Henton Engineering Limited

Directors' report and financial statements

Registered number 06453721

Year ended 31 January 2014

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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 Altius House One North Fourth Street Milton Keynes MK9 1NE

Strategic report

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 6% to £8.4million compare to the prior year *(2013: £7.9 million)*. Increased in volume and significant productivity improvements have resulted in a gross margin of £1.4m *(2013: 0.6m)* which represents 16% of sales *(2013: 7%)*. Senior management changes immediately prior to the commencement of the financial year contributed to improved customer confidence in the business. The business responded by achieving vastly improved delivery and quality performance, which in turn has resulted in an increasing order book to benefit the current year and future results. As a result of these movements and after contributing £0.3 million *(2013: £0.3 million)* to the management costs of its parent company the company reports a profit before tax for the year of £0.04 million *(2013: loss £0.7 million)*. EBITDA for the year is £0.4million *(2013: loss £0.4million)*.

The outlook for the year ended 31 January 2015 is very encouraging. Sales in the first four months of the year are 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 the 31 January 2015 year end. Specific activities that will be performance enhancing for the rest of the year are the finalisation of long term agreements with major customers and further manufacturing efficiency improvements. In order to facilitate this the management team has been further strengthened.

Principal risks and uncertainties

The company operates in a number of markets including aerospace propulsion and space exploration systems, medical equipment and instrumentation. The development of major new aircraft and their propulsion systems can be subject to timing variations which in turn 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 are of a relatively short term nature with the longer term indications for aerospace remaining positive.

Going concern

The company is part of the Group headed by Nasmyth Group Limited and participates in Group banking and guarantee arrangements. The current facilities commenced in June 2012 and were initially agreed for a period of three years. In May 2013 the term loan facility was renewed for a further 36 months and all other facilities roll forward under the existing agreements. As a reflection of the Group's performance and compliance history the bank removed the need for specific for financial or collateral covenants to apply to these facilities. The directors of Nasmyth Group consider that there are appropriate facilities in place to finance the activities of the group for the foreseeable future.

The Board would like to take this opportunity to thank its principal banker for the belief, confidence and support it has provided throughout the Group's relationship and looks forward to working with them during the coming year.



P Smith
Director

16 October 2014

Nasmyth House
Coventry Road
Exhall
Coventry
CV7 9FT

Directors' report

The directors present their report and the audited financial statements for the year to 31 January 2014.

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 £nil *(2013: £117,416)* were paid during the year.

Political and charitable contributions

The company made no political or charitable contributions during the year *(2013: £nil)*.

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

16 October 2014

Nasmyth House
Coventry Road
Exhall
Coventry
CV7 9FT

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

The directors are responsible for preparing the Strategic report and 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 2014 set out on pages 7 to 19. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate

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 2014 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 Strategic Report and 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.

David Simpson ***(Senior Statutory Auditor)***
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

23 OCTOBER 2014

Profit and loss account

for the year ended 31 January 2014

	Note	2014 £	2013 £
Turnover	2	**8,377,274**	7,925,142
Cost of sales		**(7,016,895)**	(7,379,456)
Gross profit		**1,360,379**	545,686
Administrative expenses		**(1,295,104)**	(1,240,811)
Other operating income: amortisation of negative goodwill	8	**84,778**	101,497
Operating profit/(loss)		**150,053**	(593,628)
Interest payable and similar charges	6	**(111,064)**	(100,968)
Profit/(loss) on ordinary activities before taxation	3	**38,989**	(694,596)
Tax on profit/(loss) on ordinary activities	7	**29,405**	233,900
Profit/(loss) for the financial year	16	**68,394**	(460,696)

The results reported above arise from the acquisition of continuing operations.

Notes on pages 10 to 19 form part of these financial statements

Balance sheet
at 31 January 2014

	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Intangible assets – negative goodwill	8		-		(84,778)
Tangible assets	9		985,738		1,301,106
			985,738		1,216,328
Current assets					
Stocks	10	1,312,197		1,758,066	
Debtors	11	1,994,638		2,840,803	
Cash at bank and in hand		2,103		33,766	
		3,308,938		4,632,635	
Creditors: amounts falling due within one year	12	(2,798,777)		(4,224,592)	
Net current asset			510,161		408,043
Total assets less current liabilities			1,495,899		1,624,371
Creditors: amounts falling due after more than one year	13		(1,242,294)		(1,398,595)
Provisions for liabilities	14		(4,571)		(45,136)
Net assets			249,034		180,640
Capital and reserves					
Called up share capital	15		1		1
Revaluation reserve	16		181,101		217,552
Profit and loss account	16		67,932		(36,913)
Shareholders' funds	17		249,034		180,640

These financial statements were approved by the board of directors on 16 October 2014 and were signed on its behalf by:



P Smith
Director

Registration number: 06453721

Notes on pages 10 to 19 form part of these financial statements

Statement of total recognised gains and losses
for the year ended 31 January 2014

	2014 £000	2013 £000
Profit /(loss) for the year	**68,394**	(460,696)
Unrealised surplus on the revaluation of fixed assets	**-**	251,841
Total recognised gains and losses relating to the financial year	**68,394**	(208,855)

Note of historical cost profit and losses
for the year ended 31 January 2014

	2014 £000	2013 £000
Reported profit/(loss) on ordinary activities before taxation	**38,989**	(694,596)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**36,451**	34,289
Historical cost profit/(loss) on ordinary activities before taxation	**75,440**	(660,307)
Historical cost profit/(loss) for the year after taxation	**104,845**	(426,407)

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's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 2.

The company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

The company is part of a group with sufficient financial resources. As a consequence, the directors believe that the company is well placed to manage its financial risks successfully and that the company has adequate resources to continue in operational existence for the foreseeable future.

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	7 to 12 years
Fixtures, fittings and equipment	5 years
Motor vehicles	5 to 7 years

The accounting policy for valuing plant and machinery and motor vehicles is fair value.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 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.

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.

Notes *(continued)*

2 Turnover

An analysis of turnover by geographical market is given below:

	2014	2013
	£	£
United Kingdom	**8,060,812**	7,742,084
Europe	**256,613**	145,439
Africa	**59,849**	37,619
	8,377,274	7,925,142

3 Profit/(loss) on ordinary activities before taxation

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

	2014	2013
	£	£
Auditors' remuneration:		
- audit of these financial statements	**5,000**	5,000
- other services relating to taxation	**7,500**	7,500
Depreciation of tangible fixed assets:		
- owned assets	**273,791**	287,188
- assets held under finance leases and hire purchase contracts	**98,635**	92,482
Amortisation of negative goodwill	**(84,778)**	(101,497)
Profit on disposal	**-**	(19,983)
Operating lease rentals – hire of plant and machinery	**-**	9,377

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.

5 Staff numbers and costs

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

	2014	2013
	Number	Number
Administration	**14**	14
Production	**56**	49
	70	63

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£	£
Wages and salaries	**2,110,519**	2,183,234
Social security costs	**212,610**	216,885
Pension costs (See note 19)	**73,356**	62,181
	2,396,485	2,462,300

Notes *(continued)*

6 Interest

	2014 £	2013 £
Interest payable and similar charges		
Bank loans and overdrafts	**37,900**	44,984
Other interest	**39,600**	17,620
Hire purchase interest	**33,564**	38,364
	111,064	100,968

7 Taxation

Analysis of credit in the year:

	2014 £	2013 £
UK corporation tax		
Current tax on income for the year	**5,454**	-
Payments/(receipts) in respect of group relief	**24,858**	(175,398)
Over provision in prior years – group relief	**(19,152)**	(21,689)
Total current tax	**11,160**	(197,087)
Deferred taxation		
Reversal of timing differences	**(29,527)**	(31,955)
Adjustment in respect of prior years	**(11,038)**	(4,858)
Total deferred tax	**(40,565)**	(36,813)
Tax on loss on ordinary activities	**(29,405)**	(233,900)

Factors affecting the tax credit for the current year

The current tax charge/(credit) for the year is higher *(2013: higher)* than the standard rate of corporation tax in the UK 23.16% (*2013:* 24.33%). The differences are explained below:

	2014 £	2013 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**38,989**	(694,596)
Current tax at 23.16% (*2013:* 24.33%)	**9,030**	(168,995)
Effects of:		
Expenses not deductible for tax purposes	**(2,389)**	(14,914)
Depreciation in excess of capital allowances	**30,654**	31,178
Other short term timing differences	**1,011**	(772)
Research & Development enhanced expenditure	**(7,994)**	(21,895)
Adjustment in respect of prior years	**(19,152)**	(21,689)
Total current tax charge/(credit) (see above)	**11,160**	(197,087)

Notes *(continued)*

7 Taxation *(continued)*

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21 (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset as at 31 January 2014 which has been calculated based on the rate of 20% and 21% substantively enacted at the balance sheet date.

8 Intangible fixed assets

	Negative Goodwill £
Cost	
Cost at beginning and of year	(1,048,275)
Amortisation	
At beginning of year	963,497
Credited to profit and loss in the year	84,778
At end of year	1,048,275
Net book value	
At 31 January 2014	-
At 31 January 2013	(84,778)

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.

Notes *(continued)*

9 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At beginning of year	1,396,604	141,140	2,800	1,540,544
Additions	17,015	40,043	-	57,058
At end of year	1,413,619	181,183	2,800	1,597,602
Depreciation				
At beginning of year	195,843	43,194	401	239,438
Charge in the year	344,207	27,418	801	372,426
At end of year	540,050	70,612	1,202	611,864
Net book value				
At 31 January 2014	**873,569**	**110,571**	**1,598**	**985,738**
At 31 January 2013	1,200,761	97,946	2,399	1,301,106

Included in the total net book value of plant and machinery is £485,038 *(2013: £641,221)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £98,635 *(2013: £92,079)*.

Plant and machinery and motor vehicles, included at valuation on an open market value basis, would appear as follows under the historical cost convention:

	Plant and machinery	Motor vehicles
	£	£
At historic cost:		
Historical cost of revalued assets	**2,069,337**	6,434
Aggregate depreciation thereon	**(1,376,869)**	6,434
Net book value	**692,468**	**-**

A full valuation was performed on 23 July 2012 to 3 August 2012.

The full valuation was performed by Hilco Appraisal Limited, a full-service appraiser of business assets. The machinery and equipment valuation was performed in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal & Valuation Standards, and was led by Ian Bacon, a member of RICS, who is external to the Nasmyth Group.

The open market value of plant and machinery and motor vehicles is determined before the deduction of expected selling costs.

The directors are not aware of any material change in value and therefore the valuations set out above have not been updated.

Notes *(continued)*

10 Stocks

	2014 £	2013 £
Raw materials and consumables	**262,313**	243,769
Work in progress	**1,049,884**	1,514,297
	1,312,197	1,758,066

11 Debtors

	2014 £	2013 £
Trade debtors	**1,944,268**	2,524,499
Amounts owed by group undertakings	**9,775**	241,059
Amounts owed by associated undertakings	**1,612**	1,152
Prepayments and accrued income	**31,634**	72,855
Other Debtors	**7,349**	1,238
	1,994,638	2,840,803

12 Creditors: amounts falling due within one year

	2014 £	2013 £
Amounts owed to group undertakings	**25,641**	105,436
Amounts due to associated undertakings	**61,553**	-
Trade creditors	**1,077,527**	1,288,944
Other taxes and social security	**338,799**	261,978
Net obligations under hire purchase contracts	**127,997**	128,635
Other creditors	**1,032,210**	2,033,475
Accruals and deferred income	**129,596**	406,124
Corporate tax	**5,454**	-
	2,798,777	4,224,592

Other creditors includes secured debts of £994,734 *(2013: £1,850,736)* which are secured upon trade debtors and vary in line with sales.

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	2014 £	2013 £
Amounts owed to group undertakings	**1,049,563**	1,077,426
Net obligations under hire purchase contracts	**192,731**	321,169
	1,242,294	1,398,595

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

	2014 £	2013 £
Within one year	**127,997**	128,635
In the second to fifth years	**192,731**	321,169
	320,728	449,804

14 Provisions for liabilities

	Deferred taxation £
At beginning of year	45,136
Credited to the profit and loss account	(40,565)
At end of year	**4,571**

The components of the deferred tax liability are as follows:

	2014 £	2013 £
Timing differences between depreciation and capital allowances	**6,954**	46,782
Other short term timing differences	**(2,383)**	(1,646)
Deferred tax liability at end of year	**4,571**	45,136

Notes *(continued)*

15 Called up share capital

	2014 £	2013 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	**1**	1

16 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	217,552	(36,913)
Profit for the financial year	-	68,394
Transfer	(36,451)	36,451
At end of year	**181,101**	**67,932**

17 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Profit/(loss) for the financial year	**68,394**	(460,696)
Dividend	-	(117,416)
Revaluation	-	251,841
Net increase/(reduction) to shareholders' funds	**68,394**	(326,271)
Opening shareholders' funds	**180,640**	506,911
Closing shareholders' funds	**249,034**	180,640

18 Commitments

Operating lease commitments

	Other	
	2014 £	2013 £
Annual commitments under operating leases which expire:		
In over five years	**1,702**	1,702
	1,702	1,702

Other commitments

The company has given cross guarantees in respect of the bank borrowings of group companies which at 31 January 2014 amounted to £7,559,000 (*2013:* £8,043,000).

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 £73,356 *(2013: £62,181)*.

Contributions amounting to £6,205*(2013: £6,785)* 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.