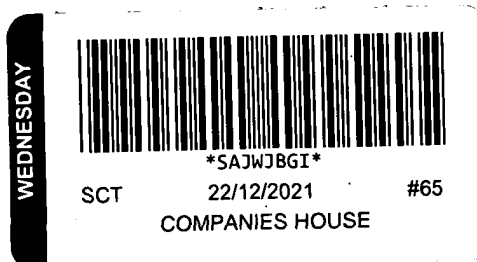


Howco Group Plc (SC079844)

Directors' report and financial statements

Registered number SC079844

27 March 2021



Contents

Strategic report	1
Directors' report	6
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	7
Independent auditor's report to the members of Howco Group Plc	8
Income statement	111
Balance sheet	122
Cash flow statement	133
Statement of changes in equity	144
Notes on the financial statements	155

Strategic report

The Strategic Report sets out the main trends and factors underlying the development and performance of Howco Group plc (the "Company") during the year ended 27 March 2021, as well as those matters which are likely to affect its future development. The Company is a subsidiary undertaking of Sumitomo Corporation which is the ultimate parent company incorporated in Japan. The Company's immediate parent is Eryngium Limited ("Group"), which holds investments in Howco companies globally. Included within the Group are sister companies in the United States, Canada, United Arab Emirates and South East Asia.

Principal activities and risks

The Company's core competences continue to be that of supply chain management, engineering and materials processing, predominantly within the energy services sector.

The Company has experienced a slight downturn in trading conditions in the year, mainly driven by the effect that the global pandemic has had on the European economy. As a result, turnover was down 14% on the previous financial year, resulting in a profit before tax of £2.1m (2020: £12.6m).

The principal risks and uncertainties affecting the business include the following:

- **Oil prices:** the financial performance of the Company is subject to fluctuation in the price of oil and the general economic outlook. These factors are monitored closely.
- **Foreign currency exchange:** the Company monitors closely short, medium and long term exchange rates and has a policy of hedging against currency fluctuations relating to transactions where the Directors believe foreign currency risk is significant and can be reduced economically through appropriate hedging arrangements.
- **Raw material availability and prices:** the Company monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers.
- **Environmental risks:** the Company places considerable emphasis upon environmental compliance in each of its business areas and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.
- **Health and Safety:** the Company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved. The Board notes that accident rates have fallen again this year.
- **Commercial relationships:** the Company maintains strong relationships with each of its key customers and suppliers and has established credit control parameters. Appropriate credit terms are agreed with all customers and suppliers and these are closely managed.
- **Regulation, legislation and compliance:** the Company monitors forthcoming and current legislation regularly and implements appropriate procedures to ensure ongoing compliance.

Key areas of strategic development and performance of the business include:

- **Sales and marketing:** new and replacement business is being won continually; key customer relationships are monitored on a regular basis.
- **Environment:** consent limits have been met; new methods of achieving greater environmental effectiveness are continually being examined.
- **COVID-19:** the main priority following the Coronavirus pandemic is the health and safety of employees. The Company is committed to, and has put in place, safety and social distancing measures to support the wellbeing of employees. The Company is closely monitoring the impact of COVID-19 on both current and future operations. At this point in time, the plants are operating as normal and performance is being reviewed regularly. At the date of signing, it is not expected that there will be a material impact on operations due to the Coronavirus pandemic.

Section 172 Statement

As Directors of the Company, we continue to be mindful of our statutory duty to promote the success of the Company for the benefit of the members as a whole. In doing so, we have regard, amongst other matters, to those factors set out in section 172 (1) (a) to (f) of the Companies Act 2006. Collectively, the Board recognises that having regard to these factors and stakeholder groups in decision-making contributes to the success of the Company. Depending on the matter at hand, the relevance of different stakeholder interests and other factors will vary. The Board may face making decisions based on competing stakeholder priorities and therefore, it may not always be possible to provide a favourable outcome for all stakeholders.

Strategic report *(continued)*

Section 172 Statement *(continued)*

On appointment to the Board, the Directors are briefed on the Directors' statutory duties and are provided with various opportunities to meet key stakeholders. Ahead of all Board meetings, the Directors are supplied with papers which highlight the relevant stakeholder considerations for each of the agenda items. The Directors are in regular contact with their management teams which facilitates good communication and feedback at a local level.

The Company's key stakeholders are our employees, customers and suppliers. The Company has the following framework in place to ensure the Directors have regard to key stakeholders and matters set out in section 172 (1) of the Companies Act 2006 in their decision making.

The likely consequences of any decision in the long term

The long-term strategy of the Company is monitored to ensure that this aligns with the vision of the Group as a whole. Future areas of growth and change are considered in decision-making discussions. Input is sought from specialists within the Company where relevant. Both external and Group advisers are also called upon for their input when required in order to ensure the future environment under which the Company may operate is fully explored. The resulting assessment of future development informs the Board's decision-making and the balance between short and long-term actions.

The interests of the Company's employees

The Board promotes engagement with its workforce. The Directors are in regular contact with their management teams who they entrust with engagement of their wider teams. There is open communication with management throughout the Company. There are regular team meetings and toolbox talks on site which keep employees fully informed and engaged on Company developments.

The need to foster the Company's business relationships with suppliers, customers and others

The Company works closely with suppliers to ensure that our values on quality, safety and modern slavery are upheld throughout the supply chain. Value-added communications are facilitated in areas such as future growth and potential for the supply chain, to ensure that expectations are set and understood from the front line through to the management team and the Directors.

The Company has well-established customer engagement processes across Europe. These processes ensure that the perspectives of all customers are considered. Considerations include adaptation to industry change, regular communications with customers and providing excellent customer service.

The impact of the Company's operations on the community and the environment

The Directors are conscious of considering initiatives to reduce the impact of the Company's operations on the environment. As outlined in our Streamlined Energy and Carbon Reporting on page 3, the Company has invested in pilots to reduce energy loss in the year and has appointed Energy Management Teams at each site. This will enable the Company to continue to make in-roads to reduce its environmental impact as far as possible.

The desirability of the Company to maintain a reputation for high standards of business conduct

The Company drives high standards of business conduct through the policies and procedures in place globally. The Board periodically reviews and approves clear frameworks, such as the Howco Global Code of Conduct, Howco Anti-Slavery and Human Trafficking Statement and Howco Modern Slavery Statement, to ensure that high standards are maintained both within the Company and business relationships.

The need to act fairly between members of the Company

Following consideration of all relevant factors, the Directors consider which course of action best prepares the Company to deliver in the long-term, taking into consideration the impact on stakeholders. In doing so, the Directors act as fairly as possible across the Company's stakeholder groups. The Directors will continue to review engagement methods to ensure they remain effective.

Strategic report (continued)

Streamlined Energy and Carbon Reporting

The Company has performed an assessment of greenhouse gas emissions and energy use for the year ended 27 March 2021. This has been presented, alongside the 2020 comparative, to show the impact of the UK Distribution and Manufacturing operations, on the Company's total UK emissions.

UK greenhouse gas emissions and energy use date for the year ended 27 March 2021	Distribution	Manufacturing	Total
Energy consumption used to calculate emissions (kWh)	24,713,299	6,954,715	31,668,014
Scope 1 emissions in metric tonnes CO2e:			
- Gas consumption	3,938.72	448.18	4,386.90
- Diesel used on site	119.33	-	119.33
Total Scope 1	4,058.05	448.18	4,506.23
Scope 2 emissions in metric tonnes CO2e:			
- Purchased electricity	833.53	1,143.71	1,977.24
Scope 3 emissions in metric tonnes CO2e:			
- Other emissions from use of diesel	140.33	29.25	169.58
Total gross emissions in metric tonnes CO2e	5,031.91	1,621.14	6,653.05
Intensity ratio tonnes CO2e (per £1m UK Revenue)			60.8
UK greenhouse gas emissions and energy use date for the year ended 28 March 2020	Distribution	Manufacturing	Total
Energy consumption used to calculate emissions (kWh)	33,982,722	7,621,244	41,603,966
Scope 1 emissions in metric tonnes CO2e:			
- Gas consumption	5,154.77	528.54	5,683.31
- Diesel used on site	129.83	-	129.83
Total Scope 1	5,284.60	528.54	5,813.14
Scope 2 emissions in metric tonnes CO2e:			
- Purchased electricity	1,648.50	1,316.19	2,964.69
Scope 3 emissions in metric tonnes CO2e:			
- Other emissions from use of diesel	164.92	40.60	205.52
Total gross emissions in metric tonnes CO2e	7,098.02	1,885.33	8,983.35
Intensity ratio tonnes CO2e (per £1m UK Revenue)			67.9

Quantification and reporting methodology

The Company has followed the 2020 HM Government Environmental Reporting Guidelines. The GHG Reporting Protocol – Corporate Standard and 2021 UK Government's Conversion Factors for Company Reporting have also been referred to when preparing the report.

Strategic report *(continued)*

Streamlined Energy and Carbon Reporting *(continued)*

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per £1m UK revenue.

Measures taken to improve energy efficiency

The Company closed the Heat Treatment Facility in the Cumbernauld site, centralising this activity at the Sheffield site. This has resulted in a 50% reduction in CO₂e at the Cumbernauld site, driven by reduced use of electric furnaces as a result of ceasing this activity at the site. A new door closure system pilot for gas furnaces was trialled at the Sheffield site during the year, targeting minimal energy loss from the furnaces. Further, all sites are now measuring occupancy levels versus energy usage to set base line loads using Stark Central Data Collection and there are dedicated Energy Management Teams at all sites. In terms of future developments, the Company has invested in the installation of sub-metering for electricity at the Sheffield site, which has identified significant potential for a reduction in energy waste.

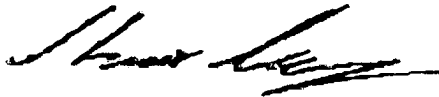
Strategic report *(continued)*

Business review

Key financial performance indicators include profitability and working capital.

Financial	2021	2020	Measure
Return on capital	2.2%	12.0%	Profit after tax / Net assets
Current ratio	2.9 : 1	2.0 : 1	Current assets : Current liabilities
Inventory turnover	3.6	2.3	Revenue / Inventory
Sales per employee (£k)	245	281	Revenue / Average number of employees
Operating profit per employee (£k)	4	24	Operating profit / Average number of employees

On behalf of the Board



Kenneth Ness
Director

Fountain House
2nd Floor
1-3 Woodside Crescent
Glasgow
G3 7UL

16 December 2021

Directors' report

The Directors present their Directors' report and the audited financial statements for the year ended 27 March 2021.

Principal activity

The Company's core competences continue to be that of supply chain management, engineering and materials processing, predominantly within the energy services sector

Results and dividends

The profit before tax for the financial year amounted to £2.1m (2020: 12.6m). The Board did not declare or pay a dividend during the year (2020: £nil).

Financial Instruments

The Company's policy is to minimise the use of complex financial instruments.

Directors and Directors' interests

The Directors who held office during the year and up to the date of signing this report are as follows:

John M Ferguson
David Davidson
Kenneth Ness
David Preston

None of the Directors who held office at the end of the year had any disclosable interest in the shares of the Company.

Employee involvement

The Company has channels of communication with employees on business development, Company performance and matters of general concern.

Employment of disabled persons

The Company gives full and fair consideration to applications for employment made by disabled persons, has continued whenever possible the employment of persons who became disabled while they are with the Company and has ensured continued training, career development and opportunities for the promotion of disabled persons employed by it.

Political contributions

The Company made no political donations or incurred any political expenditure during the current or prior year.


Disclosure of information to auditor

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

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



Kenneth Ness
Director

Fountain House
2nd Floor
1-3 Woodside Crescent
Glasgow
G3 7UL

16 December 2021

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Howco Group Plc

Opinion

We have audited the financial statements of Howco Group plc ("the company") for the year ended 27 March 2021 which comprise the Income statement, Balance sheet, Cash flow statement, Statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's] high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Independent Auditor's report to the members of Howco Group Plc (continued)

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for inventory. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue transactions are sufficiently non complex and individually immaterial that the risk of a material misstatement within revenue in relation to Fraud is acceptably low.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management/ those posted to the accounts containing estimates including the inventory provision and unusual journal combinations including cash journals.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Independent Auditor's report to the members of Howco Group Plc (continued)

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Gordon Herbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS
17 December 2021

Income statement
for the year ended 27 March 2021

	<i>Note</i>	2021 £000	2020 £000
Revenue		127,198	147,909
Cost of sales		(106,534)	<u>(115,990)</u>
Gross profit		20,664	31,919
Selling and distribution costs		(1,569)	(2,138)
Administrative expenses		(16,874)	<u>(17,156)</u>
Operating profit		2,221	12,625
Finance income	5	44	158
Finance expense	6	(209)	<u>(203)</u>
Profit before taxation		2,056	12,580
Taxation	7	(120)	<u>(2,319)</u>
Profit for the year attributable to equity holders of the parent		1,936	<u>10,261</u>

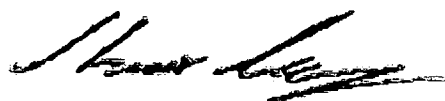
All results for the financial year noted above were from continuing operations.

There are no other items of comprehensive income.

Balance sheet
 at 27 March 2021

	<i>Note</i>	2021 £000	2020 £000
Non-current assets			
Property, plant and equipment	8	13,165	14,108
Investments	9	8,085	8,085
Goodwill	10	5,951	5,951
		<u>27,201</u>	<u>28,144</u>
Current assets			
Inventories	11	35,639	65,412
Trade and other receivables	12	57,126	48,881
		<u>92,765</u>	<u>114,293</u>
Total assets		119,966	142,437
Current liabilities			
Trade and other payables	13	(31,081)	(55,306)
Current tax liabilities		(388)	(663)
Loans and borrowings	14	(226)	(39)
		<u>(31,695)</u>	<u>(56,008)</u>
Non-current liabilities			
Loans and borrowings	14	(371)	(558)
Deferred tax liabilities	15	(119)	(26)
		<u>(490)</u>	<u>(584)</u>
Net assets		<u>87,781</u>	<u>85,845</u>
Equity			
Called up share capital	16	100	100
Share premium account		4,109	4,109
Other reserves	17	496	496
Profit and loss account		83,076	81,140
Equity attributable to equity holders of the parent		<u>87,781</u>	<u>85,845</u>

These financial statements were approved by the Board of Directors on 16 December 2021 and were signed on its behalf by:



Kenneth Ness
 Director

Company registered number: SC079844

Cash Flow Statement
for the year ended 27 March 2021

	<i>Note</i>	2021 £000	2020 £000
Cash flows from operating activities			
Profit for the year		1,936	10,261
<i>Adjustments for:</i>			
Gain on disposal of property, plant and equipment		(20)	(13)
Depreciation	8	2,032	2,064
Finance income	5	(44)	(158)
Finance expense	6	209	203
Taxation	7	120	2,319
		4,233	14,676
Decrease/(increase) in inventories		29,773	(17,514)
Decrease/(increase) in trade and other receivables		18,358	(12,069)
(Decrease)/increase in trade and other payables		(18,309)	16,446
		34,055	1,539
Interest paid		(86)	(193)
Tax paid		(250)	(1,763)
Net cash outflow from operating activities		33,719	(417)
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(1,340)	(3,177)
Proceeds from sale of of property, plant and equipment		20	80
Net cash outflow from investing activities		(1,320)	(3,097)
Cash flows from financing activities			
Movement in inter group balances treated as funding		(32,094)	3,535
Finance lease repaid	22	(226)	(169)
Net cash inflow from financing activities		(32,320)	3,366
Net decrease in cash and cash equivalents		79	(148)
Cash and cash equivalents at beginning of year		-	-
Effect of exchange rate fluctuations on cash held and balances treated as funding		(79)	148
Cash and cash equivalents at end of year		-	-

Statement of changes in equity
for the year ended 27 March 2021

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total shareholders' funds £000
At 30 March 2019	100	4,109	496	70,879	75,584
Total comprehensive income for the year	-	-	-	10,261	10,261
At 28 March 2020	100	4,109	496	81,140	85,845
At 28 March 2020	100	4,109	496	81,140	85,845
Total comprehensive income for the year	-	-	-	1,936	1,936
At 27 March 2021	100	4,109	496	83,076	87,781

Notes on the financial statements for the year ended 27 March 2021

1 Significant accounting policies

Howco Group Plc (the "Company") is a public limited company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC079844 and the registered address is Fountain House, 2nd Floor, 1-3 Woodside Crescent, Glasgow, G3 7UL.

The Company financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis. The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Going concern

On 11 March 2020, the World Health Organization declared the outbreak of COVID 19 as a pandemic. The pandemic, along with the measures that have and are being enforced by governments across the globe to reduce the spread of the virus, has significantly affected the global economy. The Company entered this period of global economic uncertainty with a strong financial position. Since the outbreak of the pandemic, management's initial priority has been to understand the potential impact on the Company's financing and liquidity, and to take prompt action if required to preserve the Company's financial position.

As the situation has continued to develop with increasing uncertainty over its duration, management has considered a range of scenarios to stress test the Company's liquidity position for a period of at least 12 months from the date of signing these financial statements. These show that, even in the reasonably probable worst-case scenario, the Company is expected to remain liquid.

The Directors have prepared projected cash flow information for the Company through to March 2023. These forecasts have also modelled plausible downside scenarios which they believe have the potential to arise, including reductions in revenue should there be a slower than anticipated economic recovery. These forecasts indicate that, taking account of a reasonably possible downside scenario, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade receivables

Trade receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Notes on the financial statements (continued)
for the year ended 27 March 2021

1 Significant accounting policies (continued)

Non-derivative financial instruments (continued)

Trade payables

Trade payables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement only.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Property plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold land and buildings	-	2% to 5% straight line
Plant and equipment, fixtures and fittings	-	12.5% to 20% straight line
Motor vehicles and computer equipment	-	33% straight line
Leasehold improvements	-	over the term of the lease

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Goodwill arising on the hive-up of subsidiary undertaking

In March 2016, the trade and net assets of a subsidiary undertaking, CTL Engineering Company Limited, were transferred to the Company at their book value. The cost of the Company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the Company's investment in that subsidiary undertaking fell below the amount at which it was stated in the Company's accounting records. Part 15 of the Companies Act 2006 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, at the time, the Directors considered that, as there had been no overall loss to the Group, it would fail to give a true and fair view to charge the diminution to the Company's profit and loss account. It should instead be re-allocated to goodwill, so as to recognise in the Company's individual balance sheet the effective cost to the Company of goodwill. The effect on the Company's balance sheet of this departure was to recognise goodwill of £5,951k.

Research

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Notes on the financial statements *(continued)* for the year ended 27 March 2021

1 Significant accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

Under IFRS 9, the Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and including forward-looking information.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes on the financial statements *(continued)* for the year ended 27 March 2021

1 Significant accounting policies *(continued)*

Employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Revenue

Sales revenue, which is net of returns, rebates and discounts, and which excludes value added tax, is recognised when performance obligations are satisfied in respect of the transfer of goods or services at an amount that the business expects to be entitled to in exchange for those goods or services.

The Company's agreements with customers do not contain complex terms or separately identifiable performance obligations outside delivering product to customers. The performance obligation continues to be the supply of product to the customer and therefore the transaction price relates to this performance obligation. Revenue is recognised on despatch of goods to the customer.

Expenses

Lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Financing expenses comprise interest payable, recognised in profit or loss using the effective interest method, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Taxation

Tax on the profit or loss 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 directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes on the financial statements *(continued)* for the year ended 27 March 2021

1 Significant accounting policies *(continued)*

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'Loans and borrowings' in the Balance Sheet.

Coronavirus Job Retention Scheme

During the year, Coronavirus Job Retention Scheme ("JRS") income has been received, accounted for under the accruals model and classified as grants related to revenue. Grant income has been netted off with the corresponding payroll costs and the amount received has been disclosed in note 2.

New Standards, amendments and interpretations

The accounting policies are consistent with those of the prior period. There are no other new standards or interpretations effective for the year ended 26 March 2022 which are considered to have a material impact on the financial statements of the Company.

Accounting estimates and judgements

The preparation of 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. Due to the nature of estimation, the actual outcomes may well differ from these estimates.

Management has made the following judgements in applying the Group's accounting policies:

Inventory provisioning

Management considers the impairment of inventory on an ongoing basis. An impairment provision is recognised against inventory when the ability to sell is considered to be doubtful or uncertain. In determining whether inventory should be impaired, management considers the age of stock and current demand levels, as well as historical experience. Management regularly reassess these judgements and assumptions to ensure they remain appropriate and reliable.

Notes on the financial statements (continued)
 for the year ended 27 March 2021

2 Expenses and auditor's remuneration

Profit before taxation is stated after charging/(crediting):	2021			2020		
	Within administration expenses £000	Within cost of sales £000	Total £000	Within administration expenses £000	Within cost of sales £000	Total £000
Auditor's remuneration						
- audit of financial statements	117	-	117	121	-	121
- other services	-	-	-	2	-	2
Depreciation and impairment						
- owned	372	1,531	1,903	423	1,461	1,884
- leased	129	-	129	180	-	180
Coronavirus Job Retention Scheme – amount claimed	(212)	(908)	(1,120)	-	-	-

3 Remuneration of Directors

	2021 £000	2020 £000
Directors' emoluments	231	589

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £231k (2020: £589k) and Company pension contributions of £nil (2020: £nil) were made to a money purchase scheme on his behalf.

	Number of Directors	
	2021	2020
Retirement benefits are accruing to the following number of Directors	-	-

4 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Manufacturing	289	301
Administration	231	225
	520	526

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	19,130	21,864
Social security costs	1,977	2,213
Other pension costs	737	689
	21,844	24,766

Notes on the financial statements (continued)
for the year ended 27 March 2021

5 Finance income

	2021 £000	2020 £000
Bank interest	44	10
Exchange gain on foreign currency balances	-	148
	<u>44</u>	<u>158</u>

6 Finance expenses

	2021 £000	2020 £000
Bank interest	56	182
Finance expenses payable in respect of finance leases	24	21
Exchange loss on foreign currency balances	129	-
	<u>209</u>	<u>203</u>

7 Taxation

Analysis of charge in year

	2021 £000	2020 £000
UK corporation tax		
Current tax on profit for the year	336	2,100
Adjustment in respect of prior periods	(342)	(17)
Foreign current tax on income for the year	33	82
Total current tax	<u>27</u>	<u>2,165</u>
Deferred tax (note 15)		
Origination and reversal of temporary differences	64	236
Adjustment in respect of prior periods	29	(60)
Effect of changes in tax rates	-	(22)
Total deferred tax	<u>93</u>	<u>154</u>
Total tax charge	<u>120</u>	<u>2,319</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2020: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	Effective rate %	2021 £000	Effective rate %	2020 £000
Profit before taxation		2,056		12,580
Tax on profit at standard UK corporation tax rate of 19% (2020: 19%)	19%	391	19%	2,390
<i>Effects of:</i>				
Disallowed expenses	0.7%	14	0.1%	12
Adjustments in respect of prior periods	(15.2%)	(313)	(0.6%)	(77)
Other items including the effect of differences in tax rates	1.3%	28	(0.1%)	(6)
Total tax charge for year	<u>5.8%</u>	<u>120</u>	<u>18.4%</u>	<u>2,319</u>

Notes on the financial statements (continued)
for the year ended 27 March 2021

8 Property, plant and equipment

	Freehold land and buildings £000	Plant and equipment £000	Fixtures, fittings, vehicles and computers £000	Assets under construction (AUC) £000	Total £000
Cost					
At 30 March 2019	10,217	29,407	4,726	-	44,350
Additions	777	1,609	119	672	3,177
Disposals	-	(826)	(247)	-	(1,073)
At 28 March 2020	10,994	30,190	4,598	672	46,454
Additions	248	752	86	3	1,089
Transferred from AUC to fully commissioned	-	626	46	(672)	-
Disposals	-	(544)	-	-	(544)
At 27 March 2021	11,242	31,024	4,730	3	46,999
Depreciation					
At 30 March 2019	3,197	23,765	4,326	-	31,288
Charge for the year	394	1,461	209	-	2,064
On disposals	-	(759)	(247)	-	(1,006)
At 28 March 2020	3,591	24,467	4,288	-	32,346
Charge for the year	348	1,531	153	-	2,032
On disposals	-	(544)	-	-	(544)
At 27 March 2021	3,939	25,454	4,441	-	33,834
Net book value					
At 27 March 2021	7,303	5,570	289	3	13,165
At 28 March 2020	7,403	5,723	310	672	14,108
At 30 March 2019	7,020	5,642	400	-	13,062

9 Investments

	£000
Subsidiary undertakings – cost and net book value	
At beginning and end of year	8,085

The Company's subsidiary undertakings, all of which the Company holds more than a 20% investment in, are as follows:

Subsidiary undertakings	Registered office address	Class and percentage of shares held 2021 and 2020
Howco Metals Management Limited	1-3 Woodside Crescent, Glasgow, G3 7UL	Ordinary shares 100%
Howco Special Processing Limited	1-3 Woodside Crescent, Glasgow, G3 7UL	Ordinary shares 100%
Howco Oilfield Services Limited	Carbrook Street, Sheffield, S9 2JN	Ordinary shares 100%
Howco Quality Alloys Limited	Carbrook Street, Sheffield, S9 2JN	Ordinary and Preference shares 100%
Howco Oilfield Services FZE	PO Box 50273, Hamriyah FZ, Sharjah, UAE	Ordinary shares 100%

Howco Metals Management Limited, Howco Special Processing Limited, Howco Oilfield Services Limited and Howco Quality Alloys Limited were dormant throughout the year.

Notes on the financial statements (continued)
for the year ended 27 March 2021

10 Goodwill

£000

Cost and net book value at 30 March 2019, 28 March 2020 and 27 March 2021

5,951

The goodwill arose on the hive-up of assets from a subsidiary in 2016.

The recoverable amount of the Company's single CGU is determined using 'value in use' calculations covering all of the Group's assets. Key assumptions in this calculation include the discount rate, projected revenues and terminal growth rates, projected gross margins and operating costs. A post-tax discount rate of 11.5% (2020: 11.5%) was used, reflecting the Group's weighted average cost of capital adjusted for appropriate market risk, which is considered to be the most definitive basis for arriving at a discount rate.

A long term growth rate of 1.5%, changes in gross margin and overhead costs are based on the Directors' expectations of future performance in the markets in which the Group operates. This is consistent with budgets for the next financial year and strategic plans thereafter. Subsequent revenues are extrapolated to a terminal value based on the expected long term growth rate.

The Directors believe the assumptions used are appropriate. In addition, sensitivity analysis has been performed to determine the changes in assumptions which would result in an impairment of the carrying value of goodwill. Based on this analysis, the Directors believe that any reasonable changes in the key assumptions would maintain a recoverable amount for each CGU which exceeds the carrying value. Therefore, the Directors have concluded that no impairment charge is required against the carrying value of goodwill at the balance sheet date.

11 Inventories

	2021	2020
	£000	£000
Inventories	<u>35,639</u>	<u>65,412</u>

Inventories comprise metal products which can either be resold in their existing condition or treated prior to resale. The Directors do not consider it meaningful to sub-classify the balance sheet valuation of inventories.

Inventories are shown net of write downs of £437k (2020: £837k). The reversal of write downs amounted to £nil (2020: £nil). Write downs and reversals are recognised in cost of sales.

12 Trade and other receivables

	2021	2020
	£000	£000
Trade receivables	23,727	38,206
Prepayments and accrued income	975	1,138
Other receivables	250	-
Taxation and social security	-	1,034
Amounts owed by group companies	26,603	-
Amounts owed by subsidiary or fellow subsidiary undertakings	5,571	8,503
	<u>57,126</u>	<u>48,881</u>

An allowance has been made for estimated irrecoverable amounts from the sale of goods of £344k (2020: £421k). Of this amount, £77k (2020: £200k) was recognised in the income statement.

The amounts owed by group companies represent cash balances that have been "swept" via inter group cash management arrangements.

Notes on the financial statements (continued)
for the year ended 27 March 2021

13 Trade and other payables

	2021	2020
	£000	£000
Trade payables	6,516	24,256
Accruals and deferred income	1,070	2,398
Taxation and social security	677	-
Amounts owed to immediate parent company	7,835	7,835
Amounts owed to subsidiary or fellow subsidiary undertakings	5,400	5,743
Amounts owed to group companies	-	5,491
Amounts owed to group undertakings	9,583	9,583
	<u>31,081</u>	<u>55,306</u>

The amounts owed to group companies represent cash balances that have been "swept" via inter group cash management arrangements.

14 Financial instruments

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations and arises from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Customers are expected to make payment within 30, 60 or 90 days of the date of invoice, all invoices being raised in the month of supply of the relevant goods. The Company has a dedicated credit control resource which is responsible for ensuring that debtors are followed up rigorously.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is determined based on historical experience of the Company's customer base, including payment statistics for similar financial assets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021	2020
	£000	£000
Trade receivables	<u>23,727</u>	<u>38,206</u>

The Company's exposure to credit risk for trade receivables is spread across a large number of customers and countries.

Borrowings

At year end, the Company had bank borrowings, denominated in sterling, of £nil (2020: £nil).

Notes on the financial statements (continued)
for the year ended 27 March 2021

14 Financial instruments (continued)

Lease liabilities

Lease liabilities are payable as follows:

	Minimum lease payments 2021 £000	Minimum lease payments 2020 £000
Less than one year	226	39
Between one and five years	371	558
	<u>597</u>	<u>597</u>

The ageing of trade receivables at year end was:

	2021		2020	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	21,153	211	34,397	360
Past due 0-60 days	2,463	31	2,874	18
More than 60 days	455	102	1,356	43
	<u>24,071</u>	<u>344</u>	<u>38,627</u>	<u>421</u>

The impairment loss at 27 March 2021 of £344k (2020: £421k) is a provision against receivables due from external customers.

The allowance account in respect of trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount is considered irrecoverable and is written off against the financial asset directly.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As a member of the Sumitomo Corp group of companies, Howco Group Plc participates in the inter group contractual banking arrangements provided.

Fair values

The fair values, together with the carrying amounts shown in the balance sheet, are as follows:

	2021		2020	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Trade receivables (note 12)	23,727	23,727	38,206	38,206
Trade payables (note 13)	(6,516)	(6,516)	(24,256)	(24,256)
Finance lease liabilities (note 14)	(597)	(597)	(597)	(597)
	<u>16,614</u>	<u>16,614</u>	<u>13,353</u>	<u>13,353</u>

The contractual maturity of trade payables is less than six months and contractual cash payments are considered to be identical to the carrying value noted above.

Notes on the financial statements (continued)
for the year ended 27 March 2021

14 Financial instruments (continued)

Estimation of fair values

The following summarises the methods and assumptions used in estimating the fair values of financial instruments reflected in the above table.

Trade receivables and payables

For receivables and payables with a remaining life of less than one year or that are receivable or payable on demand, the carrying amount is deemed to reflect the fair value.

Receipts from customers and payments to suppliers on undisputed invoices are within allowable credit terms.

Fair value hierarchy

IFRS 7 requires all financial instruments carried at fair value to be analysed under the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data

All financial instruments carried at fair value are Level 2.

15 Deferred tax

The amounts provided for deferred taxation are analysed as follows:

	Asset at 30 March 2019	Charged to income	Liability at 28 March 2020	(Credited)/ charged to income	Liability at 27 March 2021
	£000	£000	£000	£000	£000
Property, plant and equipment	387	17	404	(17)	387
Provisions	(515)	137	(378)	110	(268)
Deferred tax (asset)/liability	(128)	154	26	93	119

The deferred tax liability due after more than one year is £119k (2020: £26k). No deferred tax has been recognised in respect of any withholding or other taxes that would be payable on the unremitted earnings of subsidiaries. There are no unremitted earnings on which UK tax is expected to become payable if repatriated (2020: *Nil*).

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will increase the Company's future tax charge accordingly.

16 Called up share capital

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
100,000 ordinary shares of £1 each	100	100

Notes on the financial statements (continued)
for the year ended 27 March 2021

17 Other reserves

	Capital reserve	Other reserve	Total other reserves
	£000	£000	£000
At 30 March 2019, 28 March 2020 and 27 March 2021	481	15	496

The balance on the revaluation reserve under UK GAAP was transferred to the capital reserve on the transition to IFRS and no further releases from this reserve will be made unless the assets to which it relates are sold or otherwise disposed of.

18 Related parties

Identity of related parties with which the Company has transacted

Details of transactions between the Company and its related parties (fellow subsidiaries and parent undertaking) are as follows:

	Receivables outstanding		Payables outstanding	
	2021	2020	2021	2020
	£000	£000	£000	£000
Immediate parent undertaking	-	-	7,835	7,835
Subsidiaries and group undertakings	32,174	8,503	14,983	15,326
	32,174	8,503	22,818	23,161

Transactions with key management personnel

The key management personnel are defined as the Directors of the Company and the charge for remuneration to Directors is disclosed in note 3.

19 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £737k (2020: £689k).

Contributions amounting to £130k (2020: £52k) were outstanding at the year end.

20 Commitments

Capital commitments as at the balance sheet date amounted to £nil (2020: £nil).

21 Ultimate parent company, parent company of larger group and related undertakings

The Company is a subsidiary undertaking of Sumitomo Corporation which is the ultimate parent company incorporated in Japan. The Company's immediate parent undertaking is Eryngium Limited.

The largest group in which the results of the Company are consolidated is that headed by Sumitomo Corporation, incorporated in Japan. The consolidated financial statements of this group are available to the public and may be obtained from Otemachi Place East Tower, 3-2 Otemachi 2-chome, Chiyoda-ku, Tokyo. The smallest group in which they are consolidated is that headed by Sumitomo Corporation of America. The consolidated financial statements of this group are available to the public and may be obtained from 300 Madison Avenue, New York, NY 10017-9096, USA.

The Company's related undertakings are the immediate and ultimate parent undertakings disclosed above and its subsidiary undertakings are disclosed in note 9.

Notes on the financial statements (continued)
for the year ended 27 March 2021

22 Leases

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as Property, plant and equipment (see note 8).

	Freehold land and buildings £000
Cost	
At 30 March 2019	-
Right-of-use asset addition on adoption of IFRS 16	502
Additions – new lease additions	226
At 28 March 2020	728
Additions	170
At 27 March 2021	898
Depreciation	
At 30 March 2019	-
Charge for the year	179
At 28 March 2020	179
Charge for the year	130
At 27 March 2021	309
Net book value	
At 27 March 2021	589
At 28 March 2020	549
At 30 March 2019	-

Amounts recognised in profit or loss

Leases under IFRS 16

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2021 £000	2020 £000
Interest expense on lease liabilities	24	21

Operating Leases under IAS 17

The interest expense on lease liabilities recognised under IAS 17 in 2019 was £118k.

Amounts recognised in statement of cash flows

	2021 £000	2020 £000
Total cash outflow for leases	226	169