

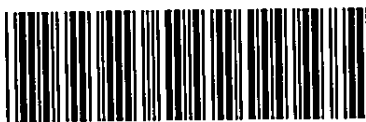
REGISTERED NUMBER: 00584792 (England and Wales)

ABBREVIATED AUDITED ACCOUNTS FOR THE YEAR ENDED 30 NOVEMBER 2011

FOR

HEWLAND ENGINEERING LIMITED

THURSDAY



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for the Year Ended 30 November 2011**

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HEWLAND ENGINEERING LIMITED

COMPANY INFORMATION
for the Year Ended 30 November 2011

DIRECTORS: M P Hewland
W Hewland
S R Deane

SECRETARY: S R Deane

REGISTERED OFFICE: Waltham Road
White Waltham
Maidenhead
Berkshire
SL6 3LR

REGISTERED NUMBER: 00584792 (England and Wales)

AUDITORS: M A C Carter FCA (Senior Statutory Auditor)
for and behalf of Morris Palmer Limited
Statutory Auditors
Barttelot House
1 Barttelot Court
Barttelot Road
Horsham
West Sussex
RH12 1DQ

**REPORT OF THE DIRECTORS
for the Year Ended 30 November 2011**

The directors present their report with the accounts of the company for the year ended 30 November 2011

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of engineering, in particular the manufacture and marketing of gearboxes and their component parts to the motor racing and rallying industry

REVIEW OF BUSINESS

The company's sales for the year were £10,963,956, an increase of over 57% on 2010's sales of £6,969,332. As a result of careful containment of costs and renewed focus on the efficient management of the company's procurement strategy, underlying gross margin (which excluded stock and work-in-progress valuations) improved by 99% over 2010 from £1,249,712 to £2,491,604 in 2011. Reported gross margin, which includes stock movements, increased by 147%. Profit before tax improved dramatically in 2011 to £627,707, compared to a loss of £1,379,717 in 2010. The company's preferred measure of true underlying profitability - normalised EBITDA - saw a healthy rise from a negative £868,928 in 2010 to a positive £1,117,713 in 2011. The result underscores the company's market-leading brand which has meant it has been able to keep a full order book despite the economic downturn which impacted the motorsport industry over 2009 and 2010.

To meet the growing demand for its high specification products, further investment in state of the art plant has been made. The company also made a conscious decision to increase its carried stock levels at the year-end in order to meet both the increased order book as well as having the spares and parts needed by clients in the build-up to the start of the motor racing season. The combination of these factors caused a decrease in cash of £620,052 in the year but these were necessary investments to ensure the company could deliver against renewed client demand.

The strong brand reputation in the year has seen the company's transmission systems and components move back into Formula 1 as well as winning the contract to supply the DTM (Deutsche Tourenwagen Masters, Germany's most prestigious racing series). The business has also been successful in starting to diversify its products into non-motorsport activities.

Given the quality of its workmanship and specialised nature of its capabilities, the company now enjoys an enviable brand presence which its directors believe place the company in an excellent position to develop further relationships with key teams and race series across the world which in turn will lead to a further improvement in sales and EBITDA. This is reflected in the company's current order book which is at an historic all-time high.

The company's transmissions and components can be found in nearly every category of motorsport, from school cars through to the demanding challenges of supporting F1 clients. This breadth of international experience means the company can rapidly develop a solution for any installation that is not only highly competitive in terms of its performance but also its cost. To date, the company has designed more than 200 bespoke transmissions for its clients and is the only company in the world to make and supply a complete semi-automatic gearbox to motorsport.

Further details can be found at the company's website www.hewland.com

DIVIDENDS

The total distribution of dividends for the year ended 30 November 2011 was £35,100 payable on 'B' shares. No dividend will be paid on 'A' shares or the Preference Shares.

FIXED ASSETS

Details of any changes in Tangible Fixed Assets are set out in the notes to the Financial Statements.

RESEARCH AND DEVELOPMENT

The company conducts various research and development activities with the objective of continually improving product performance. In addition, the company has further developed its extensive design and manufacturing capabilities to recognise and develop opportunities outside of its traditional core competencies.

REPORT OF THE DIRECTORS
for the Year Ended 30 November 2011

DIRECTORS

The directors shown below have held office during the whole of the period from 1 December 2010 to the date of this report

M P Hewland
W Hewland
S R Deane

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year under review the company made charitable donations to two local enterprises and to the British Heart Foundation. These donations totalled £300.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

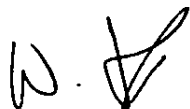
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Morris Palmer Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



W Hewland - Director

Date 1 May 2012

**REPORT OF THE INDEPENDENT AUDITORS TO
HEWLAND ENGINEERING LIMITED
UNDER SECTION 449 OF THE COMPANIES ACT 2006**

We have examined the abbreviated accounts set out on pages five to twenty three, together with the full financial statements of Hewland Engineering Limited for the year ended 30 November 2011 prepared under Section 396 of the Companies Act 2006

This report is made solely to the company, in accordance with Section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditors' 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, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

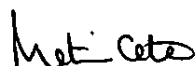
The directors are responsible for preparing the abbreviated accounts in accordance with Section 445 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the Regulations made under that Section and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 445(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the Regulations made under that Section.



M A C Carter FCA (Senior Statutory Auditor)
for and behalf of Morris Palmer Limited
Statutory Auditors
Barttelot House
1 Barttelot Court
Barttelot Road
Horsham
West Sussex
RH12 1DQ

Date 2 May 2012

HEWLAND ENGINEERING LIMITED (REGISTERED NUMBER: 00584792)

ABBREVIATED PROFIT AND LOSS ACCOUNT
for the Year Ended 30 November 2011

	Notes	30 11 11 £	30 11 10 £
TURNOVER	2	10,963,956	6,969,332
Cost of sales		(6,966,401)	(5,349,917)
		<u>3,997,555</u>	<u>1,619,415</u>
Administrative expenses		<u>(3,347,195)</u>	<u>(2,945,001)</u>
OPERATING PROFIT/(LOSS)	4	650,360	(1,325,586)
Interest receivable and similar income		20	345
Other finance income	17	<u>54,000</u>	<u>-</u>
		704,380	(1,325,241)
Interest payable and similar charges	5	(76,673)	(33,476)
Other finance costs	17	<u>-</u>	<u>(21,000)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		627,707	(1,379,717)
Tax on profit/(loss) on ordinary activities	6	<u>151,548</u>	<u>28,444</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u><u>779,255</u></u>	<u><u>(1,351,273)</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

The notes form part of these abbreviated accounts

HEWLAND ENGINEERING LIMITED (REGISTERED NUMBER: 00584792)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the Year Ended 30 November 2011**

	30 11 11 £	30 11 10 £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	779,255	(1,351,273)
Actuarial gain/(loss)	(1,214,000)	981,000
Revaluation of freehold land & buildings	-	1,086,440
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>(434,745)</u>	<u>716,167</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the Year Ended 30 November 2011**

	30 11 11 £	30 11 10 £
REPORTED PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	627,707	(1,379,717)
Revaluation of freehold land & buildings	-	1,086,440
HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>627,707</u>	<u>(293,277)</u>
HISTORICAL COST PROFIT/(LOSS) FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS	<u>744,155</u>	<u>(416,501)</u>

The notes form part of these abbreviated accounts

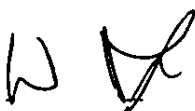
HEWLAND ENGINEERING LIMITED (REGISTERED NUMBER: 00584792)

ABBREVIATED BALANCE SHEET
30 November 2011

	Notes	30 11 11 £	30 11 10 £
FIXED ASSETS			
Tangible assets	8	5,948,656	5,899,865
CURRENT ASSETS			
Stocks	9	7,443,836	5,937,885
Debtors	10	2,269,859	1,680,276
Cash at bank and in hand		<u>1,004</u>	<u>1,172</u>
		9,714,699	7,619,333
CREDITORS			
Amounts falling due within one year	11	<u>(5,182,001)</u>	<u>(3,513,399)</u>
NET CURRENT ASSETS		<u>4,532,698</u>	<u>4,105,934</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,481,354	10,005,799
CREDITORS			
Amounts falling due after more than one year	12	(500,000)	(556,600)
PENSION LIABILITY	17	<u>(2,319,000)</u>	<u>(1,317,000)</u>
NET ASSETS		<u>7,662,354</u>	<u>8,132,199</u>
CAPITAL AND RESERVES			
Called up share capital	15	10,100	10,100
Revaluation reserve	16	1,086,440	1,086,440
Profit and loss account	16	<u>6,565,814</u>	<u>7,035,659</u>
SHAREHOLDERS' FUNDS	22	<u>7,662,354</u>	<u>8,132,199</u>

The abbreviated accounts have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to medium-sized companies

The financial statements were approved by the Board of Directors on 1 May 2012 and were signed on its behalf by


W Hewland - Director

The notes form part of these abbreviated accounts

CASH FLOW STATEMENT
for the Year Ended 30 November 2011

	Notes	30 11 11 £	30 11 10 £
Net cash outflow from operating activities	1	(98,822)	(616,991)
Returns on investments and servicing of finance	2	(22,653)	(54,131)
Taxation	2	-	11,488
Capital expenditure	2	(516,153)	(353,287)
Equity dividends paid		<u>(35,100)</u>	<u>(151,668)</u>
		(672,728)	(1,164,589)
Financing	2	<u>52,676</u>	<u>(66,407)</u>
Decrease in cash in the period		<u>(620,052)</u>	<u>(1,230,996)</u>
Reconciliation of net cash flow to movement in net debt	3		
Decrease in cash in the period		<u>(620,052)</u>	<u>(1,230,996)</u>
Change in net debt resulting from cash flows		<u>(620,052)</u>	<u>(1,230,996)</u>
Movement in net debt in the period		(620,052)	(1,230,996)
Net debt at 1 December		<u>(2,233,317)</u>	<u>(1,002,321)</u>
Net debt at 30 November		<u>(2,853,369)</u>	<u>(2,233,317)</u>

6

NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 30 November 2011

1 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	30 11 11	30 11 10
	£	£
Operating profit/(loss)	650,360	(1,325,586)
Depreciation charges	462,019	451,200
Loss on disposal of fixed assets	5,344	5,541
Increase in stocks	(1,505,951)	(369,703)
(Increase)/decrease in debtors	(506,031)	67,791
Increase in creditors	939,437	579,766
Difference between pension charge and cash contributions	<u>(144,000)</u>	<u>(26,000)</u>
Net cash outflow from operating activities	<u>(98,822)</u>	<u>(616,991)</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	30 11 11	30 11 10
	£	£
Returns on investments and servicing of finance		
Interest received	20	345
Interest paid	(76,673)	(33,476)
Expected return on pension scheme	587,000	507,000
Interest on pension scheme liabilities	<u>(533,000)</u>	<u>(528,000)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(22,653)</u>	<u>(54,131)</u>
Taxation		
Taxation refund	<u>-</u>	<u>11,488</u>
Net cash inflow for taxation	<u>-</u>	<u>11,488</u>
Capital expenditure		
Purchase of tangible fixed assets	(524,653)	(354,482)
Sale of tangible fixed assets	<u>8,500</u>	<u>1,195</u>
Net cash outflow for capital expenditure	<u>(516,153)</u>	<u>(353,287)</u>
Financing		
Amount introduced by directors	150,000	99,168
Amount withdrawn by directors	(97,324)	(165,575)
Share issue	-	100
Reserves distributed for share issue	<u>-</u>	<u>(100)</u>
Net cash inflow/(outflow) from financing	<u>52,676</u>	<u>(66,407)</u>

The notes form part of these abbreviated accounts

HEWLAND ENGINEERING LIMITED (REGISTERED NUMBER. 00584792)

NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 30 November 2011

3 ANALYSIS OF CHANGES IN NET DEBT

	At 1 12 10 £	Cash flow £	At 30 11 11 £
Net cash			
Cash at bank and in hand	1,172	(168)	1,004
Bank overdraft	<u>(1,734,489)</u>	<u>(619,884)</u>	<u>(2,354,373)</u>
	<u>(1,733,317)</u>	<u>(620,052)</u>	<u>(2,353,369)</u>
Debt			
Debts falling due after one year	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Total	<u>(2,233,317)</u>	<u>(620,052)</u>	<u>(2,853,369)</u>

The notes form part of these abbreviated accounts

NOTES TO THE ABBREVIATED ACCOUNTS
for the Year Ended 30 November 2011

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets

Turnover

Turnover represents the amount invoiced in respect of ordinary activities and is stated after trade discounts and net of value added tax

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life, allowing for its estimated residual value

Freehold land and costs	- not provided
Buildings	- 1% on cost
Plant and machinery	- 10% on cost
Fixtures and fittings	- 10% on cost
Motor vehicles	- 20% on reducing balance
Office equipment	- 20% on cost

Stocks

Stocks and work in progress not contracted for are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Work in progress relating to a specific contract is valued by reference to the retail value of the work performed

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured on a non-discounted basis at the tax rates that would apply when the timing differences reverse based on tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date

Research and development

Expenditure on research and development is written off in the year in which it is incurred

Foreign currencies

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

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

1 ACCOUNTING POLICIES - continued**Pension costs and other post-retirement benefits**

The company operates a defined benefit pension scheme for eligible employees which was closed to future accrual on 31 May 2011. The assets are held separately from those of the company. The pension scheme surplus or deficit is recognised in full, the movement being split between operating charges, finance items and the statement of total recognised gains and losses. The regular pension cost is charged to the profit and loss account and is based on the expected cost over the service lives of the employees. Contributions to the scheme are paid according to the advice of actuaries. From 1 June 2011 these consist of deficit funding only. The overall expected rate of return of the plan assets has been based on the average expected return of each asset class, weighted by the amount of assets in each class. The scheme holds quoted securities which are valued at current bid price.

The company contributes to money purchase pension schemes on behalf of eligible employees including, from 1 June 2011, contributions previously made to the defined benefit scheme. Additional retirement benefits are provided for directors through a money purchase executive benefit scheme. These schemes are administered independently and the assets held separately from the company. The premiums are charged to the profit and loss account.

2 TURNOVER

The turnover and profit (2010 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	30 11 11 £	30 11 10 £
UK sales	3,792,369	3,324,791
Sales - exports non EU	1,970,222	1,751,698
Sales - exports EU	<u>5,201,365</u>	<u>1,892,843</u>
	<u>10,963,956</u>	<u>6,969,332</u>

3 STAFF COSTS

	30 11 11 £	30 11 10 £
Wages and salaries	4,343,318	3,837,266
Social security costs	439,596	317,855
Other pension costs	<u>413,183</u>	<u>344,823</u>
	<u>5,196,097</u>	<u>4,499,944</u>

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

	30 11 11	30 11 10
Production	79	77
Distribution	4	4
Sales & marketing	4	4
Administration & design	<u>28</u>	<u>27</u>
	<u>115</u>	<u>112</u>

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

4 OPERATING PROFIT/(LOSS)

The operating profit (2010 - operating loss) is stated after charging

	30 11 11	30 11 10
	£	£
Hire of plant and machinery	16,988	99,006
Depreciation - owned assets	462,018	451,200
Loss on disposal of fixed assets	5,344	5,541
Auditors' remuneration	<u>17,600</u>	<u>17,200</u>
Directors' remuneration	166,506	104,561
Directors' pension contributions to money purchase schemes	<u>30,396</u>	<u>15,000</u>

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	2	2
Defined benefit schemes	<u>-</u>	<u>2</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	30 11 11	30 11 10
	£	£
Bank interest	<u>76,673</u>	<u>33,476</u>

6 TAXATION

Analysis of the tax credit

The tax credit on the profit on ordinary activities for the year was as follows

	30 11 11	30 11 10
	£	£
Current tax		
UK corporation tax	<u>4</u>	<u>-</u>
Deferred tax		
Accelerated capital allowances	(128,254)	(3,287)
Pension scheme	(68,000)	282,000
Deferred tax asset	<u>44,702</u>	<u>(307,157)</u>
Total deferred tax	<u>(151,552)</u>	<u>(28,444)</u>
Tax on profit/(loss) on ordinary activities	<u>(151,548)</u>	<u>(28,444)</u>

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

6 TAXATION - continued**Factors affecting the tax credit**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	30 11 11 £	30 11 10 £
Profit/(loss) on ordinary activities before tax	<u>627,707</u>	<u>(1,379,717)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2010 - 21%)	125,541	(289,741)
Effects of		
Capital allowances in excess of depreciation	(4,235)	(8,990)
Utilisation of tax losses	(44,702)	(72)
Tax losses carried forward	-	338,231
Research & Development enhanced deduction	(47,800)	(33,968)
FRS17 adjustments	<u>(28,800)</u>	<u>(5,460)</u>
Current tax credit	<u>4</u>	<u>-</u>

Factors that may affect future tax charges

The potential deferred tax asset which has been fully provided in accordance with FRS 19 comprises

	30 11 11 £	30 11 10 £
Deferred tax asset at 1 December 2010	619,475	312,318
(Decrease)/increase in provision for year	<u>(44,702)</u>	<u>307,157</u>
Deferred tax asset at 30 November 2011	<u>574,773</u>	<u>619,475</u>

7 DIVIDENDS

	30 11 11 £	30 11 10 £
Ordinary A shares of £1 each		
Interim	-	116,668
Ordinary B shares of £0.01 each		
Interim	<u>35,100</u>	<u>35,000</u>
	<u>35,100</u>	<u>151,668</u>

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

8 TANGIBLE FIXED ASSETS

	Freehold land £	Buildings £	Plant and machinery £
COST OR VALUATION			
At 1 December 2010	2,322,197	1,777,803	8,501,440
Additions	-	-	500,153
At 30 November 2011	<u>2,322,197</u>	<u>1,777,803</u>	<u>9,001,593</u>
DEPRECIATION			
At 1 December 2010	-	240,364	6,620,763
Charge for year	-	17,778	408,290
Eliminated on disposal	-	-	-
At 30 November 2011	<u>-</u>	<u>258,142</u>	<u>7,029,053</u>
NET BOOK VALUE			
At 30 November 2011	<u>2,322,197</u>	<u>1,519,661</u>	<u>1,972,540</u>
At 30 November 2010	<u>2,322,197</u>	<u>1,537,439</u>	<u>1,880,677</u>

	Fixtures and fittings £	Motor vehicles £	Office equipment £	Totals £
COST OR VALUATION				
At 1 December 2010	1,085,545	59,196	880,063	14,626,244
Additions	-	24,500	-	524,653
Disposals	-	(35,466)	-	(35,466)
At 30 November 2011	<u>1,085,545</u>	<u>48,230</u>	<u>880,063</u>	<u>15,115,431</u>
DEPRECIATION				
At 1 December 2010	972,097	34,330	858,825	8,726,379
Charge for year	22,223	7,104	6,623	462,018
Eliminated on disposal	-	(21,622)	-	(21,622)
At 30 November 2011	<u>994,320</u>	<u>19,812</u>	<u>865,448</u>	<u>9,166,775</u>
NET BOOK VALUE				
At 30 November 2011	<u>91,225</u>	<u>28,418</u>	<u>14,615</u>	<u>5,948,656</u>
At 30 November 2010	<u>113,448</u>	<u>24,866</u>	<u>21,238</u>	<u>5,899,865</u>

Cost or valuation at 30 November 2011 is represented by

	Freehold land £	Buildings £	Plant and machinery £
Valuation in 2010	1,086,440	-	-
Cost	<u>1,235,757</u>	<u>1,777,803</u>	<u>9,001,593</u>
	<u>2,322,197</u>	<u>1,777,803</u>	<u>9,001,593</u>

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

8 TANGIBLE FIXED ASSETS - continued

	Fixtures and fittings £	Motor vehicles £	Office equipment £	Totals £
Valuation in 2010	-	-	-	1,086,440
Cost	<u>1,085,545</u>	<u>48,230</u>	<u>880,063</u>	<u>14,028,991</u>
	<u>1,085,545</u>	<u>48,230</u>	<u>880,063</u>	<u>15,115,431</u>

If freehold land had not been revalued it would have been included at the following historical cost

	30 11 11 £	30 11 10 £
Cost	<u>1,235,757</u>	<u>1,235,757</u>

Freehold land was valued on an open market basis on 30 November 2010 by Savills

9 STOCKS

	30 11 11 £	30 11 10 £
Stocks	189,323	207,376
Work in progress	3,740,721	2,615,795
Finished goods	<u>3,513,792</u>	<u>3,114,714</u>
	<u>7,443,836</u>	<u>5,937,885</u>

10 DEBTORS

	30 11 11 £	30 11 10 £
Amounts falling due within one year		
Trade debtors	1,416,217	983,547
VAT	115,149	56,789
Other debtors and prepayments	<u>151,388</u>	<u>148,383</u>
	<u>1,682,754</u>	<u>1,188,719</u>
Amounts falling due after more than one year		
Trade debtors	129,045	117,049
Net deferred tax asset	<u>458,060</u>	<u>374,508</u>
	<u>587,105</u>	<u>491,557</u>
Aggregate amounts	<u>2,269,859</u>	<u>1,680,276</u>

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 11 11	30 11 10
	£	£
Bank loans and overdrafts (see note 13)	2,354,373	1,734,489
Trade creditors	1,899,116	1,140,047
Tax	4	-
Social security and other taxes	198,994	122,763
Customer deposits	6,236	-
Directors' current accounts	204,094	151,418
Other creditors and accruals	<u>519,184</u>	<u>364,682</u>
	<u><u>5,182,001</u></u>	<u><u>3,513,399</u></u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 11 11	30 11 10
	£	£
Preference shares (see note 13)	500,000	500,000
Other creditors	<u>-</u>	<u>56,600</u>
	<u><u>500,000</u></u>	<u><u>556,600</u></u>

13 LOANS

An analysis of the maturity of loans is given below

	30 11 11	30 11 10
	£	£
Amounts falling due within one year or on demand		
Bank overdrafts	<u><u>2,354,373</u></u>	<u><u>1,734,489</u></u>
Amounts falling due in more than five years		
Repayable otherwise than by instalments		
Preference shares	<u><u>500,000</u></u>	<u><u>500,000</u></u>

Details of shares shown as liabilities are as follows

Allotted, issued and fully paid			30 11 11	30 11 10
Number	Class	Nominal value	£	£
500,000	Preference Shares	£1	<u><u>500,000</u></u>	<u><u>500,000</u></u>

The preference shares hold no voting rights and rank before ordinary shares in the event of the winding-up of the company. Dividends in respect of preference shares are determined by the board.

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

14 SECURED DEBTS

The following secured debts are included within creditors

	30 11 11	30 11 10
	£	£
Bank overdrafts	<u>2,354,373</u>	<u>1,734,489</u>

The following facilities are provided by the company's bank and are due for review in May 2012 but payable on demand - overdraft £2,350,000, engagements £500, foreign bills of negotiation £33,000, business card £61,000

Securities for the facilities are as follows - Debenture, including a fixed equitable charge over all present freehold and leasehold property, first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future, and first floating charge over all assets and undertakings both present and future dated 21 May 1997. There is also a first legal charge over the freehold property known as Land on the West Side of Waltham Road, White Waltham, Berkshire dated 8 January 1997 ✓

15 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			30 11 11	30 11 10
Number	Class	Nominal value	£	£
10,000	Ordinary A	£1	10,000	10,000
10,000	Ordinary B	£0.01	<u>100</u>	<u>100</u>
			<u>10,100</u>	<u>10,100</u>

500,000 preference shares of £1 each are disclosed in the financial statements as a long term loan. The preference shares have no voting rights and rank before ordinary shares in the event of the company winding-up. Dividends for preference shareholders are determined by the board.

16 RESERVES

	Profit and loss account £	Revaluation reserve £	Totals £
At 1 December 2010	7,035,659	1,086,440	8,122,099
Profit for the year	779,255		779,255
Dividends	(35,100)		(35,100)
Actuarial gain/(loss)	<u>(1,214,000)</u>	<u>-</u>	<u>(1,214,000)</u>
At 30 November 2011	<u>6,565,814</u>	<u>1,086,440</u>	<u>7,652,254</u>
Profit and loss account excluding pension liability	8,884,814		
Pension deficit	<u>(2,319,000)</u>		
Profit and loss account	<u>6,565,814</u>		

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

17 EMPLOYEE BENEFIT OBLIGATIONS

The company is the sponsoring employer for the Hewland Engineering Limited (1972) Pension and Life Assurance Scheme. The Scheme is a defined benefit funded pension scheme in the UK. The Scheme was closed to future benefit accrual and the salary link severed on 31 May 2011. At this time all active members became 'deferred'. A retiring member's pension is secured by way of an insurance policy held in the name of the trustees funded from the Scheme's assets. As at 30 September 2011 there were 81 pensioners and dependants and 143 deferred pensioners.

The company employs JLT Benefit Solutions to administer the Scheme and provide actuarial services on behalf of the trustees. There are three trustees and they are also employees of the company. They receive no additional benefits to any other Scheme member nor do they receive any remuneration. S Deane, a director, is also a Scheme trustee but abstains from any involvement where a conflict of interest could occur.

The investment objectives of the Scheme are to achieve an overall rate of return that will ensure sufficient resources are available to meet all liabilities as they fall due and that investment returns are maximised at an acceptable level of risk. To achieve this the Scheme uses a combination of 'Bond' and 'Bond Plus' portfolios each held with a single investment manager to manage equities together with alternative asset classes. The trustees rely on the individual investment fund managers for the day to day management of those investments. Investments are valued at their open market value and, being single priced funds, at their closing single price.

The arrangements as regards to contribution levels are described in the Schedule of Contributions dated 28 March 2011. Following the full actuarial valuation on 1 October 2009, employer and employee contributions were paid at the rate of 8% of pensionable pay until 31 May 2011. A shortfall in funding of £3.4m was identified by the actuary. Deficit reduction contributions of £12,800 per month are payable for the next 14 years, rising by 5% on each 1 November. Over the year to 30 November 2011, as a result of an administrative error in setting up the replacement defined contribution plan, the company underpaid contributions to the Scheme by £80,800. This was identified and subsequently rectified in early 2012. The employer expects to contribute approximately £234,400 for the year starting 1 December 2011.

There has been a deterioration in the Scheme's FRS17 balance sheet position since 30 November 2010. The net of tax FRS17 deficit has increased from £1.3m to £2.3m. This increase has arisen mainly due to a difference between the expected and actual return on the Scheme assets over the year. The deficit has been partially offset by the deficit correction contributions made into the Scheme by the company.

Death in Service insurance premiums, administration expenses and PPF levies are paid separately by the company in addition to the contribution noted above.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	30 11 11	30 11 10
	£	£
Present value of funded obligations	(10,736,000)	(9,449,000)
Fair value of plan assets	<u>7,837,000</u>	<u>7,620,000</u>
	(2,899,000)	(1,829,000)
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Deficit	(2,899,000)	(1,829,000)
Deferred tax asset	<u>580,000</u>	<u>512,000</u>
Net liability	<u>(2,319,000)</u>	<u>(1,317,000)</u>

None of the fair values of the Scheme's assets includes any of the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

17 EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows

	Defined benefit pension plans	
	30 11 11 £	30 11 10 £
Current service cost	109,000	220,000
Interest cost	533,000	528,000
Expected return	(587,000)	(507,000)
Past service cost	-	-
	<u>55,000</u>	<u>241,000</u>
Actual return on plan assets	<u>(35,000)</u>	<u>785,000</u>
Shown as Other finance (income)/costs		
	30 11 11 £	30 11 10 £
Expected return on pension scheme assets	(587,000)	(507,000)
Interest on pension scheme liabilities	<u>533,000</u>	<u>528,000</u>
	<u>(54,000)</u>	<u>21,000</u>

Changes in the present value of the defined benefit obligation are as follows

	Defined benefit pension plans	
	30 11 11 £	30 11 10 £
Opening defined benefit obligation	9,449,000	9,579,000
Current service cost	109,000	220,000
Contributions by scheme participants	126,000	267,000
Interest cost	533,000	528,000
Actuarial losses/(gains)	592,000	(703,000)
Benefits paid	<u>(73,000)</u>	<u>(442,000)</u>
	<u>10,736,000</u>	<u>9,449,000</u>

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

17 EMPLOYEE BENEFIT OBLIGATIONS - continued

Changes in the fair value of scheme assets are as follows

	Defined benefit pension plans	
	30 11 11	30 11 10
	£	£
Opening fair value of scheme assets	7,620,000	6,743,000
Contributions by employer	199,000	267,000
Contributions by scheme participants	126,000	267,000
Expected return	587,000	507,000
Actuarial gains/(losses)	(622,000)	278,000
Benefits paid	<u>(73,000)</u>	<u>(442,000)</u>
	<u>7,837,000</u>	<u>7,620,000</u>

The amounts recognised in the statement of recognised gains and losses are as follows

	Defined benefit pension plans	
	30 11 11	30 11 10
	£	£
Actuarial gains/(losses)	<u>(1,214,000)</u>	<u>981,000</u>
	<u>(1,214,000)</u>	<u>981,000</u>
Cumulative amount of actuarial gains/(losses)	<u>(1,577,000)</u>	<u>(363,000)</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows

	Defined benefit pension plans	
	30 11 11	30 11 10
Diversified Growth	78%	82%
Bonds	19%	17%
Net Current Assets	<u>3%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

17 EMPLOYEE BENEFIT OBLIGATIONS - continued**Expected long term rates of return**

The long-term expected rate of return on net current assets is determined by reference to bank base rates at the balance sheet date. On bonds it is by reference to UK long dated government and corporate bond yields at the balance sheet date. For diversified growth assets the return is based on the rate of return on bonds with an allowance for out-performance. The overall rate of return on the Scheme assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class.

The expected long term rates of return for each period are

	Period from 01/12/2010% per annum	Period from 01/12/2009% per annum
Diversified Growth	8.10	8.00
Bonds	5.60	5.50
Net Current Assets	0.50	0.50
Overall for Scheme	7.62	7.48

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	30.11.11	30.11.10
Discount rate	5.00%	5.60%
Expected return on scheme assets	7.62%	7.48%
Increase in salaries	2.00%	2.70%
Pension in payment increase of RPI or 5 per cent p.a. if less	3.00%	3.40%
Pension in payment increase of RPI or 2.5 per cent p.a. if less	2.50%	2.50%
Inflation (RPI)	3.00%	3.40%
Inflation (CPI)	2.00%	2.70%
Revaluation of deferred pensions of CPI or 5 per cent p.a. if less	2.00%	2.70%

Allowance for commutation of pension for cash at retirement 100% of Post A Day

Mortality assumptions adopted at 30 November 2011 imply the following life expectancies

Male retiring at age 65 in 2011	22.1
Female retiring at age 65 in 2011	24.2
Male retiring at age 65 in 2031	23.9
Female retiring at age 65 in 2031	26.1

Amounts for the current and previous four periods are as follows

	30.11.11 £	30.11.10 £	30.11.09 £	30.11.08 £	30.11.07 £
Defined benefit pension plans					
Defined benefit obligation	(10,736,000)	(9,449,000)	(9,579,000)	(7,589,000)	(7,898,000)
Fair value of scheme assets	7,837,000	7,620,000	6,743,000	5,735,000	7,922,000
Deficit	(2,899,000)	(1,829,000)	(2,836,000)	(1,854,000)	24,000
Experience adjustments on scheme liabilities	(363,000)	(482,000)	(39,000)	(508,000)	(100,000)
Experience adjustments on scheme assets	(622,000)	278,000	978,000	(2,088,000)	(117,000)

18 CONTINGENT LIABILITIES

H M Customs and Excise Duty Deferment Bond of £500

NOTES TO THE ABBREVIATED ACCOUNTS - continued
for the Year Ended 30 November 2011

19 TRANSACTIONS WITH DIRECTORS

During the year under review W Hewland, a director, introduced £150,000 into the company. He also withdrew amounts totalling £97,323. The company credited W Hewland with £8,000 in consideration for a vehicle for business use. The vehicle was valued on an open market basis. The amount due from the company to W Hewland as at 30th November 2011 was £204,094 (2010 £151,418).

20 RELATED PARTY DISCLOSURES

During the year dividends totalling £35,100 were paid to a close relative of W Hewland, a director.

As disclosed in Note 17 the company is the sponsoring employer for the Hewland Engineering Limited 1972 Pension and Life Assurance Scheme which was set up to provide retirement pensions for eligible employees. The company contributed a total of £279,165 to the scheme during the year including deficit funding payments totalling £153,600. The company also pays all administrative costs relating to the scheme which during the year totalled £173,539.

21 ULTIMATE CONTROLLING PARTY

W Hewland (director) is the ultimate controlling party by virtue of his majority holding of Ordinary shares.

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 11 11 £	30 11 10 £
Profit/(loss) for the financial year	779,255	(1,351,273)
Dividends	<u>(35,100)</u>	<u>(151,668)</u>
	744,155	(1,502,941)
Other recognised gains and losses relating to the year (net)	<u>(1,214,000)</u>	<u>2,067,440</u>
Net (reduction)/addition to shareholders' funds	(469,845)	564,499
Opening shareholders' funds	<u>8,132,199</u>	<u>7,567,700</u>
Closing shareholders' funds	<u>7,662,354</u>	<u>8,132,199</u>

23 PROVISIONS FOR LIABILITIES

No provision has been made for deferred tax on gains recognised in revaluing freehold land to its open market value. Such tax would become payable only if the land was sold. The amount unprovided for is £95,817. It is not envisaged that any such tax will become payable in the foreseeable future.