

Company Registration No. 01164808 (England and Wales)

HEATHYARDS ENGINEERING CO LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

HEATHYARDS ENGINEERING CO LIMITED

COMPANY INFORMATION

Directors	Mr D B W Nash Mr C A Nash Mr A D Nash
Secretary	L M Nash
Company number	01164808
Registered office	31/32 Industrial House Maybrook Road Walsall West Midlands United Kingdom WS8 7DG
Auditor	Azets First Floor International House 20 Hatherton Street Walsall West Midlands United Kingdom WS4 2LA

HEATHYARDS ENGINEERING CO LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2
Directors' responsibilities statement	3
Independent auditor's report	4 - 7
Profit and loss account	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 24

HEATHYARDS ENGINEERING CO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report for the year ended 31 March 2021.

Fair review of the business

The company has successfully traded through a difficult and uncertain year due to the pandemic and Brexit. The Directors are pleased with the overall performance and profitability during this period taking into account the external factors that have impacted the economy. The Directors continue with their strategy for future development and growth with company performance being maintained into the following year.

Principal risks and uncertainties

Management continually monitor the key risks facing the company together with assessing the controls for managing these risks. The Board of Directors formally review and document the principal risks facing the business at least annually.

The principal risks and uncertainties are as follows:

- Continued downturn in the oil and gas industry affecting customers' liquidity;
- Uncertainty of Brexit and its repercussions for UK manufacturing and export;
- Decline and decommissioning of the UK coal fired power stations;
- Continuing Coronavirus pandemic;
- Shortage of skilled labour.

Key performance indicators

Progress on strategic objectives is monitored by the Board of Directors by reference to the following key performance indicators:

- Turnover decreased from £10.78m to £9.82m during the year, an decrease of 8.91% (2020 - 30.36% increase)
- Gross profit decreased as a result from £2.85m to £2.46m giving a profit margin of 25.01% (2020 - 26.43%)
- Profit before tax of £0.6m (2020 - £0.7m)

On behalf of the board

Mr D B W Nash

Director

19 November 2021

HEATHYARDS ENGINEERING CO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of the company continued to be that of tubular fabrication.

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £439,000. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D B W Nash

Mr C A Nash

Mr A D Nash

Post reporting date events

The Directors have taken all necessary steps to protect the company during the ongoing pandemic and are of the opinion that the company can meet its obligations as they fall due for a period of at least 12 months following the approval of these financial statements.

Auditor

In accordance with the company's articles, a resolution proposing that Azets, formerly Baldwins Audit Services, be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr D B W Nash

Director

19 November 2021

HEATHYARDS ENGINEERING CO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

The directors are responsible for preparing the annual 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 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 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 judgements and accounting estimates that are reasonable and prudent;
- 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.

HEATHYARDS ENGINEERING CO LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF HEATHYARDS ENGINEERING CO LIMITED

Opinion

We have audited the financial statements of Heathyards Engineering Co Limited (the 'company') for the year ended 31 March 2021 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

HEATHYARDS ENGINEERING CO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF HEATHYARDS ENGINEERING CO LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

HEATHYARDS ENGINEERING CO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF HEATHYARDS ENGINEERING CO LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

HEATHYARDS ENGINEERING CO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF HEATHYARDS ENGINEERING CO LIMITED

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

John Hegney FCCA (Senior Statutory Auditor)
For and on behalf of Azets

19 November 2021

Chartered Accountants
Statutory Auditor

First Floor
International House
20 Hatherton Street
Walsall
West Midlands
United Kingdom
WS4 2LA

HEATHYARDS ENGINEERING CO LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	3	9,821,467	10,782,591
Cost of sales		(7,364,847)	(7,932,706)
Gross profit		<u>2,456,620</u>	<u>2,849,885</u>
Distribution costs		(105,331)	(159,372)
Administrative expenses		(1,795,069)	(1,986,982)
Other operating income		40,022	-
Operating profit	4	<u>596,242</u>	<u>703,531</u>
Interest receivable and similar income	8	491	575
Interest payable and similar expenses	9	(10,253)	(7,045)
Profit before taxation		<u>586,480</u>	<u>697,061</u>
Tax on profit	10	68,156	(100,701)
Profit for the financial year		<u><u>654,636</u></u>	<u><u>596,360</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

HEATHYARDS ENGINEERING CO LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	£	£
Profit for the year	654,636	596,360
Other comprehensive income	-	-
Total comprehensive income for the year	<u>654,636</u>	<u>596,360</u>

HEATHYARDS ENGINEERING CO LIMITED

BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Tangible assets	12		852,495		730,136
Current assets					
Stocks	13	406,296		628,073	
Debtors	14	5,688,293		5,469,620	
Cash at bank and in hand		1,172,787		989,480	
		<u>7,267,376</u>		<u>7,087,173</u>	
Creditors: amounts falling due within one year	15	<u>(4,658,444)</u>		<u>(4,573,739)</u>	
Net current assets			2,608,932		2,513,434
Total assets less current liabilities			<u>3,461,427</u>		<u>3,243,570</u>
Creditors: amounts falling due after more than one year	16		(201,414)		(223,735)
Provisions for liabilities					
Deferred tax liability	18	156,259		131,717	
		<u>(156,259)</u>		<u>(131,717)</u>	
Net assets			<u>3,103,754</u>		<u>2,888,118</u>
Capital and reserves					
Called up share capital	20		1,000		1,000
Profit and loss reserves			3,102,754		2,887,118
Total equity			<u>3,103,754</u>		<u>2,888,118</u>

The financial statements were approved by the board of directors and authorised for issue on 19 November 2021 and are signed on its behalf by:

Mr D B W Nash
Director

Company Registration No. 01164808

HEATHYARDS ENGINEERING CO LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Share capital	Profit and loss reserves	Total
Notes	£	£	£
Balance at 1 April 2019	1,000	2,462,758	2,463,758
Year ended 31 March 2020:			
Profit and total comprehensive income for the year	-	596,360	596,360
Dividends	11	(172,000)	(172,000)
Balance at 31 March 2020	1,000	2,887,118	2,888,118
Year ended 31 March 2021:			
Profit and total comprehensive income for the year	-	654,636	654,636
Dividends	11	(439,000)	(439,000)
Balance at 31 March 2021	1,000	3,102,754	3,103,754

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Heathyards Engineering Co Limited is a private company limited by shares incorporated in England and Wales. The registered office is 31/32 Industrial House, Maybrook Road, Walsall, West Midlands, United Kingdom, WS8 7DG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of European Industrial Group Limited. These consolidated financial statements may be obtained from Companies House.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of tubular fabrications is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies **(Continued)**

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Plant and equipment	20% per annum reducing balance or straight line
Fixtures and fittings	20% per annum reducing balance or straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stock and short term work in progress

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Long term contracts

Where the outcome of a long term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a long term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

1.9 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash at bank.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Revenue recognition and long term contracts

The value of revenue recognised in the year is based on management's judgement as to the stage of completion of contracts in progress at the year end based on total contract costs to date as a proportion of estimated total costs to complete the contract.

Work in progress provisioning

The company considers it necessary to evaluate the recoverability of the cost of stock and work in progress and the associated provisioning required. When calculating the work in progress provision, management considers the nature and condition of the work in progress, as well as applying assumptions around anticipated net realisable value.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Tubular fabrication	9,821,467	10,782,591
	<u> </u>	<u> </u>
	2021	2020
	£	£
Other significant revenue		
Interest income	491	575
Grants received	40,022	-
	<u> </u>	<u> </u>

4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(40,022)	-
Depreciation of owned tangible fixed assets	152,744	114,026
Depreciation of tangible fixed assets held under finance leases	89,463	53,175
Operating lease charges	307,981	309,040
	<u> </u>	<u> </u>

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	9,500	9,000

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021	2020
	Number	Number
Employees	80	68

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	2,358,133	2,184,141
Social security costs	229,023	212,433
Pension costs	160,803	359,247
	<u>2,747,959</u>	<u>2,755,821</u>

7 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	41,674	40,651
Company pension contributions to defined contribution schemes	80,000	211,200
	<u>121,674</u>	<u>251,851</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 2).

8 Interest receivable and similar income

	2021	2020
	£	£
Interest income		
Other interest income	491	575

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

9	Interest payable and similar expenses	2021	2020
		£	£
	Interest on invoice finance arrangements	411	1,361
	Interest on finance leases and hire purchase contracts	9,842	5,644
	Other interest	-	40
		<u>10,253</u>	<u>7,045</u>
		<u><u>10,253</u></u>	<u><u>7,045</u></u>
10	Taxation	2021	2020
		£	£
Current tax			
	UK corporation tax on profits for the current period	87,354	75,671
	Adjustments in respect of prior periods	(180,052)	(40,724)
	Total current tax	<u>(92,698)</u>	<u>34,947</u>
		<u><u>(92,698)</u></u>	<u><u>34,947</u></u>
Deferred tax			
	Origination and reversal of timing differences	24,542	57,994
	Changes in tax rates	-	7,760
	Total deferred tax	<u>24,542</u>	<u>65,754</u>
		<u><u>24,542</u></u>	<u><u>65,754</u></u>
	Total tax (credit)/charge	<u>(68,156)</u>	<u>100,701</u>
		<u><u>(68,156)</u></u>	<u><u>100,701</u></u>

The actual (credit)/charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021	2020
	£	£
Profit before taxation	<u>586,480</u>	<u>697,061</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	111,431	132,442
Tax effect of expenses that are not deductible in determining taxable profit	144	822
Depreciation on assets not qualifying for tax allowances	321	401
Research and development tax credit	(180,052)	(40,724)
Deferred tax adjustments in respect of prior years	-	7,760
Taxation (credit)/charge for the year	<u>(68,156)</u>	<u>100,701</u>
	<u><u>(68,156)</u></u>	<u><u>100,701</u></u>

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

11 Dividends

	2021 £	2020 £
Interim paid	439,000	172,000

12 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Total £
Cost			
At 1 April 2020	1,802,493	264,732	2,067,225
Additions	351,573	12,993	364,566
At 31 March 2021	2,154,066	277,725	2,431,791
Depreciation and impairment			
At 1 April 2020	1,126,196	210,893	1,337,089
Depreciation charged in the year	227,908	14,299	242,207
At 31 March 2021	1,354,104	225,192	1,579,296
Carrying amount			
At 31 March 2021	799,962	52,533	852,495
At 31 March 2020	676,297	53,839	730,136

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2021 £	2020 £
Plant and equipment	300,775	301,325

13 Stocks

	2021 £	2020 £
Raw materials and consumables	335,338	337,499
Work in progress	70,958	290,574
	406,296	628,073

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

14 Debtors		2021	2020
Amounts falling due within one year:		£	£
Trade debtors		1,865,621	2,924,765
Gross amounts owed by contract customers		187,814	813,464
Amounts owed by group undertakings		1,738,404	1,509,761
Other debtors		1,740,801	121,139
Prepayments and accrued income		155,653	100,491
		<u>5,688,293</u>	<u>5,469,620</u>

15 Creditors: amounts falling due within one year		2021	2020
	Notes	£	£
Obligations under finance leases	17	89,224	67,121
Trade creditors		1,350,639	1,504,290
Gross amounts owed to contract customers		332,869	-
Amounts owed to group undertakings		2,738,390	2,814,956
Corporation tax		54,078	71,219
Other taxation and social security		53,728	61,499
Other creditors		222	10,162
Accruals and deferred income		39,294	44,492
		<u>4,658,444</u>	<u>4,573,739</u>

16 Creditors: amounts falling due after more than one year		2021	2020
	Notes	£	£
Obligations under finance leases	17	201,414	223,735
		<u>201,414</u>	<u>223,735</u>

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

17 Finance lease obligations

	2021	2020
	£	£
Future minimum lease payments due under finance leases:		
Within one year	99,749	75,587
In two to five years	225,356	251,958
	<u>325,105</u>	<u>327,545</u>
Less: future finance charges	(34,467)	(36,689)
	<u><u>290,638</u></u>	<u><u>290,856</u></u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021	Liabilities 2020
	£	£
Balances:		
Accelerated capital allowances	156,259	131,717
	<u><u>156,259</u></u>	<u><u>131,717</u></u>
Movements in the year:		2021
		£
Liability at 1 April 2020		131,717
Charge to profit or loss		24,542
		<u>156,259</u>
Liability at 31 March 2021		<u><u>156,259</u></u>

£31,340 of the deferred tax liability above is expected to reverse within the next year.

19 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	160,803	359,247
	<u><u>160,803</u></u>	<u><u>359,247</u></u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

HEATHYARDS ENGINEERING CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

20 Share capital

	2021	2020	2021	2020
Ordinary share capital Issued and fully paid	Number	Number	£	£
Ordinary of £1 each	1,000	1,000	1,000	1,000

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	199,250	199,250
Between two and five years	713,315	797,000
	<u>912,565</u>	<u>996,250</u>

22 Capital commitments

The company was committed to capital expenditure totalling £550,000 at the year end representing investment in various items of plant and equipment.

23 Events after the reporting date

The Directors have taken all necessary steps to protect the company during the ongoing pandemic and are of the opinion that the company can meet its obligations as they fall due for a period of at least 12 months following the approval of these financial statements.

24 Related party transactions

In accordance with FRS102 section 33, transactions with fellow group undertakings are not disclosed as the Company is a wholly owned subsidiary.

25 Ultimate controlling party

The Company's ultimate parent Company is European Industrial Group Limited, a Company incorporated in England and Wales.

The ultimate controlling party is D B W Nash by virtue of his majority shareholding in the ultimate parent Company, European Industrial Group Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.