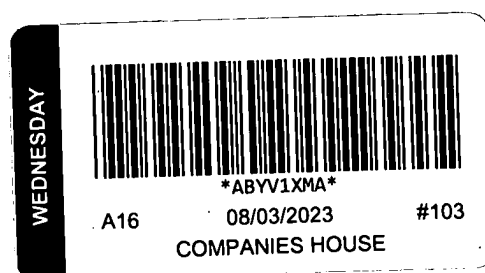


REGISTERED NUMBER: 05431685 (England and Wales)

Strategic Report
Report of the Directors and
Financial Statements
for the Year Ended 30th April 2022
for
Harlow Group Limited



Harlow Group Limited (Registered number: 05431685)

Contents of the Financial Statements
for the Year Ended 30th April 2022

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Harlow Group Limited

Company Information
for the Year Ended 30th April 2022

DIRECTORS:	D R Gordon-Smith I J Herbert J R Hogan
SECRETARY:	Mrs C Herbert
REGISTERED OFFICE:	Allen House Edinburgh Way Harlow Essex CM20 2HJ
REGISTERED NUMBER:	05431685 (England and Wales)
AUDITORS:	Henton & Co LLP Chartered Accountants & Statutory Auditors Stag House Old London Road Hertford Hertfordshire SG13 7LA

Strategic Report
for the Year Ended 30th April 2022

INTRODUCTION

This year saw the Company's turnover almost recover to pre pandemic levels and return to profitability following the impact of the global pandemic and global lockdowns and supply chain disruption.

Whilst the prior year was dominated by the impact of Covid 19, the lock downs and the effects on global productivity and demand; this year is dominated by the aftermath of the global pandemic and the long road ahead. Most notably the impact on the supplies of raw materials included significant inflation and scarcity of supply in some cases. Raw material inflation was discussed with all customers and main contracts have provisions to pass on significant cost rises. There has been a significant upturn from a low base in the aerospace sector with increased orders now forecast forward for 3 years on the multiple programs the Company is involved with. The Company has worked hard to maintain margins and work with the customers during these turbulent times.

In July 2020, the Company agreed to try and save Smith's, one of the leading jet engine component manufacturers in the UK. The Company funded the required working capital for Harlow Engineering Limited to take over elements of the Smith's trade but primarily its workforce. Unfortunately, the pandemic led recession in the commercial aerospace sector has been significantly worse than anyone could have foreseen. Harlow Engineering Limited went into administration on 3rd March 2022.

The Company has fully provided against all funds invested into the Harlow Engineering Limited.

Turnover was £7.8m compared with £6.3m in the previous year, the recovery reflecting the hard work by the teams to win new contracts as well as the start of the recovery in the aerospace sector.

The Company continues to have very strong trading relationships with its key customers with 90% of turnover derived from blue chip multinationals. The Company continues to invest significantly into its continuous improvement programs investigating new manufacturing approaches, techniques and implementing improvements to make products quicker, improve quality and reduce material and energy usage.

The Company has also developed relationships with new customers particularly in solar powered distribution and storage solutions, alternative town centre transportation options and national energy distribution systems and switch gear.

The main asset of the Company continues to be a highly capable, committed and loyal work force. The Company is committed to providing training both internally and externally to all staff in line with business need and continues to invest in the talent of the future via a graduate program and apprenticeship scheme. The Company continues to invest in systems and process to improve quality and comply with AS9100.

One of the key strengths of the Company is a flexible factory allowing the shop floor to be reshaped quickly and efficiently to accommodate new contracts and improvements to processes. The Company continues to explore automation and robotics to enhance the production facilities and continues to invest in plant and machinery.

FINANCIAL KEY PERFORMANCE INDICATORS

The Company monitors several key performance measures including productivity per labour hour worked, gross profit margin, on time delivery, quality, stock, creditor and debtor days, cash collection and performance to budget.

Performance to budget significantly improved and was back in line with expectations, on time delivery still needs improvement but is trending in the right direction and all other performance measures were within expectations for the year. The Company continues to focus on its key purpose of delivering quality products on time.

REVIEW OF BUSINESS

The principal activity of the Company was the manufacture and supply of sheet metal fabrications, machined parts and complex assemblies.

	2022	2021
Turnover increase/(decrease) on previous year	25%	(25%)
Gross profit margin	41%	26%

Strategic Report
for the Year Ended 30th April 2022

FINANCIAL KEY PERFORMANCE INDICATORS - continued

Operating profit as a percentage of turnover	7%	7%
Liquidity ratio	2.1	2.4
Debtor days	117	91

The Company continued to look for ways to make products more cost effectively via a continuous cost efficiency program.

All members of staff are involved in the product introduction meeting, research and development continues to focus on solving technical uncertainties surrounding production, manufacture and quality.

Staff turnover during the period remained low and the directors continually monitor and review health and safety issues.

FORECAST 2022/23

Forecasted projections for FY23 showed the Company growing position and returning to profitability with an order book around £8.5m. At the point of this report we can confirm that projections show the Company is on track for FY23 and has a forecast order book of £9.3m for FY24.

The pandemic has had a significant impact on the business with orders being delayed or pushed out. Very few orders have been cancelled. Whilst Aerospace was one of the hardest hit sectors, the ending of restrictions and the slow recovery to normality has seen a better than expected bounce back for the Aerospace sector. The Company continues to have significant contracts in the food distribution and supermarket sector as well as medical contracts for products such as steriliser tanks and medical equipment. The order book for calendar year 2023 and 2024 is strong and improvements to productivity and the mix of work means that the future is looking very good.

PRINCIPAL RISKS AND UNCERTAINTIES

With the continued uncertainties surrounding the UK's exit from the European Union and the group's reliance on imported steel, this continues to be of concern for the directors with specific focus being placed on the future trading position of the UK as a whole and exchange rate movements which may reduce the purchasing power of sterling.

The Company is geared to win and retain medium to long term work as opposed to spot ordering or quick turnaround work. The uncertainty means customers currently are not looking at long lead times and the Company has reacted by redesigning the factory to be able to switch quickly between contracts and demand with significant efficiencies built into production runs.

Coronavirus

At the date of this report, there is still great uncertainty as to the long-term impact that the Coronavirus pandemic will have on the global economy with reports of a global recession and inflation affecting everybody. However, the directors consider that the Company is sufficiently robust and that the Company is well placed to respond to the challenges ahead. The directors are continuously monitoring the Company's cost base and will take action wherever necessary in order to protect its stakeholders should the period of uncertainty continue for longer than expected.

Foreign currency risk

The Company's principal foreign currency exposures arise from trading with overseas companies and the Company has limited its exposure by invoicing its overseas customers in sterling wherever possible, although some exposure may still remain with regards to foreign currency costs. The Company policy permits but does not demand that these exposures be hedged in order to fix the cost in sterling.

Interest rate risk

The Company finances its operations primarily through cash reserves although both short and medium finance are also used. The Company's exposure to interest rate fluctuations is managed by the use of both fixed and floating rates.

Strategic Report
for the Year Ended 30th April 2022

PRINCIPAL RISKS AND UNCERTAINTIES - continued

Liquidity risk

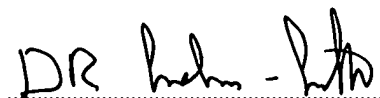
The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The directors consider that the cash reserves are sufficient to finance short to medium term operations with funding being provided by invoice factoring to aid cashflow.

Credit risk

The Company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have appropriate credit ratings. In order to manage credit risk on trade debtors the directors set limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Financial instruments are not entered into for speculative purposes.

ON BEHALF OF THE BOARD:



D R Gordon-Smith - Director

Date: 6 March 2023

Report of the Directors
for the Year Ended 30th April 2022

The directors present their report with the financial statements of the company for the year ended 30th April 2022.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of design and manufacture of high quality sheet metal fabrications and assemblies.

DIVIDENDS

No dividends will be distributed for the year ended 30th April 2022.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st May 2021 to the date of this report.

D R Gordon-Smith
I J Herbert
J R Hogan

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.

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Henton & Co LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


D R Gordon-Smith - Director

Date: 6 March 2023

Report of the Independent Auditors to the Members of
Harlow Group Limited

Opinion

We have audited the financial statements of Harlow Group Limited (the 'company') for the year ended 30th April 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and 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 30th April 2022 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 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

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 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 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 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.

Report of the Independent Auditors to the Members of
Harlow Group 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 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 page 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.

Report of the Independent Auditors to the Members of
Harlow Group Limited

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, and non-compliance with laws and regulations, our procedures included the following: enquiring of management concerning the company's policies with regards to identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; enquiring of management concerning the company's policies detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; enquiring of management concerning the company's policies in relation to the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; discussing among the engagement team where fraud might occur in the financial statements and any potential indicators of fraud; and obtaining an understanding of the legal and regulatory framework that the company operates in and focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act 2006, Financial Reporting Standard 102, applicable tax legislation and health and safety laws.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: enquiries of management and those charged with governance concerning compliance with such laws and regulations and any actual or potential litigation or claims; inspection of relevant legal correspondence; testing the appropriateness of journal entries; and the performance of analytical review to identify unexpected movements in account balances which may be indicative of fraud.

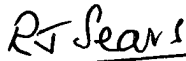
No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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
Harlow Group 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.



Ralph Sears (Senior Statutory Auditor)
for and on behalf of Henton & Co LLP
Chartered Accountants
& Statutory Auditors
Stag House
Old London Road
Hertford
Hertfordshire
SG13 7LA

Date: 7th MARCH 2023

Harlow Group Limited (Registered number: 05431685)

Statement of Comprehensive
Income
for the Year Ended 30th April 2022

	Notes	30.4.22 £	30.4.21 £
TURNOVER	3	7,843,042	6,280,006
Cost of sales		<u>4,654,985</u>	<u>4,631,662</u>
GROSS PROFIT		3,188,057	1,648,344
Administrative expenses		<u>2,685,125</u>	<u>1,675,038</u>
		502,932	(26,694)
Other operating income	4	<u>86,809</u>	<u>466,305</u>
OPERATING PROFIT	6	589,741	439,611
Connected party loan write off	7	<u>12,699</u>	<u>445,091</u>
		577,042	(5,480)
Interest receivable and similar income	8	<u>-</u>	<u>12</u>
		577,042	(5,468)
Interest payable and similar expenses	9	<u>99,933</u>	<u>115,233</u>
PROFIT/(LOSS) BEFORE TAXATION		477,109	(120,701)
Tax on profit/(loss)	10	<u>(58,498)</u>	<u>(99,974)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		535,607	(20,727)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>535,607</u>	<u>(20,727)</u>

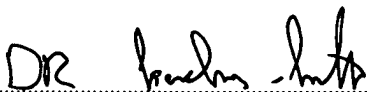
The notes form part of these financial statements

Harlow Group Limited (Registered number: 05431685)

Balance Sheet
30th April 2022

	Notes	30.4.22	30.4.21
		£	£
FIXED ASSETS			
Intangible assets	11	652,074	602,304
Tangible assets	12	<u>1,297,794</u>	<u>1,354,723</u>
		1,949,868	1,957,027
CURRENT ASSETS			
Stocks	13	1,426,814	969,082
Debtors	14	6,834,003	5,763,634
Cash at bank and in hand		<u>91,679</u>	<u>194,539</u>
		8,352,496	6,927,255
CREDITORS			
Amounts falling due within one year	15	<u>4,066,749</u>	<u>2,897,085</u>
NET CURRENT ASSETS		<u>4,285,747</u>	<u>4,030,170</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,235,615	5,987,197
CREDITORS			
Amounts falling due after more than one year	16	<u>1,070,539</u>	<u>1,357,728</u>
NET ASSETS		<u><u>5,165,076</u></u>	<u><u>4,629,469</u></u>
CAPITAL AND RESERVES			
Called up share capital	20	10,000	10,000
Profit and loss account	21	<u>5,155,076</u>	<u>4,619,469</u>
SHAREHOLDERS' FUNDS		<u><u>5,165,076</u></u>	<u><u>4,629,469</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 6 March 2023 and were signed on its behalf by:


D R Gordon-Smith - Director

The notes form part of these financial statements

Harlow Group Limited (Registered number: 05431685)

Statement of Changes in Equity
for the Year Ended 30th April 2022

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1st May 2020	10,000	4,640,196	4,650,196
Changes in equity			
Total comprehensive income	<u>-</u>	<u>(20,727)</u>	<u>(20,727)</u>
Balance at 30th April 2021	<u>10,000</u>	<u>4,619,469</u>	<u>4,629,469</u>
Changes in equity			
Total comprehensive income	<u>-</u>	<u>535,607</u>	<u>535,607</u>
Balance at 30th April 2022	<u>10,000</u>	<u>5,155,076</u>	<u>5,165,076</u>

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 30th April 2022

1. **STATUTORY INFORMATION**

Harlow Group 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 functional currency of the company is sterling.

Going concern

The directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. In making this assessment the directors have considered the impact of ongoing world events including the conflict in Ukraine on the company, its employees, customers and third-party suppliers.

Although these events continue to have a significant impact on the global economy, and uncertainty as to how long they will continue to do so remains, the directors do not believe they impact the use of the going concern basis of preparation nor do they cast significant doubt about the company's ability to continue as a going concern for a period of twelve months from the date when the financial statements were authorised for issue.

The directors consider the company to be sufficiently robust that their operations will not be significantly affected and that they will be able to generate and maintain sufficient levels of cash in order to meet their ongoing commitments for at least the period under review. The company therefore continues to adopt the going concern basis in preparing their financial statements.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 33.1A Related Party disclosures between wholly owned group members;

The cash flow statement can be found within the consolidated financial statements of Harlow Manufacturing Limited as at 30th April 2022 and these financial statements may be obtained from Allen House, Edinburgh Way, Harlow, Essex, CM20 2HJ.

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 revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had a significant effect on amounts recognised in the financial statements:

The annual depreciation charge is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually.

The directors make estimates of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, the factors considered include the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Development costs are capitalised in accordance with the company's accounting policy given below. Initial capitalisation of costs is based on management's judgement that technical feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets and the expected period of benefits.

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

2. **ACCOUNTING POLICIES - continued**

Significant judgements and estimates - continued

The company considers the recoverability of the cost of its stock holdings and the associated provisioning required. When calculating the stock impairment provision, management considers the nature and condition of the stock as well as applying assumptions around future saleability.

The company makes key assumptions regarding work-in-progress as to the stage of completion of items held in production, the level of overhead absorption allocated for each unit cost, along with an assessment as to whether the level of future costs to complete exceeds the expected selling price of each item along with its future saleability.

Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Intangible assets

Development costs are initially recognised at cost. After recognition, under the cost model, development costs are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method and reducing balance.

Depreciation is provided on the following basis:

Plant and machinery	- 15% reducing balance
Motor vehicles	- 25% straight line
Fixtures and fittings	- straight line over 15 years
Computer equipment	- straight line over 1 year and 3 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

2. **ACCOUNTING POLICIES - continued**

Government grants

Grants received via the UK Government's 'Coronavirus Job retention scheme' are recognised at the transaction's fair value on an accruals basis and are recorded as income within the profit and loss account in the period to which the underlying staff costs relate.

Coronavirus business interruption loan schemes and finance leases (CBILS) which are backed and guaranteed by UK Government are initially recognised at fair value and held as a financial liability. Interest that would have otherwise been payable for the initial 12 months of the agreement had it not been paid by the UK Government is recognised using an effective interest rate and recorded in the income statement as an interest expense and a government grant. After this period the loan or finance lease adopts the same accounting treatment as a basic debt instrument under the financial instrument definition.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Work in progress is valued on the basis of direct costs plus attributable overheads based on the normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Current taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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.

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

2. **ACCOUNTING POLICIES - continued**

Deferred taxation

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

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits in excess of the related costs incurred. They are amortised on a straight line basis over the anticipated life of the benefits arising from the completed product or project.

Capitalised development costs are reviewed annually and where future benefits are deemed to have ceased or to be in doubt, the balance of any related development is written off to the profit and loss account.

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project. The expenditure is treated as if it were all incurred in the research phase only.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating income'.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives.

The interest element of these obligations is charged to the profit and loss account at a constant rate based on the outstanding capital sum. The capital element of the future payments are treated as a liability.

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

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

2. ACCOUNTING POLICIES - continued

Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pensions

The company operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable or payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the profit and loss account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets that are measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

3. **TURNOVER**

The turnover and profit (2021 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	30.4.22	30.4.21
	£	£
United Kingdom	6,704,954	5,180,626
Europe	62,326	169,125
Rest of the world	1,075,762	930,255
	<u>7,843,042</u>	<u>6,280,006</u>

4. **OTHER OPERATING INCOME**

	30.4.22	30.4.21
	£	£
Rents received	1,020	1,020
Management charges receivable	20,047	68,901
Government grants	65,742	396,384
	<u>86,809</u>	<u>466,305</u>

5. **EMPLOYEES AND DIRECTORS**

	30.4.22	30.4.21
	£	£
Wages and salaries	1,881,557	1,902,755
Social security costs	162,802	164,795
Other pension costs	50,053	48,974
	<u>2,094,412</u>	<u>2,116,524</u>

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

	30.4.22	30.4.21
Production	63	58
Office and management	25	22
Directors	3	3
	<u>91</u>	<u>83</u>

	30.4.22	30.4.21
	£	£
Directors' remuneration	-	-

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

6. OPERATING PROFIT

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

	30.4.22	30.4.21
	£	£
Other operating lease rentals	329,323	323,105
Auditors' remuneration	30,000	25,000
Depreciation	248,969	206,143
Loss/(profit) on disposal of fixed assets	-	(7,239)
Development expenditure	149,562	146,300
Development costs amortisation	419,989	415,198
Foreign exchange (Gains)/Losses	-	912
Impairments	<u>26,013</u>	<u>3,755</u>

7. EXCEPTIONAL ITEMS

The directors have undertaken an impairment review on the debts of the company within the previous period and were of the opinion that a provision in full should be made against an amount owing from a connected party that was unlikely to be settled amounting to £445,091. Since the provision was made it has come to light that the connected party in question has been placed into administration during the year being reported with the possibility of settlement now being remote. A further £12,699 arising in the current year has been written off.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	30.4.22	30.4.21
	£	£
Deposit account interest	<u>-</u>	<u>12</u>

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	30.4.22	30.4.21
	£	£
Bank loan interest	59,927	41,454
Other loan interest payable	-	1,597
Hire purchase	<u>40,006</u>	<u>72,182</u>
	<u>99,933</u>	<u>115,233</u>

10. TAXATION

Analysis of the tax credit

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

	30.4.22	30.4.21
	£	£
Current tax:		
Research and development tax credit	(58,498)	(67,483)
Deferred tax	<u>-</u>	<u>(32,491)</u>
Tax on profit/(loss)	<u>(58,498)</u>	<u>(99,974)</u>

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

10. TAXATION - continued

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:

	30.4.22	30.4.21
	£	£
Profit/(loss) before tax	<u>477,109</u>	<u>(120,701)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	90,651	(22,933)
Effects of:		
Expenses not deductible for tax purposes	8,898	85,396
Capital allowances in excess of depreciation	(2,406)	(49,850)
Non-tax deductible amortisation of development costs	79,798	78,888
Research and development enhanced tax relief	(176,941)	(91,501)
Research and development tax credit	(58,498)	(67,483)
Deferred tax	-	(32,491)
Total tax credit	<u>(58,498)</u>	<u>(99,974)</u>

The company has tax losses of approximately £335,000 (2021: £335,000) available to carry forward against future taxable profits.

11. INTANGIBLE FIXED ASSETS

	Development costs £
COST	
At 1st May 2021	1,871,705
Additions	495,772
Disposals	<u>(144,361)</u>
At 30th April 2022	<u>2,223,116</u>
AMORTISATION	
At 1st May 2021	1,269,401
Amortisation for year	419,989
Eliminated on disposal	<u>(118,348)</u>
At 30th April 2022	<u>1,571,042</u>
NET BOOK VALUE	
At 30th April 2022	<u>652,074</u>
At 30th April 2021	<u>602,304</u>

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

12. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1st May 2021	2,913,777	1,105,119	70,050	4,088,946
Additions	<u>29,022</u>	<u>50,881</u>	<u>112,137</u>	<u>192,040</u>
At 30th April 2022	<u>2,942,799</u>	<u>1,156,000</u>	<u>182,187</u>	<u>4,280,986</u>
DEPRECIATION				
At 1st May 2021	2,045,228	678,884	10,111	2,734,223
Charge for year	<u>132,530</u>	<u>80,335</u>	<u>36,104</u>	<u>248,969</u>
At 30th April 2022	<u>2,177,758</u>	<u>759,219</u>	<u>46,215</u>	<u>2,983,192</u>
NET BOOK VALUE				
At 30th April 2022	<u>765,041</u>	<u>396,781</u>	<u>135,972</u>	<u>1,297,794</u>
At 30th April 2021	<u>868,549</u>	<u>426,235</u>	<u>59,939</u>	<u>1,354,723</u>

Included in Plant and machinery and fixtures and fittings above are assets with a net book value of £592,231 (2021: £745,714) which are held under hire purchase agreements.

13. STOCKS

	30.4.22 £	30.4.21 £
Finished goods	479,557	371,889
Raw materials and consumables	416,014	318,247
Work-in-progress	<u>531,243</u>	<u>278,946</u>
	<u>1,426,814</u>	<u>969,082</u>

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.4.22 £	30.4.21 £
Trade debtors	2,542,248	1,569,921
Amounts owed by group undertakings	3,946,200	3,807,718
Other debtors	146,760	168,199
Corporation tax recoverable	125,981	67,483
Prepayments	<u>72,814</u>	<u>150,313</u>
	<u>6,834,003</u>	<u>5,763,634</u>

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

15. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30.4.22	30.4.21
	£	£
Bank loans and overdrafts (see note 17)	377,711	190,375
Hire purchase contracts (see note 18)	183,725	168,211
Trade creditors	946,727	770,839
Social security and other taxes	399,896	412,959
Other creditors	1,949,909	1,188,386
Directors' current accounts	27,275	27,275
Accruals and deferred income	181,506	139,040
	<u>4,066,749</u>	<u>2,897,085</u>

16. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	30.4.22	30.4.21
	£	£
Bank loans (see note 17)	698,750	903,001
Hire purchase contracts (see note 18)	371,789	454,727
	<u>1,070,539</u>	<u>1,357,728</u>

17. **LOANS**

An analysis of the maturity of loans is given below:

	30.4.22	30.4.21
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>377,711</u>	<u>190,375</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>215,000</u>	<u>222,168</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>483,750</u>	<u>645,000</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more than 5 years	<u>-</u>	<u>35,833</u>

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

18. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	30.4.22	30.4.21
	£	£
Net obligations repayable:		
Within one year	183,725	168,211
Between one and five years	<u>371,789</u>	<u>454,727</u>
	<u>555,514</u>	<u>622,938</u>

Figures within the above hire purchase commitments disclosure are included within notes 15 and 16 of the financial statements.

	Non-cancellable operating leases	
	30.4.22	30.4.21
	£	£
Within one year	281,747	291,408
Between one and five years	1,058,880	1,078,032
In more than five years	<u>1,264,474</u>	<u>1,526,089</u>
	<u>2,605,101</u>	<u>2,895,529</u>

19. SECURED DEBTS

The following secured debts are included within creditors:

	30.4.22	30.4.21
	£	£
Bank loans	1,076,461	1,093,376
Hire purchase	555,514	582,721
Invoice factoring account	<u>1,892,961</u>	<u>1,168,328</u>
	<u>3,524,936</u>	<u>2,844,425</u>

Amounts due on Hire purchase contracts are secured on the asset to which they relate.

Bank loans and invoice factoring accounts are secured by way of fixed and floating charges over the assets of the company and group.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	30.4.22	30.4.21
Number:	Class:		£	£
10,000	Ordinary shares	£1	<u>10,000</u>	<u>10,000</u>

Notes to the Financial Statements - continued
for the Year Ended 30th April 2022

21. **RESERVES**

	Profit and loss account £
At 1st May 2021	4,619,469
Profit for the year	<u>535,607</u>
At 30th April 2022	<u><u>5,155,076</u></u>

22. **PENSION COMMITMENTS**

Contributions totalling £10,996 (2021: £11,418) were payable to the fund at the balance sheet date and are included in other creditors.

23. **ULTIMATE PARENT COMPANY**

Harlow Manufacturing Limited has been the parent company and ultimate parent company during the current and previous year.

24. **RELATED PARTY DISCLOSURES**

Key management personnel of the entity or its parent (in the aggregate)

	30.4.22	30.4.21
	£	£
Amount due to related party	<u>27,275</u>	<u>27,275</u>

A director of the company has provided a personal guarantee to the value of £107,500 against the bank loan facility entered into on the 25th June 2020.

Other related parties

	30.4.22	30.4.21
	£	£
Purchases	-	426,749
Administrative expenses	-	11,601
Other income	14,494	66,312
Other debtors	42,861	1,280
Other creditors	2,000	2,000
Impairment of connected party debt	<u>12,699</u>	<u>445,091</u>

25. **ULTIMATE CONTROLLING PARTY**

The ultimate controlling party was D Gordon-Smith, during the current and previous year.