairman's Statement. The directors have agreed a revised schedule of the contributions to eliminate the deficit on the ABE Pension Fund over thirteen years starting from the year ended 31 March 2010. Based on the Group's budgets and cash forecasts, the Board considers that the Group has sufficient resources to meet all necessary outgoings and to enable it to continue in operational existence for the foreseeable future.

TANGIBLE FIXED ASSETS

Freehold land is not depreciated. Other fixed assets are depreciated over their estimated useful lives at the following annual rates to cost:

Freehold buildings	5 per cent
Computer equipment	20 per cent

DEFERRED TAXATION

Deferred tax is recognised on an undiscounted basis on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year end date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Any exchange gains or losses are credited or charged to the profit and loss account in the year in which they arise.

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Trade and other debtors

Trade and other debtors are originally recognised at fair value. A provision against trade debtors is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance the original terms of those receivables. There is no general or specific provision for bad and doubtful debts at year end. Trade debtors and cash and cash equivalents are classified as loans and receivables.

FINANCIAL INSTRUMENTS (continued)

Trade and other creditors
Trade and other creditors are initially recognised at fair value, net of transaction costs and are subsequently held at amortised cost.

Loan notes
The company was also funded by £555,000 of loan notes with a 6% per annum coupon rate. The loan notes were redeemed at their book value.

INVESTMENTS

Fixed asset investments in subsidiaries are included at cost less amounts written off.

Current asset investments are held for trading and are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are measured at market value, with all transaction costs being written off to the profit & loss account as incurred.

SHARE BASED PAYMENTS AND SHARE OPTIONS

Former employees of the Group have received remuneration in the form of share based payment transactions, whereby employees render services in exchange for rights over shares (‘equity settled transactions’). The cost of these transactions is measured by reference to their fair value at the date at which the options are granted. The fair value is determined by using the Black-Scholes Option pricing model. There has been no charge recognised with respect to the share options as all those in issue fall outside the scope of FRS 20, having been granted before November 2002.

COMPANY BALANCE SHEET

AS AT 31 MARCH 2013

	Note	**2013 £'000**	2012 £'000
FIXED ASSETS			
Tangible assets	3	**1**	319
Investments	5	**2,484**	2,484
		2,485	2,803
CURRENT ASSETS			
Investments	6	**132**	99
Debtors	7	**11**	16
Cash at bank and in hand		**110**	227
		253	342
Creditors – amounts falling due within one year	8	**(884)**	(909)
Net current liabilities		**(631)**	(567)
Total assets less current liabilities		**1,854**	2,236
Creditors – amounts falling due after more than one year	8	**(2,292)**	(2,847)
		(438)	(611)
CAPITAL AND RESERVES			
Called up share capital	10	**51**	51
Deferred shares	10	**2,594**	2,594
Share premium account	12	**5,370**	5,370
Other reserve		**212**	212
Profit and loss account	12	**(8,665)**	(8,838)
SHAREHOLDERS' FUNDS		**(438)**	(611)

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2013 and were signed below on its behalf by:

C Weinberg
Director

The accounting policies on pages 31 and 32 and the notes on pages 34 to 37 form part of these accounts.

1. ADMINISTRATIVE EXPENSES

	2013	2012
	£'000	£'000
Directors (note 2) and employees	**63**	49
Depreciation of tangible fixed assets: owned	**23**	30

2. DIRECTORS

	2013	2012
	£'000	£'000
Remuneration in respect of directors was as follows:		
Remuneration	**47**	35

The average number of employees, including directors, during the year was 5 (2012: 5). More detailed information concerning directors' remuneration is shown in the Directors' Remuneration Report.

3. TANGIBLE FIXED ASSETS

	Computer equipment £'000	**Freehold land and buildings £'000**	**Total £'000**
COST			
At 1 April 2012	2	607	609
Additions	-	-	-
Disposals	-	(607)	(607)
At 31 March 2013	**2**	**-**	**2**
DEPRECIATION			
At 1 April 2012	1	289	290
Charge for the year	-	23	23
Disposals	-	(312)	(312)
At 31 March 2013	**1**	**-**	**1**
NET BOOK VALUE			
At 31 March 2013	1	-	1
At 31 March 2012	1	318	319

4. CAPITAL COMMITMENTS

At 31 March 2013 the Company had no capital commitments (2012: £Nil).

5. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings £'000
COST	
At 1 April 2012 and 31 March 2013	3,406
Amounts written off	
At 1 April 2012 and 31 March 2013	922
Net book amount at 1 April 2012 and 31 March 2013	**2,484**

The subsidiary undertakings, both of which are wholly owned are:

Company	Activity	Country of incorporation
British Polar Engines Limited	Engineering	Great Britain
Danway Limited	Non-trading	Cayman Islands

The investment in British Polar Engines Limited was fully provided at 31 March 2013 and 31 March 2012.

6 CURRENT ASSET INVESTMENTS

	2013 £'000	2012 £'000
Equities	**84**	69
Cash on deposit	**48**	30
	132	99

7. DEBTORS

	2013 £'000	2012 £'000
Prepayments and accrued income	**11**	16
	11	16

8. CREDITORS

Amounts falling due within one year	2013 £'000	2012 £'000
Amounts due to group undertakings	**815**	815
Other creditors	**19**	18
Accruals and deferred income	**50**	74
Corporation tax	**-**	2
	884	909

Amounts falling due after one year	2013 £'000	2012 £'000
Amounts due to group undertakings	**2,292**	2,292
Loan notes	**-**	555
	2,292	2,847

The loan notes were redeemed during the year.

9. DEFERRED TAXATION

There is no unprovided deferred taxation liability at 31 March 2013 or 31 March 2012.

No provision has been made for the potential deferred tax assets on the trading losses carried forward as they are not sufficiently certain to crystallise in the foreseeable future. The amounts not recognised (all of which have been calculated at 20% (2012: 26%)) are set out below:

	2013 £'000	2012 £'000
Arising from trading losses	**272**	338
Arising from capital losses	**1,831**	2,319
	2,103	2,657

10. CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Nominal value:		
Allotted and fully paid:		
2,048,990 ordinary shares of £0.025 each	**51**	51
1,313,427 deferred shares of £1.975 each share premium	**2,594**	2,594
	2,645	2,645
Carrying value:		
Equity shares:		
2,040,000 ordinary shares of £0.025 each	**51**	51

Further to the Extraordinary General Meeting held on 1 September 1999 the ordinary shares have 200 votes per share.

The deferred shares do not have voting rights and do not carry any entitlement to attend general meetings of the Company; they are not admitted to any Stock Exchange and carry a right to participate in any return of capital once an amount of £100 has been paid in respect of each new ordinary share.

11. SHARE BASED PAYMENTS

The Company operates an Executive Share Option Scheme (ESOP) under which options are granted with the guidance of the remuneration committee. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of the grant. The contractual life of an option is 10 years. Options granted under the ESOP will become exercisable on the third anniversary of the date of the grant. There were no unexercised share options at the end of the year as all share options have lapsed.

12. RESERVES

	£'000 Profit and loss	**£'000 Share premium**
At 1 April 2012	(8,838)	5,370
Profit for the year	173	-
At 31 March 2013	**(8,665)**	**5,370**

There were no movements in other reserves during the year. As permitted by the Companies Act 2006, the Company's profit and loss account has not been included in these accounts. The Company's profit for the financial year was £173,000 (2012: loss of £1,024,000).

13. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2013 or 31 March 2012.

14. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption conferred by FRS 8 with regard to disclosing transactions with wholly-owned subsidiaries on the grounds that the results of the subsidiaries are included in the publicly available consolidated financial statements of Associated British Engineering plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, the Remuneration 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 are required to prepare Group financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRSs), and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable 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 Group and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

C Weinberg
Director
26 June 2013

ASSOCIATED BRITISH ENGINEERING PLC

CORPORATE GOVERNANCE REPORT

(AS REFERRED TO IN THE DIRECTORS' REPORT)

In accordance with the requirements of the Listing Rules of the Financial Services Authority, set out below are details of the Company's corporate governance arrangements, including a statement as to how the Company applies the principles of Section 1 of the UK Corporate Governance Code, together with a statement regarding its compliance with specific provisions. Whilst welcoming the principles contained within the Code, the Board considers that it should be recognised that what may be appropriate for a large Company may not necessarily be so appropriate for a smaller company and the Company's current circumstances. As a result, the Company has been in compliance throughout the year with the provisions set out in the UK Corporate Governance Code with the following exceptions:-

- The division of responsibilities between the roles of chairman and chief executive have not been clearly established, set out in writing and agreed by the Board. This is contrary to provision A.2.1;
- The Company does not have a Nomination Committee, this is contrary to provisions B2.1–B2.2;
- The non–executive directors of the Company have not been appointed for specific terms as required by provision B2.3;
- There is no formal training programme for new directors on joining the Board. This is contrary to provision B4.2;
- The Board has not undertaken a formal and rigorous annual evaluation of its own performance and the individual directors. This is contrary to provision B.6.1.

Board of Directors

The Board comprises four non-executive directors, as detailed in the Directors' Report.

In common with other organisations of a similar size, the directors review all the transactions and activities of the business. The Board of Directors is responsible for formulating strategy and monitoring financial performance. The directors are in frequent contact throughout the year in connection with the Group's business, meet as required and also attend one formal Board meeting. The strategies proposed by management of the subsidiary are fully discussed, critically examined against the best and long term interests of not only the shareholders, but also employees, customers, suppliers and various communities within which the Group operates. During the year, all four serving directors were in attendance at the Board meeting.

The Board retains full responsibility for the direction and control of the Group and has a formal schedule of matters in respect of which decisions are reserved to it, covering key areas including strategy formulation, acquisitions or disposals, approval of the budget for the subsidiary, financial results, board appointments and proposals for dividend payments.

The Board has full and timely access to relevant information throughout the Group.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are compiled with. There is also formal agreed procedure for directors in the furtherance of their duties to take independent professional advice as necessary at the Company's expense.

The business address of each of the directors is 9 High Street, Little Eversden, Cambridge CB23 1HE.

The Board is supported by a senior management team which includes the following individuals:

Stewart Davis (65), managing director of BPE. Stewart has worked for BPE for 50 years, and is qualified as a mechanical engineer. As Sales Director from 1985 he was responsible for negotiating major naval contracts with international governments for the supply of spare parts and technical support for vessels supplied by the Ministry of Defence. He was appointed Managing Director in 2007.

Rupert Pearce Gould (61), chairman of BPE. Rupert is a chartered accountant and has served as an executive director and chairman in both the public and private sector. He has been chairman of BPE since 2000.

Non-Executive Directors

The biographies of the directors appear on page 44 and show considerable and varied experience in the business world and the City. The Board has appointed Andrew Beaumont as a senior independent non-executive director. There have been no changes in the other significant commitments of the Chairman.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. There is also a formal agreed procedure for directors in the furtherance of their duties to take independent professional advice as necessary at the Company's expense.

Under the Company's Articles of Association, at least one third of the directors retire from office each year. The retiring director is eligible for re-election.

The role of non-executive directors is a vital element of corporate accountability. Due to the small size of the Board and because there are no full time executive directors, the non-executive directors do carry out certain limited specific executive responsibilities.

Nomination

Appointment to executive director would be fully discussed by the Chairman and the two non-executive directors. Potential new non-executive directors are proposed by all the members of the Board in the light of the Company's business requirements and the need to have a balanced Board. Possible candidates are discussed amongst all directors before any approach is made to them.

Audit

The Company's audit committee comprises of Mr Andrew Beaumont (Chairman) and Mr Colin Weinberg. The audit committee is to meet at least twice a year to monitor the financial reporting process, including its annual and interim accounts; the effectiveness of the Company's internal controls and risk management systems; statutory audit of the annual and consolidated accounts; and to review and monitor the independence of the statutory auditor and provision of additional services to the Group.

Remuneration

The Company's remuneration committee comprises Mr Andrew Beaumont (Chairman) and Mr Stephen Cockburn. The remuneration committee is to meet at least twice a year and has as its remit the determination and review of, amongst others, the remuneration of executive directors and any share incentive plans adopted, or be adopted, by the Company.

Communication with Shareholders

The Board believes it is important to respond adequately to the queries of both private and institutional shareholders. The Group responds throughout the year to correspondence from shareholders on a wide variety of issues.

The Chairman's Statement in the Annual Report contains a business review. An interim business review is also provided with the half yearly announcement. The Chairman is available to shareholders at any time to discuss strategy and governance matters.

The Board seeks to ensure that its report and accounts and other financial statements provide a clear assessment of the Group's business. All shareholders have the opportunity to ask questions and express their views at the Company's Annual General Meeting, at which all directors are available to take questions.

AUDIT AND INTERNAL CONTROL

The directors are responsible for the Group's system of internal control and reviewing its effectiveness. These controls can only ever provide reasonable but not absolute assurance that assets are safeguarded against material misstatement or loss, that proper accounting records are maintained, and that the information used internally, or for publication, is accurate and reliable. The key procedures, which exist to provide external control, are as follows -

- clearly defined organisation structures with segregation of duties wherever practicable. Operating and financial responsibilities for the subsidiary Company are delegated to the subsidiary’s Board and there are limits which apply to capital expenditure and significant contracts

- a regular review is undertaken to assess the risks facing the trading subsidiary and to enhance the systems which manage the risk identified. Local management establishes control procedures for each of the risks identified and reports whether the key controls have operated effectively

- agreement of Group short term financial objectives and business plans

- review by the Board of monthly Group Financial Statements and monitoring of results against budget. The Board attends regular Board meetings of the subsidiary

- Board control over treasury, taxation, legal, insurance and personnel issues

- The acquisition or disposal of a business may not be completed without the approval of the Board.

- The operational responsibility for preparing the consolidated accounts is delegated to a third party service provider with the Board retaining responsibility for overall content, presentation and final review of the consolidated accounts.

Through these mechanisms, Group performance is continually monitored, risks identified in a timely manner, their financial implication assessed, control procedure re-evaluated and corrective actions agreed and implemented.

The Board believes that it is not currently appropriate for the Company to maintain an internal audit function due to the size of the Group and the manner in which the Board are involved in payment and financial commitment execution.

The Board consider the independence and objectivity of the external auditor on an annual basis, with particular regard to non-audit services. The split between audit and non-audit fees for the year and information on the nature of the non-audit fees appear in note 3 to the financial statements. There were no non-audit fees incurred from the auditor during the year. The Board also receive an annual confirmation of independence from the auditors.

GOING CONCERN

The financial statements have been prepared on the going concern basis. There have been no changes to accounting policies in the year. The most notable accounting event has been the decrease in the pension scheme deficit based on this year’s actuarial forecast and mentioned in the Chairman’s Statement. The directors have agreed a revised schedule of the contributions to eliminate the deficit on the ABE Pension Fund over thirteen years starting from the year ended 31 March 2010. Based on the Group’s budgets and cash forecasts, the Board considers that the Group has sufficient resources to meet all necessary outgoings and to enable it to continue in operational existence for the foreseeable future.

C Weinberg
Director
26 June 2013

This Report contains the information required by the Companies Act 2006 and the relevant parts of the Listing Rules of the UK Listing Authority and Schedule B to the UK Corporate Governance Code ("the Code").

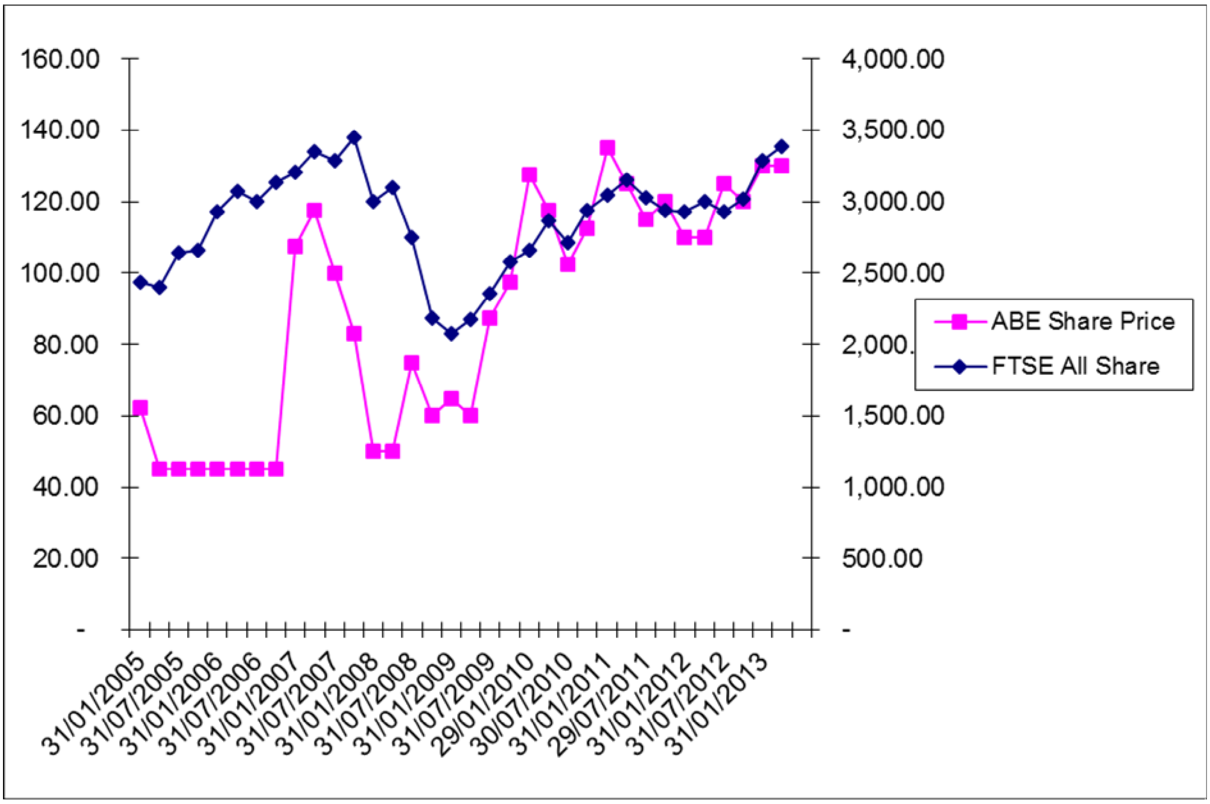
The following report is not audited except where specified.

The Board is satisfied that the Company has complied throughout the period with the Code concerning its remuneration policy except as noted above that the members of the Board comprise the remuneration committee are not independent non-executives as required by the Code.

In setting the policy for the Group's senior management it considers a number of factors including:

(a) the basic salaries and benefits available in comparable companies;
(b) the need to attract and retain personnel of an appropriate calibre; and
(c) the need to ensure individuals' commitment to the continued success of the Group by means of incentive schemes.

Total Shareholder Return (TSR)



Source: Yahoo UK finance

The graph above shows ABE's TSR performance compared to the FTSE All Share index over the past five years. TSR is defined as share price growth plus reinvested dividends. This provides a basis for comparison with a relevant equity index.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The non-executive directors each receive a fee for their services, which is agreed by the Board after reviewing comparable organisations and appointments. None of the non-executive directors receive a pension or other benefits from the Company, nor do they participate in any bonus or incentive schemes or share option schemes.

The non-executive directors do not have service contracts with the Company. In accordance with the Articles of Association, each director retires from office at the third annual general meeting after the annual general meeting at which he was last elected. A retiring director is eligible for re-election.

REMUNERATION POLICY FOR THE EXECUTIVE DIRECTORS

The Company has no executive directors.

AUDITED INFORMATION

DIRECTORS' REMUNERATION

	2013 Total £'000	2012 Total £'000
Mr D A H Brown	**15**	15
Mr S J Cockburn	**10**	10
Mr C Weinberg	**10**	10
Mr A Beaumont	**12**	-
	47	35

Directors' remuneration relates to fees. No current director received any pension entitlements from the Group in respect of the years ended 31 March 2013 and 2012. No director waived emoluments in respect of the years ended 31 March 2013 and 2012.

The Statement of Directors' responsibilities, Corporate Governance report and the Directors' Remuneration report on pages 38 to 43 form part of the Directors' report to the parent Company only financial statements,

On behalf of the Board

C Weinberg
Director
26 June 2013

DIRECTORS AND ADVISERS

The Board comprises four directors:

DAVID BROWN (60) became a non-executive director on 22 March 2000 and became Chairman on 11 November 2002. He is a consultant to a major industrial Group in Ukraine, working on mergers and acquisition and financing transactions. He is also managing director of Sabre Development Management Limited, carrying out real estate development and financing focused on Russia. He has previously been a company secretary and director of two fully listed companies and general counsel on the Canary Wharf Development. He is a non-practising qualified solicitor.

STEPHEN COCKBURN (73) has been a non-executive director since 1979. He is a non-executive director of AIM-listed Fiske plc since September 1999 and he is managing director of The Investment Company plc.

COLIN WEINBERG (64) became a non-executive director on 10 November 2003. He was a member of the London Stock Exchange from 1980 to 1987 and was admitted to fellowship of the Securities Institute in 1995. He was previously a non-executive director of Peckham Building Society.

ANDREW BEAUMONT (53) was appointed a non-executive director on 21 December 2012. He is a director of Aldbury Associates Limited, a business which provides company secretarial services. His past experience includes having been a director of Independent Registrars Group Limited (IRG), and working in Russia for part of the Overseas Aid Development Agency as a British consultant to the governing body for regulating Registrars (PARTAD).

SECRETARY & REGISTERED OFFICE
haysmacintyre Company Secretaries Limited
Fairfax House
15 Fulwood Place
London
WC1V 6AY
Registered No. 110663
Tel No: 020 7969 5500

AUDITOR
Grant Thornton UK LLP
3140 Rowan Place
John Smith Drive
Oxford
OX4 2WB

REGISTRARS
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

SOLICITORS
Heald
Ashton House
495 Silbury Boulevard
Milton Keynes
MK9 2AH

BANKERS
The Royal Bank of Scotland plc
5th Floor
Tay House
300 Bath Street
Glasgow
G2 4RS

CORPORATE ADVISERS
Fladgate LLP
25 North Row
London
W1K 6DJ

Beaumont Cornish Limited
2nd Floor
Bowman House
29 Wilson Street
London
EC2M 2SJ