

Grayton Engineering Limited

**Director's report and financial
statements**

Registered number 02730358

Year ended 31 December 2014

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Director's report

The director presents his report and the financial statements for the year ended 31 December 2014.

Principal activities

The company's principal activities are that of structural engineering.

Results and dividends

The profit for the year, after taxation, amounted to £888,000 (*15 months to 31 Dec 13: £48,000*). Dividends of £nil (*2013: £nil*) were paid during the year.

Directors

The directors who served during the period and to the date of this report were:

DN Hayle	
P Wood	(appointed 10 March 2014 and resigned 31 December 2014)
J Thurston	(resigned 10 March 2014)
PD O'Sullivan	(resigned 10 March 2014)
PJ Douglas	(resigned 10 March 2014)
J Cherry	(appointed 10 March 2014 and resigned 15 October 2014)

Disclosure of information to auditor

The director who held office at the date of approval of this director's report confirm that, so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and he has taken all the steps that he ought to have taken as a director to make himself 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



DN Hayle
Director

29 May 2015

Strategic report

Business review

The results for the year to December 2014 represent a record year for Grayton Engineering (Grayton). Turnover showed a 67% like-for-like increase over the previous 12 month period which in turn fed through to an even more significant increase in operating profit to £865,000 (15 months ending 31 Dec 2013: £14,000). The principal reasons for these exceptional results are:

- a) The volume of work executed, which has had a diluting effect on the fixed overhead; and
- b) The quality of that work, which has led to consistent operating margins.

The year saw Grayton play significant roles in the following major projects:

- Re-line of the Queen Ann blast furnace and associated works for TATA Steel.
- Reinstatement of the South Ferriby cement works for Cemex following the effects of the tidal surge.
- Replacement of the No.3 cooler and three Calciner outages for Phillips 66; and
- Replacement of a major drier for British Sugar.

These major projects for blue-chip clients has showcased the core competence of Grayton in the field of rotating plant, together with its ability to project manage complex, time-sensitive projects.

Whilst the move to the substantial facilities in Immingham came with a corresponding increase in fixed costs, they have enabled the company to deliver the substantial volumes of work that have led to the economies of scale necessary to produce the requisite returns. Clearly therefore, the utilisation of both the facilities and staff remain key performance indicators of the profitability of the business. Accordingly, developing a strong pipeline of opportunities from a wide cross-section of clients is essential to ensuring high utilisation of both staff and facilities, leading to continued financial success, and I am pleased to report that the investment in the Business Development function is bearing real fruit in this area.

Looking forward to the Company's prospects for the future, we expect that the success of the year under review will allow Grayton to expand its portfolio of clients and extend its offerings to existing clients. The continued investment seen in the Industrial sector is a clear statement of the confidence seen in the products being produced and the wider UK economy. In particular we are focussed on continuing to provide a first-class service to Phillips 66 as they embark on a full plant shutdown in 2015 and in supporting the cement industry as the demand for its products continues to recover, with the target for 2015 being to consolidate the 2014 performance.

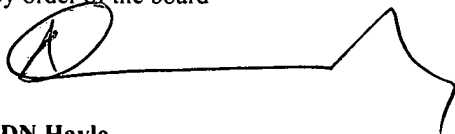
In all decision making, both operational and strategic our priorities remain: the safety of our workforce, minimising our impact on the environment and delivering the best possible performance for all of our stakeholders. As in all years Grayton, as part of The Power Industrial Group Ltd group of companies, which continues to operate to the highest levels of QHSE and PJD has yet again been recognised formally by ROSPA in the form of a 'Presidents Award' given for our receiving 11 consecutive years of Gold Medals, an achievement normally reserved for large PLC's. The wellbeing and safety of our employees and subcontractors is at the forefront of everything we do, and we continuously strive to improve upon our exacting and industry leading standards.

Principal risks and uncertainties

Operationally, the principal risk in a contracting business is ensuring that the service is delivered on time, within budget and meets the contracted quality standards. In mitigating this risk the Company's subsidiaries employ experienced and competent individuals who manage the risk through the application of industry standard methodologies.

At present the Company has had no material transactional currency exposure arising from sales and purchases with suppliers and customers in foreign currencies.

By order of the board



DN Hayle
Director

29 May 2015

Statement of director's responsibilities in respect of the director's report, the strategic report and the financial statements

The director is responsible for preparing the Director's Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

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

Under company law the director must not approve the financial statements unless he is 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 director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Grayton Engineering Limited

We have audited the financial statements of Grayton Engineering Limited for the year ended 31 December 2014 set out on pages 5 to 13. 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 director and auditor

As explained more fully in the Director's Responsibilities Statement set out on page 3, the director is 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 2014 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 Director's and Strategic Reports for the financial period 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Wayne Cox

Wayne Cox (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Dated: 29 May 2015

Profit and loss account
for the year ended 31 December 2014

	<i>Note</i>	Year to 31 December 2014 £000	15 months to 31 December 2013 £000
Turnover	2	13,000	9,704
Raw materials and consumables		(2,108)	(1,614)
Other external charges		(4,504)	(3,464)
Staff costs	3	(5,509)	(4,589)
Depreciation		(14)	(23)
Operating profit	4	865	14
Profit on disposal of fixed assets		-	4
Profit on ordinary activities before taxation		865	18
Tax on profit on ordinary activities	5	23	30
Profit on ordinary activities after taxation	12	888	48

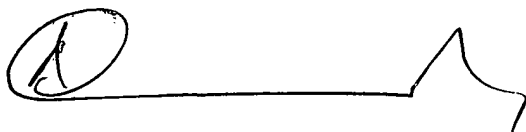
There were no recognised gains or losses in either the current or preceding period other than those disclosed in the profit and loss account.

In both the current and preceding period, the company made no material acquisitions and had no discontinued operations.

Balance sheet
as at 31 December 2014

	<i>Note</i>	2014 £000	£000	2013 £000	£000
Fixed assets					
Tangible assets	7		23		37
Current assets					
Debtors	8	2,590		2,162	
Cash at bank and in hand		1,980		356	
		<u>4,570</u>		<u>2,518</u>	
Creditors: amounts falling due within one year	9	<u>(3,245)</u>		<u>(2,095)</u>	
Net current assets			<u>1,325</u>		<u>423</u>
Net assets			<u>1,348</u>		<u>460</u>
Capital and reserves					
Called up share capital	11		14		14
Profit and loss account	12		1,334		446
			<u>1,348</u>		<u>460</u>
Shareholders' funds	13		<u>1,348</u>		<u>460</u>

The financial statements were approved by the director on 29 May 2015.



DN Hayle
Director

Company number : 02730358

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 under the historical cost convention and in accordance with applicable accounting standards.

Under 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.

Going concern

The group business activities, together with the factors likely to affect its future development, performance and position are set out in the business review section of the Strategic report.

At 31 December 2014, £0.25 million is outstanding under the group's term loan facilities. The carrying value of loan notes issued by the group as at 31 December 2014 is £16.6 million, the majority of which are held by Lloyds Development Capital.

For the purposes of the financial statements the directors have prepared profit and cash flow forecasts for the group for a period in excess of 12 months from the date of signing these financial statements. The forecasts show generation of operating profits, cash flow available to finance deferred consideration on acquisitions, settle loan repayments and interest due, and headroom within the facilities.

The directors have forecast cash flows based on their knowledge of the business and consider that they have done so on a prudent basis. However they are cognisant of the possibility of adverse variances arising in relation to their forecasts. Accordingly, they have held discussions with the equity and loan note funders who have indicated their ongoing support for the group.

On this basis, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern assumption in preparing the financial statements.

Turnover

Turnover represents the value of work executed during the period, excluding value added tax.

Profit on long-term contracts is taken as the work is carried out where the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when discussions are at an advanced stage and the directors are confident of recovery. Full provision is made for foreseen losses on all contracts.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	3 years
Fixtures and fittings	3 years
Motor vehicles	25% reducing balance

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

2 Turnover

The whole of the turnover is attributable to the principal activity. All turnover arose within the United Kingdom.

3 Staff costs

	Year to 31 Dec 14 £000	15 months to 31 Dec 13 £000
<i>Staff costs, including director's remuneration, were as follows:</i>		
Wages and salaries	4,933	4,077
Social security costs	510	449
Other pension costs	66	63
	5,509	4,589
	5,509	4,589

	Year to 31 Dec 14 Number	15 months to 31 Dec 13 Number
<i>The average number of employees, including directors, during the period was as follows:</i>		
Production	91	78
Administration	3	3
	94	81
	94	81

The directors received no remuneration from the company during the current period or the prior year, they were remunerated by other group companies.

Notes (continued)

4 Operating profit

	Year to 31 Dec 14 £000	15 months to 31 Dec 13 £000
<i>This is stated after charging/(crediting):</i>		
Depreciation - owned assets	14	23
Operating lease rentals – plant and machinery	17	16
 <i>Auditor's remuneration:</i>		
Audit of these financial statements	4	6
	4	6

5 Taxation

Analysis of tax charge in the period

	Year to 31 Dec 14 £000	15 months to 31 Dec 13 £000
<i>Current tax:</i>		
UK corporation tax charge on profit for the period	-	-
Adjustment in respect of prior periods	(7)	(35)
	(7)	(35)
Total current tax	(7)	(35)
 <i>Deferred tax:</i>		
Origination and reversal of timing differences	(5)	4
Effect of tax rate changes on opening balance	-	1
Adjustment in respect of prior periods	(11)	-
	(16)	5
Total deferred tax	(16)	5
	(23)	(30)

Factors affecting tax charge for the period

The tax assessed for the period is lower (2013: lower) than the standard rate of corporation tax in the UK of 21.49% (2013: 23.4%). The differences are explained below:

	Year to 31 Dec 14 £000	15 months to 31 Dec 13 £000
Profit on ordinary activities before taxation	865	18
	865	18
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK	186	4
 <i>Effects of:</i>		
Fixed asset differences	2	-
Expenses not deductible for tax purposes	-	2
Capital allowances for period less than/(in excess of) depreciation	5	(5)
Group relief	(193)	(1)
Adjustment in respect of prior periods	(7)	(35)
	(7)	(35)

Notes (continued)

5 Taxation (continued)

Factors that may affect future tax charges

The 2013 budget announced that the UK corporation tax rate will reduce to 21% from 1 April 2014 and to 20% from 1 April 2015. These reductions were substantively enacted on 2 July 2013. As such the deferred tax liability at 31 December 2014 is calculated at a rate of 20%. This reduction will also result in a reduction in future corporation tax charges.

6 Dividends

	Year to 31 Dec 14 £000	15 months to 31 Dec 13 £000
Interim dividends paid in respect of the current period	-	-
	-	-

7 Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<i>Cost:</i>				
At 1 January 2014	289	163	39	491
Additions	-	-	-	-
Disposals	-	-	-	-
	289	163	39	491
At 31 December 2014	289	163	39	491
<i>Accumulated depreciation:</i>				
At 1 January 2014	267	155	32	454
Charge for the period	8	4	2	14
Disposals	-	-	-	-
	275	159	34	468
At 31 December 2014	275	159	34	468
<i>Net book value:</i>				
At 31 December 2014	14	4	5	23
	14	4	5	23
At 31 December 2013	22	8	7	37
	22	8	7	37

Notes (continued)

8 Debtors

	2014 £000	2013 £000
Trade debtors	1,976	1,208
Amounts recoverable on contracts	534	870
Amounts owed by group undertakings	56	54
Other debtors	1	21
Prepayments	5	7
	2,572	2,160
Deferred tax asset (note 10)	18	2
	2,590	2,162

9 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	337	516
Amounts owed to group undertakings	1,694	667
Amounts invoiced in advance	38	121
Social security and other taxes	110	126
VAT	347	145
Other creditors	133	86
Accruals and deferred income	586	434
	3,245	2,095
	3,245	2,095

10 Deferred taxation

	2014 £000	2013 £000
Opening balance	(2)	(7)
Profit and loss account	(16)	5
	(18)	(2)
Closing balance	(18)	(2)

The deferred taxation balance is made up as follows:

	2014 £000	2013 £000
Difference between accumulated depreciation and capital allowances	(18)	(2)

Notes (continued)

11 Share capital

	2014 £000	2013 £000
<i>Allotted, called up and fully paid:</i>		
14,004 Ordinary shares of £1 each	14	14
	14	14

12 Reserves

		Profit and loss account £000
Opening balance		446
Profit for the period		888
At 31 December 2014		1,334

13 Reconciliation of movement in shareholders' funds

	2014 £000	2013 £000
Profit for the period	888	48
Dividends	-	-
	888	48
Net movement in shareholders' funds	888	48
Opening shareholders' funds	460	412
	1,348	460

14 Contingent liabilities

The company is party to a composite company unlimited multilateral guarantee in respect of the term loans and bank overdraft facilities of The Power Industrial Group Limited and its subsidiaries. As at 31 December 2014 the net debt outstanding was £0.25 million (2013: £0.95 million).

15 Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £66,000 (2013: £63,000). Contributions totalling £nil (2013: £nil) were payable to the fund at the balance sheet date.

Notes *(continued)*

16 Operating lease commitments

At 31 December 2014, the company had annual commitments under non-cancellable operating leases as follows:

Other	2014	2013
	£000	£000
<i>Expiry date:</i>		
Within one year	13	-
Between two and five years	-	16
	<hr/>	<hr/>

17 Related party transactions

The company has taken advantage of the exemption contained within FRS 8 not to disclose details of any transactions between itself and its fellow group undertakings on the basis that it is a 100% subsidiary undertaking and consolidated financial statements are publicly available.

18 Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking is The Power Industrial Group Limited by virtue of its 100% ownership of ordinary share capital. Copies of the consolidated financial statements of PJD Group Limited are available from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

In the opinion of the directors of the company there is no ultimate controlling party.