

Henton Engineering Limited
Annual report and financial statements
Registered number 06453721
Year ended 31 January 2017



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 and Other Comprehensive Income	7
Balance sheet	8
Statement of Changes in Equity	9
Notes	11

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 engines 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 at £6.5 million compares to the prior year at £7.1 million, the reduction being due to customer pushbacks. As a consequence, gross margin for the year reduced to £0.8 million (2016: £1.1 million). After contributing £0.3 million (2016: £0.3 million) to the management costs of its parent company the company reports a loss before tax for the year of £0.7 million (2016: £0.2 million). EBITDA for the year is a loss of £0.3 million (2016: profit of £0.1 million).

Despite the disappointing trading performance the company continued to invest in initiatives to vastly improve delivery and quality performance and hence build customer confidence. The rewards are now showing through and the outlook for the year ended 31 January 2018 is encouraging. The company now has a much improved sales order book with orders received in the first half of the year to 31 January 2018 at £4.9 million being 55% up on the same period last year and orders on hand at 31 July 2017 being 37% higher. Particular successes are the award of new contracts from a major Japanese aero-engine manufacturer, and also from a large power generation equipment manufacturer located in North America. Specific activities that will be performance enhancing for the rest of the year are the drive for further new customers and markets and further manufacturing efficiency improvements.

Sales in the first half of the year at £3.6 million are 18% up on prior year. Further improvement is anticipated consequent upon the major investment in plant and machinery in June 2017 and management predicts a return to profit before tax for the 31 January 2018 year end.

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

31 October 2017

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 2017.

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 (2016: £140,000) were paid during the year.

Political and charitable contributions

The company made no political or charitable contributions during the year (2016: £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

31 October 2017

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 2017 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) 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.

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 2017 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 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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 2017

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 January 2017

	<i>Note</i>	2017 £000	2016 £000
Turnover	2	6,511	7,082
Cost of sales		(5,700)	(5,938)
Gross profit		811	1,144
Administrative expenses		(1,443)	(1,305)
Other operating income		26	38
Operating loss		(606)	(123)
Interest payable and similar charges	6	(88)	(97)
Loss on ordinary activities before taxation	3	(694)	(220)
Tax on loss on ordinary activities	7	210	45
Loss for the financial year		(484)	(175)

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 19 form part of these financial statements.

Balance sheet
at 31 January 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Tangible assets	8		911		1,167
			911		1,167
Current assets					
Stocks	9	920		1,075	
Debtors	10	2,255		1,925	
Cash at bank and in hand		4		123	
		3,179		3,123	
Creditors: amounts falling due within one year	11	(4,249)		(3,877)	
Net current liabilities			(1,070)		(754)
Total assets less current liabilities			(159)		413
Creditors: amounts falling due after more than one year	12		(141)		(233)
Deferred tax liability	13		(49)		(45)
Net assets			(349)		135
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account			(349)		135
Shareholders' funds			(349)		135

These financial statements were approved by the board of directors on 31 October 2017 and were signed on its behalf by:



P Smith
Director

Registration number: 06453721

Notes on pages 11 to 19 form part of these financial statements

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

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

Statement of Changes in Equity
for the year ended 31 January 2017

	Called up share capital £000	Profit and loss account. £000	Total equity £000
Balance at 1 February 2016	-	135	135
Total comprehensive income for the period	-	(484)	(484)
Loss for the financial year			
Total comprehensive income for the period	-	(484)	(484)
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 January 2017	-	(349)	(349)

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.

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.

Going concern

The accounts have been prepared on a going concern basis notwithstanding net current liabilities of £1,070,000 (2016: £754,000) and net liabilities of £349,000 (2016: net assets of £135,000) 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.

Notes (continued)

1 Accounting policies (continued)

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, fittings and equipment 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.

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:

	2017 £000	2016 £000
United Kingdom	5,950	6,070
Europe	119	217
Americas	322	765
Africa	-	30
Rest of world	120	-
	<u>6,511</u>	<u>7,082</u>

3 Expenses and auditor's remuneration

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

	2017 £000	2016 £000
Depreciation of tangible fixed assets:		
- owned assets	201	164
- assets held under finance leases and hire purchase contracts	97	108
Profit on disposal	(3)	(15)
Operating lease rentals		
- hire of plant and machinery	21	22
- hire of property	94	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 in relation to this company were:

	2017 £000	2016 £000
Emoluments for qualifying services	37	35
Contributions to money purchase pension schemes	2	4
	<u>39</u>	<u>39</u>

Notes (continued)

5 Staff numbers and costs

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

	2017 Number	2016 Number
Administration	17	14
Production	48	53
	<u>65</u>	<u>67</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	1,970	1,981
Social security costs	195	193
Pension costs (See note 18)	66	63
	<u>2,231</u>	<u>2,237</u>

6 Interest

	2017 £000	2016 £000
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	29	35
Interest payable on intercompany balances	42	42
Hire purchase interest	17	20
	<u>88</u>	<u>97</u>

7 Taxation

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

	2017 £000	2016 £000
<i>Current tax</i>		
Current tax on loss for the year	-	-
Receipt for group relief	(109)	-
Adjustments in respect of prior periods	(105)	(76)
	<u>(214)</u>	<u>(76)</u>
Total current tax		
<i>Deferred taxation</i>		
Origination of timing differences	(21)	37
Adjustments in respect of prior years	25	(6)
	<u>4</u>	<u>31</u>
Total deferred tax		
Total tax credit	<u>(210)</u>	<u>(45)</u>

Notes (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

	2017 £000	2016 £000
Loss for the year	(484)	(175)
Total tax credit	(210)	(45)
Profit excluding taxation	(694)	(220)
Tax using the UK corporation tax rate of 20.00% (2016: 20.16%)	(139)	(44)
Effects of:		
Expenses not deductible for tax purposes	9	9
Depreciation in excess of capital allowances	3	(11)
Research and Development enhanced expenditure	(3)	(5)
Adjustments in respect of prior years	(80)	(76)
Tax losses carried back	-	82
Total tax credit included in profit or loss	(210)	(45)

Factors that may affect future current and total tax credit

From 1 April 2015, the main rate of corporation tax was reduced to 20%. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 January 2017 has been calculated based on the rate in force on the expected date the underlying temporary differences will reverse.

8 Tangible fixed assets

	Plant and machinery £000	Fixtures, fittings & equipment £000	Motor vehicles £000	Total £000
Cost				
At beginning of year	1,911	315	2	2,228
Additions	28	33	-	61
Disposal	-	(28)	-	(28)
At end of year	1,939	320	2	2,261
Depreciation				
At beginning of year	915	146	-	1,061
Charge for the year	241	56	1	298
On disposals	-	(9)	-	(9)
At end of year	1,156	193	1	1,350
Net book value				
At 31 January 2017	783	127	1	911
At 31 January 2016	996	169	2	1,167

Included in the total net book value of plant and machinery is £351,000 (2016: £597,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £97,000 (2016: £108,000).

Notes (continued)

9 Stocks

	2017 £000	2016 £000
Raw materials and consumables	83	272
Work in progress	837	803
	<u>920</u>	<u>1,075</u>

10 Debtors

	2017 £000	2016 £000
Trade debtors	1,820	1,802
Amounts owed by group undertakings	269	-
Prepayments and accrued income	49	25
Corporate tax	117	98
	<u>2,255</u>	<u>1,925</u>

11 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to group undertakings	1,785	1,295
Trade creditors	832	847
Other taxes and social security	226	200
Net obligations under hire purchase contracts	88	133
Other creditors	1,121	1,262
Accruals and deferred income	197	140
	<u>4,249</u>	<u>3,877</u>

Other creditors includes secured debts of £1,114,000 (2016: £1,256,000) which are secured upon trade debtors and vary in line with sales.

Notes (*continued*)

12 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Net obligations under hire purchase contracts	141	233
	<u>141</u>	<u>233</u>

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

	2017 £000	2016 £000
Within one year	88	133
In the second to fifth years	141	233
	<u>229</u>	<u>366</u>

13 Deferred tax liability

	£000
At beginning of year	45
Charged to the profit and loss account	4
At end of year	<u>49</u>

The components of the deferred tax liability are as follows:

	2017 £000	2016 £000
Timing differences between depreciation and capital allowances	(50)	(46)
Other short term timing differences	1	1
Deferred tax liability at end of year	<u>(49)</u>	<u>(45)</u>

14 Called up share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1	-	-
	<u>-</u>	<u>-</u>

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	112	85
Between one and five years	415	308
More than five years	175	250
	<u>702</u>	<u>643</u>

During the year £115,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £115,000).

Notes (continued)

16 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £nil (2016: £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 2017 amounted to £6,738,000 (2016: £7,160,000).

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 £66,000 (2016: £63,000).

Contributions amounting to £7,000 (2016: £7,000) 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.