

**Henton Engineering Limited**  
**Directors' report and financial**  
**statements**

Registered number 06453721

Year ended 31 January 2016

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## Company information

|                          |                                                                                 |
|--------------------------|---------------------------------------------------------------------------------|
| <b>Registered office</b> | Nasmyth House<br>Coventry Road<br>Exhall<br>Coventry<br>CV7 9FT                 |
| <b>Registered number</b> | 06453721                                                                        |
| <b>Directors</b>         | P Smith<br>S Beech<br>M Edmonds                                                 |
| <b>Secretary</b>         | M Edmonds                                                                       |
| <b>Auditor</b>           | KPMG LLP<br>Altius House<br>One North Fourth Street<br>Milton Keynes<br>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 11% to £7.1 million compared to the prior year (2015: £7.9 million). Management continue to strive for significant productivity improvements through improved deployment of labour and further factory reorganisation but as a consequence of the reduction in turnover, gross margin is reported at £1.1 million (2015: £1.7 million) which represents 16% of sales (2015: 21%). The business continues to benefit from improved customer confidence and vastly improved delivery and quality performance, and after contributing £0.3 million (2015: £0.3 million) to the management costs of its parent company the company reports a loss before tax for the year of £0.2 million (2015: profit £0.3 million). EBITDA for the year is £0.1 million (2015: £0.6 million).

The outlook for the year ended 31 January 2017 is encouraging with a much improved sales order book being envisaged from mid-year. 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 2017 year end. A particular success has been award of new contracts with a major Japanese aero-engine manufacturer, and also with a large power generation equipment manufacturer in located in North America. Specific activities that will be performance enhancing for the rest of the year are the drive for new further new customers and markets and further manufacturing efficiency improvements.

### 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



21 October 2016

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 2016.

### 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 £140,000 (2015: £nil) were paid during the year.

### Political and charitable contributions

The company made no political or charitable contributions during the year (2015: £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



21 October 2016

Nasmyth House  
Coventry Road  
Exhall  
Coventry  
CV7 9FT

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

The directors are responsible for preparing the Strategic Report, 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 2016 set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 website at [www.frc.org.uk/auditscopeukprivate](http://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 2016 and of its loss 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.

#### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

### **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*

31 October 2016

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 January 2016*

|                                                              | <i>Note</i> | <b>2016</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> |
|--------------------------------------------------------------|-------------|----------------------------|----------------------------|
| <b>Turnover</b>                                              | <b>2</b>    | <b>7,082</b>               | <b>7,924</b>               |
| Cost of sales                                                |             | <b>(5,938)</b>             | <b>(6,244)</b>             |
| <b>Gross profit</b>                                          |             | <b>1,144</b>               | <b>1,680</b>               |
| Administrative expenses                                      |             | <b>(1,305)</b>             | <b>(1,303)</b>             |
| Other operating income                                       |             | <b>38</b>                  | <b>-</b>                   |
| <b>Operating (loss)/profit</b>                               |             | <b>(123)</b>               | <b>377</b>                 |
| Interest payable and similar charges                         | <b>6</b>    | <b>(97)</b>                | <b>(104)</b>               |
| <b>(Loss)/ profit on ordinary activities before taxation</b> | <b>3</b>    | <b>(220)</b>               | <b>273</b>                 |
| Tax on profit on ordinary activities                         | <b>7</b>    | <b>45</b>                  | <b>(72)</b>                |
| <b>(Loss)/ profit for the financial year</b>                 |             | <b>(175)</b>               | <b>201</b>                 |

The Company has no other comprehensive income for the year and hence the loss for the financial year represents the total comprehensive loss for the year.

The results reported above arise from continuing operations.

Notes on pages 11 to 20 form part of these financial statements.

**Balance sheet**  
*at 31 January 2016*

|                                                                | <i>Note</i> | <b>2016</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> |
|----------------------------------------------------------------|-------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Fixed assets</b>                                            |             |                            |                            |                            |                            |
| Tangible assets                                                | 8           |                            | 1,167                      |                            | 879                        |
|                                                                |             |                            | <u>1,167</u>               |                            | <u>879</u>                 |
| <b>Current assets</b>                                          |             |                            |                            |                            |                            |
| Stocks                                                         | 9           | 1,075                      |                            | 1,283                      |                            |
| Debtors                                                        | 10          | 1,925                      |                            | 2,125                      |                            |
| Cash at bank and in hand                                       |             | 123                        |                            | -                          |                            |
|                                                                |             | <u>3,123</u>               |                            | <u>3,408</u>               |                            |
| <b>Creditors: amounts falling due within one year</b>          | 11          | <b>(3,877)</b>             |                            | <b>(3,733)</b>             |                            |
| <b>Net current liabilities</b>                                 |             |                            | <b>(754)</b>               |                            | <b>(325)</b>               |
| <b>Total assets less current liabilities</b>                   |             |                            | <b>413</b>                 |                            | <b>554</b>                 |
| <b>Creditors: amounts falling due after more than one year</b> | 12          |                            | <b>(233)</b>               |                            | <b>(90)</b>                |
| <b>Deferred tax liability</b>                                  | 13          |                            | <b>(45)</b>                |                            | <b>(14)</b>                |
| <b>Net assets</b>                                              |             |                            | <b>135</b>                 |                            | <b>450</b>                 |
| <b>Capital and reserves</b>                                    |             |                            |                            |                            |                            |
| Called up share capital                                        | 14          |                            | -                          |                            | -                          |
| Profit and loss account                                        |             |                            | 135                        |                            | 450                        |
| <b>Shareholders' funds</b>                                     |             |                            | <b>135</b>                 |                            | <b>450</b>                 |

These financial statements were approved by the board of directors on 21 October 2016 and were signed on its behalf by:



**P Smith**  
*Director*

**Registration number:** 06453721

Notes on pages 11 to 20 form part of these financial statements

**Statement of Changes in Equity**  
*for the year ended 31 January 2015*

|                                                           | <b>Called up<br/>share<br/>capital<br/>£000</b> | <b>Profit &amp;<br/>loss<br/>account<br/>£000</b> | <b>Total<br/>equity<br/>£000</b> |
|-----------------------------------------------------------|-------------------------------------------------|---------------------------------------------------|----------------------------------|
| Balance at 1 February 2014                                | -                                               | 249                                               | 249                              |
| <b>Total comprehensive income for the period</b>          |                                                 |                                                   |                                  |
| Profit for the financial year                             | -                                               | 201                                               | 201                              |
| <b>Total comprehensive income for the period</b>          | -                                               | 201                                               | 201                              |
| Transactions with owners, recorded directly in equity     |                                                 |                                                   |                                  |
| Dividends                                                 | -                                               | -                                                 | -                                |
| <b>Total contributions by and distributions to owners</b> | -                                               | -                                                 | -                                |
| <b>Balance at 31 January 2015</b>                         | -                                               | <b>450</b>                                        | <b>450</b>                       |

**Statement of Changes in Equity**  
*for the year ended 31 January 2016*

|                                                       | <b>Called up<br/>share<br/>capital<br/>£000</b> | <b>Profit<br/>and loss<br/>account<br/>£000</b> | <b>Total<br/>equity<br/>£000</b> |
|-------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|----------------------------------|
| Balance at 1 February 2015                            | -                                               | 450                                             | 450                              |
| <b>Total comprehensive income for the period</b>      |                                                 |                                                 |                                  |
| Loss for the financial year                           | -                                               | (175)                                           | (175)                            |
|                                                       | <hr/>                                           | <hr/>                                           | <hr/>                            |
| Total comprehensive income for the period             | -                                               | (175)                                           | (175)                            |
|                                                       | <hr/>                                           | <hr/>                                           | <hr/>                            |
| Transactions with owners, recorded directly in equity |                                                 |                                                 |                                  |
| Dividends                                             | -                                               | (140)                                           | (140)                            |
|                                                       | <hr/>                                           | <hr/>                                           | <hr/>                            |
| Total contributions by and distributions to owners    | -                                               | (140)                                           | (140)                            |
|                                                       | <hr/>                                           | <hr/>                                           | <hr/>                            |
| <b>Balance at 31 January 2016</b>                     | <b>-</b>                                        | <b>135</b>                                      | <b>135</b>                       |
|                                                       | <hr/>                                           | <hr/>                                           | <hr/>                            |

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Henton Engineering Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 20.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Fair value or revaluation as deemed cost – The previous GAAP revaluation at transition date has been used as deemed cost for specific tangible fixed assets.
- Lease arrangements – in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at 1 February 2014 rather than commencement date of the arrangement.
- Lease incentives – for leases commenced before 1 February 2014 the Company continued to account for lease incentives under previous UK GAAP.

The Company’s parent undertaking, Nasmyth Group Limited includes the Company in its consolidated financial statements. 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. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- The disclosure of related party transaction and balances with subsidiary companies;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for derecognition of financial assets and liabilities before the date of transition or accounting estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Going concern*

The accounts have been prepared on a going concern basis notwithstanding net current liabilities of £754,000 (2015: £325,000) 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.

#### *Fixed assets and depreciation*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are 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.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- plant and machinery      7 to 12 years
- fixtures and fittings      5 years
- motor vehicles      5 to 7 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### *Foreign currencies*

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### *Employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

## Notes (continued)

### *Basic financial instruments*

#### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

#### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Turnover*

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

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### *Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 2 Turnover

An analysis of turnover by geographical market is given below:

|                | 2016<br>£000 | 2015<br>£000 |
|----------------|--------------|--------------|
| United Kingdom | 6,070        | 6,772        |
| Europe         | 217          | 330          |
| Americas       | 765          | 783          |
| Africa         | 30           | 39           |
|                | <u>7,082</u> | <u>7,924</u> |

### 3 Expenses and auditor's remuneration

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

|                                                                | 2016<br>£000 | 2015<br>£000 |
|----------------------------------------------------------------|--------------|--------------|
| Depreciation of tangible fixed assets:                         |              |              |
| - owned assets                                                 | 164          | 139          |
| - assets held under finance leases and hire purchase contracts | 108          | 96           |
| Profit on disposal                                             | (15)         | (6)          |
| Operating lease rentals                                        |              |              |
| - hire of plant and machinery                                  | 22           | 10           |
| - hire of property                                             | 93           | 93           |
|                                                                | <u></u>      | <u></u>      |
| <i>Auditor's remuneration</i>                                  |              |              |
| Audit of these financial statements                            | 5            | 5            |
| Other services relating to taxation                            | 2            | 2            |

### 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:

|                | 2016<br>Number | 2015<br>Number |
|----------------|----------------|----------------|
| Administration | 14             | 15             |
| Production     | 53             | 56             |
|                | <u>67</u>      | <u>71</u>      |

The aggregate payroll costs of these persons were as follows:

|                             | 2016<br>£000 | 2015<br>£000 |
|-----------------------------|--------------|--------------|
| Wages and salaries          | 1,981        | 2,095        |
| Social security costs       | 193          | 216          |
| Pension costs (See note 18) | 63           | 69           |
|                             | <u>2,237</u> | <u>2,380</u> |

## Notes (continued)

### 6 Interest

|                                             | 2016<br>£000 | 2015<br>£000 |
|---------------------------------------------|--------------|--------------|
| <i>Interest payable and similar charges</i> |              |              |
| Bank loans and overdrafts                   | 35           | 34           |
| Other interest                              | 42           | 49           |
| Hire purchase interest                      | 20           | 21           |
|                                             | <u>97</u>    | <u>104</u>   |

### 7 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

|                                         | 2016<br>£000 | 2015<br>£000 |
|-----------------------------------------|--------------|--------------|
| <i>Current tax</i>                      |              |              |
| Current tax on loss for the year        | -            | 5            |
| Payment for group relief                | -            | 58           |
| Adjustments in respect of prior periods | (76)         | -            |
|                                         | <u>(76)</u>  | <u>63</u>    |
| Total current tax                       | (76)         | 63           |
| <i>Deferred taxation</i>                |              |              |
| Origination of timing differences       | 37           | 4            |
| Adjustments in respect of prior years   | (6)          | 5            |
|                                         | <u>31</u>    | <u>9</u>     |
| Total deferred tax                      | 31           | 9            |
| Total tax                               | <u>(45)</u>  | <u>72</u>    |

#### Reconciliation of effective tax rate

|                                                                | 2016<br>£000 | 2015<br>£000 |
|----------------------------------------------------------------|--------------|--------------|
| (Loss)/ profit for the year                                    | (175)        | 201          |
| Total tax credit/ (expense)                                    | 45           | (72)         |
|                                                                | <u>(220)</u> | <u>273</u>   |
| Profit excluding taxation                                      | (220)        | 273          |
|                                                                | <u>(44)</u>  | <u>58</u>    |
| Tax using the UK corporation tax rate of 20.16% (2015: 21.32%) |              |              |
| <i>Effects of:</i>                                             |              |              |
| Expenses not deductible for tax purposes                       | 9            | 11           |
| Depreciation in excess of capital allowances                   | (42)         | (4)          |
| Other short term timing differences                            | -            | -            |
| Research and Development enhanced expenditure                  | (5)          | 2            |
| Adjustments in respect of prior years                          | (76)         | (3)          |
| Tax losses carried back                                        | 82           |              |
| Tax on deferred tax balances                                   | 31           | 8            |
|                                                                | <u>(45)</u>  | <u>72</u>    |
| Total tax (credit)/ expense included in profit or loss         | (45)         | 72           |

## Notes (continued)

### 7 Taxation (continued)

#### *Factors that may affect future current and total tax credit*

From 1 April 2014, the main rate of corporation tax reduced to 21% and from 1 April 2015 the main rate reduced to 20%. Accordingly, current tax has been measured at the hybrid rate of 20.16%. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 19% from 1 April 2017 and 18% from 1 April 2020. This will reduce any future current tax charge accordingly. Any deferred tax at 31 December 2015 has been calculated based on the rate of 18% being the rate substantively enacted at the balance sheet date.

A further reduction to the corporation tax rate by 1% to 17% by 1 April 2020 was announced in the Chancellor's 2016 budget statement. This further change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements as the proposed reduction cannot be reliably quantified at this stage.

### 8 Tangible fixed assets

|                       | Plant and<br>machinery<br>£000 | Fixtures,<br>fittings &<br>equipment<br>£000 | Motor<br>vehicles<br>£000 | Total<br>£000 |
|-----------------------|--------------------------------|----------------------------------------------|---------------------------|---------------|
| <b>Cost</b>           |                                |                                              |                           |               |
| At beginning of year  | 1,484                          | 222                                          | 2                         | 1,708         |
| Additions             | 467                            | 93                                           | -                         | 560           |
| Disposal              | (40)                           | -                                            | -                         | (40)          |
|                       | <hr/>                          | <hr/>                                        | <hr/>                     | <hr/>         |
| At end of year        | 1,911                          | 315                                          | 2                         | 2,228         |
|                       | <hr/>                          | <hr/>                                        | <hr/>                     | <hr/>         |
| <b>Depreciation</b>   |                                |                                              |                           |               |
| At beginning of year  | 729                            | 100                                          | -                         | 829           |
| Charge for the year   | 226                            | 46                                           | -                         | 272           |
| On disposals          | (40)                           | -                                            | -                         | (40)          |
|                       | <hr/>                          | <hr/>                                        | <hr/>                     | <hr/>         |
| At end of year        | 915                            | 146                                          | -                         | 1,061         |
|                       | <hr/>                          | <hr/>                                        | <hr/>                     | <hr/>         |
| <b>Net book value</b> |                                |                                              |                           |               |
| At 31 January 2016    | 996                            | 169                                          | 2                         | 1,167         |
|                       | <hr/>                          | <hr/>                                        | <hr/>                     | <hr/>         |
| At 31 January 2015    | 755                            | 122                                          | 2                         | 879           |
|                       | <hr/>                          | <hr/>                                        | <hr/>                     | <hr/>         |

Included in the total net book value of plant and machinery is £597,000 (2015: £386,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £108,000 (2015: £96,000).

### 9 Stocks

|                               | 2016<br>£000 | 2015<br>£000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 272          | 321          |
| Work in progress              | 803          | 962          |
|                               | <hr/>        | <hr/>        |
|                               | 1,075        | 1,283        |
|                               | <hr/>        | <hr/>        |

**Notes (continued)**

**10 Debtors**

|                                    | 2016<br>£000 | 2015<br>£000 |
|------------------------------------|--------------|--------------|
| Trade debtors                      | 1,802        | 1,956        |
| Amounts owed by group undertakings | -            | 133          |
| Prepayments and accrued income     | 25           | 36           |
| Corporate tax                      | 98           | -            |
|                                    | <u>1,925</u> | <u>2,125</u> |

**11 Creditors: amounts falling due within one year**

|                                               | 2016<br>£000 | 2015<br>£000 |
|-----------------------------------------------|--------------|--------------|
| Bank overdrafts                               | -            | 5            |
| Amounts owed to group undertakings            | 1,295        | 1,250        |
| Trade creditors                               | 847          | 907          |
| Other taxes and social security               | 200          | 172          |
| Net obligations under hire purchase contracts | 133          | 102          |
| Other creditors                               | 1,262        | 1,131        |
| Accruals and deferred income                  | 140          | 161          |
| Corporate tax                                 | -            | 5            |
|                                               | <u>3,877</u> | <u>3,733</u> |

Other creditors includes secured debts of £1,256k (2015: £1,126k) which are secured upon trade debtors and vary in line with sales.

**12 Creditors: amounts falling due after more than one year**

|                                               | 2016<br>£000 | 2015<br>£000 |
|-----------------------------------------------|--------------|--------------|
| Net obligations under hire purchase contracts | 233          | 90           |
|                                               | <u>233</u>   | <u>90</u>    |

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

|                              | 2016<br>£000 | 2015<br>£000 |
|------------------------------|--------------|--------------|
| Within one year              | 133          | 102          |
| In the second to fifth years | 233          | 90           |
|                              | <u>366</u>   | <u>192</u>   |

## Notes (continued)

### 13 Deferred tax liability

|                                         | £000  |
|-----------------------------------------|-------|
| At beginning of year                    | 14    |
| Credited to the profit and loss account | 31    |
|                                         | <hr/> |
| At end of year                          | 45    |
|                                         | <hr/> |

The components of the deferred tax liability are as follows:

|                                                                | 2016<br>£000 | 2015<br>£000 |
|----------------------------------------------------------------|--------------|--------------|
| Timing differences between depreciation and capital allowances | (46)         | (15)         |
| Other short term timing differences                            | 1            | 1            |
|                                                                | <hr/>        | <hr/>        |
| Deferred tax liability at end of year                          | (45)         | (14)         |
|                                                                | <hr/>        | <hr/>        |

### 14 Called up share capital

|                                           | 2016<br>£000 | 2015<br>£000 |
|-------------------------------------------|--------------|--------------|
| <i>Allotted, called up and fully paid</i> |              |              |
| 1 Ordinary share of £1 each               | -            | -            |
|                                           | <hr/>        | <hr/>        |

### 15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

|                            | 2016<br>£000 | 2015<br>£000 |
|----------------------------|--------------|--------------|
| Less than one year         | 12           | 12           |
| Between one and five years | 6            | 8            |
| More than five years       | 625          | 700          |
|                            | <hr/>        | <hr/>        |
|                            | 643          | 720          |
|                            | <hr/>        | <hr/>        |

During the year £115k was recognised as an expense in the profit and loss account in respect of operating leases (2015: £103k).

### 16 Commitments

#### Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £nil (2015: £nil).

#### Other commitments

The company has given cross guarantees in respect of the bank borrowings of group companies on plant, machinery, and buildings which at 31 January 2016 amounted to £7,160k (2015: £8,399k).

## **Notes (continued)**

### **17 Accounting estimates and judgements**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### ***Income taxes***

The Group is subject to the income tax laws of the United Kingdom. These laws are complex and subject to different interpretations by taxpayers and tax authorities. When establishing income tax liabilities, the Directors make a number of judgements and interpretations about the application and interaction of these laws to estimate the amount expected to be paid to (or recovered from) the tax authorities. Changes in these tax laws or in their interpretation could affect the Group's effective tax rate and the results of operations in a given period. Accordingly, future tax expense may be affected as these uncertain matters are resolved.

The Group claims Research and Development Expenditure Credits ("RDEC") in respect of its research and development expenditure. The Group recognises the gross value of the RDEC as other income based on an estimate of the expected recovery.

#### ***Stocks***

In determining the cost of stocks the Directors have to make judgements to arrive at cost and net realisable value. Determining cost requires judgement as to the value of labour and overheads applied to stocks. Determining the net realisable value of products held requires judgement to be applied to determine the likely saleability of the product and the potential price that can be achieved. In arriving at any provisions for net realisable value the directors take into account the age, conditioning and quality of the product stocked and the recent trend in sales.

### **18 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 £63,000 (2015: £69,000).

Contributions amounting to £7,000 (2014: £6,000) were payable to the scheme and are included in creditors.

### **19 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.

## Notes (continued)

### 20 Explanation of transition to FRS 102 from old UK GAAP (continued)

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 January 2016 and the comparative information presented in these financial statements for the year ended 31 January 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

#### Reconciliation of equity

|                                                                | Note | 31 January 2014            |                                               |                 | 31 January 2015            |                                                  |                 |
|----------------------------------------------------------------|------|----------------------------|-----------------------------------------------|-----------------|----------------------------|--------------------------------------------------|-----------------|
|                                                                |      | Adopted<br>UK GAAP<br>£000 | Effect of<br>transition<br>to FRS 102<br>£000 | FRS 102<br>£000 | Adopted<br>UK GAAP<br>£000 | Effect of<br>transition<br>to FRS<br>102<br>£000 | FRS 102<br>£000 |
| <b>Fixed assets</b>                                            |      |                            |                                               |                 |                            |                                                  |                 |
| Tangible assets                                                |      | 986                        | -                                             | 986             | 879                        | -                                                | 879             |
|                                                                |      | <u>986</u>                 | <u>-</u>                                      | <u>986</u>      | <u>879</u>                 | <u>-</u>                                         | <u>879</u>      |
| <b>Current assets</b>                                          |      |                            |                                               |                 |                            |                                                  |                 |
| Stocks                                                         |      | 1,312                      | -                                             | 1,312           | 1,283                      | -                                                | 1,283           |
| Debtors                                                        |      | 1,995                      | -                                             | 1,995           | 2,125                      | -                                                | 2,125           |
| Cash at bank and in hand                                       |      | 2                          | -                                             | 2               | -                          | -                                                | -               |
|                                                                |      | <u>3,309</u>               | <u>-</u>                                      | <u>3,309</u>    | <u>3,408</u>               | <u>-</u>                                         | <u>3,408</u>    |
| <b>Creditors: amounts due within one year</b>                  |      | <u>(2,799)</u>             | <u>-</u>                                      | <u>(2,799)</u>  | <u>(3,733)</u>             | <u>-</u>                                         | <u>(3,733)</u>  |
| <b>Net current assets/(liabilities)</b>                        |      | <u>510</u>                 | <u>-</u>                                      | <u>510</u>      | <u>(325)</u>               | <u>-</u>                                         | <u>(325)</u>    |
| <b>Creditors: amounts falling due after more than one year</b> |      | <u>(1,242)</u>             | <u>-</u>                                      | <u>(1,242)</u>  | <u>(90)</u>                | <u>-</u>                                         | <u>(90)</u>     |
| Deferred tax liability                                         |      | (5)                        | -                                             | (5)             | (14)                       | -                                                | (14)            |
| <b>Net assets</b>                                              |      | <u>249</u>                 | <u>-</u>                                      | <u>249</u>      | <u>450</u>                 | <u>-</u>                                         | <u>450</u>      |
| <b>Capital and reserves</b>                                    |      |                            |                                               |                 |                            |                                                  |                 |
| Called up share capital                                        |      | -                          | -                                             | -               | -                          | -                                                | -               |
| Revaluation reserve                                            | a    | 181                        | (181)                                         | -               | 145                        | (145)                                            | -               |
| Profit and loss account                                        | a    | 68                         | 181                                           | 249             | 305                        | 145                                              | 450             |
| <b>Shareholders' equity</b>                                    |      | <u>249</u>                 | <u>-</u>                                      | <u>249</u>      | <u>450</u>                 | <u>-</u>                                         | <u>450</u>      |

#### Notes to the reconciliation of equity

- a) At the transition date of 1 February 2014 the Company has elected to treat the previous revaluation of plant and machinery as deemed cost. As a result the company has transferred revaluation reserve to the profit and loss account.