

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2020
for
Harpers Environmental Limited

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for the Year Ended 31 March 2020

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Harpers Environmental Limited

Company Information
for the Year Ended 31 March 2020

DIRECTORS:

Mr N H Harper
Mrs J K Harper
Mr N El-Hindy
Mrs N A H El-Hindy
Mrs C E Marlow
Mr G MacKay

REGISTERED OFFICE:

Cleveland
Carr Lane
Sutton On The Forest
York
YO61 1EY

REGISTERED NUMBER:

01866895 (England and Wales)

AUDITORS:

Richard Smedley Limited
Chartered Accountants & Registered Auditors
2nd Floor, Woodside House
261 Low Lane
Horsforth
Leeds
West Yorkshire
LS18 5NY

Strategic Report
for the Year Ended 31 March 2020

The directors present their strategic report for the year ended 31 March 2020.

REVIEW OF BUSINESS

The operating loss for the year was £1.690m (2019: operating profit of £0.393m). The under-performance in the year predominantly related to the company's decommissioning division, where the business was successful in securing a high number of projects, however several projects were scheduled in parallel and involved material variations to project scopes, resulting in exceptional operational challenges for the business. These factors resulted in significant unplanned expenditure on, for example, subcontractors and hire equipment. The company has since conducted a thorough review of the issues encountered in the year and has implemented extensive improvements to its controls and procedures, in areas including operational scheduling, resource utilisation, hire management and sales forecasting. These improvements have been reflected in the robust and improved trading performance of the business post the financial year end.

In the period falling across the financial year end the company completed a refinancing and investment project which provided multiple improvements to the company's funding structure. This project encompassed a refinance of the company's primary working capital facility with IGF, a refinance of a legacy asset finance loan, a significant credit investment by Northern Powerhouse Investment Funds, and investment by the shareholders and the senior management team. The fact that this project was successfully completed against the backdrop of the emerging COVID-19 pandemic is testament to the strength of the business and its longstanding history.

Completion of the refinancing ensured that the company commenced the new financial year with a robust balance sheet including additional cash headroom.

COVID-19

The COVID-19 pandemic emerged as a UK-wide challenge during the final quarter of the year ended 31 March 2020. The first national lockdown commenced during March 2020 with some immediate impact on the trading environment.

The company is a provider of essential services to clients operating in a range of critical industries including utilities, food processing and infrastructure. As such, the company has continued to operate throughout the COVID-19 pandemic, though economic activity has been suppressed due to the pandemic and the resultant Government-imposed restrictions.

In the early stages of the pandemic the company moved quickly to take mitigating action, including acceleration of the remedial actions identified from its review of the decommissioning division. The company has continued to react quickly to the fluid trading environment created by the pandemic and has made use of Government support measures, including the CJRS, where applicable.

The company's priority is the health and safety of its staff and of client personnel. As such, in addition to trading and operational improvements, the company has introduced a wide range of measures to minimise COVID-related risk and to ensure compliance with the evolving guidance and regulations. The company and its personnel are accustomed to working in hazardous environments and have been able to utilise this experience throughout the pandemic.

Notwithstanding the impact of the COVID-19 pandemic, the company has traded robustly post the financial year end due to the positive impact of the initiatives implemented, and the directors therefore expect to report a materially improved financial performance for the year ended 31 March 2021.

Strategic Report
for the Year Ended 31 March 2020

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company are:

Competitive risk:

The company differentiates itself from its competition with a particular focus on quality of service including senior management involvement as required. The directors are focused on recruiting high calibre personnel to best position the company in its markets. The company has a broad and longstanding client base with no material single client concentration. The industry exhibits generally high barriers to entry given the high standards of compliance, training and accreditation required to operate, as well as the significant capital cost of plant and vehicles.

Exposure to credit risk:

Credit risk is closely managed by the directors. Initial and ongoing credit limits are regularly reviewed. The company has a well-diversified client base and rarely has a significant exposure to any single debtor. Furthermore, the company invests in credit insurance and works closely with its insurers to manage any atypically large or overdue exposure.

Liquidity risk:

Cash is managed closely and prudently, including daily reviews of actual and projected receipts and payments. The company has implemented significantly improved cash flow forecasting tools providing enhanced visibility and management information. The company is focused on maintaining a minimum level of cash headroom in order to manage intra-month working capital movements and to provide general contingency.

Summary outlook:

As summarised above, following the relative under-performance in the year ended 31 March 2020, and notwithstanding the challenging trading environment created by the COVID-19 pandemic, the company has performed robustly in the period post the financial year end as a result of the remedial and mitigating actions implemented by the senior management team. The company has continued to invest selectively in new plant and vehicles to expand capacity and enhance its offering to clients.

The company has supportive shareholders and financing partners that are highly experienced in working with SMEs. The directors are positive as to the prospects for the company, both with reference to the company's pipeline of identified opportunities, and with an expectation that the UK trading environment will improve generally as lockdown restrictions are lifted during 2021. Specifically, the directors are confident that the company has adequate resources to continue in operational existence for the foreseeable future.

ON BEHALF OF THE BOARD:

Mr N H Harper - Director

9 March 2021

Report of the Directors
for the Year Ended 31 March 2020

The directors present their report with the financial statements of the company for the year ended 31 March 2020.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of industrial services and waste management.

DIVIDENDS

There were no dividends paid during the year. The directors recommend that no final dividend be paid on the shares.

FUTURE DEVELOPMENTS

The directors remain optimistic about the future for the company. The business has developed improved pipeline management tools providing greater visibility of both near-term and longer-term prospects, and the business has specific strategies in place to expand its total identified opportunities. The directors also continue to seek opportunities to expand the company's offering to clients, including through new products, technologies and supplier partnerships. In addition to organic growth the directors will consider acquisition opportunities where there is a strategic fit, for example with respect to geography or technical offering.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2019 to the date of this report.

Mr N H Harper
Mrs J K Harper
Mr N El-Hindy
Mrs N A H El-Hindy
Mrs C E Marlow

Other changes in directors holding office are as follows:

Mr M B Bristow - resigned 18 July 2019
Mr G MacKay - appointed 13 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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.

Report of the Directors
for the Year Ended 31 March 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

ON BEHALF OF THE BOARD:

Mr N H Harper - Director

9 March 2021

Report of the Independent Auditors to the Members of Harpers Environmental Limited

Opinion

We have audited the financial statements of Harpers Environmental Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of Income and Retained Earnings, Balance Sheet, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Report of the Independent Auditors to the Members of Harpers Environmental Limited

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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 or the Report of the Directors.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages four and five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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.

Auditors' 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 a Report of the Auditors 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 for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**Report of the Independent Auditors to the Members of
Harpers Environmental Limited**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Smedley (Senior Statutory Auditor)
for and on behalf of Richard Smedley Limited
Chartered Accountants & Registered Auditors
2nd Floor, Woodside House
261 Low Lane
Horsforth
Leeds
West Yorkshire
LS18 5NY

9 March 2021

Harpers Environmental Limited (Registered number: 01866895)**Statement of Income and Retained Earnings**
for the Year Ended 31 March 2020

	Notes	31.3.20 £	31.3.19 £
TURNOVER		9,706,697	11,284,807
Cost of sales		<u>7,988,673</u>	<u>8,011,618</u>
GROSS PROFIT		1,718,024	3,273,189
Administrative expenses		<u>3,408,427</u> (1,690,403)	<u>2,883,460</u> 389,729
Other operating income		<u>-</u>	<u>3,041</u>
OPERATING (LOSS)/PROFIT	4	(1,690,403)	392,770
Interest receivable and similar income		<u>447</u> (1,689,956)	<u>402</u> 393,172
Interest payable and similar expenses	6	<u>192,125</u> (1,882,081)	<u>114,861</u> 278,311
Tax on (loss)/profit	7	<u>(462,048)</u>	<u>(287,498)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(1,420,033)	565,809
Retained earnings at beginning of year		2,246,075	1,759,626
Dividends	8	-	(79,360)
RETAINED EARNINGS AT END OF YEAR		<u>826,042</u>	<u>2,246,075</u>

The notes form part of these financial statements

Harpers Environmental Limited (Registered number: 01866895)**Balance Sheet**
31 March 2020

	Notes	31.3.20 £	£	31.3.19 £	£
FIXED ASSETS					
Tangible assets	9		3,092,349		3,506,852
CURRENT ASSETS					
Stocks	10	199,955		311,910	
Debtors	11	2,396,987		2,803,501	
Cash at bank and in hand		<u>633,852</u>		<u>255,754</u>	
		3,230,794		3,371,165	
CREDITORS					
Amounts falling due within one year	12	<u>3,604,786</u>		<u>3,290,773</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(373,992)</u>		<u>80,392</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,718,357		3,587,244
CREDITORS					
Amounts falling due after more than one year	13		(1,753,309)		(1,126,675)
PROVISIONS FOR LIABILITIES	17		-		(88,857)
NET ASSETS			<u>965,048</u>		<u>2,371,712</u>
CAPITAL AND RESERVES					
Called up share capital	18		75,719		75,719
Share premium	19		49,918		49,918
Non-distributable reserve	19		13,369		-
Retained earnings	19		<u>826,042</u>		<u>2,246,075</u>
SHAREHOLDERS' FUNDS			<u>965,048</u>		<u>2,371,712</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9 March 2021 and were signed on its behalf by:

Mr N H Harper - Director

The notes form part of these financial statements

Harpers Environmental Limited (Registered number: 01866895)**Cash Flow Statement
for the Year Ended 31 March 2020**

	Notes	31.3.20 £	31.3.19 £
Cash flows from operating activities			
Cash generated from operations	1	(27,300)	992,903
Interest paid		(26,271)	(28,827)
Interest element of hire purchase payments paid		(165,854)	(86,034)
Tax paid		110,905	22,703
Net cash from operating activities		<u>(108,520)</u>	<u>900,745</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(317,261)	(798,305)
Sale of tangible fixed assets		41,335	155,203
Interest received		447	402
Net cash from investing activities		<u>(275,479)</u>	<u>(642,700)</u>
Cash flows from financing activities			
New hire purchase in year		151,300	224,120
New loans in year		1,393,442	-
Capital repayments in year		(642,094)	(570,973)
Amount introduced by directors		430,000	100,000
Amount withdrawn by directors		(583,920)	-
Share issue		13,369	-
Equity dividends paid		-	(79,360)
Net cash from financing activities		<u>762,097</u>	<u>(326,213)</u>
Increase/(decrease) in cash and cash equivalents		<u>378,098</u>	<u>(68,168)</u>
Cash and cash equivalents at beginning of year	2	<u>255,754</u>	<u>323,922</u>
Cash and cash equivalents at end of year	2	<u><u>633,852</u></u>	<u><u>255,754</u></u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the Year Ended 31 March 2020**

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	31.3.20	31.3.19
	£	£
(Loss)/profit before taxation	(1,882,081)	278,311
Depreciation charges	720,088	724,469
Profit on disposal of fixed assets	(27,058)	(16,477)
Finance costs	192,125	114,861
Finance income	(447)	(402)
	(997,373)	1,100,762
Decrease/(increase) in stocks	111,955	(18,389)
Decrease/(increase) in trade and other debtors	668,671	(197,145)
Increase in trade and other creditors	189,447	107,675
Cash generated from operations	(27,300)	992,903

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 March 2020

	31.3.20	1.4.19
	£	£
Cash and cash equivalents	633,852	255,754

Year ended 31 March 2019

	31.3.19	1.4.18
	£	£
Cash and cash equivalents	255,754	323,922

Notes to the Cash Flow Statement
for the Year Ended 31 March 2020

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.19 £	Cash flow £	At 31.3.20 £
Net cash			
Cash at bank and in hand	255,754	378,098	633,852
	<u>255,754</u>	<u>378,098</u>	<u>633,852</u>
Debt			
Finance leases	(1,763,066)	488,194	(1,274,872)
Debts falling due within 1 year	-	(241,174)	(241,174)
Debts falling due after 1 year	-	(1,152,269)	(1,152,269)
	<u>(1,763,066)</u>	<u>(905,249)</u>	<u>(2,668,315)</u>
Total	<u>(1,507,312)</u>	<u>(527,151)</u>	<u>(2,034,463)</u>

Notes to the Financial Statements
for the Year Ended 31 March 2020

1. STATUTORY INFORMATION

Harpers Environmental Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Sterling and are rounded to the nearest £.

Going concern

After reviewing the company's forecasts and projections, the directors are confident the company has adequate resources to continue in operational existence for the foreseeable future and with the support of its shareholders and lenders. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from the estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful lives and residual values are re-assessed annually and are amended when necessary to reflect current estimates. No such amendments were deemed necessary during the year ended 31 March 2020. See note 9 for the carrying amount of fixed assets, and note 2 for the useful economic lives for each class of asset.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is recognised at the point when the service has been performed and when the risks and rewards are transferred to the customer.

Contracts, which are not long term, are accounted for at the value of the work carried out each month.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	- 4% on cost
Plant and machinery	- 33.33% on cost, 25% on cost and 10% on cost
Fixtures and fittings	- 33.33% on cost, 20% on cost and 10% on cost
Motor vehicles	- 33.33% on cost, 25% on cost and Straight line over 15 years

No depreciation has been provided in respect of freehold property as the directors consider their residual value to be approximate to cost, such that any depreciation charge would not be material.

Stock and work in progress

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provisions are made for any foreseeable losses where appropriate.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Invoice financing

The invoice financing creditor represents amounts received in respect of financed debts. There is full recourse to the company for losses on debts, and so the financial debts continue to be recognised on the balance sheet. Interest and other charges relating to invoice financing are recognised in the profit and loss account over the relevant period.

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distribution relating to equity instruments are debited direct to equity.

3. EMPLOYEES AND DIRECTORS

	31.3.20	31.3.19
	£	£
Wages and salaries	3,466,040	3,626,833
Social security costs	312,149	317,204
Other pension costs	117,617	47,757
	<u>3,895,806</u>	<u>3,991,794</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

3. EMPLOYEES AND DIRECTORS - continued

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

	31.3.20	31.3.19
Operating staff	65	73
Administrative staff	34	33
	<u>99</u>	<u>106</u>

	31.3.20	31.3.19
	£	£
Directors' remuneration	179,547	96,289
Directors' pension contributions to money purchase schemes	<u>7,041</u>	<u>653</u>

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

Money purchase schemes	<u>2</u>	<u>1</u>
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4. OPERATING (LOSS)/PROFIT

The operating loss (2019 - operating profit) is stated after charging/(crediting):

	31.3.20	31.3.19
	£	£
Plant leasing charges	374,336	479,365
Other operating leases	46,959	46,979
Depreciation - owned assets	429,770	408,020
Depreciation - assets on hire purchase contracts	287,717	316,449
Profit on disposal of fixed assets	(27,058)	(16,477)
Other non audit services	19,950	22,926
Inventory recognised as an expense	<u>4,673,227</u>	<u>4,325,080</u>

5. AUDITORS' REMUNERATION

	31.3.20	31.3.19
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	<u>8,000</u>	<u>8,000</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.3.20	31.3.19
	£	£
Bank interest	26,271	28,827
Hire purchase	<u>165,854</u>	<u>86,034</u>
	<u>192,125</u>	<u>114,861</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

7. TAXATION

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	31.3.20	31.3.19
	£	£
Current tax:		
UK corporation tax	(373,191)	(110,890)
Deferred tax	(88,857)	(176,608)
Tax on (loss)/profit	<u>(462,048)</u>	<u>(287,498)</u>

UK corporation tax has been charged at 19% (2019 - 19%).

Reconciliation of total tax credit included in profit and loss

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

	31.3.20	31.3.19
	£	£
(Loss)/profit before tax	<u>(1,882,081)</u>	<u>278,311</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(357,595)	52,879
Effects of:		
Expenses not deductible for tax purposes	4,504	-
Income not taxable for tax purposes	5,226	-
Depreciation in excess of capital allowances	24,964	6,096
R&D tax credit	(373,047)	(215,852)
Surrender of tax losses for R&D tax credit refund	322,757	33,460
Adjustment in respect of prior periods	-	(3,073)
previous periods deferred tax		
Deferred taxation changes	(88,857)	(162,650)
utilised		
Amounts relating to changes in tax rates	-	<u>1,642</u>
Total tax credit	<u>(462,048)</u>	<u>(287,498)</u>

8. DIVIDENDS

	31.3.20	31.3.19
	£	£
Ordinary C shares of £1 each		
Interim	-	<u>79,360</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

9. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Plant and machinery £
COST			
At 1 April 2019	349,280	219,207	1,537,115
Additions	-	-	134,959
Disposals	-	-	-
At 31 March 2020	<u>349,280</u>	<u>219,207</u>	<u>1,672,074</u>
DEPRECIATION			
At 1 April 2019	-	102,453	987,423
Charge for year	-	11,722	185,840
Eliminated on disposal	-	-	-
At 31 March 2020	<u>-</u>	<u>114,175</u>	<u>1,173,263</u>
NET BOOK VALUE			
At 31 March 2020	<u>349,280</u>	<u>105,032</u>	<u>498,811</u>
At 31 March 2019	<u>349,280</u>	<u>116,754</u>	<u>549,692</u>
	Fixtures and fittings £	Motor vehicles £	Totals £
COST			
At 1 April 2019	381,859	6,194,446	8,681,907
Additions	26,184	156,118	317,261
Disposals	-	(254,566)	(254,566)
At 31 March 2020	<u>408,043</u>	<u>6,095,998</u>	<u>8,744,602</u>
DEPRECIATION			
At 1 April 2019	267,643	3,817,536	5,175,055
Charge for year	33,007	486,918	717,487
Eliminated on disposal	-	(240,289)	(240,289)
At 31 March 2020	<u>300,650</u>	<u>4,064,165</u>	<u>5,652,253</u>
NET BOOK VALUE			
At 31 March 2020	<u>107,393</u>	<u>2,031,833</u>	<u>3,092,349</u>
At 31 March 2019	<u>114,216</u>	<u>2,376,910</u>	<u>3,506,852</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

9. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 April 2019	469,356	2,614,920	3,084,276
Additions	55,000	78,000	133,000
At 31 March 2020	524,356	2,692,920	3,217,276
DEPRECIATION			
At 1 April 2019	204,987	850,316	1,055,303
Charge for year	67,903	219,814	287,717
At 31 March 2020	272,890	1,070,130	1,343,020
NET BOOK VALUE			
At 31 March 2020	251,466	1,622,790	1,874,256
At 31 March 2019	264,369	1,764,604	2,028,973

10. STOCKS

	31.3.20 £	31.3.19 £
Stock and work in progress	199,955	311,910

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.20 £	31.3.19 £
Trade debtors	1,663,269	2,568,394
Other debtors	62,866	49,745
Tax	373,047	110,890
Prepayments and accrued income	297,805	74,472
	2,396,987	2,803,501

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.20	31.3.19
	£	£
Debentures (see note 14)	47,716	-
Other loans (see note 14)	193,458	-
Hire purchase contracts (see note 15)	673,832	636,391
Trade creditors	1,373,941	829,575
Tax	-	129
Social security and other taxes	169,067	111,419
VAT	161,571	249,668
Other creditors	19,761	60,267
Invoice discounting	704,373	979,537
Directors' current accounts	-	153,920
Accrued expenses	261,067	269,867
	<u>3,604,786</u>	<u>3,290,773</u>

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

	31.3.20	31.3.19
	£	£
Debentures (see note 14)	710,253	-
Other loans (see note 14)	442,016	-
Hire purchase contracts (see note 15)	601,040	1,126,675
	<u>1,753,309</u>	<u>1,126,675</u>

14. LOANS

An analysis of the maturity of loans is given below:

	31.3.20	31.3.19
	£	£
Amounts falling due within one year or on demand:		
Debentures	47,716	-
Other loans	193,458	-
	<u>241,174</u>	<u>-</u>
Amounts falling due between two and five years:		
Debentures - 2-5 years	209,823	-
Other loans - 2-5 years	442,016	-
	<u>651,839</u>	<u>-</u>

Amounts falling due in more than five years:

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

14. LOANS - continued

	31.3.20	31.3.19
	£	£
Amounts falling due in more than five years:		
Repayable by instalments		
Debentures more than 5yrs	<u>500,430</u>	<u>-</u>

15. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase	contracts
	31.3.20	31.3.19
	£	£
Net obligations repayable:		
Within one year	673,832	636,391
Between one and five years	<u>601,040</u>	<u>1,126,675</u>
	<u>1,274,872</u>	<u>1,763,066</u>
	Non-cancellable	operating
		leases
	31.3.20	31.3.19
	£	£
Within one year	134,912	174,674
Between one and five years	<u>213,626</u>	<u>331,431</u>
	<u>348,538</u>	<u>506,105</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

16. SECURED DEBTS

The following secured debts are included within creditors:

	31.3.20	31.3.19
	£	£
Debentures	757,969	-
Other loans	635,474	-
Hire purchase contracts	1,274,872	1,763,066
Invoice factoring account	704,373	979,537
	<u>3,372,688</u>	<u>2,742,603</u>

The banking indebtedness is secured by a debenture over the assets and undertakings of Harpers Environmental Limited and a charge over the land and buildings.

From 21 April 2020 there are fixed and floating charges over the company held by Nicholas Harper and Jonathan Marlow.

Hire purchase borrowings are secured against the assets to which they relate.

17. PROVISIONS FOR LIABILITIES

	31.3.20	31.3.19
	£	£
Deferred tax		
Accelerated capital allowances	-	(13,958)
Deferred tax	-	102,815
	<u>-</u>	<u>88,857</u>
		Deferred
		tax
		£
Balance at 1 April 2019		88,857
Movement in the period		(88,857)
Balance at 31 March 2020		<u>-</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number	Class	Nominal Value	31/3/2020	31/3/2019
34,839	Ordinary	£1	34,839	36,960
15,274	Ordinary B	£1	15,274	15,274
21,367	Ordinary C	£1	21,367	23,485
4,239	Ordinary G	£1	4,239	-
			<u>75,719</u>	<u>75,719</u>

19. RESERVES

	Retained earnings £	Share premium £	Non-distributable reserve £	Totals £
At 1 April 2019	2,246,075	49,918	-	2,295,993
Deficit for the year	(1,420,033)			(1,420,033)
Share options	-	-	13,369	13,369
At 31 March 2020	<u>826,042</u>	<u>49,918</u>	<u>13,369</u>	<u>889,329</u>

20. RELATED PARTY DISCLOSURES

Entities with control, joint control or significant influence over the entity

	31.3.20 £	31.3.19 £
Rents paid	16,959	16,959
Dividends paid	<u>-</u>	<u>79,360</u>

From 21 April 2020 there are fixed and floating charges over the company held by Nicholas Harper and Jonathan Marlow.

During the year, a total of key management personnel compensation of £ 186,563 (2019 - £ 238,362) was paid.

21. POST BALANCE SHEET EVENTS

The directors have taken into consideration the effects of COVID-19 on the company and they consider this to be a non-adjusting post balance sheet event.

22. ULTIMATE CONTROLLING PARTY

The company was under the control of N H Harper and J K Harper, two of the directors, throughout the current and previous year.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

23. SHARED BASED PAYMENT TRANSACTIONS

The Employee share option scheme was established in March 2020 to provide for the future obligations of the company for shares awarded under the EMI Scheme. Under the scheme, there are 13,369 shares in the company, all of which are under option to employees or have been conditionally gifted to them.

Shares in the company held by the Share Option scheme are deducted from equity and amounts can be seen in the 'Share Options' share reserve.

24. LOAN NOTES

The '£275,761 Secured Subordinated Fixed Rate Management Loan Notes 2026' were issued on 31 March 2020. Interest accrues on the principal amount of £275,761 at 3.0% per annum.

At 31 March 2020, loan notes of £231,518 had been issued, with the remaining £44,243 being received post year-end.

The '£526,451 Secured Subordinated Fixed Rate Founder Loan Notes 2026' were issued on 31 March 2020. Interest accrues on the principal amount of £526,451 at 3.0% per annum.

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