

REGISTERED NUMBER: 06453721 (England and Wales)

HENTON ENGINEERING LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018

TUESDAY



L7BDIBQI
LD6 31/07/2018 #430
COMPANIES HOUSE

HENTON ENGINEERING LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	5
Statement of Directors' Responsibilities	6
Report of the Independent Auditors	7
Statement of Profit and Loss and Other Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12

HENTON ENGINEERING LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 JANUARY 2018

DIRECTORS:

P Smith
S Beech
P Jones

SECRETARY:

P Jones

REGISTERED OFFICE:

Nasmyth House
Coventry Road
Exhall
Coventry
CV7 9FT

REGISTERED NUMBER:

06453721 (England and Wales)

AUDITORS:

KPMG LLP
Altius House
1 North Forth Street
Milton Keynes
MK9 1NE

HENTON ENGINEERING LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 JANUARY 2018

The directors present their Strategic Report together with the Directors Report and the audited financial statements of Henton Engineering Limited (the "company") for the year ended 31 January 2018.

Business Review

The company is a wholly owned subsidiary of Nasmyth Group Limited ("group"). The principal activity of the company is the manufacture of engineering and precision machining of large metallic ring-shaped components. In order to deliver products and services within the Group Strategy, the company is managed internally as part of the Metalics Division.

The company embraces the strategy of the group which has the aim of creating long term value through organic growth and acquisition to provide sustainable returns for the shareholders of the business. The company regards operational excellence, investment in people, continuous improvement and technology advancement as core to this delivering and maintaining this strategy

The company is located in Hinckley in the United Kingdom.

The company reported year over year sales growth of 11.6%. This was a very pleasing result primarily driven by growth in the supply of product to a new customer with respect to the global industrial gas turbine market for power generation.

The company is entering into long term agreements with its customers as it pursues its strategic objective to grow and deliver value and as such the core business and financial performance of the company continues to improve. The order book of the company is stable and is growing.

The company utilises the integrated group wide supply chain which is "best in class", providing cost and product excellence and hence performance leverage in the highly competitive markets.

The markets in which the company operates continue to be strong especially in the Civil Aerospace sector where there are currently record deliveries of single and twin aisle aircraft.

Key Performance Indicators

Performance indicators are maintained consistently throughout all of the operating facilities in the group and are used as a management tool to drive the overall achievements of the group.

		2018	2017
Turnover	£'000	7,263	6,511
Operating Loss Margin	%	(3.2)	(9.3)

Key Business Highlights

The financial results of the company are presented on pages 9-21 and in overview, there has been considerable improvement in the financial results of the company with turnover of £7.3m (2017 £6.5m), and the operating loss down from £606,000 in 2017 to £232,000 in 2018. The reduction in the loss of the company is directly related to the sales growth.

Administration costs increased during the year to £1.5m (2017: £1.4m). This figure includes the company's contribution to the groups management charges. Reported below operating loss is interest and similar charges of £120,000 (2017: £88,000). Included within this number are intercompany interest charges of £64,000 (2017: £42,000). The company reports a reduced loss before tax of £352,000 (2017: loss of £694,000).

HENTON ENGINEERING LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 JANUARY 2018

The company continues to actively manage its cash and semi-liquid assets in order that any material growth in operational working capital reflects increased activity rather than inefficiency in the working capital management. At the end of the year, the company's investment in operational working capital stood at £2.2m which was an increase from prior year. The individual components were inventory of £1.6m (2017: £0.9m), trade debtors of £2.0m (2017: £1.8m) and trade creditors of £1.4m (2017: £0.8m).

The company is committed to capital investment and in the year invested £721,000 (2017: £61,000) in capital equipment. This investment was predominantly on new machining centres required to ensure that the growing sales order book is fulfilled and to mitigate against older machine breakdowns.

Organisational Developments

Investment in people remains a key priority for the company. During the year, the group has opened a dedicated Apprentice and Training Academy located at the Pinxton facility which will be used by the company to train future engineers. The company employs four apprentices.

The company introduced its own Zero Defects Programme which is being rolled out on a consistent basis to that of the group. This programme will continue to deliver within the business on its continuous improvement and quality programme.

Going Concern

The directors of the company believe that the company is a going concern based on the positive net assets before intercompany loans of £571,000 (2017: £715,000) and the cash balance of the company at the end of the year. The company is a 100% subsidiary of Nasmyth Group Limited and is supported as needed at a group level.

Future Developments

The directors of the company are committed to the development, growth and value creation of the company and the group both through internal and external opportunities.

The company follows the policy of the group to operate a strategically based acquisition and disposal approach which focuses on the structure and delivery of value and identify targets against a predetermined set of selection criteria.

In support of the continuing growth experienced in the markets in which the company operates, in June 2018 the group secured a new revolving financing facility with Wells Fargo Capital Bank Limited which replaces the previous Lloyds Banking Group plc facility. The partnership that is now created between the group and Wells Fargo Capital Bank Limited is an exciting opportunity for the group and benefits the company directly.

Principal Risks and Uncertainties

The risk of the company is managed as part of the group process and ensures that where risk arises, this is dealt with appropriately and in a timely manner.

The top five risks of the company are:

1. Customers - existing business, negotiating contractual arrangements and future business wins
2. Brexit - post Brexit implications
3. Market Risk - the development and ramp up of new Aerospace programmes expose the group to volume timing risk which in turn then impacts the supply chain capacity
4. Finance - Exposure to fluctuations in the USD exchange rate
5. People - retain and recruit the best talent

HENTON ENGINEERING LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 JANUARY 2018

Employee involvement

The company policy is to consult and discuss with employees on matters likely to affect their interests.

Information regarding matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness of the part of all employees of the finance and economic factors affecting the group's performance.

Executive management and control

The company is held accountable by a Group Board which comprises a Chairman and Chief Executive Officer and two other Executive Directors. There is a balanced breadth of experience on the Board. The Strategy and planning is the responsibility of the Board and is executed by the Board through the management team. The management team is led in the UK by the Chief Operating Officer and elsewhere by the Chief Executive with the Chief Financial Officer having responsibility across the group.

ON BEHALF OF THE BOARD:



.....
P Smith - Director

Date: 27 July 2018

HENTON ENGINEERING LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JANUARY 2018

The directors present their report with the financial statements of the company for the year ended 31 January 2018.

PRINCIPAL ACTIVITY

The principal activity of the company is the engineering and precision machining 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.

DIVIDENDS

No dividends will be distributed for the year ended 31 January 2018.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 February 2017 to the date of this report.

P Smith
S Beech

Other changes in directors holding office are as follows:

P Jones was appointed as a director after 31 January 2018 but prior to the date of this report.

M Edmonds ceased to be a director after 31 January 2018 but prior to the date of this report.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

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

ON BEHALF OF THE BOARD:



.....
P Smith - Director

Date: 27 July 2018

HENTON ENGINEERING LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 JANUARY 2018

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 judgements and estimates that are reasonable and prudent; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HENTON ENGINEERING LIMITED

Opinion

We have audited the financial statements of Henton Engineering Limited ("the company") for the year ended 31 January 2018, which comprise the Statement of profit and loss and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime, take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HENTON ENGINEERING LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Aimie Keki (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
1 North Forth Street
Milton Keynes
MK9 1NE

Date: 27th July 2018

HENTON ENGINEERING LIMITED

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2018**

	Notes	2018 £'000	2017 £'000
TURNOVER	4	7,263	6,511
Cost of sales		<u>6,007</u>	<u>5,700</u>
GROSS PROFIT		1,256	811
Administrative expenses		<u>1,501</u>	<u>1,443</u>
		(245)	(632)
Other operating income		<u>13</u>	<u>26</u>
OPERATING LOSS	6	(232)	(606)
Interest payable and similar expenses	7	<u>120</u>	<u>88</u>
LOSS BEFORE TAXATION		(352)	(694)
Tax on loss	8	<u>24</u>	<u>(210)</u>
LOSS FOR THE FINANCIAL YEAR		(376)	(484)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(376)</u>	<u>(484)</u>

The notes form part of these financial statements

HENTON ENGINEERING LIMITED (REGISTERED NUMBER: 06453721)

BALANCE SHEET
31 JANUARY 2018

	Notes	2018 £'000	2017 £'000
FIXED ASSETS			
Intangible assets	9	-	-
Tangible assets	10	1,329	911
		<u>1,329</u>	<u>911</u>
CURRENT ASSETS			
Stocks	11	1,602	920
Debtors	12	2,282	2,255
Cash at bank		38	4
		<u>3,922</u>	<u>3,179</u>
CREDITORS			
Amounts falling due within one year	13	5,463	4,249
NET CURRENT LIABILITIES		<u>(1,541)</u>	<u>(1,070)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(212)</u>	<u>(159)</u>
CREDITORS			
Amounts falling due after more than one year	14	(472)	(141)
PROVISIONS FOR LIABILITIES	16	(41)	(49)
NET LIABILITIES		<u>(725)</u>	<u>(349)</u>
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Retained earnings	18	(725)	(349)
SHAREHOLDERS' FUNDS		<u>(725)</u>	<u>(349)</u>

The financial statements were approved by the Board of Directors on 27 July 2018 and were signed on its behalf by:



P Smith - Director

The notes form part of these financial statements

HENTON ENGINEERING LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2018

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 February 2016	-	135	135
Changes in equity			
Total comprehensive income	-	(484)	(484)
Balance at 31 January 2017	-	(349)	(349)
Changes in equity			
Total comprehensive income	-	(376)	(376)
Balance at 31 January 2018	-	(725)	(725)

The notes form part of these financial statements

HENTON ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018

1. STATUTORY INFORMATION

Henton Engineering Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in UK and Republic of Ireland" and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and the recognition of certain financial assets and liabilities at fair value.

The presentation currency of the financial statements is the Pound Sterling (£) and amounts have been presented in round thousands (£'000).

Going concern

The accounts have been prepared on a going concern basis notwithstanding net current liabilities of £1,541,000 (2017: £1,070,000) and net liabilities of £725,000 (2017: £349,000) which the directors believe to be appropriate for the following reasons. The company is dependent 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.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company's parent undertaking, Nasmyth Group Limited includes the company in its consolidated financial statements. 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.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

HENTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 JANUARY 2018

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable for the supply of goods and services, excluding discounts, rebates, value added tax and other sales taxes.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included in goodwill and released to the statement of profit and loss and other comprehensive income in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in the statement of profit or loss and other comprehensive income in the periods expected to benefit.

Tangible fixed assets

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, for example land is treated separately from buildings.

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

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the statement of profit and loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|-------------------------|--------------|
| - Plant and machinery | 7 - 12 years |
| - Fixtures and fittings | 5 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.

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.

HENTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 JANUARY 2018

2. ACCOUNTING POLICIES - continued

Taxation

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

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. Differences are not provided for 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.

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.

Defined contribution plans

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 statement of profit and loss and other comprehensive income in the periods during which services are rendered by employees.

Basic financial instruments

(i) 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.

(ii) 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

HENTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 JANUARY 2018

2. ACCOUNTING POLICIES - continued

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of profit and loss and other comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the statement of profit and loss and other comprehensive income over the term of the lease as an integral part of the total lease expense.

Finance leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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:

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.

With the exception of the critical judgements and key sources of estimation described above, the directors consider that there are no other significant judgements or estimates in the preparation of these financial statements.

4. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2018	2017
	£'000	£'000
United Kingdom	5,101	5,950
Europe	115	119
North America	875	322
Asia	1,172	-
Rest of World	-	120
	<u>7,263</u>	<u>6,511</u>

HENTON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2018**

5. EMPLOYEES AND DIRECTORS

	2018 £'000	2017 £'000
Wages and salaries	2,140	1,970
Social security costs	216	195
Other pension costs	72	66
	<u>2,428</u>	<u>2,231</u>

The average number of employees during the year was as follows:

	2018	2017
Administration	17	17
Production	49	48
	<u>66</u>	<u>65</u>

The directors of the company are employed and remunerated by the parent company. Their emoluments in relation to this company were:

	2018 £'000	2017 £'000
Emoluments for qualifying services	41	37
Contributions to money purchase pension schemes	-	2
	<u>41</u>	<u>39</u>

6. OPERATING LOSS

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

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets:		
- owned assets	241	201
- assets held under finance lease and hire purchase contracts	62	97
Profit on disposal	-	(3)
Operating lease rentals		
- hire of plant and machinery	24	21
- hire of property	112	94
Auditors' remuneration	9	5
Auditors' remuneration for non-audit work	4	2
	<u></u>	<u></u>

HENTON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2018**

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £'000	2017 £'000
Bank interest	33	29
Intercompany interest	64	42
Hire purchase	23	17
	<u>120</u>	<u>88</u>

8. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the loss for the year was as follows:

	2018 £'000	2017 £'000
Current tax:		
Receipt for group relief	(47)	(109)
Adjustments in respect of prior periods	79	(105)
Total current tax	<u>32</u>	<u>(214)</u>
Deferred tax:		
Origination of timing differences	(8)	(21)
Adjustment in respect of prior years	-	25
Total deferred tax	<u>(8)</u>	<u>4</u>
Tax on loss	<u>24</u>	<u>(210)</u>

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £'000	2017 £'000
Loss before tax	<u>(352)</u>	<u>(694)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19.167% (2017 - 20%)	(67)	(139)
Effects of:		
Expenses not deductible for tax purposes	-	9
Depreciation in excess of capital allowances	8	3
Adjustments to tax charge in respect of previous periods	83	(80)
Research and development enhanced expenditure	-	(3)
Total tax charge/(credit)	<u>24</u>	<u>(210)</u>

HENTON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2018**

8. TAXATION - continued

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

9. INTANGIBLE FIXED ASSETS

	Negative goodwill £'000
COST	
At 1 February 2017	
and 31 January 2018	(1,048)
AMORTISATION	
At 1 February 2017	
and 31 January 2018	(1,048)
NET BOOK VALUE	
At 31 January 2018	-
At 31 January 2017	-

10. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures and fittings £'000	Totals £'000
COST			
At 1 February 2017	2,679	308	2,987
Additions	714	7	721
Disposals	(4)	-	(4)
At 31 January 2018	3,389	315	3,704
DEPRECIATION			
At 1 February 2017	1,912	164	2,076
Charge for year	252	51	303
Eliminated on disposal	(4)	-	(4)
At 31 January 2018	2,160	215	2,375
NET BOOK VALUE			
At 31 January 2018	1,229	100	1,329
At 31 January 2017	767	144	911

HENTON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2018**

10. TANGIBLE FIXED ASSETS - continued

Included in the total net book value of plant and machinery is £848,000 (2017: £351,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £62,000 (2017: £97,000).

Balances brought forward have been restated to reflect a reclassification of £726,000 between cost and accumulated depreciation.

11. STOCKS

	2018 £'000	2017 £'000
Raw materials and consumables	179	83
Work-in-progress	1,423	837
	<u>1,602</u>	<u>920</u>

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade debtors	2,001	1,820
Amounts owed by group undertakings	183	269
Taxation	26	117
Prepayments and accrued income	72	49
	<u>2,282</u>	<u>2,255</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Finance leases (see note 15)	173	88
Trade creditors	1,433	832
Amounts owed to group undertakings	2,112	1,785
Social security and other taxes	56	48
VAT	50	178
Other creditors	1,434	1,121
Accruals and deferred income	205	197
	<u>5,463</u>	<u>4,249</u>

Included within other creditors is an amount of £1,421,000 (2017: £1,114,000) which is secured upon trade debtors and varies in line with sales.

Finance leases are secured on the assets to which they relate.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £'000	2017 £'000
Finance leases (see note 15)	472	141

Finance leases are secured on the assets to which they relate.

HENTON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JANUARY 2018**

15. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Finance leases	
	2018	2017
	£'000	£'000
Net obligations repayable:		
Within one year	173	88
Between one and five years	472	141
	<u>645</u>	<u>229</u>

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	£'000	£'000
Less than one year	87	112
Between one and five years	330	415
More than five years	100	175
	<u>517</u>	<u>702</u>

16. PROVISIONS FOR LIABILITIES

Deferred tax liability

Deferred tax liabilities comprise of the following:

	£'000
Deferred tax liability at beginning of the year	49
Credit to the profit and loss account in the year	(8)
Deferred tax liability at end of the year	<u>41</u>

	2018	2017
	£'000	£'000
Timing differences between depreciation and capital allowances	(42)	(50)
Other short term differences	1	1
Deferred tax liability	<u>(41)</u>	<u>(49)</u>

HENTON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 JANUARY 2018

17. CALLED UP SHARE CAPITAL

	2018 £'000	2017 £'000
Allotted, called up and full paid		
1 Ordinary share of £1	-	-

18. RESERVES

	Retained earnings £'000
At 1 February 2017	(349)
Deficit for the year	(376)
At 31 January 2018	(725)

19. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the scheme and amounted to £72,000 (2017: £66,000).

At the balance sheet date unpaid contributions of £12,000 (2017: £7,000) were payable to the scheme. They are included in other creditors.

20. CONTINGENCIES AND COMMITMENTS

Capital commitments

At the year end, the company had capital commitments contracted but not provided for in these financial statements of £269,000 (2017: £Nil).

Guarantees

The company has given cross guarantees in respect of bank loans and overdrafts of group companies amounting to £5,879,000 (2017: £6,738,000) which are secured by fixed and floating charges over the assets of the group.

21. RELATED PARTY DISCLOSURES

Metal Process Services Limited ("MPS") is related to Henton Engineering Limited by virtue of Nasmyth Group Limited holding 33% of MPS's issued share capital. During the year the company made purchases of £304,000 (2017: £190,000) from MPS. At the balance sheet date the net amount due to MPS was £96,000 (2017: £66,000).

22. ULTIMATE CONTROLLING PARTY

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 9TF.