

Harwin plc

Group Strategic Report, Report of the Directors and

Audited Consolidated Financial Statements for the Year Ended 31st March 2015

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SHEEN STICKLAND
CHARTERED ACCOUNTANTS Est. 1944

Harwin plc (Registered number: 00509831)

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for the Year Ended 31st March 2015**

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Harwin plc

Company Information for the Year Ended 31st March 2015

DIRECTORS: D P de Laszlo (Chairman)
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
Chartered Accountants
Statutory Auditors
4 High Street
Alton
Hampshire
GU34 1BU

PRINCIPAL BANKERS: Barclays Bank plc
1 Churchill Place
London
E14 5HP

**Group Strategic Report
for the Year Ended 31st March 2015**

Harwin manufactures high reliability and industry standard connectors and associated PCB hardware. The business operates from high-tech manufacturing and development facilities in Portsmouth. The group maintains a network of distributors that, combined with sales focused subsidiaries in the USA and Singapore, ensures a truly global customer base. Established in 1952 Harwin has built a reputation for engineering components to the highest possible standards and invests significant amounts in Research and Development (R&D) and capital equipment every year to maintain its state of the art facilities.

The group profit before taxation for the year ended 31 March 2015 was £2,707,000, compared with £1,349,000 in 2014. This significant improvement in profit was driven by a 13% increase in sales to £16.7m (2014: £14.8m). 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 improved profit performance helped to generate significant cash inflows for the year. The group reduced its net debt by more than £1,440,000 such that Harwin held net funds of £1,046,000 at 31 March 2015. With interest rates for asset finance remaining close to historic lows, Harwin will continue to utilise facilities available to it for large asset purchases so as to more closely match cash outflows with the returns generated from plant and machinery.

Harwin is constantly seeking advances in manufacturing technology to deliver better productivity and to increase output per employee while improving quality, as well as special capabilities to make customised connectors. R&D expenditure for the year amounted to £526,000 (2014: £529,000). There was wide-ranging R&D activity in production technology, processes, tooling and materials in the year with an emphasis on continuing the miniaturisation of connectors.

During the year several major new R&D programmes were started. An automation project with FESTO, a leading robotics company in Germany, was initiated. A precision measuring (CMM) programme was commenced to integrate manufacturing, tool and product design. The R&D program with Southampton University studying ultrasonic technology in the plating process was extended, and a new programme with the University to study the integration of the Company's complex computer systems was scoped for introduction in 2015/16.

The company continues to invest in the latest state of the art plant and machinery and designed a new 3,000 sq. m. factory and R&D centre in the year; building commenced in May 2015. Capital expenditure for the year was £1,371,000 compared with £804,000 in the year ended 31 March 2014. The Company drew down a term loan of £1,000,000 in March 2015 to assist with the build of the factory and R&D centre.

The company's apprentice programme recruited four new apprentices and a number of young 16 year olds did work experience with a view to joining next year's program, which will be its 15th anniversary.

The group faces a number of risks and uncertainties in the course of its business, principal amongst which are foreign exchange risk, supply chain management and business red tape.

Almost 60% of Harwin's global sales from its catalogue of components are denominated in US Dollars and Euro. The company does on occasion sell currencies forward over short periods to hedge some currency risk. The group is less exposed to fluctuations in the US dollar due to raw material purchases denominated in the currency. By contrast, purchases in Euro are much lower such that a significant strengthening of Sterling would negatively affect gross margins.

Harwin plc (Registered number: 00509831)

**Group Strategic Report
for the Year Ended 31st March 2015**

As a vertically integrated manufacturing company, Harwin's supply chain is complex. The company is continually monitoring lead times and will make forward commitments for key raw material purchases. The amount of legislation, principally surrounding employment matters, continues to be a huge burden on the company. Harwin is committed to maintaining a UK manufacturing base despite the sector becoming increasingly uncompetitive compared with other countries prepared to incentivise the industrial sector. The latest additional cost arises from the auto-enrolment pension scheme that the Company had to introduce in 2014 whilst flexible working and maternity legislation also add complexity and absorb management time.

The Directors look forward to the future with confidence. Sales and profits for the first quarter ended 30 June 2015 are ahead of the same period in 2014.

ON BEHALF OF THE BOARD:



.....
D P de Laszlo (Chairman) - Director

Date: 3 August 2015

**Report of the Directors
for the Year Ended 31st March 2015**

The directors present their report with the financial statements of the company and the group for the year ended 31st March 2015.

DIVIDENDS

No dividends will be distributed in respect of the year ended 31st March 2015.

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 2014 to the date of this report.

D P de Laszlo (Chairman)

P D McGuinness

A R McQuilken

H S Mighell

W P de Laszlo

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.

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.

**Report of the Directors
for the Year Ended 31st March 2015**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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

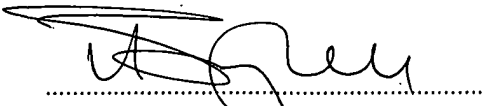
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant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

AUDITORS

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

ON BEHALF OF THE BOARD:


.....
H S Mighell - Secretary

Date: 3 April 2015

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 2015 on pages eight to thirty three. 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 pages four and five, 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 Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 Group Strategic Report and 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
Chartered Accountants
Statutory Auditors
4 High Street
Alton
Hampshire
GU34 1BU

Date:

5th August 2015

Harwin plc (Registered number: 00509831)

**Consolidated Profit and Loss Account
for the Year Ended 31st March 2015**

		2015		2014	
	Notes	£'000	£'000	£'000	£'000
TURNOVER	2		16,737		14,757
Cost of sales			7,545		7,332
GROSS PROFIT			9,192		7,425
Distribution costs		2,965		2,703	
Administrative expenses		3,436		3,280	
			6,401		5,983
			2,791		1,442
Other operating income			4		-
OPERATING PROFIT	4		2,795		1,442
Interest receivable and similar income	5		3		-
			2,798		1,442
Interest payable and similar charges	6		91		93
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			2,707		1,349
Tax on profit on ordinary activities	7		499		176
PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP			2,208		1,173

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous year.

The notes form part of these financial statements

Harwin plc (Registered number: 00509831)

**Consolidated Statement of Total Recognised Gains and Losses
for the Year Ended 31st March 2015**

	2015 £'000	2014 £'000
PROFIT FOR THE FINANCIAL YEAR	2,208	1,173
Profit/loss on translation of subsidiaries	140	(67)
	<u> </u>	<u> </u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>2,348</u>	<u>1,106</u>

**Note of Historical Cost Profits and Losses
for the Year Ended 31st March 2015**

	2015 £'000	2014 £'000
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,707	1,349
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	(2)	(2)
	<u> </u>	<u> </u>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>2,705</u>	<u>1,347</u>
HISTORICAL COST PROFIT FOR THE YEAR RETAINED AFTER TAXATION	<u>2,206</u>	<u>1,171</u>

The notes form part of these financial statements

Consolidated Balance Sheet
31st March 2015

		2015	2014
	Notes	£'000	£'000
FIXED ASSETS			
Tangible assets	9	5,869	5,315
Investments	10	-	-
		<u>5,869</u>	<u>5,315</u>
CURRENT ASSETS			
Stocks	11	3,039	2,707
Debtors	12	2,308	2,071
Cash at bank and in hand		3,924	1,439
		<u>9,271</u>	<u>6,217</u>
CREDITORS			
Amounts falling due within one year	13	2,943	1,558
		<u>2,943</u>	<u>1,558</u>
NET CURRENT ASSETS		<u>6,328</u>	<u>4,659</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,197</u>	<u>9,974</u>
CREDITORS			
Amounts falling due after more than one year	14	(2,461)	(2,719)
PROVISIONS FOR LIABILITIES	18	(470)	(337)
NET ASSETS		<u><u>9,266</u></u>	<u><u>6,918</u></u>

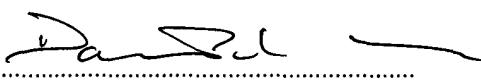
The notes form part of these financial statements

Harwin plc (Registered number: 00509831)

Consolidated Balance Sheet - continued
31st March 2015

		2015	2014
	Notes	£'000	£'000
CAPITAL AND RESERVES			
Called up share capital	19	213	213
Share premium	20	1,522	1,522
Revaluation reserve	20	592	592
Profit and loss account	20	6,939	4,591
		<u> </u>	<u> </u>
SHAREHOLDERS' FUNDS	26	<u>9,266</u>	<u>6,918</u>

The financial statements were approved by the Board of Directors on 31 April 2015 and were signed on its behalf by:


D P de Laszlo (Chairman) - Director


H S Mighell - Director

The notes form part of these financial statements

Harwin plc (Registered number: 00509831)

**Company Balance Sheet
31st March 2015**

		2015		2014	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9		5,848		5,292
Investments	10		555		555
			<u>6,403</u>		<u>5,847</u>
CURRENT ASSETS					
Stocks	11	2,848		2,508	
Debtors	12	1,964		1,754	
Cash at bank and in hand		<u>3,345</u>		<u>885</u>	
		8,157		5,147	
CREDITORS					
Amounts falling due within one year	13	<u>2,750</u>		<u>1,555</u>	
NET CURRENT ASSETS			<u>5,407</u>		<u>3,592</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			11,810		9,439
CREDITORS					
Amounts falling due after more than one year	14		(2,461)		(2,719)
PROVISIONS FOR LIABILITIES	18		<u>(470)</u>		<u>(337)</u>
NET ASSETS			<u><u>8,879</u></u>		<u><u>6,383</u></u>

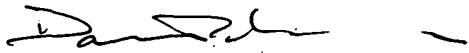
The notes form part of these financial statements

Harwin plc (Registered number: 00509831)

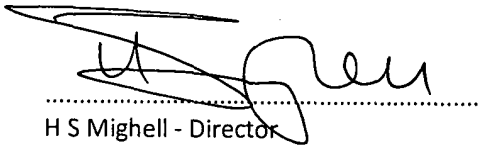
Company Balance Sheet - continued
31st March 2015

	Notes	2015		2014	
		£'000	£'000	£'000	£'000
CAPITAL AND RESERVES					
Called up share capital	19		213		213
Share premium	20		1,522		1,522
Revaluation reserve	20		592		592
Profit and loss account	20		6,552		4,056
			<u> </u>		<u> </u>
SHAREHOLDERS' FUNDS	26		<u>8,879</u>		<u>6,383</u>

The financial statements were approved by the Board of Directors on 3 April 2015 and were signed on its behalf by:



.....
D P de Laszlo (Chairman) - Director



.....
H S Mighell - Director

The notes form part of these financial statements

**Consolidated Cash Flow Statement
for the Year Ended 31st March 2015**

		2015		2014	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	1		3,408		2,175
Returns on investments and servicing of finance	2		(88)		(93)
Taxation			(179)		(40)
Capital expenditure	2		(692)		(276)
			2,449		1,766
Financing	2		36		(755)
Increase in cash in the period			2,485		1,011
Reconciliation of net cash flow to movement in net debt	3				
Increase in cash in the period		2,485		1,011	
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(477)		705	
Change in net debt resulting from cash flows			2,008		1,716
New finance leases			(568)		(478)
Movement in net debt in the period			1,440		1,238
Net debt at 1st April			(394)		(1,632)
Net funds/(debt) at 31st March			1,046		(394)

The notes form part of these financial statements

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31st March 2015**

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

	2015	2014
	£'000	£'000
Operating profit	2,795	1,442
Depreciation charges	824	788
Profit on disposal of fixed assets	(119)	(15)
Exchange difference on consolidation	142	(68)
Revaluations of plant and machinery	-	(39)
(Increase)/decrease in stocks	(332)	277
Increase in debtors	(228)	(243)
Increase in creditors	326	33
Net cash inflow from operating activities	3,408	2,175

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

	2015	2014
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	3	-
Interest paid	(32)	(42)
Interest element of hire purchase payments	(59)	(51)
Net cash outflow for returns on investments and servicing of finance	(88)	(93)
Capital expenditure		
Purchase of tangible fixed assets	(868)	(327)
Sale of tangible fixed assets	176	51
Net cash outflow for capital expenditure	(692)	(276)
Financing		
New loans in year	1,000	-
Loan repayments in year	(89)	(253)
Group loan movements in year	(441)	(50)
Capital repayments in year	(434)	(452)
Net cash inflow/(outflow) from financing	36	(755)

The notes form part of these financial statements

Notes to the Consolidated Cash Flow Statement
for the Year Ended 31st March 2015

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.14 £'000	Cash flow £'000	Other non-cash changes £'000	At 31.3.15 £'000
Net cash:				
Cash at bank and in hand	1,439	2,485		3,924
	<u>1,439</u>	<u>2,485</u>		<u>3,924</u>
Debt:				
Hire purchase	(862)	434	(568)	(996)
Debts falling due within one year	(89)	(841)	-	(930)
Debts falling due after one year	(882)	(70)	-	(952)
	<u>(1,833)</u>	<u>(477)</u>	<u>(568)</u>	<u>(2,878)</u>
Total	<u>(394)</u>	<u>2,008</u>	<u>(568)</u>	<u>1,046</u>

**Notes to the Consolidated Financial Statements
for the Year Ended 31st March 2015**

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 2015, 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 2015

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.

An interim valuation of the freehold land and buildings was conducted by Stiles Harold Williams, an independent firm of chartered surveyors, on 19 March 2014 on the basis of market value, which is not considered to differ materially from existing use value.

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 has 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 2015**

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 subsidiaries are translated at the year end rates and the consolidated profit and loss account includes the results of the overseas subsidiaries 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 2015

3. STAFF COSTS

	2015	2014
	£'000	£'000
Wages and salaries	4,055	3,931
Social security costs	365	346
Other pension costs	232	196
	<u>4,652</u>	<u>4,473</u>

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

	2015	2014
Production	81	76
Distribution	43	44
Administration	15	15
	<u>139</u>	<u>135</u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2015	2014
	£'000	£'000
Hire of plant and machinery	54	68
Depreciation - owned assets	532	455
Depreciation - assets on hire purchase contracts	292	334
Profit on disposal of fixed assets	(119)	(15)
Auditors' remuneration	38	38
Foreign exchange differences	75	49
Sale of scrap	(101)	(99)
Research and development	526	529
	<u>297,258</u>	<u>294,237</u>
	£	£
Directors' remuneration	297,258	294,237
Directors' pension contributions to money purchase schemes	41,746	36,875
	<u>41,746</u>	<u>36,875</u>

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

	2015	2014
Money purchase schemes	<u>5</u>	<u>3</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015**

4. OPERATING PROFIT - continued

Information regarding the highest paid director is as follows:

	2015	2014
	£	£
Emoluments etc	94,615	94,391
Pension contributions to money purchase schemes	16,200	14,044

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	£'000	£'000
Deposit account interest	3	-

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£'000	£'000
Bank interest	32	42
Hire purchase	59	51
	91	93

7. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2015	2014
	£'000	£'000
Current tax:		
UK corporation tax	246	63
Tax on overseas subsidiaries	120	68
Total current tax	366	131
Deferred tax	133	45
Tax on profit on ordinary activities	499	176

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015

7. TAXATION - continued

Factors affecting the tax charge

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

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	2,707	1,349
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2014 - 23%)	568	310
Effects of:		
Different rates of corporation tax in foreign subsidiaries	37	(6)
Expenses not deducted for tax purposes	10	1
Capital allowances (greater)/less than depreciation	(111)	13
Utilised tax losses	-	(43)
Research and development refund in respect of current year	(138)	(143)
Marginal relief	-	(1)
Current tax charge	366	131

8. 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 £2,495,979 (2014 - £965,305).

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015

9. TANGIBLE FIXED ASSETS

Group	Freehold property £'000	Plant and machinery £'000	Computer equipment £'000	Totals £'000
COST OR VALUATION				
At 1st April 2014	2,160	8,594	653	11,407
Additions	-	1,374	62	1,436
Disposals	(65)	(753)	(70)	(888)
Exchange differences	-	11	8	19
At 31st March 2015	2,095	9,226	653	11,974
DEPRECIATION				
At 1st April 2014	133	5,411	548	6,092
Charge for year	45	729	50	824
Eliminated on disposal	(60)	(702)	(69)	(831)
Exchange differences	-	13	7	20
At 31st March 2015	118	5,451	536	6,105
NET BOOK VALUE				
At 31st March 2015	1,977	3,775	117	5,869
At 31st March 2014	2,027	3,183	105	5,315

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.

An interim valuation of the freehold land and buildings was conducted by Stiles Harold Williams, an independent firm of chartered surveyors, on 19 March 2014 on the basis of market value, which is not considered to differ materially from existing use value.

The historical cost of these premises is £1,808,000 (2014 - £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 subsequent costs it is estimated that tax of £57,000 would arise.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015

9. TANGIBLE FIXED ASSETS - continued

Group

Cost or valuation at 31st March 2015 is represented by:

	Freehold property £'000	Plant and machinery £'000	Computer equipment £'000	Totals £'000
Valuation in 2011	1,750	-	-	1,750
Cost	345	9,226	653	10,224
	<u>2,095</u>	<u>9,226</u>	<u>653</u>	<u>11,974</u>

Assets held under finance leases and hire purchase agreements have a net book value of £1,881,842 (2014 - £1,613,877) with depreciation charges during the year of £292,082 (2014 - £334,029).

Company

	Freehold property £'000	Plant and machinery £'000	Computer equipment £'000	Totals £'000
COST OR VALUATION				
At 1st April 2014	2,160	8,473	548	11,181
Additions	-	1,369	55	1,424
Disposals	(65)	(746)	(12)	(823)
At 31st March 2015	<u>2,095</u>	<u>9,096</u>	<u>591</u>	<u>11,782</u>
DEPRECIATION				
At 1st April 2014	133	5,294	462	5,889
Charge for year	45	728	38	811
Eliminated on disposal	(60)	(695)	(11)	(766)
At 31st March 2015	<u>118</u>	<u>5,327</u>	<u>489</u>	<u>5,934</u>
NET BOOK VALUE				
At 31st March 2015	<u>1,977</u>	<u>3,769</u>	<u>102</u>	<u>5,848</u>
At 31st March 2014	<u>2,027</u>	<u>3,179</u>	<u>86</u>	<u>5,292</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015

9. TANGIBLE FIXED ASSETS - continued

Company

Cost or valuation at 31st March 2015 is represented by:

	Freehold property £'000	Plant and machinery £'000	Computer equipment £'000	Totals £'000
Valuation in 2013	2,000	-	-	2,000
Cost	95	9,096	591	9,782
	<u>2,095</u>	<u>9,096</u>	<u>591</u>	<u>11,782</u>

Assets held under finance leases and hire purchase agreements have a net book value of £1,881,842 (2014: £1,613,877) with depreciation charges during the year of £292,082 (2014 - £334,029).

10. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £'000
COST	
At 1st April 2014 and 31st March 2015	<u>571</u>
PROVISIONS	
At 1st April 2014 and 31st March 2015	<u>16</u>
NET BOOK VALUE	
At 31st March 2015	<u>555</u>
At 31st March 2014	<u>555</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015**

10. FIXED ASSET INVESTMENTS - continued

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	2015 £'000	2014 £'000
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		487	748
Profit for the year		72	104

Harwin (Portsmouth) Limited

Nature of business: Dormant

	% holding
Class of shares:	
Ordinary	100.00

Harwin Asia Pte Ltd

Country of incorporation: Singapore

Nature of business: Retail of electronic components

	% holding	2015 £'000	2014 £'000
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		456	342
Profit for the year		200	121

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015

11. STOCKS

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Raw materials	1,793	1,331	1,793	1,331
Work-in-progress	94	57	94	57
Finished goods	1,152	1,319	961	1,120
	<u>3,039</u>	<u>2,707</u>	<u>2,848</u>	<u>2,508</u>

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade debtors	1,969	1,805	1,567	1,441
Amounts owed by group undertakings	-	-	122	86
Other debtors	75	42	64	29
Tax	16	7	3	3
Prepayments and accrued income	248	217	208	195
	<u>2,308</u>	<u>2,071</u>	<u>1,964</u>	<u>1,754</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see note 15)	930	89	930	89
Hire purchase contracts (see note 16)	487	466	487	466
Trade creditors	829	579	713	485
Amounts owed to group undertakings	-	-	37	171
Tax	266	69	246	63
Social security and other taxes	80	78	85	78
Other creditors	40	33	40	33
Accruals and deferred income	311	244	212	170
	<u>2,943</u>	<u>1,558</u>	<u>2,750</u>	<u>1,555</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015

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

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank loans (see note 15)	952	882	952	882
Hire purchase contracts (see note 16)	509	396	509	396
Amounts owed to parent undertaking	1,000	1,441	1,000	1,441
	<u>2,461</u>	<u>2,719</u>	<u>2,461</u>	<u>2,719</u>

15. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts falling due within one year or on demand:				
Bank loans	<u>930</u>	<u>89</u>	<u>930</u>	<u>89</u>
Amounts falling due between one and two years:				
Bank loan - 1-2 years	<u>284</u>	<u>730</u>	<u>284</u>	<u>730</u>
Amounts falling due between two and five years:				
Bank loan - 2-5 years	<u>668</u>	<u>152</u>	<u>668</u>	<u>152</u>

16. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

Group

	Hire purchase contracts	
	2015 £'000	2014 £'000
Net obligations repayable:		
Within one year	487	466
Between one and five years	509	396
	<u>996</u>	<u>862</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015

16. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

Company

	Hire purchase contracts	
	2015	2014
	£'000	£'000
Net obligations repayable:		
Within one year	487	466
Between one and five years	509	396
	<u>996</u>	<u>862</u>

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	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Expiring:				
Within one year	15	29	7	6
Between one and five years	-	-	57	49
	<u>15</u>	<u>29</u>	<u>64</u>	<u>55</u>

Company

	Other operating leases	
	2015	2014
	£'000	£'000
Expiring:		
Within one year	7	6
Between one and five years	55	47
	<u>62</u>	<u>53</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015

17. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Bank loans	<u>1,882</u>	<u>971</u>	<u>1,882</u>	<u>971</u>

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

The loans with Barclays bank plc are all secured. The first and second are secured over a number of items of machinery and the interest on these two loans is fixed at 4.68% p.a. The third is secured over the land on the south side of Fitzherbert Road, Farlington, Portsmouth and the interest on the loan is fixed at 3.37% p.a.

The loan with Standard Bank 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.

18. PROVISIONS FOR LIABILITIES

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Deferred tax	<u>470</u>	<u>337</u>	<u>470</u>	<u>337</u>

Group

	Deferred tax £'000
Balance at 1st April 2014	337
Charge for the year	<u>133</u>
Balance at 31st March 2015	<u>470</u>

Company

	Deferred tax £'000
Balance at 1st April 2014	337
Charge for the year	<u>133</u>
Balance at 31st March 2015	<u>470</u>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015**

18. PROVISIONS FOR LIABILITIES - continued

Provision for the group's and company's deferred tax liability of £470,000 (2014 - £337,000) comprises the excess of capital allowances over depreciation of £470,000 (2014 - £337,000).

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015 £'000	2014 £'000
1,062,675	Ordinary	£0.20	213	213

20. RESERVES

Group

	Profit and loss account £'000	Share premium £'000	Revaluation reserve £'000	Totals £'000
At 1st April 2014	4,591	1,522	592	6,705
Profit for the year	2,208			2,208
Exchange gain/(loss) on consolidation	140	-	-	140
At 31st March 2015	6,939	1,522	592	9,053

Company

	Profit and loss account £'000	Share premium £'000	Revaluation reserve £'000	Totals £'000
At 1st April 2014	4,056	1,522	592	6,170
Profit for the year	2,496			2,496
At 31st March 2015	6,552	1,522	592	8,666

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

21. 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.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015

22. CAPITAL COMMITMENTS

	2015 £'000	2014 £'000
Contracted but not provided for in the financial statements	<u>261</u>	<u>433</u>

23. OTHER FINANCIAL COMMITMENTS

As at 31 March 2015 there were no other financial commitments.

24. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

During the year £8,000 (2014 - £8,000) of expenses were met by the company and recharged to D P de Laszlo, the chairman of the company.

Both D P de Laszlo and W de Laszlo are trustees of The de Laszlo Foundation. During the year a donation of £5,000 (2014 - £nil) was made to The de Laszlo Foundation.

H S Mighell is a director of Quest Financial Associates Limited. During the year consultancy fees of £22,000 (2014 - £18,000) were paid to Quest Financial Associates Limited.

Both D P de Laszlo and H S Mighell are also directors of Finangle Limited. During the year office fees of £12,000 (2014 - £12,000) were paid to Finangle Limited.

W de Laszlo is a director of Pure Traffic Limited. During the year fees for domain renewal of £1,000 (2014 - £nil) were paid to Pure Traffic Limited.

25. RELATED PARTY DISCLOSURES

Harwin plc owed Harwin Engineers S.A. (the ultimate parent company) £1,000,000 (2014 - £1,441,000) at the year end, with £441,000 having been repaid during the year. 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 (2014 - £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.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st March 2015

26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2015	2014
	£'000	£'000
Profit for the financial year	2,208	1,173
Other recognised gains and losses relating to the year (net)	140	(67)
Payments to acquire own shares	-	(12)
Net addition to shareholders' funds	2,348	1,094
Opening shareholders' funds	6,918	5,824
Closing shareholders' funds	9,266	6,918

Company

	2015	2014
	£'000	£'000
Profit for the financial year	2,496	965
Net addition to shareholders' funds	2,496	965
Opening shareholders' funds	6,383	5,418
Closing shareholders' funds	8,879	6,383