

Henton Engineering Limited
Directors' report and financial
statements

Registered number 06453721

Year ended 31 January 2012

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Company information

Registered office	Nasmyth House Coventry Road Exhall Coventry CV7 9FT
Registered number	06453721
Directors	P Smith S Beech M Edmonds
Secretary	M Edmonds
Auditors	KPMG LLP Altus House One North Fourth Street Milton Keynes MK9 1NE

Directors' report

The directors present their report and the audited financial statements for the year to 31 January 2012

Principal activity

The principal activity of the company is the engineering, machining and testing of large ring shaped components. These are produced for the demanding requirements dictated by applications in aircraft and marine engine and by the ultra lightweight required for satellite and spacecraft use.

Business review

The profit and loss account is presented on page 7.

Turnover for the year improved by 11.9% to £6.6 million (2011 £5.9 million) with a consequent 29% improvement in gross margin to £1.2 million (2011 £0.9 million). There was also a marginal reduction in administrative expenses during the year. As a result of these improvements and after contributing £0.2 million to the management costs of its parent company, the company reports a profit before tax for the year of £0.3 million, (2011 loss £0.1 million).

The outlook for 2012/13 is very encouraging. Sales in the first four months of 2012/13 are 19.5% up on that for the similar period in the previous year and management looks forward to seeing the results of this sales performance being reflected upon the profit before tax for 2012/13 year end.

The company is part of the Group headed by Nasmyth Group Limited and participates in Group banking and guarantee arrangements. In December 2011 the group commenced a review of its future financing options. A carefully selected group of UK and US based banks were invited to offer to provide future facilities to the group. The group received a range of very competitive offers. After careful consideration the Board concluded that it was in the Group's best interest to accept the offer from the Group's incumbent principal banker, Lloyds TSB. The agreement provides for both the provision of new additional finance facilities and the renewal of its existing facilities on improved terms. All facilities are agreed for a period of 3 years and in view of the Group's performance and compliance history the bank has removed the need specific for financial or collateral covenants.

The new finance facilities include the provision of increased liquidity and funding for future capital expenditure. The improvements to existing facilities will result in reclassification of £4 million of borrowings from short term creditors repayable within 12 months to loans repayable after more than one year. This change will be reflected in the 31 January 2013 financial statements. Amongst the other improvements the facility also incorporates reductions in interest rates and annual service charges.

The directors of Nasmyth Group consider that there are appropriate facilities in place to finance the activities of the group for the foreseeable future.

Principal risks and uncertainties

The company operates in a number of markets including aerospace propulsion and exploration systems, medical equipment and instrumentation. The development of major new aircraft programmes and their propulsion systems can be subject to timing variations which in turn will impact upon companies in the supply chain, such as Henton Engineering Limited. It is the opinion of the Board that risks associated with timing variations and in particular programme delay is of a relatively short term nature with the longer term indications for aerospace remaining positive.

Directors

The directors who held office during the year, and since the end of the year, were as follows:

P Smith
S Beech
M Edmonds

Dividend

Dividends of £295,908 (2011 £nil) were paid during the year.

Political and charitable contributions

The company made no political or charitable contributions during the year (2011 £nil).

Directors' report *(continued)*

Disclosure of information to auditors

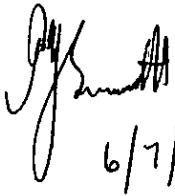
The directors who held office at the date of approval of this directors report confirm that, so far as each of them is aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and will therefore continue in office

By order of the board

P Smith
Director


6/7/12

Nasmyth House
Coventry Road
Exhall
Coventry
CV7 9FT

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Altius House
One North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom

Independent auditor's report to the members of Henton Engineering Limited

We have audited the financial statements of Henton Engineering Limited for the year ended 31 January 2012 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Henton Engineering Limited
(continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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



D Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

9 July 2012

Profit and loss account
for the year ended 31 January 2012

	<i>Note</i>	2012 £	2011 £
Turnover	2	6,584,530	5,883,609
Cost of sales		(5,387,239)	(4,968,337)
Gross profit		1,197,291	915,272
Administrative expenses		(996,987)	(1,011,150)
Other operating income amortisation of negative goodwill	8	101,497	101,497
Operating profit		301,801	5,619
Interest payable and similar charges	6	(65,126)	(82,426)
Profit/(loss) on ordinary activities before taxation	3	236,675	(76,807)
Tax on profit/(loss) on ordinary activities	7	(1,842)	52,993
Profit/(loss) for the financial year	16	234,833	(23,814)

There were no recognised gains or losses in the year other than those presented above and, accordingly, no separate statement of total recognised gains and losses has been presented

The results reported above arise from the acquisition of continuing operations

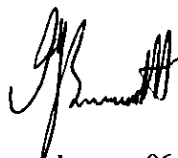
Notes on pages 9 to 18 form part of these financial statements

Balance sheet
at 31 January 2012

	<i>Note</i>	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Intangible assets – negative goodwill	8		(186,275)		(287,772)
Tangible assets	9		1,145,197		824,745
			<u>958,922</u>		<u>536,973</u>
Current assets					
Stocks	10	1,579,853		896,926	
Debtors (including £850,000 (2011 £850,000) due after more than one year)	11	2,801,401		2,419,767	
Cash at bank and in hand		65,849		64,939	
		<u>4,447,103</u>		<u>3,381,632</u>	
Creditors' amounts falling due within one year	12	<u>(3,246,135)</u>		<u>(2,148,001)</u>	
Net current assets			<u>1,200,968</u>		<u>1,233,631</u>
Total assets less current liabilities			<u>2,159,890</u>		<u>1,770,604</u>
Creditors' amounts falling due after more than one year	13		(1,571,030)		(1,117,432)
Provisions for liabilities	14		(81,949)		(85,186)
Net assets			<u>506,911</u>		<u>567,986</u>
Capital and reserves					
Called up share capital	15		1		1
Profit and loss account	16		506,910		567,985
Shareholders' funds	17		<u>506,911</u>		<u>567,986</u>

These financial statements were approved by the board of directors on 6 July 2012 and were signed on its behalf by

P Smith
Director



Registration number: 06453721

Notes on pages 9 to 18 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

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

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

Going concern

The company is part of the Group headed by Nasmyth Group Limited and participates in Group banking and guarantee arrangements. It has net amounts due from Group companies. The financial statements of Nasmyth Group Limited for the year ended 31 January 2012, which were approved on 6 July 2012, disclosed the following

"The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons

On 26 June 2012 the Group accepted an offer from its incumbent principal banker, Lloyds TSB, to provide new additional finance facilities and the renewal of its existing facilities on improved terms. All facilities are agreed for a period of 3 years. Unlike previous facilities, there are no specific financial or collateral covenants attaching to the new or renewed facilities

The new finance facilities include the provision of increased liquidity and funding for future capital expenditure. The improvements to existing facilities will result in reclassification of £4 million of borrowings from short term creditors repayable within 12 months to loans repayable after more than one year. This change will be reflected in the 31 January 2013 financial statements. Amongst the other improvements the facility also incorporates reductions in interest rates and annual service charges

All Group companies have prepared a detailed budget for the current financial year and a forecast for the following two years. These have then been consolidated to form a Group budget and forecast. When compared to the new facilities, these show that the Group has adequate facilities

In view of the above, along with the strong trading performance in the first four months of the current financial year and the very significant order books held by the Group, the directors consider there will be adequate facilities in place to finance the activities of the Group, for the foreseeable future"

The directors of the company have considered this disclosure and believe that the going concern basis of preparation remains appropriate

Notes (continued)

1 Accounting policies (continued)

Related party transactions

As all of the Company's voting rights are controlled within the Group headed by Nasmyth Group Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Nasmyth Group Limited, within which this Company is included, can be obtained from the address given in note 20.

Fixed assets and depreciation

Depreciation is calculated to write off the cost of all tangible fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Plant and machinery	14% straight line
Fixtures, fittings and equipment	20% straight line
Motor vehicles	20% straight line

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Post-retirement benefits

The Company operates a defined contribution pension scheme. Contributions to the scheme are charged to the profit and loss account in the year in which payment is made.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents amounts recognised, upon despatch, for the supply of goods and services and is stated net of VAT.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes (continued)

1 Accounting policies (continued)

Stocks and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Cost is represented by direct materials and labour together with attributable amounts of fixed and variable overheads incurred in bringing each product to its present location and condition. Net realisable value is estimated selling price less further costs to completion and disposal.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The outstanding future lease obligations are shown in creditors. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Goodwill

Purchased goodwill (both positive and negative) arising on business combination in respect of acquisitions before 1 January 1998, when FRS 10 'Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised.

Negative goodwill arising on business combinations in respect of acquisitions since 1 January 1998 is included within fixed assets and released to the profit and loss account in the years in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

2 Turnover

An analysis of turnover by geographical market is given below

	2012	2011
	£	£
United Kingdom	6,467,885	5,744,206
Europe	94,577	90,583
Africa	22,068	48,820
	<u>6,584,530</u>	<u>5,883,609</u>

3 Profit/(loss) on ordinary activities before taxation

The profit/(loss) on ordinary activities is stated after charging/(crediting)

	2012	2011
	£	£
Auditors' remuneration		
- audit of these financial statements	5,000	5,000
- other services relating to taxation	7,500	2,000
Depreciation of tangible fixed assets		
- owned assets	222,834	205,381
- assets held under finance leases and hire purchase contracts	44,332	21,818
Amortisation of negative goodwill	(101,497)	(101,497)
Operating lease rentals – hire of plant and machinery	2,553	2,429
	<u>2,553</u>	<u>2,429</u>

Notes (continued)

4 Remuneration of directors

The directors of the company are employed and remunerated by the parent company. Their emoluments are disclosed in the accounts of the parent company where appropriate.

	2012 £	2011 £
Directors' emoluments	-	-

5 Staff numbers and costs

The average number of employees of the company (excluding directors) during the year, analysed by category, was as follows:

	2012 Number	2011 Number
Administration	15	14
Production	47	45
	<u>62</u>	<u>59</u>

The aggregate payroll costs of these persons were as follows:

	2012 £	2011 £
Wages and salaries	1,824,958	1,606,984
Social security costs	188,737	169,294
Pension costs (See note 19)	66,813	65,314
	<u>2,080,508</u>	<u>1,841,592</u>

6 Interest

	2012 £	2011 £
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	37,133	28,082
Other interest	8,034	48,456
Hire purchase interest	19,959	5,888
	<u>65,126</u>	<u>82,426</u>

Notes (continued)

7 Taxation

Analysis of (credit)/charge in the year

	2012 £	2011 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Payment in respect of group relief	21,689	(33,544)
(Over) provision in prior years – group relief	(16,610)	(1,794)
Total current tax	5,079	(35,338)
<i>Deferred taxation</i>		
Origination/(reversal) of timing differences	2,193	(14,322)
Adjustment in respect of prior years	(5,430)	(3,333)
Total deferred tax	(3,237)	(17,655)
Tax on profit on ordinary activities	1,842	(52,993)

Factors affecting the tax charge/(credit) for the current year

The current tax (credit)/charge for the year is higher (2011 higher) than the standard rate of corporation tax in the UK 26.32% (2011 28%). The differences are explained below

	2012 £	2011 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	236,675	(76,807)
Current tax at 26.32% (2011 28%)	62,293	(21,506)
<i>Effects of</i>		
Expenses not deductible for tax purposes	(23,608)	(26,890)
Depreciation in excess of capital allowances	(2,615)	15,403
Other short term timing differences	306	(551)
Research & Development enhanced expenditure	(14,687)	-
Adjustment in respect of prior years	(16,610)	(1,794)
Total current tax charge/ (credit) (see above)	5,079	(35,338)

Factors that may affect future current and total tax charges

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

Notes (continued)

8 Intangible fixed assets

	Negative Goodwill £
Cost	
Cost at beginning and of year	(1,048,275)
Amortisation	
At beginning of year	760,503
Credited to profit and loss in the year	101,497
At end of year	862,000
Net book value	
At 31 January 2012	(186,275)
At 31 January 2011	(287,772)

Negative goodwill arising on the acquisition of certain trade and assets from the receiver of J S Chinn Holdings Limited in 2008 where consideration was lower than the fair value of the non-monetary assets acquired. An amount equal to the fair value of the non-monetary assets acquired is being released to the profit and loss account commensurately with the recovery of the non-monetary assets acquired, whether through depreciation or sale.

9 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At beginning of year	1,335,204	50,934	16,434	1,402,572
Additions	532,274	65,856	-	598,130
Disposals	(25,300)	(1,060)	-	(26,360)
At end of year	1,842,178	115,730	16,434	1,974,342
Depreciation				
At beginning of year	553,992	7,995	15,840	577,827
Charge in the year	252,422	14,152	592	267,166
Disposals	(15,424)	(424)	-	(15,848)
At end of year	790,990	21,723	16,432	829,145
Net book value				
At 31 January 2012	1,051,188	94,007	2	1,145,197
At 31 January 2011	781,212	42,939	594	824,745

Included in the total net book value of plant and machinery is £521,358 (2011 £61,818) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £44,332 (2011 £21,818).

Notes (continued)

10 Stocks

	2012 £	2011 £
Raw materials and consumables	219,889	217,556
Work in progress	1,359,964	679,370
	<u>1,579,853</u>	<u>896,926</u>

11 Debtors

	2012 £	2011 £
Trade debtors	1,916,486	1,477,259
Amounts owed by group undertakings	850,312	907,535
Prepayments and accrued income	34,603	34,973
	<u>2,801,401</u>	<u>2,419,767</u>

Debtors include amounts owed by group undertakings of £850,000 (2011 £850,000) due after more than one year

12 Creditors: amounts falling due within one year

	2012 £	2011 £
Bank loans	61,000	61,000
Amounts owed to group undertakings	77,895	39,267
Trade creditors	1,053,271	787,931
Other taxes and social security	395,805	290,885
Net obligations under hire purchase contracts	123,038	23,016
Other creditors	1,351,186	841,398
Accruals and deferred income	183,940	104,504
	<u>3,246,135</u>	<u>2,148,001</u>

Other creditors includes secured debts of £1,258,221 (2011 £810,823) which are secured upon trade debtors and vary in line with sales

Notes (continued)

12 Creditors: amounts falling due within one year (continued)

The maturity of obligations under bank loans is as follows

	2012 £	2011 £
Within one year	61,000	61,000
In the second to fifth years	30,500	91,500
	<u>91,500</u>	<u>152,500</u>

13 Creditors: amounts falling due after more than one year

	2012 £	2011 £
Bank loans	30,500	91,500
Amounts owed to group undertakings	1,229,310	1,009,650
Net obligations under hire purchase contracts	311,220	16,282
	<u>1,571,030</u>	<u>1,117,432</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows

	2012 £	2011 £
Within one year	123,038	23,016
In the second to fifth years	311,220	16,282
	<u>434,258</u>	<u>39,298</u>

14 Provisions for liabilities

	Deferred taxation £
At beginning of year	85,186
Credited to the profit and loss account	(3,237)
At end of year	<u>81,949</u>

The components of the deferred tax liability are as follows

	2012 £	2011 £
Timing differences between depreciation and capital allowances	83,809	86,880
Other short term timing differences	(1,860)	(1,694)
Deferred tax liability at end of year	<u>81,949</u>	<u>85,186</u>

Notes (continued)

15 Called up share capital

	2012	2011
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1	1

16 Reserves

	2012	2011
	£	£
Profit and loss account		
At beginning of the year	567,985	591,799
Profit/(loss) for the financial year	234,833	(23,814)
Dividend	(295,908)	-
At end of year	506,910	567,985

17 Reconciliation of movements in shareholders' funds

	2012	2011
	£	£
Profit/(loss) for the financial year	234,833	(23,814)
Dividend	(295,908)	-
Net reduction to shareholders' funds	(61,075)	(23,814)
Opening shareholders' funds	567,986	591,800
Closing shareholders' funds	506,911	567,986

18 Commitments

Operating lease commitments

	2012	Other	2011
	£		£
<i>Annual commitments under operating leases which expire</i>			
In over five years	2,553		2,553
	2,553		2,553

Other commitments

The company has given cross guarantees in respect of the bank borrowings of group companies which at 31 January 2012 amounted to £3,904,000 (2011 £5,120,000)

Notes *(continued)*

19 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £66,813 (2011 £65,314).

Contributions amounting to £10,031 (2011 £6,274) were payable to the scheme and are included in creditors.

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of Nasmyth Group Limited, which is the ultimate parent company and is incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Nasmyth Group Limited. No other group financial statements include the results of the Company. The consolidated financial statements of Nasmyth Group Limited are available to the public and may be obtained from Nasmyth House, Coventry Road, Exhall, Coventry, CV7 9FT.