

Harwin plc

Report of the Directors and

Audited Consolidated Financial Statements for the Year Ended 31st March 2013

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SHEEN STICKLAND LLP

CHARTERED ACCOUNTANTS Est 1944

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for the Year Ended 31st March 2013**

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**Company Information
for the Year Ended 31st March 2013**

DIRECTORS:	D P de Laszlo P D McGuinness A R McQuilken H S Mighell W P de Laszlo
SECRETARY:	H S Mighell
REGISTERED OFFICE:	Fitzherbert Road Farlington Portsmouth Hampshire PO6 1RT
REGISTERED NUMBER:	00509831
SENIOR STATUTORY AUDITOR:	D A Sanders FCA
AUDITORS:	Sheen Stickland LLP Chartered Accountants Registered Auditors 4 High Street Alton Hampshire GU34 1BU
PRINCIPAL BANKERS:	Barclays Bank plc 1 Churchill Place London E14 5HP

**Report of the Directors
for the Year Ended 31st March 2013**

The directors present their report with the financial statements of the company and the group for the year ended 31st March 2013

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the manufacture and supply of connectors and other electronic components

REVIEW OF BUSINESS

Harwin plc group recorded a profit before taxation of £534,000 for the year ended 31 March 2013, compared with £507,000 in 2012. This improvement in profit was driven by higher margins and stable operating expenses, sales actually reduced slightly to £13.0m (2012: £13.5m). The group has maintained a consistent pricing policy amongst its distribution base and ensured that the quality of product, rather than price is the driving force behind each sale.

The parent company's main focus in the year was the launch of 'Gecko', a new range of micro connectors. As consumers worldwide require ever smaller equipment without any loss of performance, connectors have to evolve to meet these demands. The company had never previously attempted to manufacture connectors of this size and invested a significant amount of research and development resource, both time and money, to find a solution that takes micro-connectivity to a new level in the industry. Gecko was launched with great success at the Electronica exhibition in Munich in November 2012. Sales are building as customers begin to design Gecko into products and will continue to grow steadily over the next few years as the range is expanded, more distributors are added and the company achieves more design 'wins'.

The group's research and development spend in the year was again significant, the Gecko research project took the major share. Total expenditure charged to the profit & loss account was £522,000 as well as additional expenditure on plant and machinery for R&D purposes. The parent company has taken advantage of the UK Government's R&D tax incentive initiatives, which has had the effect of reducing the Corporation Tax charge for the company to nil. Fixed asset expenditure was £1million in the year, reflecting the company's ambition to remain at the cutting edge of technology. This expenditure has enabled the group to bring some manufacturing activities back to the UK.

The parent company continues to invest in its apprenticeship program as well as supporting the local community by sponsoring apprenticeship awards with the local Training Associations.

The parent company has expanded its sales channels during the year by signing agreements with new distributors in Europe, Asia and the USA. Harwin's association with Mouser, a US based distributor, paid dividends in May 2013 when the Mouser sponsored car, with Harwin's logo displayed, won the Indy500 motor race.

The group has started the new financial year strongly and sales and profits for the first quarter are ahead of the same period in 2012.

PRINCIPAL RISKS AND UNCERTAINTIES

Commodity prices and exchange rates have remained volatile during the year. The company does contract non-ferrous metals and plastics purchases for periods up to three months at a time if the Directors consider it is prudent to do so.

**Report of the Directors
for the Year Ended 31st March 2013**

The company's Asian purchasing and logistics operation is based in Hong Kong and purchases Asian produced product in US Dollars. This has helped provide a natural hedge against US Dollar denominated sales through Harwin Inc, the company's US subsidiary. The company does have an exposure to the Euro through its European customers which principally buy in local currency. The Directors do hedge against the Euro for up to six months at a time when they consider it necessary to do so.

DIVIDENDS

No dividends will be distributed in respect of the year ended 31st March 2013.

RESEARCH AND DEVELOPMENT

The group is committed to a high level of research and development activities so as to ensure its cutting edge position in the manufacture of electrical connectors in its market sector.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st April 2012 to the date of this report.

D P de Laszlo
P D McGuinness
A R McQuilken
H S Mighell
W P de Laszlo

GROUP'S POLICY ON PAYMENT OF CREDITORS

For all trade creditors it is the group's policy to

- Agree the terms of payment at the start of business with the supplier
- Ensure that suppliers are aware of the terms of the payment
- Pay in accordance with its contractual and other legal obligations

The group's creditor payment period at 31st March 2013 was 30 days (2012 31 days) and that of the company was 32 days (2012 - 35 days).

THE EURO

The group undertakes transactions in a number of currencies. The directors view the Euro as another currency in which it trades and as such will take the usual steps to minimise its exposure to risk of currency fluctuations, including if considered appropriate, entering into a forward exchange contract.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made charitable donations totalling £1,473 during the year and no political contributions.

Report of the Directors for the Year Ended 31st March 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the group and of the profit or loss of the group 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 accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 group'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 group's auditors are aware of that information.

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

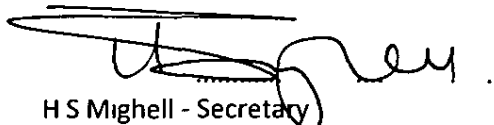
Harwin plc (Registered number: 00509831)

**Report of the Directors
for the Year Ended 31st March 2013**

AUDITORS

The auditors, Sheen Stickland LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:


H S Mighell - Secretary

Date

2 April 2013

Report of the Independent Auditors to the Members of Harwin plc

We have audited the financial statements of Harwin plc for the year ended 31st March 2013 on pages eight to thirty nine. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2013 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors to the Members of Harwin plc

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



D A Sanders FCA (Senior Statutory Auditor)
for and on behalf of Sheen Stickland LLP
Chartered Accountants
Registered Auditors
4 High Street
Alton
Hampshire
GU34 1BU

Date 13th August 2013

**Consolidated Profit and Loss Account
for the Year Ended 31st March 2013**

		2013		2012	
	Notes	£'000	£'000	£'000	£'000
TURNOVER	2		13,033		13,508
Continuing operations		13,033		12,119	
Acquisitions		-		1,389	
		<u>13,033</u>		<u>13,508</u>	
Cost of sales	3		6,700		7,278
GROSS PROFIT	3		6,333		6,230
Net operating expenses	3		5,669		5,589
OPERATING PROFIT	5		664		641
Continuing operations		664		173	
Acquisitions		-		468	
		<u>664</u>		<u>641</u>	
Interest receivable and similar income	6		-		1
			664		642
Amounts written off investments	7		16		-
			648		642
Interest payable and similar charges	8		114		135
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			534		507
Tax on profit on ordinary activities	9		(12)		19
PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP			<u>546</u>		<u>488</u>

The notes form part of these financial statements

**Consolidated Statement of Total Recognised Gains and Losses
for the Year Ended 31st March 2013**

	2013 £'000	2012 £'000
PROFIT FOR THE FINANCIAL YEAR	546	488
Profit/loss on translation of subsidiary	50	(6)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>596</u>	<u>482</u>

**Note of Historical Cost Profits and Losses
for the Year Ended 31st March 2013**

	2013 £'000	2012 £'000
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	534	507
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	(2)	(2)
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>532</u>	<u>505</u>
HISTORICAL COST PROFIT FOR THE YEAR RETAINED AFTER TAXATION	<u>544</u>	<u>486</u>

The notes form part of these financial statements

Consolidated Balance Sheet
31st March 2013

		2013		2012	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	11		-		16
Tangible assets	12		5,296		5,206
Investments	13		-		-
			<u>5,296</u>		<u>5,222</u>
CURRENT ASSETS					
Stocks	14	2,984		2,516	
Debtors	15	1,860		2,414	
Cash at bank and in hand		522		457	
		<u>5,366</u>		<u>5,387</u>	
CREDITORS					
Amounts falling due within one year	16	1,672		2,033	
NET CURRENT ASSETS			<u>3,694</u>		<u>3,354</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,990</u>		<u>8,576</u>
CREDITORS					
Amounts falling due after more than one year	17		(2,874)		(3,038)
PROVISIONS FOR LIABILITIES	21		<u>(292)</u>		<u>(310)</u>
NET ASSETS			<u><u>5,824</u></u>		<u><u>5,228</u></u>

The notes form part of these financial statements

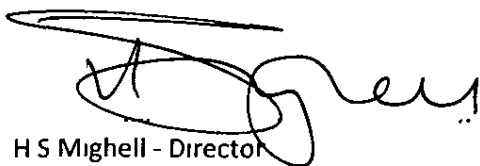
Consolidated Balance Sheet - continued
31st March 2013

		2013		2012	
	Notes	£'000	£'000	£'000	£'000
CAPITAL AND RESERVES					
Called up share capital	22		213		213
Share premium	23		1,522		1,522
Revaluation reserve	23		592		592
Profit and loss account	23		3,497		2,901
SHAREHOLDERS' FUNDS	30		<u>5,824</u>		<u>5,228</u>

The financial statements were approved by the Board of Directors on 2 April 2013 and were signed on its behalf by



D P de Laszlo - Director



H S Mighell - Director

The notes form part of these financial statements

Company Balance Sheet
31st March 2013

		2013		2012	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	11		-		-
Tangible assets	12		5,268		5,169
Investments	13		555		571
			<u>5,823</u>		<u>5,740</u>
CURRENT ASSETS					
Stocks	14	2,749		2,255	
Debtors	15	1,461		2,114	
Cash at bank and in hand		100		53	
		<u>4,310</u>		<u>4,422</u>	
CREDITORS					
Amounts falling due within one year	16	1,549		2,004	
		<u>1,549</u>		<u>2,004</u>	
NET CURRENT ASSETS			<u>2,761</u>		<u>2,418</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			8,584		8,158
CREDITORS					
Amounts falling due after more than one year	17		(2,874)		(3,038)
PROVISIONS FOR LIABILITIES	21		(292)		(310)
NET ASSETS			<u>5,418</u>		<u>4,810</u>

The notes form part of these financial statements

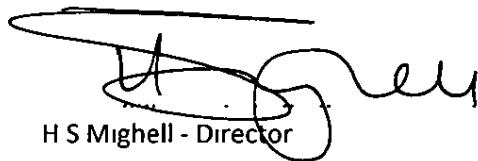
Company Balance Sheet - continued
31st March 2013

		2013		2012	
	Notes	£'000	£'000	£'000	£'000
CAPITAL AND RESERVES					
Called up share capital	22		213		213
Share premium	23		1,522		1,522
Revaluation reserve	23		592		592
Profit and loss account	23		3,091		2,483
			<u> </u>		<u> </u>
SHAREHOLDERS' FUNDS	30		<u>5,418</u>		<u>4,810</u>

The financial statements were approved by the Board of Directors on 2 April 2013 and were signed on its behalf by



D P de Laszlo - Director



H S Mighell - Director

The notes form part of these financial statements

**Consolidated Cash Flow Statement
for the Year Ended 31st March 2013**

		2013		2012	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	1		1,526		734
Returns on investments and servicing of finance	2		(114)		(134)
Taxation			(18)		(139)
Capital expenditure	2		(740)		(336)
			654		125
Financing	2		(287)		(25)
Increase in cash in the period			367		100
<hr/>					
Reconciliation of net cash flow to movement in net debt	3				
Increase in cash in the period		367		100	
Cash outflow from decrease in debt and lease financing		285		203	
Change in net debt resulting from cash flows			652		303
New finance leases			(139)		(254)
Movement in net debt in the period			513		49
Net debt at 1st April			(2,145)		(2,194)
Net debt at 31st March			(1,632)		(2,145)

The notes form part of these financial statements

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31st March 2013**

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £'000	2012 £'000
Operating profit	664	641
Depreciation charges	768	726
Loss on disposal of fixed assets	24	16
Exchange difference on consolidation	49	(6)
Increase in stocks	(468)	(237)
Decrease/(increase) in debtors	563	(158)
Decrease in creditors	(74)	(248)
Net cash inflow from operating activities	1,526	734

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2013 £'000	2012 £'000
Returns on investments and servicing of finance		
Interest received	-	1
Interest paid	(44)	(49)
Interest element of hire purchase payments	(70)	(86)
Net cash outflow for returns on investments and servicing of finance	(114)	(134)
Capital expenditure		
Cash obtained in subsidiary acquisition	-	350
Purchase of tangible fixed assets	(859)	(686)
Sale of tangible fixed assets	119	-
Net cash outflow for capital expenditure	(740)	(336)
Financing		
New loans in year	396	400
Loan repayments in year	(251)	(378)
Capital repayments in year	(432)	(390)
Share issue	-	343
Net cash outflow from financing	(287)	(25)

The notes form part of these financial statements

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31st March 2013**

3 ANALYSIS OF CHANGES IN NET DEBT

	At 1 4 12 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 3 13 £'000
Net cash				
Cash at bank and in hand	457	65		522
Bank overdraft	(396)	302		(94)
	<u>61</u>	<u>367</u>		<u>428</u>
Debt				
Hire purchase	(1,129)	432	(139)	(836)
Debts falling due within one year	(238)	(15)	-	(253)
Debts falling due after one year	(839)	(132)	-	(971)
	<u>(2,206)</u>	<u>285</u>	<u>(139)</u>	<u>(2,060)</u>
Total	<u>(2,145)</u>	<u>652</u>	<u>(139)</u>	<u>(1,632)</u>

The notes form part of these financial statements

Notes to the Consolidated Financial Statements for the Year Ended 31st March 2013

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable accounting standards

Basis of consolidation

The consolidated financial statements include the results of the company and its subsidiaries for the year ended 31 March 2013, prepared on a line by line basis

The company has taken advantage of the exemption conferred by s408 of the Companies Act 2006 not to present its own profit and loss account

Turnover

Turnover represents the value, excluding value added tax, of goods supplied to customers during the year

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Research and development

It is the group's policy to capitalise research and development costs only when there is a reasonable expectation of commercial success. Any other costs incurred in relation to research and development are expensed as they occur

Notes to the Consolidated Financial Statements - continued for the Year Ended 31st March 2013

1 ACCOUNTING POLICIES - continued

Tangible fixed assets

Freehold land and buildings are shown at valuation. In accordance with Financial Reporting Standard 15, these assets will be subjected to a full valuation every five years and interim valuations the third year after every full valuation.

The freehold land and buildings were valued by Stiles Harold Williams, an independent firm of chartered surveyors, on 1 February 2011 on the basis of open market value with vacant possession. The directors consider that the market value of the property on an existing use basis is not materially different to the open market value of the property with vacant possession.

The directors review the valuation annually for any significant changes in value. Other fixed assets are stated at historical cost.

Depreciation is provided at rates estimated to be sufficient to write off the assets concerned over their working lives. The rates used are as follows:

Freehold buildings	- 4% of value	
Plant, equipment and tooling	- short life	- 25% of cost
	- other	- between 10% and 20% of cost
Computer equipment and software	- 25% of cost	
Motor vehicles	- 25% of cost	

Freehold land and assets under construction are not depreciated.

Fixed assets manufactured by the group are capitalised at a cost which, in the directors' opinion, represents the efficient cost of producing the tool. Costs sustained in excess of this sum are written off to the profit and loss account as incurred.

As from 1 April 2010, Harwin Plc have adopted the policy of not capitalising any individual asset under the value of £500.

Stocks

Raw materials, work in progress and finished goods have been valued at the lower of cost and net realisable value. Cost is that incurred in bringing each product to its present location and condition. Net realisable value is based on the estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is estimated for obsolete, slow moving or defective items where appropriate. This provision is based on stock usage during the previous twelve months.

Notes to the Consolidated Financial Statements - continued for the Year Ended 31st March 2013

1 ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

In the group balance sheet assets and liabilities of the overseas subsidiary are translated at the year end rates and the consolidated profit and loss account includes the results of the overseas subsidiary translated at average rates of exchange. Gains or losses arising on these translations are taken directly to reserves.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

Harwin Plc operates a defined contribution pension scheme in the UK on behalf of the employees of the company. The amount charged to the profit and loss account represents the contributions payable in the year.

Financial instruments

The group uses forward currency contracts to reduce exposure to foreign exchange risks. Transactions in overseas currencies which are covered by the forward exchange contracts are converted at the contract rate.

2 TURNOVER

The group operates and sells in various geographical markets. Many of the group's customers are distribution companies with central warehousing facilities. The group sells and ships to these central locations and has limited knowledge of where the distributor will ultimately hold the stock. Consequently, the directors consider that any geographical analysis of turnover would be misleading to readers of the financial statements.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

3 ANALYSIS OF OPERATIONS

	Continuing	2013 Acquisitions	Total
	£'000	£'000	£'000
Cost of sales	<u>6,700</u>	<u>-</u>	<u>6,700</u>
Gross profit	<u>6,333</u>	<u>-</u>	<u>6,333</u>
Net operating expenses			
Distribution costs	2,671	-	2,671
Administrative expenses	3,023	-	3,023
Other operating income	(25)	-	(25)
	<u>5,669</u>	<u>-</u>	<u>5,669</u>

	Continuing	2012 Acquisitions	Total
	£'000	£'000	£'000
Cost of sales	<u>6,681</u>	<u>597</u>	<u>7,278</u>
Gross profit	<u>5,438</u>	<u>792</u>	<u>6,230</u>
Net operating expenses			
Distribution costs	2,276	213	2,489
Administrative expenses	2,993	114	3,107
Other operating income	(4)	(3)	(7)
	<u>5,265</u>	<u>324</u>	<u>5,589</u>

4 STAFF COSTS

	2013	2012
	£'000	£'000
Wages and salaries	3,900	3,926
Social security costs	347	357
Other pension costs	161	158
	<u>4,408</u>	<u>4,441</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

4 STAFF COSTS - continued

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

	2013	2012
Production	81	88
Distribution	42	42
Administration	16	16
	<u>139</u>	<u>146</u>

5 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2013 £'000	2012 £'000
Hire of plant and machinery	85	110
Depreciation - owned assets	468	428
Depreciation - assets on hire purchase contracts	299	298
Loss on disposal of fixed assets	24	16
Auditors' remuneration	31	27
Auditors' remuneration for non audit work	1	3
Foreign exchange differences	(19)	28
Sale of scrap	(120)	(188)
Research and development	522	480
	<u>522</u>	<u>480</u>

	2013 £	2012 £
Directors' remuneration	284,365	285,202
Directors' pension contributions to money purchase schemes	30,838	30,838
	<u>30,838</u>	<u>30,838</u>

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows

	2013 £	2012 £
Emoluments etc	91,850	91,850
Pension contributions to money purchase schemes	<u>11,025</u>	<u>11,025</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £'000	2012 £'000
Deposit account interest	-	1

7 AMOUNTS WRITTEN OFF INVESTMENTS

	2013 £'000	2012 £'000
Amounts written off investment in subsidiary	16	-

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Bank interest	44	49
Hire purchase	70	86
	<u>114</u>	<u>135</u>

9 TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the profit on ordinary activities for the year was as follows

	2013 £'000	2012 £'000
Current tax		
UK corporation tax	(7)	3
Tax on overseas subsidiary	13	41
Total current tax	<u>6</u>	<u>44</u>
Deferred tax	(18)	(25)
Tax on profit on ordinary activities	<u>(12)</u>	<u>19</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

9 TAXATION - continued

Factors affecting the tax (credit)/charge

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

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	534	507
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2012 - 20%)	107	101
Effects of		
Productivity and innovation tax credit in respect of subsidiary	(4)	-
Different rates of corporation tax in foreign subsidiary	(27)	7
Prior year tax adjustment in respect of subsidiary	-	(1)
UK tax relief on foreign tax paid	-	(1)
Expenses not deducted for tax purposes	-	4
Capital allowances greater/(less) than depreciation	21	29
Research and development refund in respect of current year	(130)	(96)
Subsidiary not taxed on loss	-	1
Carry forward of tax losses	39	-
Current tax (credit)/charge	6	44

Included in the above are foreign taxes in respect of charges of £8,000 (2012 - £28,000) on the adjusted profit for the year, a credit of £26,000 (2012 - £1,000) in respect of prior periods and a transfer from a foreign tax asset of £31,000 (2012 - £13,000)

Deferred tax comprises a credit of £19,000 (2012 - £9,000) for the origination and reversal of timing differences and a credit of £nil (2012 - £16,000 credit) for the effect of decreased tax rates on the opening liability.

10 PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £607,494 (2012 - £422,544)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

11 INTANGIBLE FIXED ASSETS

Group

	Goodwill £'000
COST	
At 1st April 2012	16
Impairments	(16)
	<hr/>
At 31st March 2013	-
	<hr/>
NET BOOK VALUE	
At 31st March 2013	-
	<hr/>
At 31st March 2012	16
	<hr/>

The Company's investment in Harwin Asia Pte Limited was written down in the current year as shown on the face of the profit and loss account. This has given rise to the above impairment of goodwill as shown in the group financial statements.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

12 TANGIBLE FIXED ASSETS

Group

	Freehold property £'000	Plant and machinery £'000	Assets under construction £'000
COST OR VALUATION			
At 1st April 2012	2,160	7,441	48
Additions	-	642	333
Disposals	-	(423)	(16)
Exchange differences	-	7	-
Reclassification/transfer	-	351	(351)
At 31st March 2013	2,160	8,018	14
DEPRECIATION			
At 1st April 2012	39	4,486	-
Charge for year	47	679	-
Eliminated on disposal	-	(296)	-
Exchange differences	-	7	-
At 31st March 2013	86	4,876	-
NET BOOK VALUE			
At 31st March 2013	2,074	3,142	14
At 31st March 2012	2,121	2,955	48

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

12 TANGIBLE FIXED ASSETS - continued

Group

	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST OR VALUATION			
At 1st April 2012	-	579	10,228
Additions	6	17	998
Disposals	-	(12)	(451)
Exchange differences	-	6	13
At 31st March 2013	6	590	10,788
DEPRECIATION			
At 1st April 2012	-	497	5,022
Charge for year	1	40	767
Eliminated on disposal	-	(12)	(308)
Exchange differences	-	4	11
At 31st March 2013	1	529	5,492
NET BOOK VALUE			
At 31st March 2013	5	61	5,296
At 31st March 2012	-	82	5,206

Group and company

Freehold land and buildings were valued by Stiles Harold Williams, an independent firm of chartered surveyors, at an open market value with vacant possession of £1,750,000 on 1st February 2011

The directors consider that the market value of the property on an existing use basis is not materially difference to the open market value of the property with vacant possession. The historical cost of these premises is £1,808,000 (2012 - £1,808,000)

Freehold land at a valuation of £1,050,000 and cost of £778,000 is not depreciated

If the freehold land and buildings were sold at the revalued amount plus the current year cost it is estimated that tax of £105,000 would arise

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

12 TANGIBLE FIXED ASSETS - continued

Group

Cost or valuation at 31st March 2013 is represented by

	Freehold property £'000	Plant and machinery £'000	Assets under construction £'000
Valuation in 2011	1,750	-	-
Cost	410	8,018	14
	<u>2,160</u>	<u>8,018</u>	<u>14</u>
	Motor vehicles £'000	Computer equipment £'000	Totals £'000
Valuation in 2011	-	-	1,750
Cost	6	590	9,038
	<u>6</u>	<u>590</u>	<u>10,788</u>

Assets held under finance leases and hire purchase agreements have a net book value of £1,421,000 (2012 - £1,818,000) with depreciation charges during the year of £299,000 (2012 - £298,000)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

12 TANGIBLE FIXED ASSETS - continued

Company	Freehold property £'000	Plant and machinery £'000	Assets under construction £'000
COST OR VALUATION			
At 1st April 2012	2,160	7,320	48
Additions	-	642	333
Disposals	-	(423)	(16)
Reclassification/transfer	-	351	(351)
At 31st March 2013	2,160	7,890	14
DEPRECIATION			
At 1st April 2012	39	4,366	-
Charge for year	47	678	-
Eliminated on disposal	-	(296)	-
At 31st March 2013	86	4,748	-
NET BOOK VALUE			
At 31st March 2013	2,074	3,142	14
At 31st March 2012	2,121	2,954	48

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

12. TANGIBLE FIXED ASSETS - continued

Company

	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST OR VALUATION			
At 1st April 2012	-	481	10,009
Additions	6	14	995
Disposals	-	(12)	(451)
	<u>6</u>	<u>483</u>	<u>10,553</u>
At 31st March 2013	6	483	10,553
DEPRECIATION			
At 1st April 2012	-	435	4,840
Charge for year	1	27	753
Eliminated on disposal	-	(12)	(308)
	<u>1</u>	<u>450</u>	<u>5,285</u>
At 31st March 2013	1	450	5,285
NET BOOK VALUE			
At 31st March 2013	<u>5</u>	<u>33</u>	<u>5,268</u>
At 31st March 2012	<u>-</u>	<u>46</u>	<u>5,169</u>

Cost or valuation at 31st March 2013 is represented by

	Freehold property £'000	Plant and machinery £'000	Assets under construction £'000
Valuation in 2011	1,750	-	-
Cost	410	7,890	14
	<u>2,160</u>	<u>7,890</u>	<u>14</u>
	Motor vehicles £'000	Computer equipment £'000	Totals £'000
Valuation in 2011	-	-	1,750
Cost	6	483	8,803
	<u>6</u>	<u>483</u>	<u>10,553</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

12 TANGIBLE FIXED ASSETS - continued

Company

Assets held under finance leases and hire purchase agreements have a net book value of £1,421,000 (2012 - £1,818,000) with depreciation charges during the year of £299,000 (2012 - £298,000)

13 FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £'000
COST	
At 1st April 2012 and 31st March 2013	571
PROVISIONS	
Impairments	16
At 31st March 2013	16
NET BOOK VALUE	
At 31st March 2013	555
At 31st March 2012	571

The group or the company's investments at the balance sheet date in the share capital of companies include the following

Subsidiaries

Harwin Inc

Country of incorporation USA

Nature of business: Retail of electronic components

	% holding	2013 £'000	2012 £'000
Class of shares			
Ordinary	100.00		
Aggregate capital and reserves		716	653
Profit for the year		36	107

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

13 FIXED ASSET INVESTMENTS - continued

Harwin (Portsmouth) Limited

Nature of business Dormant

	%
Class of shares	holding
Ordinary	100 00

Harwin Asia Pte Ltd

Country of incorporation: Singapore

Nature of business Retail of electronic components

	%
Class of shares	holding
Ordinary	100 00

	2013	2012
	£'000	£'000
Aggregate capital and reserves	232	320
Loss for the year	(7)	(5)
	<u> </u>	<u> </u>

14 STOCKS

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Raw materials	1,518	1,307	1,518	1,307
Work-in-progress	83	125	83	125
Finished goods	1,383	1,084	1,148	823
	<u>2,984</u>	<u>2,516</u>	<u>2,749</u>	<u>2,255</u>

15 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade debtors	1,479	2,176	1,109	1,855
Amounts owed by group undertakings	-	-	94	87
Other debtors	121	17	93	7
Tax	39	30	3	-
Prepayments and accrued income	221	191	162	165
	<u>1,860</u>	<u>2,414</u>	<u>1,461</u>	<u>2,114</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see note 18)	347	634	347	634
Hire purchase contracts (see note 19)	424	421	424	421
Trade creditors	596	671	493	590
Amounts owed to group undertakings	-	-	68	135
Tax	-	3	-	3
Social security and other taxes	81	79	79	77
Other creditors	26	37	23	22
Accruals and deferred income	198	188	115	122
	<u>1,672</u>	<u>2,033</u>	<u>1,549</u>	<u>2,004</u>

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank loans (see note 18)	971	839	971	839
Hire purchase contracts (see note 19)	412	708	412	708
Amounts owed to parent undertaking	1,491	1,491	1,491	1,491
	<u>2,874</u>	<u>3,038</u>	<u>2,874</u>	<u>3,038</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

18 LOANS

An analysis of the maturity of loans is given below

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amounts falling due within one year or on demand				
Bank overdrafts	94	396	94	396
Bank loans	253	238	253	238
	<u>347</u>	<u>634</u>	<u>347</u>	<u>634</u>
Amounts falling due between one and two years				
Bank loan - 1-2 years	<u>739</u>	<u>818</u>	<u>739</u>	<u>818</u>
Amounts falling due between two and five years				
Bank loan - 2-5 years	<u>232</u>	<u>21</u>	<u>232</u>	<u>21</u>

19 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

Group

	Hire purchase contracts	
	2013	2012
	£'000	£'000
Net obligations repayable		
Within one year	424	421
Between one and five years	412	708
	<u>836</u>	<u>1,129</u>

Company

	Hire purchase contracts	
	2013	2012
	£'000	£'000
Net obligations repayable.		
Within one year	424	421
Between one and five years	412	708
	<u>836</u>	<u>1,129</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013

19 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The group and company liabilities held under hire purchase and finance lease agreements are secured against the assets to which they relate

The following operating lease payments are committed to be paid within one year

Group

	Land and buildings		Other operating leases	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Expiring				
Within one year	31	-	10	33
Between one and five years	44	41	55	39
	<u>75</u>	<u>41</u>	<u>65</u>	<u>72</u>

Company

	Other operating leases	
	2013 £'000	2012 £'000
Expiring		
Within one year	10	33
Between one and five years	53	36
	<u>63</u>	<u>69</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

20 SECURED DEBTS

The following secured debts are included within creditors

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank overdrafts	94	396	94	396
Bank loans	1,224	1,077	1,224	1,077
	<u>1,318</u>	<u>1,473</u>	<u>1,318</u>	<u>1,473</u>

The bank overdraft is secured by way of a fixed and floating charge over the assets of the company

The Barclays bank loans are all secured. The first is secured over the land on the south side of Fitzherbert Road, Farlington, Portsmouth and the interest on the loan is fixed at 4.25% p a. The second and third are secured over a number of items of machinery purchased in the year ended 31 March 2013 and the interest on these two loans is fixed at 4.68% p a.

The Standard Bank loan is secured by an unlimited guarantee from the company's ultimate parent supported by a first legal charge over a cash deposit held by the bank.

21 PROVISIONS FOR LIABILITIES

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Deferred tax	292	310	292	310
	<u>292</u>	<u>310</u>	<u>292</u>	<u>310</u>

Group

	Deferred tax £'000
Balance at 1st April 2012	310
Charge for the year	(18)
Balance at 31st March 2013	<u>292</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

21 PROVISIONS FOR LIABILITIES - continued

Company

	Deferred tax £'000
Balance at 1st April 2012	310
Charge for the year	(18)
Balance at 31st March 2013	<u>292</u>

Provision for the group's and company's deferred tax liability of £292,000 (2012 - £310,000) comprises the excess of capital allowances over depreciation of £329,000 (2012 - £310,000) less tax losses carried forward of £37,000 (2012 - £nil)

22 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number.	Class	Nominal value £0 20	2013 £'000	2012 £'000
1,062,675	Ordinary		<u>213</u>	<u>213</u>

23 RESERVES

Group

	Profit and loss account £'000	Share premium £'000	Revaluation reserve £'000	Totals £'000
At 1st April 2012	2,901	1,522	592	5,015
Profit for the year	546			546
Exchange gain/(loss) on consolidation	50	-	-	50
At 31st March 2013	<u>3,497</u>	<u>1,522</u>	<u>592</u>	<u>5,611</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

23 RESERVES - continued

Company

	Profit and loss account £'000	Share premium £'000	Revaluation reserve £'000	Totals £'000
At 1st April 2012	2,483	1,522	592	4,597
Profit for the year	608			608
At 31st March 2013	<u>3,091</u>	<u>1,522</u>	<u>592</u>	<u>5,205</u>

There was no movement on the share premium account or the revaluation reserve during the year

24 ULTIMATE PARENT COMPANY

The directors consider the immediate and ultimate parent company and controlling party to be Harwin Engineers S A , registered in Vaduz, Liechtenstein

25 CONTINGENT LIABILITIES

The company has a bank guarantee in issue of £120,000 to facilitate the deferred payment of VAT. The facility was not drawn upon as at the 31 March 2013

26 CAPITAL COMMITMENTS

	2013 £'000	2012 £'000
Contracted but not provided for in the financial statements	<u>-</u>	<u>-</u>

27 OTHER FINANCIAL COMMITMENTS

The group (and the company) has entered into a forward foreign exchange contract where the exchange rate is predetermined as at 31 March 2013. The value of this outstanding contract as at 31 March 2013 amounted to £133,156 (2012: £nil)

The group (and the company) has entered into forward contracts in respect of the purchase of metals where the cost per kilogramme is predetermined as at 31 March 2013. The value of these outstanding contracts as at 31 March 2013 amounted to £322,475 (2012: £303,257)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

28 TRANSACTIONS WITH DIRECTORS

During the year £8,000 (2012 - £4,000) of expenses were met by the company and recharged to D P de Laszlo, the chairman of the company

H S Mighell is also a director of Quest Financial Associates Limited During the year consultancy fees of £23,000 (2012 - £13,000) were paid to Quest Financial Associates Limited

29 RELATED PARTY DISCLOSURES

Harwin plc owed Harwin Engineers S A (the ultimate parent company) £1,491,000 (2012 - £1,491,000) at the year end The loan is interest free with no fixed repayment date, however the directors of Harwin Engineers S A have indicated that they do not intend to request repayment during the next year

During the year Harwin plc paid a management charge of £10,000 (2012 - £10,000) to Harwin Engineers S A

Advantage has been taken under the provisions of FRS 8 not to disclose transactions and balances with 100% owned subsidiary companies on the grounds that consolidated group accounts are prepared

30 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2013	2012
	£'000	£'000
Profit for the financial year	546	488
Other recognised gains and losses relating to the year (net)	50	(6)
New share capital subscribed	-	343
	<hr/>	<hr/>
Net addition to shareholders' funds	596	825
Opening shareholders' funds	5,228	4,403
	<hr/>	<hr/>
Closing shareholders' funds	5,824	5,228
	<hr/>	<hr/>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2013**

30 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - continued

Company

	2013	2012
	£'000	£'000
Profit for the financial year	608	422
New share capital subscribed	-	343
Net addition to shareholders' funds	608	765
Opening shareholders' funds	4,810	4,045
Closing shareholders' funds	5,418	4,810