

COMPANY NO: 885335

Haswell Engineers Limited

Annual Report

Year ended 30 September 2013

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Company Information

Directors	Peter G Pollock Stephen K Brett Gary C Newman
Secretary	Gary C Newman
Registered office	Tudor Works Debden Road Saffron Walden Essex CB11 4AN
Registered number	885335
Auditors	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
Bankers	Lloyds Banking Group Ground Floor 1 Legg Street Chelmsford CM1 1JS

Strategic Report

Business description

The Company is based in the South East of England and has 35 employees. It sells directly to a wide range of customers and its turnover is derived almost entirely from within the UK. Revenues comprise both higher value contracts and lower value routine business. The Company's business comprises:

- the manufacture of light engineering sheet metal components (with a focus on high quality, service and short production runs) for general industrial markets; and
- an after-market service offering which provides turnkey solutions for minor modifications and upgrades and which is presently focussed on the rail sector.

Business review

Trading conditions were challenging and, with delays in turnkey projects, sales in the current year fell by 21.0% to £2.60 million (2012: £3.30 million). This together with an increase in costs led to a much reduced gross profit (5.1% as compared to the 15.1% of last year) resulting in the Company recording an operating loss before exceptional items of £324,985 (2012: profit of £29,052). Exceptional reorganisation costs of £808,793 were recognised in the year, which comprise onerous property related costs of £663,072 together with a fixed asset impairment of £145,721: it is expected that all liabilities will crystallise and that the reorganisation will be completed within the next 2 years.

Order intake was ahead of prior year (up 17.9%) and importantly was in advance of sales. Anticipated turnover growth coupled with reorganisation benefits lead the directors to expect a significantly improved trading performance in the coming year.

Principal risks and uncertainties

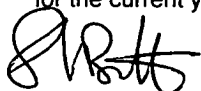
The principal risks confronting the Company, where adverse changes could impact results, are:

- Certain activities benefit from long standing commercial relationships with key customers and suppliers. The Company devotes resource to ensure that good customer relationships are maintained while continuing to build relationships with new customers across different business sectors.
- The Company operates in competitive markets which are subject to technical advances and intensive price competition.
- The general trend of specialist metal forming activities moving offshore.

Key performance indicators

The Company uses the following key performance indicators to assess the progression in its business:-

- Orders to sales (orders for the year expressed as a multiple of sales) as a measure of prospective growth being 1.28 in the current year (2012: 0.86, 2011: 1.05);
- Sales growth (the increase in year on year sales as a percentage of prior year sales) as a measure of current growth being a fall of 21.0% for the current year (2012: increase of 17.8%, 2011: increase of 16.5%);
- Gross margin (gross profit as a percentage of turnover) as a measure of profitability being 5.1% in the current year (2012: 15.1%, 2011: 10.4%); and
- Net cash flow (net cash flow before financing) as a measure of cash generation being an outflow of £99,000 for the current year (2012: outflow of £255,000, 2011: outflow of £26,000).



By order of the Board
Stephen Brett
Director
17 June 2014

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 September 2013.

Results and dividends

The loss on ordinary activities after taxation amounted to £1,025,907 (2012: profit of £22,301). The directors do not recommend the payment of a dividend (2012: Nil).

Principal activities

The principal activities of the Company remain: (i) the manufacture of light engineering sheet metal components (with a focus on high quality, service and short production runs); and (ii) an after-market service offering which provides turnkey solutions for minor modifications and upgrades and which is presently focussed on the rail sector.

Directors and their interests

The directors who served during the year are shown on page 1.

Directors' responsibilities statement

The directors are responsible for preparing 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 the directors have elected to prepare financial statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the Company for that year. 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 United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Directors (continued)

Auditors

Grant Thornton UK LLP are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 17 June 2014 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'S. Brett', with a stylized flourish at the end.

Stephen Brett
Director

Haswell Engineers Limited is registered in England No 885335

Independent Auditors' Report to the Shareholders of Haswell Engineers Limited

We have audited the financial statements of Haswell Engineers Limited for the year ended 30 September 2013 which comprise the profit and loss account, the balance sheet, and the related notes. 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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2013 and of its loss 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.

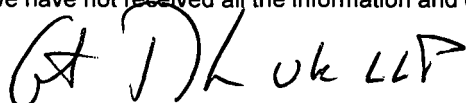
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

19 June 2014

Profit and Loss Account

for the year ended 30 September 2013

	Note	2013 £	2012 £
Turnover	2	2,603,469	3,295,255
Cost of sales		(2,469,457)	(2,798,388)
Gross profit		134,012	496,867
Sales and distribution costs		(227,782)	(227,013)
Administrative expenses		(231,215)	(240,802)
Operating (loss) / profit before exceptional item	3	(324,985)	29,052
Exceptional reorganisation costs	3	(808,793)	-
Operating (loss) / profit		(1,133,778)	29,052
Interest payable	5	-	(2,049)
(Loss) / profit on ordinary activities before taxation		(1,133,778)	27,003
Tax on (loss) / profit on ordinary activities	6	107,871	(4,702)
(Loss) / profit on ordinary activities after taxation and retained for the financial year	14	(1,025,907)	22,301

All activities are continuing.

There were no gains or losses in either year other than those recognised in the profit and loss account and as a result no statement of total recognised gains and losses is presented.

The only movement in shareholders' funds is the profit for the financial year.

The notes on pages 8 to 15 form an integral part of these financial statements.

Balance Sheet

at 30 September 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	7	336,509	395,276
Current assets			
Stocks	8	280,572	251,825
Debtors	9	649,462	929,177
Cash at bank and in hand		120	52
		930,154	1,181,054
Creditors: Amounts falling due within one year	10	(835,954)	(761,726)
Net current assets		94,200	419,328
Total assets less current liabilities		430,709	814,604
Creditors: Amounts falling due after more than one year	11	(700,000)	(700,000)
Provisions for liabilities	12	(667,541)	(25,529)
Net assets		(936,832)	89,075
Capital and reserves			
Called up share capital	13	320,000	320,000
Profit and loss reserve	14	(1,256,832)	(230,925)
Equity shareholders' funds		(936,832)	89,075

The notes on pages 8 to 15 form an integral part of these financial statements.

The financial statements were approved by the Board on 17 June 2014 and signed on its behalf by:



G C Newman
Director

Notes to the Financial Statements

for the year ended 30 September 2013

1. Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 2. The Company is a subsidiary of LPA Group plc which manages its banking arrangements on a pooled basis across the Group.

Whilst current economic conditions create uncertainty and notwithstanding the poor trading performance in the current year, as: (i) the directors have received a letter of continuing financial support from LPA Group plc; (ii) LPA Group plc has previously demonstrated its willingness to invest in the Company; (iii) opportunities remain within the Company's market place; (iv) the Group has renewed its working capital facilities until the end of January 2015 at which point renewal of facilities is expected; and (v) the Company has proven adaptable in past periods of adversity, the directors believe that the Company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover is the revenue arising from the value of goods and services supplied by the Company excluding value added tax, trade and volume discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer of the goods, generally upon delivery, and reliable measurement is possible. Revenue is not recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods.

Revenue from the provision of services is recognised when the Company has performed its obligations and in exchange obtained the right to consideration.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost or valuation, less estimated residual value, of all tangible fixed assets by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Plant and machinery	7% - 25%
Fixtures and fittings	10%
Office equipment	20%

Hire purchase agreements

Where the Company enters into an agreement that transfers substantially all the risks and rewards of ownership of an asset to the lessee, the agreement is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset at the present value of the minimum agreement payments and is depreciated over the asset's useful economic life. Future instalments under such agreements, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element, which reduces the outstanding obligation.

Notes to the Financial Statements

for the year ended 30 September 2013

1. Accounting Policies (continued)

Operating lease agreements

Leases where substantially all of the risks and rewards of ownership are not transferred to the Company are treated as operating leases. Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value, after provisions are made in respect of obsolete and slow moving items, based on historical experience of utilisation on a category-by-category basis.

The cost of raw materials, consumables and goods for resale is based on purchased cost on a first-in, first-out basis. The cost of work in progress and finished goods is based on the cost of direct materials and labour plus attributable overheads based on a normal level of activity, on a first-in, first-out basis. Net realisable value is the estimated selling price less all further costs to complete and all costs to be incurred in marketing, selling and distribution.

Current tax

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date. Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses.

LPA Group plc and its subsidiary undertakings are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of this Group that such losses will be paid for by the recipient company. Where there is reasonable certainty that taxable losses can be relieved the group relief receivable or payable is included in the taxation charge or credit for the period.

Deferred taxation

Deferred tax is recognised in respect of all timing differences (which arise because of differences between the treatment of certain items for accounting and taxation purposes) that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Defined contribution pension schemes

The pension costs charged against operating profits are the contributions payable to the various schemes in respect of the accounting period.

Notes to the Financial Statements

for the year ended 30 September 2013

1. Accounting Policies (continued)

Provisions

Provisions are recognised when a present obligation (legal or constructive) has arisen as a result of a past event, when payment is more likely than not and where the amount can be reliably estimated. Provisions are valued at management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Exceptional items

Exceptional items are material items of profit and loss which by virtue of their size or nature are separately disclosed to assist in the better understanding of the Company's performance. Significant anticipated reorganisation costs are considered to be exceptional in these financial statements.

Cash flow statement

The Company is exempt from publishing a cash flow statement as it is a wholly owned subsidiary of LPA Group plc which publishes a consolidated cash flow statement.

2. Geographical Analysis of Turnover

	2013 £	2012 £
United Kingdom	2,586,948	3,278,912
Rest of Europe	16,521	16,343
	<u>2,603,469</u>	<u>3,295,255</u>

In the opinion of the directors, the activities of the Company constitute one business segment.

3. Operating (Loss) / Profit

Operating (loss) / profit is arrived at after charging / (crediting)

	2013 £	2012 £
A. Within operating (loss) / profit before exceptional item		
Depreciation	96,066	86,421
Profit on disposal of fixed assets	(3,000)	-
Operating lease rentals - land and buildings	177,885	177,885
Operating lease rentals – plant and machinery	4,931	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	7,100	7,000
Fees payable to the Company's auditor and its associates for tax services	3,920	3,400
	<u>3,920</u>	<u>3,400</u>
B. Within exceptional reorganisation costs		
Provision for onerous lease contracts	663,072	-
Impairment of fixed assets	145,721	-
	<u>808,793</u>	<u>-</u>

Notes to the Financial Statements

for the year ended 30 September 2013

4. Employees

Average monthly number of employees, excluding directors:

	2013 No	2012 No
Production	32	33
Sales and distribution	1	1
Administration	2	2
	<u>35</u>	<u>36</u>

Staff costs:

	2013 £	2012 £
Wages and salaries	836,719	824,288
Social security costs	78,257	78,526
Pension costs	18,232	15,993
	<u>933,208</u>	<u>918,807</u>

The directors received no remuneration from the Company.

5. Interest Payable

	2013 £	2012 £
Interest payable - hire purchase contracts	-	2,049

There is no interest charged on the inter-group loan.

6. Tax on (Loss) / Profit on Ordinary Activities

	2013 £	2012 £
United Kingdom corporation tax		
Group relief (receivable) / payable	(93,021)	8,486
Adjustments in respect of prior years	6,915	(36)
Current taxation	<u>(86,106)</u>	<u>8,450</u>
Deferred taxation		
Net origination and reversal of timing differences	(21,765)	(3,748)
Tax on (loss) / profit on ordinary activities	<u>(107,871)</u>	<u>4,702</u>

Notes to the Financial Statements

for the year ended 30 September 2013

6. Tax on (Loss) / Profit on Ordinary Activities (continued)

Current tax reconciliation

	2013 £	2012 £
(Loss) / profit on ordinary activities before taxation	(1,133,778)	27,003
Theoretical tax at UK corporation tax rate of 23.5% (2012: 25%)	(266,438)	6,751
Effects of:		
- Accelerated capital allowances	16,918	1,105
- Expenditure that is not tax deductible	282	630
- Unrelieved tax losses	156,217	-
- Adjustments in respect of prior years	6,915	(36)
Actual current taxation	(86,106)	8,450

At 30 September 2013 the Company had tax losses to carry forward against profits chargeable to corporation tax amounting to £665,000 (2012: £Nil) subject to agreement with HM Revenue & Customs.

7. Tangible Fixed Assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
Cost					
At 1 October 2012	1,943,864	27,105	174,392	126,946	2,272,307
Additions	182,383	-	-	637	183,020
Disposals	(412,237)	-	-	-	(412,237)
At 30 September 2013	1,714,010	27,105	174,392	127,583	2,043,090
Depreciation					
At 1 October 2012	1,565,143	27,105	167,852	116,931	1,877,031
Charged in year	85,191	-	3,750	7,125	96,066
Impairment	145,721	-	-	-	145,721
Disposals	(412,237)	-	-	-	(412,237)
At 30 September 2013	1,383,818	27,105	171,602	124,056	1,706,581
Net book value					
At 30 September 2013	330,192	-	2,790	3,527	336,509
At 1 October 2012	378,721	-	6,540	10,015	395,276

Impairment losses of £145,721 in the year ended 30 September 2013 relate to the write-down of plant and equipment as part of the Company's reorganisation of its activities.

Notes to the Financial Statements

for the year ended 30 September 2013

12. Provisions for Liabilities

	Onerous lease provision £	Deferred taxation £	Total £
At 1 October 2012	4,469	21,060	25,529
Credit to the profit and loss account in the year	-	(21,765)	(21,765)
Transfer to debtors	-	705	705
Arising during the year	663,072	-	663,072
At 30 September 2013	<u>667,541</u>	<u>-</u>	<u>667,541</u>

The provision is in relation to leasehold premises out of which the Company operates and covers onerous contracts and dilapidations. An onerous contract is one where the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from it. The provisions represent the best estimate of the unavoidable costs remaining under current contractual obligations. The liabilities are expected to crystallise within the next 2 years.

Deferred taxation

Deferred taxation provided in the accounts is as follows:

	2013 £	2012 £
Accelerated capital allowances	<u>(705)</u>	<u>21,060</u>

Deferred tax assets are disclosed in note 9.

Deferred tax assets of £133,000 (2012: £Nil) have not been recognised in respect of unrelieved tax losses of £665,000 (2012: £Nil) because of uncertainty over the timing of their recoverability. The tax losses have no expiry date.

13. Share Capital

	2013 £	2012 £
Authorised		
520,000 ordinary shares of £1 each	<u>520,000</u>	<u>520,000</u>
Allotted and fully paid		
320,000 ordinary shares of £1 each	<u>320,000</u>	<u>320,000</u>

Notes to the Financial Statements

for the year ended 30 September 2013

14. Reserves

	Profit and loss reserve £
At 1 October 2012	(230,925)
Retained profit for the period	(1,025,907)
At 30 September 2013	<u>(1,256,832)</u>

15. Financial Commitments

Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2013 £'000	2012 £'000
Operating leases which expire: Within two to five years	<u>177,885</u>	<u>177,885</u>

	Plant and machinery 2013 £'000	2012 £'000
Operating leases which expire: Within two to five years	<u>4,930</u>	<u>-</u>

16. Pension Arrangements

The Company makes contributions to a defined contribution arrangement for its employees.

17. Contingent Liabilities

The following security is provided to Lloyds Banking Group in respect of LPA Group plc's £1.40m term loan facility: (i) a debenture from the Company; and (ii) a corporate guarantee by the Company as guarantor on account of the obligations of each Group company to Lloyds Banking Group.

18. Ultimate Parent Undertaking

The Company's ultimate parent undertaking and controlling party is LPA Group plc, a company incorporated in England and Wales. Copies of LPA Group plc group accounts, which include the Company, are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Company has taken advantage of the exemption conferred by FRS8 and has not disclosed related party transactions with group undertakings during the period.