

Hargreaves Ductwork Limited

**Strategic report, Directors' report and
financial statements**

Registered number 00288899

Year ended 31 December 2013

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Company information

Directors

T Hopkinson
P Greenhalgh
J Taylor

Secretary

E Lake

Registered office

6 New Street Square
10th Floor
London
EC4A 3BF

Bankers

Lloyds Banking Group plc
25 Gresham Street
London
EC2V 7HN

Auditor

KPMG LLP
100 Temple Street
Bristol
BS1 6AG

Strategic report

Business review and principal activities

The principal activity of Hargreaves Ductwork Limited ("the Company") is the manufacture and installation of air ventilation ducting, the distribution of heating and ventilating products and the manufacture and installation of fire resistant duct systems.

Turnover from continuing activities increased from £20,840,000 to £25,272,000. Operating profit for the period was £3,277,000 (2012: £273,000).

The balance sheet on page 8 shows the Company's financial position at the year end with total assets less current liabilities of £4,264,000 (2012: £2,035,000).

There have been no significant events since the balance sheet date.

Future prospects

The company is a key element in the supply chain of the nuclear industry in the UK and is well placed to meet the future demands in terms of nuclear decommissioning and new build. The directors believe that the Company will continue to grow and be profitable.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Company's future performance and cause actual results to differ materially from expected or historical results.

The Company operates in competitive market sectors and competitive pressure is therefore a continuing risk for the business. In addition, the construction industry in which the Company operates could fluctuate subject to the business to market risks. The Company also faces manufacturing and environmental risks. The above risks, which are the same, or similar, to those faced by M+W Group as a whole are discussed in detail within the MW High Tech Projects UK Limited financial statements for 2013.

The Company's financial position and future prospects are described above. The Company achieved a good level of profit and positive cash flow in 2013, and its future prospects are encouraging. This gives the directors the expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Company's financial statements.

By order of the board



P Greenhalgh
Director

4 February 2015

6 New Street Square
10th Floor
London
EC4A 3BF

Director's report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

Financial risk management

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparts and customers. The directors consider that the carrying value of trade receivables represents their recoverable amount.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend (2012: £1,500,000). A retained profit of £2,229,000 (2012: Loss £873,000) has been transferred to reserves.

Directors

The directors who served during the year were as follows:

T Hopkinson
P Greenhalgh
A Jackson (resigned 31 May 2013)
J Taylor (appointed 1 May 2013)

Employee consultation

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees, and on the various factors affecting the performance of the Company.

Disabled employees

Applications for employment by disabled persons are always considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board



P Greenhalgh
Director

4 February 2015

6 New Street Square
10th Floor
London
EC4A 3BF

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditor's report to the members of the Hargreaves Ductwork Limited

We have audited the financial statements of Hargreaves Ductwork Limited for the year ended 31 December 2013 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Hargreaves Ductwork Limited
(continued)

Matters on which we are required to report by exception

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

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



Nicholas Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

100 Temple Street
Bristol
BS1 6AG

10 February 2015

Profit and loss account
for the year ended 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Turnover	2	25,272	20,840
Cost of sales		(19,465)	(16,662)
		<hr/>	<hr/>
Gross profit		5,807	4,178
Other operating expenses	4	(2,530)	(3,905)
		<hr/>	<hr/>
Operating profit		3,277	273
Net interest receivable	5	-	9
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	3,277	282
Tax on profit on ordinary activities	7	(1,048)	345
		<hr/>	<hr/>
Profit for the year	13, 14	2,229	627
		<hr/>	<hr/>

All activities derive from continuing operations.

There are no recognised gains and losses other than the result for the current and preceding financial year. Accordingly, no statement of total recognised gains and losses is given.

The notes on pages 9 to 18 form part of these financial statements.

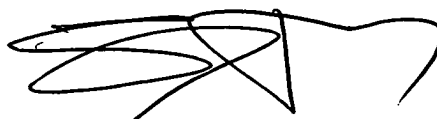
Balance Sheet
at 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Fixed assets			
Tangible assets	8	1,379	1,445
Current assets			
Stocks	9	651	748
Debtors – due after more than one year	10	60	619
Debtors – due within one year	10	6,980	2,797
Cash at bank and in hand		3,451	1,440
		<hr/>	<hr/>
Creditors: amounts falling due within one year	11	11,142 (8,257)	5,604 (5,014)
		<hr/>	<hr/>
Net current assets		2,885	590
		<hr/>	<hr/>
Net assets		4,264	2,035
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	1,000	1,000
Share premium account	13	3	3
Revaluation reserve	13	123	123
Other reserves	13	90	90
Profit and loss account	13	3,048	819
		<hr/>	<hr/>
Shareholder's funds	14	4,264	2,035
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors and authorised for issue on 4 February 2015 and were signed on its behalf by:



P Greenhalgh
Director



J Taylor
Director

Company registered number: 00288899

The notes on pages 9 to 18 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The Company has applied the transitional rules contained in FRS 15 *Tangible fixed Assets* to retain previous valuations as the basis on which certain of these assets are held.

Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reason. The Company's financial position and future prospects are described in the Directors' Report. The Company achieved a good level of profit and positive cash flow in 2013 and its future prospects are encouraging. This gives the directors the expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Cash flow statement

Under Financial Reporting Standard (FRS) 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Related party transactions

As the company is a wholly owned subsidiary of MW High Tech Projects UK Limited, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Tangible fixed assets

Freehold land and buildings are shown at original historical cost or subsequent valuation, net of depreciation and any provision for impairment. Other tangible fixed assets are shown at cost less depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold buildings	-	2% per annum
Leasehold buildings	-	over the period of the lease
Plant, machinery and motor vehicles	-	10% - 33% per annum

Stocks, other than long term contracts

Stocks, other than long term contracts, are stated at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are based on:

- Raw materials. Purchase cost on a weighted average basis, including carriage.
- Work in progress and finished goods. Cost of direct materials and labour, plus an appropriate proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and sale.

Provision is made for obsolete, slowing moving or defective items where appropriate.

Notes (continued)

1 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full at the anticipated tax rates on timing differences arising from the different treatment of items for accounting and taxation purposes. A deferred tax asset is regarded as recoverable and therefore recognized only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The Company has elected not to discount deferred tax assets and liabilities.

Pension costs

Defined contribution pension benefits are available to employees through the M+W Group Pension Plan. For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension cost is the contributions payable in the year.

Turnover and long term contracts

Turnover, except that derived from long term contracts, comprises the external sales value of work invoiced during the year, excluding trade discounts and VAT.

Turnover on long term contracts and related long term contract balances is accounted for in compliance with FRS 5 and SSAP 9.

Turnover on long term contracts represents the sales value of work completed during the year. The related costs are matched with this turnover resulting in the reporting of attributable profit proportionate to the contract activity. All known or anticipated losses are provided for in full as soon as they are foreseen.

Net costs incurred on excess of amounts transferred to cost of sales are classified as long term contract balances. Revenues recognized in excess of amounts billed are classified as amounts recoverable on contracts and included in debtors. Amounts billed in excess of revenues recognised to date are deducted from related long term contract balances with any residual balance being classified as payments on account and included in trade creditors. Long term contract balances are stated at contract cost incurred less amounts transferred to cost of sales, foreseeable losses, and payment on account.

Leases

Rental under operating leases are charged on a straight line basis over the lease term. Assets held under operating leases are not reported in the balance sheet.

Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange issued by M+W Group.

2 Turnover

Turnover and pre-tax profit is attributable to the Company's principal activity. Contributions to turnover by geographical destination are as shown below:

	2013 £000	2012 £000
UK	24,462	20,840
Overseas	810	-
	<u>25,272</u>	<u>20,840</u>

Notes (continued)

3 Information regarding directors and employees

	2013 £000	2012 £000
Directors' emoluments		
Emoluments	121	155

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under the long-term incentive scheme active under the previous parent undertaking. During 2012 options were granted to three directors and exercised by two.

One director (2012: one) was a member of the defined contribution scheme.

The highest paid director received remuneration of £121,424 (2012: £155,281).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,300 (2012: £9,225).

	2013 No.	2012 No.
Average monthly number of persons employed		
Production	195	173
Selling and marketing	19	18
Administration	12	12
	226	203

	2013 £000	2012 £000
Staff costs during the year (including directors)		
Wages and salaries	7,625	7,208
Social security costs	705	568
Pensions - Defined Benefit (see note 16)	-	306
Pensions - Defined Contribution (see note 16)	169	57
	8,499	8,139

4 Other operating expenses (net)

	2013 £000	2012 £000
Distribution costs	99	127
Administration costs	2,431	5,323
Other operating income	-	(1,545)
	2,530	3,905

Notes (continued)

5 Interest receivable

	2013 £000	2012 £000
Intercompany interest receivable	-	9

6 Profit on ordinary activities before taxation

	2013 £000	2012 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation of tangible fixed assets	167	190
Rentals under operating leases		
Hire of plant and machinery	40	40
Other operating leases	153	158
<i>Auditor's remuneration:</i>		
Audit of these financial statements	20	18
Amounts receivable by the Company's auditor and their associates in respect of:		
Tax services	5	5

7 Taxation

	2013 £000	2012 £000
<i>Analysis of tax charge/(credit) on ordinary activities</i>		
Current tax		
UK corporation tax charge at 23.25% (2012: 24.5%) on the profit for the year	730	-
Deferred tax		
Origination and reversal of timing differences	318	(348)
Effect of change in tax rate	-	3
Tax on profit on ordinary activities	1,048	(345)

Notes (continued)

7 Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the current year

The tax charge for the current year differs from that resulting from applying the standard rate of corporation tax 23.25% (2012: 24.5%) to the profit before tax. The differences are explained below:

	2013 £000	2012 £000
Current tax reconciliation		
Profit on ordinary activities before tax	3,277	282
Profit on ordinary activities multiplied by the standard rate of corporation tax, 23.25% (2012: 24.5%)	762	69
Fixed asset differences	-	6
Expenses not deductible for tax purposes	8	53
Other permanent differences	-	(480)
Capital allowances for the period in excess of depreciation	(43)	(46)
Group relief surrendered	-	403
Other short term timing differences	3	(5)
Current tax charge for the year	730	-

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

The deferred tax asset at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

Deferred tax asset

The deferred tax asset is comprised of:

	2013 £000	2012 £000
Deferred tax assets recognised		
Accelerated capital allowances	53	375
Short term timing differences	7	3
Total deferred tax asset (note 10)	60	378

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Plant, machinery and motor vehicles	Total
	£000	£000	£000	£000
<i>Cost or valuation</i>				
At 1 January 2013	1,244	110	4,055	5,409
Additions	-	-	101	101
Disposals	-	-	(13)	(13)
At 31 December 2013	1,244	110	4,143	5,497
<i>Accumulated depreciation</i>				
At 1 January 2013	296	46	3,622	3,964
Charge for the year	23	2	142	167
Disposals	-	-	(13)	(13)
At 31 December 2013	319	48	3,751	4,118
<i>Net book value</i>				
At 31 December 2013	925	62	392	1,379
At 31 December 2012	948	64	433	1,445

The freehold land and buildings were last revalued on 31 December 1988 on an existing use, open market basis by Chesterton, Chartered Surveyors and Property Consultants at £353,853 (including £87,340 relating to land).

Original cost, and aggregate depreciation based on cost, of land and buildings included at valuation comprises:

	2013 £000	2012 £000
Original cost	160	160
Depreciation based on cost	(58)	(56)
	102	104

The net book value of freehold land which is not depreciated is £87,340 (2012: £87,340).

Notes (continued)

9 Stocks

	2013 £000	2012 £000
Raw materials	651	748

10 Debtors

	2013 £000	2012 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	5,265	1,519
Amounts recoverable on contracts	523	1,118
Amounts owed by group undertakings	1,000	-
Prepayments and accrued income	192	160
	<u>6,980</u>	<u>2,797</u>

	2013 £000	2012 £000
<i>Amounts falling due after more than one year:</i>		
Trade debtors	-	241
Deferred tax assets (note 7)	60	378
	<u>60</u>	<u>619</u>

11 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	5,672	2,109
Amounts owed to group undertakings	272	1,909
Other taxation and social security	1,935	680
Accruals and deferred income	378	316
	<u>8,257</u>	<u>5,014</u>

Amounts owed to group undertakings in 2012 relate to an inter-company loan payable to MW High Tech Projects UK Limited, which is repayable on demand. No interest is charged on this loan.

Notes (continued)

12 Called up share capital

	2013	2012
	£000	£000
<i>Allotted, called up and fully paid</i>		
1,000,000 ordinary shares of £1 each (2012: 1,000,000 shares)	1,000	1,000

13 Reserves

	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total
	£000	£000	£000	£000	£000
At 1 January 2013	3	123	90	819	1,035
Profit for the financial year	-	-	-	2,229	2,229
At 31 December 2013	3	123	90	3,048	3,264

14 Reconciliation of movement in shareholder's funds

	2013	2012
	£000	£000
Profit for the financial year	2,229	627
Dividends paid	-	(1,500)
Net increase/(decrease) in shareholder's funds	2,229	(873)
Opening shareholder's funds	2,035	2,908
Closing shareholder's funds	4,264	2,035

Notes (continued)

15 Financial commitments

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

	2013		2012	
	Land and buildings £000	Other buildings £000	Land and Buildings £000	Other buildings £000
Leases which expire:				
Within one year	153	24	158	40
In the second to fifth years inclusive	153	5	306	34
	<u>306</u>	<u>29</u>	<u>464</u>	<u>74</u>

The Company leases certain land and buildings under operating leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Company pays all insurance, maintenance and repairs of these properties.

16 Employee benefits

Defined Contribution Scheme

The company operates a defined contribution pension plan. The total expense relating to this plan was £107,000 (2012: £57,000). Contributions that were payable to the scheme, which have been included in trade and other payables was £30,000 (2012: £12,000).

Defined Benefit Scheme

The Company previously participated in the Senior plc Group Retirement Benefit Plan. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. Further details of the group plans and the actuarial valuations are given in the accounts of Senior plc.

Contributions to the plan for the year were £nil (2012: £306,000). The Pension Plan was closed to new members and future service accrual with effect from 16 October 2012 and no further contributions will be made to the Senior plc scheme for any employees of Hargreaves Ductwork Limited.

There is no remaining commitment to this scheme.

Notes (continued)

17 Share based payments

Before its acquisition by MW High Tech Projects UK Limited on 16 October 2012, the Company's directors and senior managers, when deemed appropriate, were issued share options from the share based payments plans of the previous parent undertaking, Senior plc. In the current year, the Company recognised total expenses of £nil (2012: £36,000) related to equity settled share based payments.

There is no further liability to the Company or its parent, MW High Tech Projects UK Limited, in respect of share options outstanding at 31 December 2012, as these were granted in Senior plc.

2005 Long Term Incentive Plan

Awards under this plan had a three year vesting period, subject to earnings per share (EPS) and total shareholder return (TSR) performance conditions being met. Half the awards had an attaching performance target for EPS growth of at least 3% over the three year performance period. The other half of the awards begin to vest if the Company's TSR falls in the top half of a comparator group at the end of the three year performance period. Vesting levels increase with higher performance. The awards are settled by delivering shares to the participant. No such awards have been granted since 15 March 2010.

The following share awards were outstanding as at 31 December 2012:

	Year ended 2012	
	Number of share options £000	Weighted average exercise price
Outstanding at 1 January	1,256,083	36.01p
Granted	-	-
Exercised	(1,217,844)	26.62p
Forfeited	(34,537)	144.40p
	<hr/>	<hr/>
Outstanding at 31 December	71,000	144.40p
	<hr/>	<hr/>
Exercisable at 31 December	-	-
	<hr/>	<hr/>

The weighted average share price at the date of exercise for share options exercised during the prior year was 187.99p.

18 Ultimate parent undertaking and controlling party

The immediate parent undertaking is MW High Tech Projects UK Limited, incorporated in the United Kingdom, which owns 100% of the share capital.

MW High Tech Projects UK Limited prepares group financial statements which are publically available.

The ultimate parent company and controlling party is M+W Germany GmbH, incorporated in Germany. Copies of the group financial statements of M+W Germany GmbH are available from Lotterbergstrasse 30, 70499 Stuttgart, Germany.