Henton Engineering Limited

Directors' report and financial statements

Registered number 06453721

Year ended 31 January 2015

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Contents

Company information	1
Strategic report	2
Directors' report	3
Statement of directors' responsibilities in respect of the Strategic report and the Directors' report and the financial statements	4
Independent auditor's report to the members of Henton Engineering Limited	5
Profit and loss account	7
Balance sheet	8
Note of historical cost profit and losses	9
Notes	10

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
Auditor	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.

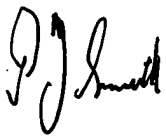
Turnover for the year decreased by 6% to £7.9 million compared to the prior year *(2014: £8.4 million)*. Significant productivity improvements and factory reorganisation have resulted in a much improved gross margin of £1.7 million *(2014: £1.4 million)* which represents 21% of sales *(2014: 16%)*. Senior management changes immediately prior to the commencement of the financial year contributed to improved customer confidence in the business. The business continues to benefit from improved customer confidence and vastly improved delivery and quality performance, and as a result of these benefits and after contributing £0.3 million *(2014: £0.3 million)* to the management costs of its parent company the company reports a profit before tax for the year of £0.3 million *(2014: profit £0.04 million)*. EBITDA for the year is £0.6 million *(2014: £0.4 million)*.

The outlook for the year ended 31 January 2016 is, on the whole, encouraging. Although sales in the first few months of the year are down on that for the similar period in the previous year, due to customer pushbacks, management looks forward to seeing an upturn in the second half and predicts an improved profit before tax for the 31 January 2016 year end. Specific activities that will be performance enhancing for the rest of the year are the drive for new customers and markets 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.

P Smith
Director



6 October 2015

Nasmyth House
Coventry Road
Exhall
Coventry
CV7 9FT

Directors' report

The directors present their report and the audited financial statements for the year ended 31 January 2015.

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 *(2014: £nil)* were paid during the year.

Political and charitable contributions

The company made no political or charitable contributions during the year *(2014: £nil)*.

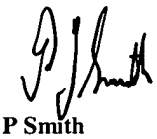
Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



P Smith
Director

6 October 2015

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 2015 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 auditor
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 2015 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
6 October 2015

Profit and loss account

for the year ended 31 January 2015

	Note	2015 £	2014 £000
Turnover	2	**7,924**	8,377
Cost of sales		**(6,244)**	(7,017)
Gross profit		**1,680**	1,360
Administrative expenses		**(1,303)**	(1,295)
Other operating income: amortisation of negative goodwill	8	**-**	85
Operating profit		**377**	150
Interest payable and similar charges	6	**(104)**	(111)
Profit on ordinary activities before taxation	3	**273**	39
Tax on profit on ordinary activities	7	**(72)**	29
Profit for the financial year	16	**201**	68

The results reported above arise from continuing operations.

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

Balance sheet
at 31 January 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Fixed assets					
Intangible assets – negative goodwill	*8*		-		-
Tangible assets	*9*		**879**		986
			879		986
Current assets					
Stocks	*10*	**1,283**		1,312	
Debtors	*11*	**2,125**		1,995	
Cash at bank and in hand		-		2	
		3,408		3,309	
Creditors: amounts falling due within one year	*12*	**(3,733)**		(2,799)	
Net current (liabilities)/ assets			**(325)**		510
Total assets less current liabilities			**554**		1,496
Creditors: amounts falling due after more than one year	*13*		**(90)**		(1,242)
Provisions for liabilities	*14*		**(14)**		(5)
Net assets			**450**		249
Capital and reserves					
Called up share capital	*15*		-		-
Revaluation reserve	*16*		**145**		181
Profit and loss account	*16*		**305**		68
Shareholders' funds	*17*		**450**		249

These financial statements were approved by the board of directors on 6 October 2015 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

Note of historical cost profit and losses

for the year ended 31 January 2015

	2015 £000	2014 £000
Reported profit on ordinary activities before taxation	**273**	39
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**36**	36
Historical cost profit on ordinary activities before taxation	**309**	75
Historical cost profit for the year after taxation	**237**	105

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 FRS 1 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 accounts have been prepared on a going concern basis notwithstanding net current liabilities of £325k which the directors believe to be appropriate for the following reasons. The company is dependant for its working capital on funds provided to it by Nasmyth Group Limited, the company's ultimate parent company. Nasmyth Group Limited has provided the company with an undertaking that it will continue to provide financial support required by the company to enable it to meet its financial obligations arising in the ordinary course of business for the foreseeable future and for a period of not less than twelve months from the date of approval of these financial statements.

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 & equipment	5 years
Motor vehicles	5 to 7 years

The accounting policy for valuing plant and machinery and motor vehicles is revalued amount in accordance with FRS 15 Tangible Fixed Assets.

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.

2 Turnover

An analysis of turnover by geographical market is given below:

	2015 £000	2014 £000
United Kingdom	**6,772**	8,060
Europe	**330**	257
Americas	**783**	-
Africa	**39**	60
	7,924	8,377

3 Profit/(loss) on ordinary activities before taxation

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

	2015 £000	2014 £000
Auditors' remuneration:		
- audit of these financial statements	**5**	5
- other services relating to taxation	**2**	8
Depreciation of tangible fixed assets:		
- owned assets	**139**	274
- assets held under finance leases and hire purchase contracts	**96**	99
Amortisation of negative goodwill	**-**	(85)
Profit on disposal	**(6)**	-
Operating lease rentals – hire of plant and machinery	**10**	-

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:

	2015 Number	2014 Number
Administration	**15**	14
Production	**56**	56
	71	70

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	**2,095**	2,111
Social security costs	**216**	213
Pension costs (See note 19)	**69**	73
	2,380	2,397

Notes *(continued)*

6 Interest

	2015 £000	2014 £000
Interest payable and similar charges		
Bank loans and overdrafts	**34**	37
Other interest	**49**	40
Hire purchase interest	**21**	34
	104	111

7 Taxation

Analysis of credit in the year:

	2015 £000	2014 £000
UK corporation tax		
Current tax on income for the year	**5**	5
Payments in respect of group relief	**62**	25
Over provision in prior years – group relief	**(4)**	(19)
Total current tax	**63**	11
Deferred taxation		
Reversal of timing differences	**4**	(30)
Adjustment in respect of prior years	**5**	(11)
Total deferred tax	**9**	(41)
Tax on loss on ordinary activities	**72**	(29)

Factors affecting the tax credit for the current year

The current tax charge for the year is higher *(2014: higher)* than the standard rate of corporation tax in the UK 21.32 % (*2014:* 23.16%). The differences are explained below:

	2015 £000	2014 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**273**	39
Current tax at 21.32 % (*2014:* 23.16%)	**58**	9
Effects of:		
Expenses not deductible for tax purposes	**11**	(2)
Depreciation in excess of capital allowances	**(4)**	31
Other short term timing differences	**(1)**	1
Research & Development enhanced expenditure	**2**	(8)
Adjustment in respect of prior years	**(3)**	(19)
Total current tax charge (see above)	**63**	12

Notes *(continued*

7 Taxation *(continued)*

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 January 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

8 Intangible fixed assets

	Negative Goodwill £000
Cost	
Cost at beginning and of year	1,048
Amortisation	
At beginning and end of year	1,048
Net book value	
At 31 January 2015 and 31 January 2014	-

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 £000	Fixtures, fittings & equipment £000	Motor vehicles £000	Total £000
Cost				
At beginning of year	1,414	181	3	1,598
Additions	74	52	2	128
Disposal	(4)	(11)	(3)	(18)
At end of year	1,484	222	2	1,708
Depreciation				
At beginning of year	540	71	1	612
Charge for the year	193	40	2	235
On disposals	(4)	(11)	(3)	(18)
At end of year	729	100	-	829
Net book value				
At 31 January 2015	**755**	**122**	**2**	**879**
At 31 January 2014	874	110	2	986

Included in the total net book value of plant and machinery is £386k *(2014: £485k)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £96k *(2014: £99k)*.

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
	£000	£000
At historic cost:		
Historical cost of revalued assets	**2,014**	**5**
Aggregate depreciation thereon	**(1,402)**	**(5)**
Net book value	**612**	**-**

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

	2015 £000	2014 £000
Raw materials and consumables	321	262
Work in progress	962	1,050
	1,283	1,312

11 Debtors

	2015 £000	2014 £000
Trade debtors	1,956	1,944
Amounts owed by group undertakings	133	10
Amounts owed by associated undertakings	-	2
Prepayments and accrued income	36	32
Other Debtors	-	7
	2,125	1,995

12 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Bank overdrafts	5	-
Amounts owed to group undertakings	1,250	26
Amounts due to associated undertakings	-	62
Trade creditors	907	1,077
Other taxes and social security	172	339
Net obligations under hire purchase contracts	102	128
Other creditors	1,131	1,032
Accruals and deferred income	161	130
Corporate tax	5	5
	3,733	2,799

Other creditors includes secured debts of £1,126k *(2014: £995k)* which are secured upon trade debtors and vary in line with sales.

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Amounts owed to group undertakings	-	1,049
Net obligations under hire purchase contracts	90	193
	90	1,242

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

	2015 £000	2014 £000
Within one year	102	128
In the second to fifth years	90	193
	192	321

14 Provisions for liabilities

	Deferred taxation £000
At beginning of year	5
Credited to the profit and loss account	9
At end of year	14

The components of the deferred tax liability are as follows:

	2015 £000	2014 £000
Timing differences between depreciation and capital allowances	(15)	7
Other short term timing differences	1	(2)
Deferred tax liability at end of year	(14)	5

Notes *(continued)*

15 Called up share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
1 Ordinary share of £1 each	-	-

16 Reserves

	Revaluation reserve £000	Profit and loss account £000
At beginning of year	181	68
Profit for the financial year	-	201
Transfer	(36)	36
At end of year	**145**	**305**

17 Reconciliation of movements in shareholders' funds

	2015 £000	2014 £00
Profit for the financial year	**201**	68
Opening shareholders' funds	**249**	181
Closing shareholders' funds	**450**	249

18 Commitments

Operating lease commitments

	Other	
	2015 £000	2014 £000
Annual commitments under operating leases which expire:		
Between two and five years	**4**	-
In over five years	**-**	2
	4	2

Other commitments

The company has given cross guarantees in respect of the bank borrowings of group companies which at 31 January 2015 amounted to £8,399k *(2014: £7,559k)*.

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 £69k *(2014: £73k)*.

Contributions amounting to £7k *(2014: £6k)* 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.