

Registrar's Copy

Hewland Engineering Limited

Report and Financial Statements

Year Ended

31 August 2017

Company Number 00584792



Hewland Engineering Limited

Report and financial statements for the year ended 31 August 2017

Contents

Page:

1	Strategic report
6	Report of the directors
9	Independent auditor's report
12	Statement of comprehensive income
13	Balance sheet
14	Statement of changes in equity
16	Statement of cash flows
17	Notes forming part of the financial statements

Directors

W Hewland
S R Deane
S L Robins

Secretary and registered office

J Callow, Waltham Road, White Waltham, Maidenhead, Berkshire, SL6 3LR

Company number

00584792

Auditors

BDO LLP, Level 12, Thames Tower, Station Road, Reading, Berkshire, RG1 1LX

Hewland Engineering Limited

Strategic report for the year ended 31 August 2017

The directors present their strategic report together with the audited financial statements for the year ended 31 August 2017.

2017: An overview

2017 continued to build on the foundations laid in 2016 and contained a number of highlights as the business continued its execution of Project 25 and some of the strategic initiatives that underpin that plan.

The business was pleased to celebrate its 60th anniversary since incorporation in 1957 which it recognised with a rebranding initiative and new market launch. The rebranding is in keeping with the forward strategy for the business; namely building on solid foundations but demonstrating a freshness and a willingness and ability to exploit new market sectors and technology.

In April 2017 the business announced an anticipated significant 50/50 joint venture (Hero Hewland Ltd) with Hero Motors of India for the joint exploitation of the global, high volume transmission and powertrain component market. Hewland has a long and proven track record in the design, development and manufacture of high technology transmissions for multiple global applications. The joint venture (JV) with Hero allows Hewland to extend that offering in conjunction with Hero to significant high volume (up to 100's of thousands of units per year) projects. Together the two businesses offer a complete concept to high volume solution for the transmission and drivetrain component market across the globe. The business pipeline developed post announcement is evidence of the positive response from the market place and the future potential of the JV. Hewland is now able to attack business opportunities which previously would have been beyond it and Hero is able to offer a level of technical support that reinforces its reputation for quality and cost leadership in high volume manufacture and assembly.

The JV has supported the development of further opportunities in the electric vehicle market with niche supercar to commercial vehicle applications being progressed within the year. The global spend in electric vehicle powertrains will ramp up significantly in the coming years. Government strategies across the globe, targeted at total electric or hybrid propulsion systems within the next 20 years, are creating huge market demand and the knowledge secured by Hewland in over 10 years of electric vehicle development positions it to take advantage of that new market demand.

The growth in the electric vehicle market when combined with the high volume and cost competitive offering from Hero Hewland is anticipated to play a major role in the future growth of the business.

As further evidence of the business's diversification programme it supplied the first units of a new low volume road car application which shall be formally announced in the latter part of 2017. Whilst using much of the technology and experience gained in 60 years of motorsport activity the project will provide a long term, repeatable revenue stream that will provide a significant revenue base over many years.

Whilst continuing to drive for diversification the business fully expects motorsport to remain at the core of its activity. New projects such as the Ligier JSP217 marked the return of Hewland to the very top of Le Mans Prototype racing the highlight of which was a flawless performance in the challenging Le Mans 24 hour race in June. In conjunction with Ligier the business anticipates further growth of this programme in Europe and the US during 2018.

The business was also pleased to secure an extension to its involvement with the rebranded Formula 2 and GP3 race series. Below Formula 1 (in which the business continues to provide components to leading teams) the new Formula 2 will be the pinnacle of open wheeled racing and Hewland are proud to continue its support of this race series. Hewland also continues to support many of the high profile teams in the Formula E series and the introduction of major OEM's into this series from 2018 onwards presents significant opportunities for complete transmission and component supply.

Hewland also secured a significant GT4 programme for which transmission supply commenced in the final month of FY2017. This is anticipated to ramp up significantly within 2018 with advanced chassis orders being very positive.

Hewland Engineering Limited

Strategic report for the year ended 31 August 2017 (continued)

2017: An overview (continued)

The growth of the GT market and success of the Ligier brand in the US will be further supported by the opening of Hewland Inc (direct subsidiary of Hewland Engineering Limited) in the 2nd quarter of FY2018. A facility has been secured and the addition of this capability is expected to generate new incremental business in the US motorsport and electric vehicle market. It is likely that the full benefits of this addition will not be seen until the first half of FY2019.

With the ramp up in new business, inventory levels increased slightly within the second half of the year though the business retains a medium and long term objective to reduce inventory levels through lean deployment and joint stock management with its key customers. Provisioning for aged stock will continue in line with established policies.

Construction of a new assembly facility was commenced (see note 9) and the transition to this new facility is anticipated to be completed in the 2nd quarter of FY2018. This investment is central to the drive for improved operational efficiency and increasing quality expectations of new markets.

Revenue growth and improved financial performance within the year are an endorsement of the strategy being pursued by the business which will continue to be progressed in the coming year.

2017: Financial Performance

The results for the company for the last four years demonstrate the journey that the business has undertaken:

	2014 9 Months	2015	2016	2017
Turnover	£10,867,810	£11,727,619	£10,944,672	£11,963,734
Reported Operating (loss)/ profit	£1,596,289	(£207,809)	(£1,849,231)	(£442,765)
Underlying EBITDA	£1,959,749	£761,397	(£1,004,393)	£307,674

Operating loss for the twelve months to August 2017 is £(442,765), a significant reduction over 2016's loss of £(1,849,231). On an underlying basis, operating loss is £(221,479) (31 August 2016: loss of £1,557,166). Underlying operating (loss)/profit for financial years 2017 and 2016 is calculated by adjusting the company's operating (loss)/profit for stock provision, PPF levy and bad debt provisions.

The increase in year on year revenue was the major impact on profitability and was also helped by the stock increase and additional provisioning in the period which amounted to a further £259,893 of additional benefit impacting the P&L.

The company's preferred measure of its underlying profitability is underlying EBITDA (which is the underlying operating (loss)/profit plus depreciation) saw a favourable increase from (£1,004,393) in 2016 to a profitable £307,674 in 2017.

The company ended the period with a net cash position of £493,835 (2016: £550,842).

The company's profit and loss reserve was positively impacted in the period by £500,000 due to the reallocation of the capital redemption reserve by special resolution of directors and £201,000 due to a decrease in the defined benefit pension liability. This impact was predominantly due to the higher annual gilt yields at the time of the year end valuation and directly impacted the discount rates used in the valuation.

This increase in discount rate to 2.7% from 2.3% in the prior year created the largest impact however, this was partially offset by the increase in RPI (3.3% up from 2.9% prior year) and CPI (2.1% up from 1.7% prior year).

Hewland Engineering Limited

Strategic report for the year ended 31 August 2017 (continued)

2017: An overview (continued)

The investment performance was weaker than expectations in the year and decreased the plan's assets to £13,039,000 from £13,089,000 in 2016. This however, was offset by the decrease in liabilities to £19,677,000 (£19,772,000 in 2016) and decreased the pension liability in the Balance Sheet by £44,000. The balance to profit and loss reserve being the difference between net interest costs and the employer contributions.

As stated previously the company has a pension deficit reduction plan agreed with the trustees which includes annually increasing contributions being made by the company on a monthly basis reducing the deficit until such time the scheme becomes self-sufficient. One of the main strategic actions of the coming years is to ensure the pension scheme retains a strong sponsoring employer and that the deficit is managed accordingly.

2017: Key Performance Indicators

The company uses several key performance indicators ('KPIs') to manage and direct the performance of the business to consistently deliver a service which *exceeds client expectations*. These are then formally cascaded down to set the performance criteria of the senior management team, all of whom now have a significant element of their pay directly related to their successful delivery against KPIs pertinent to their functional area.

The company has also continued to improve its internal reporting functions to focus on debtor management, robust cash forecasting procedures and, in particular, profitable sales. The KPIs that the company uses to manage its cashflows and protect itself from the risks noted elsewhere in this Strategic Report are:

- EBITDA %
- Debtor days outstanding
- Creditor days outstanding
- Liquidity ratio
- Weekly cashflow plans
- Gross margin
- Staff efficiency ratios

In terms of publicly available KPIs, the company is pleased to report the following showing its management of working capital and key indicators of business performance:

	2014	2015	2016	2017
Debtor days outstanding	36.0	30.1	34.6	38.3
Creditor days outstanding	74.4	73.4	57.0	93.6
Liquidity ratio	1.2	1.6	1.1	0.8
Gross margin	33.8%	21.9%	11.4%	26.6%

For the purposes of the above calculations turnover used includes other operating income.

Debtor days remain a focus for the business and are managed closely. The higher Creditor days shows the company's commitment to managing its cash position and ensuring appropriate terms are negotiated with all suppliers which will be essential for the company's future predicted growth.

The 27% decrease in our liquidity ratio on the prior year is a clear demonstration of the impact of the upfront investment securing new business and before corresponding revenues have been received.

Gross margin in the year was impacted by the stock increase and the higher achieved revenues.

Hewland Engineering Limited

Strategic report for the year ended 31 August 2017 (*continued*)

2017: Market and customers

The growth seen in emerging race formulas such as Formula E continued within the year. Major automotive OEM's are now committed to participation in 2018 and 2019 that will further serve to accelerate investment in new technologies and competitive solutions. Given its pedigree in this race series the business expects to be well placed to take advantage of this trend.

Traditional motorsport sectors supported by the business remain strong and stable. New contracts for GT, LMP and F2 applications were secured within the year and these represent long term customer partnerships that the business can build on.

Existing customers are seeing growth in the US markets in both LMP and GT categories and this presents opportunity for the business both in original sales and the support of rebuild and aftermarket requirements. The Hewland US facility coming on stream in Q2 2018 will be able to take advantage of these developments and enable in territory rebuild capabilities.

Outside of motorsport the global government commitments to electric vehicle introduction gathered further pace. In the UK the government is being urged to ensure that 60% of new vehicle sales are electric by the end of the next decade, Germany wishes to ban all non-electric vehicle sales by 2030 and India has stated a target that by 2032 its entire vehicle population be electrified. Whilst there are undoubted infrastructure issues to be resolved to support these objectives the direction is clear and it will not change.

The business is fortunate in that aided by UK government funding and initiatives the UK is at the forefront of both the electric vehicle development and that of autonomous vehicles. Whilst short term developments may be limited to niche and high performance electric vehicle applications the longer term opportunities will increasingly be at higher annual volumes and will potentially generate a whole new customer base for Hewland technology.

Hewland Engineering Limited

Strategic report for the year ended 31 August 2017 (*continued*)

2017: Risks and uncertainties

The main financial risks arising from the company's activities are credit risk and liquidity risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The company's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made. To mitigate default risk, the company also requires deposits with all bespoke orders and stage payments for longer-term projects.

The company does not have any bank loans. Asset finance facilities are maintained for key equipment purchases but the company's policy in respect of interest rate risk on such facilities is to only secure fixed rate finance. In respect of liquidity risk, the company maintains readily accessible bank deposit accounts to ensure the company has sufficient funds for its operations. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate.

The company sells in sterling and so does not have any exchange rate exposure in that regard. On the supplier side, most goods and services are sourced in sterling, but where some limited purchases need to be made in non-sterling currency, individual forward purchases of currency are made to fix the exchange rate risks and uncertainties.

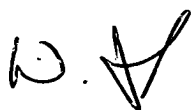
The company and its management consider that the biggest risks stem from the rapid resurgence of the motorsport industry which can lead to working capital difficulties if not properly managed. The KPIs set out on page 3 are used to carefully monitor the business on a weekly and monthly basis to ensure that this risk is minimised.

As the company exports 71% of its finished goods, the economic environment in key overseas markets of North America, Asia and Europe has an impact on spend by team and series sponsors on motorsport as well as on the amounts available to the central management of race series from such income streams as TV rights payments.

Further details on the company and its globally recognised bespoke solutions can be found at the company's website: www.hewland.com

Approval

This strategic report was approved on behalf of the Board on 5th January 2018



W Hewland

Director

|||

|||

Hewland Engineering Limited

Report of the directors for the year ended 31 August 2017

The directors present their report together with the financial statements of the company for the year ended 31 August 2017.

Principal activities

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

Results for the year under review

The Board present a full review of the business and its results within the Strategic Report on pages 1 to 5 but in summary the results of the company are as follows:

	2017	2016
Turnover	£11,963,734	£10,944,672
Loss on ordinary activities before taxation	(£639,377)	(£2,098,985)
Underlying EBITDA	£307,674	(£1,004,393)

Directors

The directors of the company during the year were:

W Hewland
S L Robins
S R Deane

Dividends

The distribution of dividends for the year ended 31 August 2017 totalled £163,740 and was paid:

'A' Ordinary shares:	£84,150
'B' Ordinary shares:	£28,590
'C' Ordinary shares:	£51,000

Financial Risk

See discussion of risks in the strategic report on pages 1 to 5.

Hewland Engineering Limited

Report of the directors for the year ended 31 August 2017 (*continued*)

Research and development

Research and development activity was accelerated within the year as in conjunction with customers and partners the business progressed several new products and technologies.

The new TLST transmission was launched in support of the LMP market and the GTT-200 (for front engine, RWD endurance applications) secured its first race win.

The electric vehicle market is a key strategic growth target and the business secured its first contract for the newly developed GEVT transmission that will debut in FY2018. The modular type design for this transmission will make it compatible with multiple electric motors and applications. Production solutions of the generic transmission are being completed with joint venture partner Hero to support manufacture to major Tier 1 automotive volumes at cost leading levels.

New technologies were applied in conjunction with partners to deliver significant weight saving and performance benefits in support of Formula E and other race series and the business continues to develop strategic partnerships with technology and process providers. The business has also further strengthened its academic links with sponsorship of motorsport activity and local universities and recruitment of further engineering graduates in to engineering and operational roles.

Within manufacturing the business commenced the roll out of new single point fixturing systems to further enhance flexibility and manufacturing lead times. The investment in manufacturing systems, as evidenced by the investment in the new assembly facility, is integral to the strategic plan and will continue over the coming years.

|||

|||

Hewland Engineering Limited

Report of the directors for the year ended 31 August 2017 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the strategic report, 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.

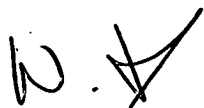
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

Disclosure of information to auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

The auditors, BDO LLP, are deemed to have been reappointed in accordance with section 487 of the Companies Act 2006.

Signed on behalf of the board by:



W Hewland
Director

Date

5.1.18

Hewland Engineering Limited

Independent auditor's report

TO THE MEMBERS OF HEWLAND ENGINEERING LIMITED

Opinion

We have audited the financial statements of Hewland Engineering Limited for the year ended 31 August 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Hewland Engineering Limited

Independent auditor's report (*continued*)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

|||

|||

Hewland Engineering Limited

Independent auditor's report (*continued*)

Auditor's responsibilities for the audit of the financial statements (*continued*)

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



*Simon Brooker (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom*

8 January 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Hewland Engineering Limited

Statement of comprehensive income for the year ended 31 August 2017

	Note	2017 £	2016 £
Turnover	3	11,963,734	10,944,672
Cost of sales		(8,855,005)	(9,784,934)
Gross profit		3,108,729	1,159,738
Administrative expenses		(3,654,547)	(3,106,691)
Other operating income		103,053	97,722
Operating Loss	4	(442,765)	(1,849,231)
Interest receivable and similar income		359	883
Interest payable and similar charges		(47,221)	(41,637)
Other finance costs	16	(149,750)	(209,000)
Loss on ordinary activities before taxation		(639,377)	(2,098,985)
Taxation on loss on ordinary activities	8	1,084,104	943,996
Profit/(loss) for the financial year		444,727	(1,154,989)
Actuarial losses on defined benefit pension scheme	16	(201,000)	(1,045,000)
Taxation in respect of items of other comprehensive income		39,357	209,000
Other comprehensive loss for the year		(161,643)	(836,000)
Total comprehensive income/(loss) for the year		283,084	(1,990,989)

All amounts relate to continuing activities.

All recognised gains or losses in the current and prior year are included in the statement of comprehensive income.

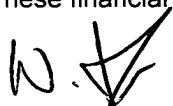
The notes on pages 17 to 32 form part of these financial statements

Hewland Engineering Limited

Balance sheet at 31 August 2017

Company number 00584792	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	9		2,842,603		3,124,121
Current assets					
Stocks	10	6,582,525		6,322,632	
Debtors	11	2,268,667		2,426,168	
Cash at bank and in hand		493,835		550,842	
		<u>9,345,027</u>		<u>9,299,642</u>	
Creditors: amounts falling due within one year	12	<u>(3,224,880)</u>		<u>(3,016,782)</u>	
Net current assets			6,120,147		6,282,860
Total assets less current liabilities			8,962,750		9,406,981
Creditors: amounts falling due after more than one year	13		(703,355)		(1,195,779)
Provision for liabilities	15		(232,755)		(259,906)
Net assets excluding pension liability			8,026,640		7,951,296
Pension liability	16		(6,639,000)		(6,683,000)
Net assets			1,387,640		1,268,296
Capital and reserves					
Called up share capital	17		10,100		10,100
Capital redemption reserve			-		500,000
Profit and loss reserve			1,377,540		758,196
Equity attributable to owners of the company			1,387,640		1,268,296

These financial statements were approved by the Board of Directors and authorised for issue on



W Hewland
Director




The notes on pages 17 to 32 form part of these financial statements

Hewland Engineering Limited

Statement of changes in equity for the year ended 31 August 2017

	Share capital £	Capital redemption reserve £	Profit and loss reserve £	Total equity £
1 September 2016	10,100	500,000	758,196	1,268,296
Comprehensive loss for the year				
Profit for the year	-	-	444,727	444,727
Actuarial losses on defined benefit pension scheme	-	-	(201,000)	(201,000)
Taxation in respect of items of other comprehensive loss	-	-	39,357	39,357
Other comprehensive loss for the year	-	-	(161,643)	(161,643)
Total comprehensive income for the year	-	-	283,084	283,084
Contributions by and distributions to owners				
Dividends	-	-	(163,740)	(163,740)
Capital restructure	-	(500,000)	500,000	-
Total contributions by and distributions to owners	-	(500,000)	336,260	(163,740)
31 August 2017	10,100	-	1,377,540	1,387,640

The notes on pages 17 to 32 form part of these financial statements

Hewland Engineering Limited

Statement of changes in equity for the year ended 31 August 2016

	Share capital £	Capital redemption reserve £	Profit and loss reserve £	Total equity £
1 September 2015	10,100	500,000	3,055,395	3,565,495
Comprehensive loss for the year				
Loss for the year	-	-	(1,154,989)	(1,154,989)
Actuarial losses on defined benefit pension scheme	-	-	(1,045,000)	(1,045,000)
Taxation in respect of items of other comprehensive loss			209,000	209,000
Other comprehensive loss for the year	-	-	(836,000)	(836,000)
Total comprehensive loss for the year	-	-	(1,990,989)	(1,990,989)
Contributions by and distributions to owners				
Dividends	-	-	(306,210)	(306,210)
Total contributions by and distributions to owners	-	-	(306,210)	(306,210)
31 August 2016	10,100	500,000	758,196	1,268,296

The notes on pages 17 to 32 form part of these financial statements

Hewland Engineering Limited

Statement of cash flows for the year ended 31 August 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit/(loss) for the financial year		444,727	(1,154,989)
Adjustments for:			
Depreciation and impairment of fixed assets	9	529,925	564,733
Net interest payable		46,862	40,754
Taxation credit		(1,056,953)	(936,552)
Difference between net pension expense and cash contribution		(245,000)	(166,000)
Decrease/(increase) in trade and other debtors		126,965	1,721
Decrease in stocks		(259,893)	1,100,509
Increase/(decrease) in trade and other creditors		209,187	737,019
(Decrease)/increase in provisions		(27,151)	(7,444)
Profit on disposal of fixed assets		(682)	(11,961)
Cash (used)/from operations		(232,013)	167,790
Interest paid		(47,221)	(41,637)
Taxation received		1,126,846	659,608
Net cash generated from operating activities		847,612	785,761
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	9	1,200	17,154
Purchases of tangible fixed assets	9	(248,925)	(120,910)
Interest received		359	883
Net cash from investing activities		(247,366)	(102,873)
Cash flows from financing activities			
Capital element of lease repaid		(493,513)	(424,740)
Equity dividends paid	7	(163,740)	(306,210)
Net cash used in financing activities		(657,253)	(730,950)
Net decrease in cash and cash equivalents		(57,007)	(48,062)
Cash and cash equivalents at beginning of year		550,842	598,904
Cash and cash equivalents at end of year		493,835	550,842

Cash and cash equivalents comprise only cash at bank and in hand.

The notes on pages 17 to 32 form part of these financial statements

Hewland Engineering Limited

Notes forming part of the financial statements for the year ended 31 August 2017

1 Accounting policies

Hewland Engineering Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

Basis of accounting

The financial statements have been prepared on a going concern basis and in accordance with applicable accounting standards and under the historical cost accounting rules.

The following principal accounting policies have been applied:

Turnover

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

Turnover is recognised when the risks and rewards of owning the goods have passed to the customer which is generally on delivery.

Tangible fixed assets

Assets are measured at depreciated historical cost. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation

Land is not depreciated. 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 as follows:

Land and buildings	-	4% 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

Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited against the cost of the assets at the time of acquisition, resulting in a reduction in the depreciation charge on the assets to which the grant relates.

The company has not directly benefited from any other forms of government assistance.

Hewland Engineering Limited

Notes forming part of the financial statement for the year ended 31 August 2017 (*continued*)

1 Accounting policies (*continued*)

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Work in progress is valued taking into account the stage of completion of relevant works orders at the period end. Work in progress and finished goods take account of an appropriate proportion of directly attributable costs and overheads. Provision is made for obsolete and slow moving items where appropriate.

Research and development

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

Foreign currency translation

(a) Functional and presentation currency

Assets and liabilities in foreign currencies are translated into the entity's functional currency using the exchange rates at the balance sheet date.

(b) Transactions and balances

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'other finance costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid or when credited to shareholder loan accounts. Final equity dividends are recognised when approved by the shareholders at an annual general meeting or by written resolution.

Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The capital redemption reserve contained the nominal value of own shares that had been acquired by the company and cancelled.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Hewland Engineering Limited

Notes forming part of the financial statement for the year ended 31 August 2017 (*continued*)

1 Accounting policies (*continued*)

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. The current income tax credit/charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss in interest payable over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The company took advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 September 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of lease.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Hewland Engineering Limited

Notes forming part of the financial statement for the year ended 31 August 2017 (*continued*)

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 the balance sheet as a pension asset or liability as appropriate. Contributions to the scheme are paid according to a deficit reduction plan agreed with the Trustees. 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 nominated employees 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 Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 9)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Stocks (see note 10)*

Where stock is manufactured, the cost includes all direct and fixed expenditure. Volume assessments consider factors such as historical demand, sales projections and future market conditions. Work In Progress is valued dependant on the percentage of completed operations attributable to each individual works order.

Stock that is deemed to be non-moving is provisioned for in full for any product that has not been utilised, either through manufacture or sale, within the previous four financial years. Stock deemed to be slow moving is also provisioned for and is valued by determining the annual demand for each individual stock item and for any stocking level greater than 10 years the remaining value is provided for. These valuation approaches are consistent with prior year.

Hewland Engineering Limited

Notes forming part of the financial statement for the year ended 31 August 2017 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty (*continued*)

- *Debtors (see note 11)*

Trade debtors are stated at cost less accumulated provisions for impairment. Management continually assess whether trade debtors show any indication of impairment and, where an amount receivable is beyond agreed credit terms, exercise judgement as to the recoverability of the debt. In assessing this they consider the financial position of the debtor, their record of payment and prevailing market conditions.

- *Deferred tax (see note 15)*

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The directors exercise judgement on the applicable tax rates and whether there will be sufficient profits in the future to absorb the reversal of the underlying timing differences.

- *Pensions (see note 16)*

The Defined Benefit pensions scheme liabilities are calculated using an independent actuarial valuation using the latest available tri-annual valuation and rolling this forward to the current reporting date.

The discount rate used is derived from an AA-rated Over 15 year Corporate Bond Index plus a determined margin to reflect the average term of the liabilities being longer than the duration of the index.

Inflation and pension increases assume the Bank of England implied inflation spot rate at a term consistent with the term of the liabilities less a factor to reflect supply and demand issues, CPI inflation is assumed to lag long term RPI inflation by a pre-determined factor.

Mortality assumptions are updated from the latest version of the CMI projection model and assumptions are made to determine the long term improvement rates and the proportion of members expected to be married at retirement.

3 Turnover

Turnover is attributable to the principal activity of the company. An analysis of turnover by geographical market is given below.

	2017 £	2016 £
United Kingdom	3,407,634	3,537,413
Europe	4,939,289	4,545,792
Rest of the World	3,616,811	2,861,467
	11,963,734	10,944,672

Hewland Engineering Limited

Notes forming part of the financial statement
for the year ended 31 August 2017 (continued)

4 Operating Loss

	2017 £	2016 £
This is arrived at after charging/(crediting):		
Research and development expenditure	9,108,140	7,979,024
Inventory recognised as an expense	779,914	2,716,453
Depreciation of tangible fixed assets – owned	283,209	328,590
Depreciation of tangible fixed assets - leased	246,716	236,143
Operating lease expense - building	425,000	425,000
Operating lease expense - plant and machinery	19,153	41,300
Profit on disposal of other fixed assets	(682)	(11,961)
Defined benefit pension cost (see note 16)	394,000	375,000
PPF Levy	113,786	47,081
Bad debts and other miscellaneous costs	(43,616)	1,070
Exchange losses	(2,251)	(7,381)
Auditors' remuneration:		
- fees payable for audit services	23,750	20,700
- taxation compliance and related services	3,440	3,340
- other services	-	2,750

5 Employees

	2017 £	2016 £
Staff costs (including directors) consist of:		
Wages and salaries	5,409,498	4,581,849
Social security costs	569,611	494,398
Other pension costs	233,016	506,989
	6,212,125	5,583,236

The average number of employees (including directors) during the year was as follows:

	2017 Number	2016 Number
Production	86	85
Design, and research and development	12	10
Administration	28	24
	126	119

Hewland Engineering Limited

Notes forming part of the financial statement for the year ended 31 August 2017 (*continued*)

6 Directors' remuneration

	2017 £	2016 £
Aggregate emoluments	306,383	218,530
Company contributions to money purchase pensions schemes	13,538	11,419

There was 1 director in the company's defined benefit pension scheme (2016 - 2) and 2 directors in the group's defined contribution pension scheme (2016 - 2) during the period.

The total amount payable to the highest paid director in respect of emoluments was £97,709 (2016 - £98,869). Company pension contributions of £9,938 (2016 - £9,919) were made to money purchase schemes on behalf of the highest paid director.

Key management personnel include all directors and selective senior management of the company who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £400,151 (2016 - £300,980).

7 Dividends

	2017 £	2016 £
'A' ordinary shares of £1 each - interim paid	84,150	142,208
'B' ordinary shares of £1 each - interim paid	28,590	128,002
'C' ordinary shares of £1 each - interim paid	51,000	36,000
	163,740	306,210

Hewland Engineering Limited

Notes forming part of the financial statements for the year ended 31 August 2017 (continued)

8 Taxation on loss on ordinary activities

	2017 £	2016 £
<i>UK corporation tax</i>		
Current tax on loss of the period	(1,096,363)	(1,126,899)
Adjustment in respect of previous periods	53	(18,653)
Total current tax credit	(1,096,310)	(1,145,552)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(12,649)	19,291
Adjustment in respect of previous periods	(66)	-
Changes in tax rates	(14,436)	(26,735)
Total deferred tax credit	(27,151)	(7,444)
Less/current tax credited directly to equity	(39,357)	(209,000)
Taxation on loss on ordinary activities	(1,084,104)	(943,996)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before taxation	(639,377)	(2,098,985)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.58% (2015 - 20.00%)	(125,195)	(419,797)
Effects of:		
Fixed asset differences	2,247	2,454
Expenses not deductible for tax purposes	-	95
Adjustments in respect of previous periods	(13)	(18,653)
Other permanent differences	209	80
Additional deduction for R&D expenditure	(1,324,712)	(1,084,843)
Surrender of tax losses for R&D tax credit refund	384,167	427,444
Amounts credited directly to equity	(39,357)	(209,000)
Adjustment to deferred tax to average rate of 19.58%	84,062	166,462
Deferred tax not recognised	(104,869)	(17,238)
Total tax credit for the year	(1,123,461)	(1,152,996)

Unrecognised deferred tax asset

The company has unutilised tax losses of approximately £3m (2016 - £3m) available for offset against future taxable profit subject to agreement from HMRC. A deferred tax asset amounting to £1.7m (2016 - £1.8m), including amounts arising in relation to defined benefit pension scheme has not been recognised on the basis that its future economic benefit is uncertain.

Hewland Engineering Limited

Notes forming part of the financial statements
for the year ended 31 August 2017 (continued)

9 Tangible fixed assets

	Assets under course of construction £	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Office equipment £	Total £
<i>Cost</i>							
At 1 September 2016	-	37,584	11,236,063	1,251,549	78,963	1,248,279	13,852,438
Additions	101,607	-	76,477	18,764	-	52,077	248,925
Disposals	-	-	(79,078)	-	(9,100)	-	(88,178)
At 31 August 2017	101,607	37,584	11,233,462	1,270,313	69,863	1,300,356	14,013,185
<i>Depreciation</i>							
At 1 September 2016	-	4,737	8,534,898	1,111,639	39,998	1,037,045	10,728,317
Provided for the year	-	270	415,155	22,626	11,617	80,257	529,925
Disposals	-	-	(79,078)	-	(8,582)	-	(87,660)
At 31 August 2017	-	5,007	8,870,975	1,134,265	43,033	1,117,302	11,170,582
<i>Net book value</i>							
At 31 August 2017	101,607	32,577	2,362,487	136,048	26,830	183,054	2,842,603
At 31 August 2016	-	32,847	2,701,165	139,910	38,965	211,234	3,124,121

Included in the total net book value of plant and machinery is £1,829,094 (2016 - £2,221,195) in respect of assets held under finance leases or hire purchase contracts.
Depreciation for the year on these assets was £246,716 (2016 - £236,143).

Hewland Engineering Limited

Notes forming part of the financial statements
for the year ended 31 August 2017 (*continued*)

10 Stocks

	2017 £	2016 £
Raw materials	182,417	112,498
Work in progress	770,206	776,151
Finished goods	5,629,902	5,433,983
	<u>6,582,525</u>	<u>6,322,632</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

11 Debtors

	2017 £	2016 £
Trade debtors	992,544	1,117,332
Corporation tax debtor	1,096,363	1,126,899
VAT debtor	74,905	99,032
Prepayments and accrued income	104,855	82,905
	<u>2,268,667</u>	<u>2,426,168</u>

All debtors are due within one year.

12 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	1,317,909	1,112,938
Other taxation and social security	148,740	146,388
Other creditors	153,680	165,214
Accruals	285,958	220,975
Deferred income	830,804	882,389
Obligation under finance leases	487,789	488,878
	<u>3,224,880</u>	<u>3,016,782</u>

Hewland Engineering Limited

Notes forming part of the financial statements
for the year ended 31 August 2017 (*continued*)

13 Creditors: amounts falling due after more than one year

	2017 £	2016 £
Obligation under finance leases	703,355	1,195,779
Maturity of debt:		
In one year or less	487,789	488,878
In more than one year but not more than two years	399,967	487,789
In more than two years but not more than five years	303,388	707,990
	703,355	1,195,779

14 Financial instruments

The company's financial instruments may be analysed as follows:

	2017 £	2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	1,097,399	1,200,237
Financial liabilities		
Financial liabilities measured at amortised cost	9,227,351	9,064,516

Financial assets measured at amortised cost comprise trade debtors, prepayments and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, pension liability, accruals and deferred income.

Information regarding the company's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the strategic report.

Hewland Engineering Limited

Notes forming part of the financial statements
for the year ended 31 August 2017 (*continued*)

15 Provision for liabilities

Deferred taxation

	2017 £	2016 £
Accelerated capital allowances	232,755	259,906
Deferred tax liability	232,755	259,906

The movement in the deferred tax liability during the period is as follows:

	Deferred taxation £
At 1 September 2016	259,906
Credit to the profit and loss account	(27,151)
At 31 August 2017	232,755

Hewland Engineering Limited

Notes forming part of the financial statements for the year ended 31 August 2017 (*continued*)

16 Pensions

The company operates a defined benefit pension scheme in the UK funded by employer's contributions with assets held in a separate trustee administered fund. A full actuarial valuation was carried out at 1 May 2009 and updated annually since 2015 by a qualified actuary, independent of the scheme's sponsoring employer. The scheme was closed on 31 May 2011 and the employer continues to make deficit funding contributions to the scheme.

	2017 £	2016 £
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	19,772,000	16,235,000
Interest cost	452,000	610,000
Actuarial (gains)/losses	(346,000)	4,179,000
Benefits paid	(201,000)	(835,000)
Settlement gains	-	(417,000)
At the end of the year	19,677,000	19,772,000
	2017 £	2016 £
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	13,089,000	10,431,000
Interest income on plan assets	303,000	401,000
Actuarial (losses)/gains	(547,000)	2,717,000
Contributions by employer	394,000	375,000
Benefits paid	(201,000)	(835,000)
At the end of the year	13,038,000	13,089,000
Fair value of plan assets	13,038,000	13,089,000
Present value of plan liabilities	(19,677,000)	(19,772,000)
Net pension scheme liability	(6,639,000)	(6,683,000)

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.

The company expects to contribute £413,000 (2017 - £393,750) to its defined benefit pension scheme during the year ending 31 August 2018.

Hewland Engineering Limited

Notes forming part of the financial statements for the year ended 31 August 2017 (continued)

16 Pensions (continued)

	2017 £	2016 £
<i>Amounts recognised in the profit and loss amount are as follows:</i>		
<i>Amounts included in 'Other finance costs'</i>		
Net interest cost	149,000	209,000
<i>Analysis of actuarial loss recognised in other comprehensive income</i>		
Actual return less interest income included in net interest income	547,000	(2,717,000)
Experience losses and gains arising on the scheme liabilities	(346,000)	3,762,000
Actuarial losses	201,000	1,045,000
Cumulative amount of actuarial losses	6,138,000	5,937,000

	2017 £	2016 £
<i>Composition of plan assets</i>		
Liability driven investments	3,643,000	4,861,000
Cash	111,000	89,000
Diversified growth	9,284,000	8,139,000
Total plan assets	13,038,000	13,089,000

	2017 %	2016 %
<i>Principal actuarial assumptions used at the balance sheet date</i>		
Discount rates	2.70	2.30
Future salary increases	0.00	0.00
Future pension increases of RPI or 5 per cent p.a if less	3.20	2.90
Future pension increases of RPI or 2.5 per cent p.a if less	2.40	2.30
Inflation assumption (RPI)	3.30	2.90
Inflation assumption (CPI)	2.10	1.70

	Number	Number
<i>Mortality rates</i>		
- for a male aged 65 now	86.7	86.6
- at 65 for a male member aged 45 now	87.5	87.7
- for a female aged 65 now	88.6	88.6
- at 65 for a female member aged 45 now	89.5	89.7

Hewland Engineering Limited

Notes forming part of the financial statements for the year ended 31 August 2017 (*continued*)

17 Called up share capital

	2017 £	2016 £
<i>Allotted, issued and fully paid</i>		
8,080 'A' ordinary shares of £1 each	8,080	8,080
505 'B' ordinary shares of £1 each	505	505
1,515 'C' ordinary shares of £1 each	1,515	1,515
	10,100	10,100

All classes of shares noted above are non-redeemable. Each share is entitled to one vote in any circumstances, has equal rights to dividends and is entitled to participate in a distribution.

18 Commitments under operating leases

The company had minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings 2017 £	Other 2017 £	Land and buildings 2016 £	Other 2016 £
Not later than 1 year	354,167	12,951	425,000	7,738
Later than 1 year and not later than 5 years	-	30,029	354,167	-
	354,167	42,980	779,167	7,738

19 Contingent liabilities

H M Customs and Excise Duty Deferment Bond of £500.

Hewland Engineering Limited

Notes forming part of the financial statements for the year ended 31 August 2017 (*continued*)

20 Related party disclosures

W Hewland is the ultimate controlling party by virtue of his majority holding of the company's 'A' ordinary shares.

During the year dividends totalling £79,590 (2016 - £164,002) were credited to the shareholders' loan accounts of close relatives of W Hewland, a director of the company.

As disclosed in note 16 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 scheme was closed on 3 May 2011. The company contributed a total of £394,000 (2016 - £375,000) to the scheme during the period, all of which related to deficit funding payments. The company also pays all administrative costs relating to the scheme which during the year totalled £96,608 (2016 - £115,814).

Dividends totalling £163,740 (2016 - £142,208) were credited to W Hewland's director loan account during the year. The amount due from the company to W Hewland as at 31 August 2017 was £74,173 (2016 - £35,547).

The company continues to lease land and buildings from W Hewland at a rent of £425,000 per annum, on a full tenant's repairing lease. Rent of £425,000 was incurred for the current and prior financial years.

21 Subsequent events

In April 2017, during the financial year, the business announced a joint venture (Hero Hewland Limited) with Hero Motors of India for the joint exploitation of the global, high volume transmission and powertrain component market. The joint venture agreement was signed subsequent to the year end on 8 November 2017. Total shareholding of Hero Hewland Limited will be worth £200,000 of which Hewland Engineering Limited holds 50%. No trading has occurred in Hero Hewland Limited as at the report date.

On 10 November 2017 Hewland Inc, a direct subsidiary of Hewland Engineering Limited was set up and incorporated in the United States of America. No further expenditure has been incurred in the new subsidiary with the exception of set up costs.