

COMPANY REGISTRATION NUMBER: NI629986

HENRY BROTHERS LIMITED
FINANCIAL STATEMENTS
31 MARCH 2019

COMPANIES HOUSE
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Henry Brothers Limited

Financial statements

Year ended 31 March 2019

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Henry Brothers Limited

Officers and professional advisers

The board of directors

Mr D Henry
Mr I Henry
Mr N Henry
Mrs J McKeown
Mr A Reid
Mr A Mitchell
Mr J Gordon
Mr P McLean
Mr I McCully
Mr D Wallace
Mr H Henry
Mr R Hassan

Company secretary

Mr A Reid

Registered office

108-114 Moneymore Road
Magherafelt
Co. Londonderry
BT45 6HJ

Auditor

BDO Northern Ireland
Chartered accountant & statutory auditor
Lindsay House
10 Callender Street
Belfast
BT1 5BN

Bankers

Ulster Bank Limited
20 Broad Street
Magherafelt
Northern Ireland
BT45 6EA

Solicitors

Doris & McMahon
63 James Street
Cookstown
Co. Londonderry
BT80 8AE

Henry Brothers Limited

Strategic report

Year ended 31 March 2019

Introduction

The directors are pleased to present their strategic report for the year to 31 March 2019.

Principal Activity

The principal activity of the group during the year was building and construction work. The principal activity of the company was being a holding company and trading in building and construction work.

Business Review

We are pleased to report an increase in workload over the past year and this is reflected in the increased level of turnover. This increase in turnover has been the result of efficient targeting of key markets across both Northern Ireland and Great Britain.

The directors continue to follow the successful strategy of building repeat business and partnering opportunities with key clients.

Key performance indicators used by the directors include turnover which has increased by 18.5% to £85.4m during the year and net profit for the year before taxation amounting to £3.0m.

The strong liquidity position is demonstrated by cash at bank of £29.8m, whilst maintaining a responsible approach to prompt supplier payment. The group has no bank loans, overdrafts or hire purchase liabilities. Shareholders' funds of £12.7m and a Current Ratio of 1.5 also highlights the balance sheet strength of the group.

	2019	2018
	£000	£000
Turnover	85,363	72,006
Profit before tax	3,014	1,180
Cash at bank	29,765	21,437
Shareholders' funds	12,710	9,278
Current ratio	1.5	1.4

The directors consider the results for the year as satisfactory.

Whilst the Construction market remains challenging across the UK, we continue to invest in all areas of the business and are confident that the ongoing investment will deliver continued successes for the group.

Henry Brothers Limited

Strategic report *(continued)*

Year ended 31 March 2019

Principal Risks and Uncertainties

The directors are mindful of the many risks that that could adversely impact the group and seek to appropriately manage risks throughout the business. The directors consider that the principle risks and uncertainties faced by the group are in the following categories:

Health, Safety and Wellbeing

We continue to focus on Health and Safety and the wellbeing of our employees ensuring Health and Safety is at the core of everything we do. Failure to manage risks in this area could cause serious harm to employees, subcontractors or other stakeholders. The directors remain fully committed to managing and mitigating risk to ensure a safe working environment and this is reflected throughout the culture of the group.

We maintain an increasing emphasis on wellbeing and have continued to promote the wider health of our employees. This has included supporting mental health initiatives and encouraging a healthier lifestyle.

People

The directors recognise that future performance could be impacted through a lack of skilled resources and note that the continued success of the business has been achieved by the people working in it. There are many long serving members of staff and the relatively low turnover of personnel reflects the general policy of providing good terms and conditions of employment while dealing with staff as well as other stakeholders in the business, in a fair and consistent manner. Their continued loyalty and hard work is much appreciated. The directors seek to continue our focus on recruitment, training and retention of a highly skilled and professional workforce.

Environmental and Sustainability

We are cognisant that we live in a world of finite resources and where we operate there is a risk of doing damage to the environment. We are focused on sustainability and seek to exceed all environmental responsibilities. We continue to develop renewable initiatives utilising energy saving procedures during the construction phases and beyond. Our approach to the environment ensures that our construction operations have a minimal impact and where possible enhances the long term environmental conditions for all stakeholders.

Sector and Competition

There is a risk of a downturn in the UK economy and, in particular, the construction sector. There is also a risk of competitors tendering for work at unsustainable margins. The directors remain steadfast in our approach of selective tendering for profitable work and partnering based on long term, rather than short term results.

Henry Brothers Limited

Strategic report *(continued)*

Year ended 31 March 2019

Project Delivery

There are risks of delays, unforeseen costs and reputational damage for some of the complex projects undertaken by the group. The group continues to have a strong track record on delivery of high quality projects on time and whilst we have the balance sheet strength of a larger company, we retain a culture where our directors are actively involved with all our projects.

We are appreciative of an extensive and valued supply chain. We treat all stakeholders in a fair and consistent manner, including prompt payment for our supply chain. The directors endeavour to mitigate dependency to acceptable levels on individual subcontractors and seek to engage with businesses who align with our values of Integrity, Dependability, High-quality Construction and Innovation.

Financial

The group operations expose financial risks including credit risk, liquidity risk and currency risk. The group has budgetary and financial reporting procedures, supported by appropriate key performance indicators to manage these risks.

The group monitors credit risk with debtors closely and considers that its current policies of credit checks meet its objectives of managing exposure to credit risk. The group has no significant concentrations of credit risk. Amounts shown in the balance sheet are after accounting for bad and doubtful debts.

The group has significant cash resources and as such liquidity risk is managed sufficiently.

The group is not significantly exposed to currency risk and thus considers this risk as a secondary issue.

Due to the large cash reserves and absence of any borrowings, interest rate risk is not considered as an issue at present.

Brexit

The directors expect that the group will remain profitable over the next 12 months, however the impact of Brexit is, as yet, unclear and in particular how the negotiations will affect the UK construction industry. As the likely outcome of Brexit negotiations becomes clearer, the directors will carry out a risk assessment and put strategic plans in place to minimise the impact of Brexit on the group's operations.

GDPR and Cyber Security

GDPR, IT and cyber security risks are regularly assessed at board level. The group has policies and procedures in place to ensure it fulfils its obligations and maintains IT security.

Modern Slavery Act 2015

The Modern Slavery Act 2015 signalled a new drive in the fight against slavery. It includes a duty on businesses to play their part in stopping modern slavery in global supply chains. The group is committed to being a responsible business and complying with the requirements of the Act.

Henry Brothers Limited

Strategic report *(continued)*

Year ended 31 March 2019

Awards

The group continues to deliver projects to the highest standards in Construction, Health and Safety and Corporate and Social Responsibility. These standards have been independently recognised through the following recent achievements:

- 2019 HSE/CIEHF Risk Reduction through Design Award;
- 2019 Considerate Constructor National Site Award Winner;
- 2019 S-Lab Awards Multi-Disciplinary Science Teaching & Research Buildings Category Winner;
- 2019 Business In The Community (BITC) Business & Biodiversity Charter Platinum;
- 2019 ROSPA Gold Award;
- 2019 Business In The Community (BITC) ARENA Environmental Benchmarking Platinum Award;
- 2018 Mid Ulster Business Awards Best Community Impact Award Winner;
- 2018 Mid Ulster Business Awards Excellence in People Development Shortlisted Finalist;
- 2018 Green Apple for Environmental Best Practice – Habitat & Diversity Silver Winner;
- 2018 Green Apple for Environmental Best Practice – Research & Development Silver Winner;
- 2018 NI Chamber Commerce – Workplace Wellbeing Highly Commended;
- 2018 CEF Training Award Shortlisted Finalist;
- 2018 Business In The Community (BITC) CORE Gold Standard;
- 2018 Considerate Constructor National Site Multi Award Winner;
- 2018 Payroll Giving Quality Award Silver;
- 2018 Irish News Workplace & Employment Awards, Workplace Wellbeing Award category, Finalist;
- 2018 Business In The Community (BITC) Responsible Business Awards in Northern Ireland, Environmental Leadership Award, Highly Commended;
- 2018 RICS Awards East Midlands Design through Innovation Category Winner;
- 2018 CN Awards 2018 Project of the Year (under £15m) Shortlisted Finalist;
- 2018 Business In The Community Responsible Business Awards – Shortlisted Finalists in: Wellbeing at Work Award; Education Award; Building Stronger Communities Award; NI Responsible Company of the Year;
- 2018 Belfast Telegraph Business Awards – Shortlisted Finalists in: Excellence in Corporate Social Responsibility; Excellence in the Development of Management & Leadership;
- 2018 East Midlands Celebrating Construction Awards Project of the Year Shortlisted Finalist;
- 2018 GO Awards NI Buy Social/Sustainable Procurement Award Finalist;

This report was approved by the board of directors on 14/06/19 and signed on behalf of the board by:



Mr A Reid
Company Secretary

Registered office:
108-114 Moneymore Road
Magherafelt
Co. Londonderry
BT45 6HJ

Henry Brothers Limited

Directors' report

Year ended 31 March 2019

The directors present their report and the financial statements of the group for the year ended 31 March 2019.

Directors

The directors who served the company during the year were as follows:

Mr D Henry
Mr I Henry
Mr N Henry
Mrs J McKeown
Mr A Reid
Mr A Mitchell
Mr J Gordon
Mr P McLean
Mr I McCully
Mr D Wallace
Mr H Henry
Mr R Hassan

(Appointed 7 January 2019)

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Future developments

There are no future developments or events after the reporting date noted in respect of the entity.

Disclosure of information in the strategic report

The strategic report is included on pages 2 to 5.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 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 group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

Henry Brothers Limited

Directors' report *(continued)*

Year ended 31 March 2019

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

Auditor

The auditors, BDO Northern Ireland, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

This report was approved by the board of directors on 14/06/19 and signed on behalf of the board by:



Mr A Reid
Company Secretary

Registered office:
108-114 Moneymore Road
Magherafelt
Co. Londonderry
BT45 6HJ

Henry Brothers Limited

Independent auditor's report to the members of Henry Brothers Limited

Year ended 31 March 2019

Opinion

We have audited the financial statements of Henry Brothers Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Henry Brothers Limited

Independent auditor's report to the members of Henry Brothers Limited

(continued)

Year ended 31 March 2019

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Henry Brothers Limited

Independent auditor's report to the members of Henry Brothers Limited

(continued)

Year ended 31 March 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities 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 auditor's report.

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 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.



Nigel V W Harra, senior statutory auditor
For and on behalf of BDO Northern Ireland, statutory auditor
Lindsay House
10 Callender Street
Belfast
BT1 5BN

17 June 2019

Henry Brothers Limited

Consolidated statement of comprehensive income

Year ended 31 March 2019

	Note	2019 £000	2018 £000
Turnover	4	85,363	72,006
Cost of sales		79,057	68,405
Gross profit		<u>6,306</u>	<u>3,601</u>
Administrative expenses		3,429	2,545
Other operating income	5	8	6
Operating profit	6	<u>2,885</u>	<u>1,062</u>
Other interest receivable and similar income	10	129	118
Profit before taxation		<u>3,014</u>	<u>1,180</u>
Tax on profit	11	582	71
Profit for the financial year		<u>2,432</u>	<u>1,109</u>
Pre merger dividend income		1,000	4,500
Total comprehensive income for the year		<u>3,432</u>	<u>5,609</u>

All the activities of the group are from continuing operations.

Henry Brothers Limited

Consolidated statement of financial position

31 March 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	13	1,100	1,035
Current assets			
Stocks	15	23	29
Debtors	16	7,125	8,538
Cash at bank and in hand		29,795	21,437
		<u>36,943</u>	<u>30,004</u>
Creditors: Amounts falling due within one year	17	<u>25,222</u>	<u>21,677</u>
Net current assets		<u>11,721</u>	<u>8,327</u>
Total assets less current liabilities		<u>12,821</u>	<u>9,362</u>
Provisions	18	<u>111</u>	<u>84</u>
Net assets		<u>12,710</u>	<u>9,278</u>
Capital and reserves			
Share premium account	22	50	50
Profit and loss account	22	12,660	9,228
Shareholders funds		<u>12,710</u>	<u>9,278</u>

These financial statements were approved by the board of directors and authorised for issue on 14/06/19 and are signed on behalf of the board by:



Mr D Henry
Director

Company registration number: NI629986

Henry Brothers Limited

Company statement of financial position

31 March 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	13	1,100	1,035
Investments	14	—	50
		<u>1,100</u>	<u>1,085</u>
Current assets			
Stocks	15	23	29
Debtors	16	6,039	6,646
Cash at bank and in hand		19,634	13,958
		<u>25,696</u>	<u>20,633</u>
Creditors: Amounts falling due within one year	17	<u>15,428</u>	<u>12,994</u>
Net current assets		<u>10,268</u>	<u>7,639</u>
Total assets less current liabilities		<u>11,368</u>	<u>8,724</u>
Provisions	18	<u>111</u>	<u>84</u>
Net assets		<u>11,257</u>	<u>8,640</u>
Capital and reserves			
Share premium account	22	50	50
Profit and loss account	22	11,207	8,590
Shareholders funds		<u>11,257</u>	<u>8,640</u>

The profit for the financial year of the parent company was £2,617,000 (2018: £4,571,000).

These financial statements were approved by the board of directors and authorised for issue on 14/06/19 and are signed on behalf of the board by:



Mr D Henry
Director

Company registration number: NI629986

Henry Brothers Limited

Consolidated statement of changes in equity

Year ended 31 March 2019

	Share premium account £000	Profit and loss account £000	Total £000
At 1 April 2017	50	5,619	5,669
Profit for the year		1,109	1,109
Other comprehensive income for the year:			
Pre merger dividend income	—	4,500	4,500
Total comprehensive income for the year	—	5,609	5,609
Dividends paid and payable	12	(2,000)	(2,000)
Total investments by and distributions to owners	—	(2,000)	(2,000)
At 31 March 2018	50	9,228	9,278
Profit for the year		2,432	2,432
Other comprehensive income for the year:			
Pre merger dividend income	—	1,000	1,000
Total comprehensive income for the year	—	3,432	3,432
At 31 March 2019	<u>50</u>	<u>12,660</u>	<u>12,710</u>

Henry Brothers Limited

Company statement of changes in equity

Year ended 31 March 2019

		Share premium account £000	Profit and loss account £000	Total £000
At 1 April 2017		50	6,019	6,069
Profit for the year		—	4,571	4,571
Total comprehensive income for the year		—	4,571	4,571
Dividends paid and payable	12	—	(2,000)	(2,000)
Total investments by and distributions to owners		—	(2,000)	(2,000)
At 31 March 2018		50	8,590	8,640
Profit for the year		—	2,617	2,617
Total comprehensive income for the year		—	2,617	2,617
At 31 March 2019		<u>50</u>	<u>11,207</u>	<u>11,257</u>

Henry Brothers Limited

Consolidated statement of cash flows

Year ended 31 March 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the financial year	2,432	1,109
<i>Adjustments for:</i>		
Depreciation of tangible assets	254	117
Other interest receivable and similar income	(129)	(118)
Gains on disposal of tangible assets	(1)	–
Tax on profit	582	71
Accrued expenses	2,775	11,803
<i>Changes in:</i>		
Stocks	6	(29)
Trade and other debtors	1,363	(5,726)
Trade and other creditors	463	3,761
Cash generated from operations	<u>7,745</u>	<u>10,988</u>
Interest received	129	118
Tax paid	(11)	–
Net cash from operating activities	<u>7,863</u>	<u>11,106</u>
Cash flows from investing activities		
Purchase of tangible assets	(505)	(883)
Dividends received	1,000	4,500
Net cash from investing activities	<u>495</u>	<u>3,617</u>
Cash flows from financing activities		
Dividends paid	–	(2,000)
Net cash used in financing activities	<u>–</u>	<u>(2,000)</u>
Net increase in cash and cash equivalents	8,358	12,723
Cash and cash equivalents at beginning of year	21,437	8,714
Cash and cash equivalents at end of year	<u>29,795</u>	<u>21,437</u>

Henry Brothers Limited

Notes to the financial statements

Year ended 31 March 2019

1. General information

The company is a private company limited by shares, registered in Northern Ireland. The address of the registered office is 108-114 Moneymore Road, Magherafelt, Co. Londonderry, BT45 6HJ.

The principal activity of the group during the year was building and construction work. The principal activity of the company is a holding company and trades in building and construction work.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of the Group and all of its subsidiary undertakings.

The results of a subsidiary which has been disposed of as part of a group reorganisation are recognised using the merger accounting method. The results and cash flows of the departing subsidiary are removed from the financial statements in both the current and prior period.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income.

Henry Brothers Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Recoverability of debtors

Management makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Amounts recoverable on contracts, contract revenue and contract costs

Contract revenue and costs are recognised when the outcome of a construction contract can be reliably estimated. The percentage of completion method is used to value revenue and costs at year end, these are included in the profit or loss account. At year end, the company reviews the recoverability of amounts already recognised as contract revenue. If the debtor is not considered to be recoverable, the unrecoverable amount will be expensed in the year. When, on review of job costing schedules, it is deemed probable that total contract costs will exceed total contract revenue the expected loss is recognised as an expense immediately, which is a corresponding provision for an onerous contract.

- Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Whether a present obligation is probable or not requires judgement. The nature and types of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Henry Brothers Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Revenue recognition

The majority of turnover is on long-term contracts. These contracts are assessed on a contract by contract basis and are reflected in the Statement of income and retained earnings by recording turnover and related costs by reference to the stage of completion at the reporting date. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the Statement of income and retained earnings as the difference between the reported turnover and related costs for that contract. Provision is made for all known or expected losses.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	-	10%-25% straight line
Fixtures and fittings	-	10%-25% straight line
Motor vehicles	-	20%-25% straight line

Investments

Investments in subsidiaries are valued at cost less provision for impairment.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly.

Henry Brothers Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2019

3. Accounting policies *(continued)*

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

Raw materials and goods for resale- purchase cost on a first in, first out basis.

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads on a normal level of activity. Provision is made for any foreseeable losses where appropriate.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

Cash and cash equivalents

Cash consists of cash on hand and demand deposits. There are no cash equivalents included in the financial statements.

Other financial assets

Other financial assets comprise of trade debtors, amounts due from group and related undertakings and other debtors. Other financial assets are initially measured at the undiscounted amount of cash receivable and are subsequently measured at amortised cost less impairment, where there is objective evidence of an impairment.

Other financial liabilities

Other financial liabilities include trade creditors, amounts owed to group and related undertakings and other creditors. Other financial liabilities are measured at invoice price, unless payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. In this case the arrangement constitutes a financing transaction, and the financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

4. Turnover

Turnover arises from:

	2019	2018
	£000	£000
Construction contracts	<u>85,363</u>	<u>72,006</u>

The directors have not disclosed information relating to the geographical split of the turnover on the grounds that this would be seriously prejudicial to the interests of the company.

Henry Brothers Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2019

5. Other operating income

	2019 £000	2018 £000
Other operating income	<u>8</u>	<u>6</u>

6. Operating profit

Operating profit or loss is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible assets	254	117
Gains on disposal of tangible assets	<u>(1)</u>	<u>—</u>

7. Auditor's remuneration

	2019 £000	2018 £000
Fees payable for the audit of the financial statements	<u>8</u>	<u>8</u>

8. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2019 No.	2018 No.
Production staff	130	126
Administrative staff	<u>50</u>	<u>52</u>
	<u>180</u>	<u>178</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019 £000	2018 £000
Wages and salaries	5,870	5,026
Social security costs	593	608
Other pension costs	<u>154</u>	<u>136</u>
	<u>6,617</u>	<u>5,770</u>

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019 £000	2018 £000
Remuneration	674	559
Company contributions to defined contribution pension plans	<u>25</u>	<u>23</u>
	<u>699</u>	<u>582</u>

Henry Brothers Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2019

9. Directors' remuneration *(continued)*

Remuneration of the highest paid director in respect of qualifying services:

	2019 £000	2018 £000
Aggregate remuneration	98	99
Company contributions to defined contribution pension plans	4	4
	<u>102</u>	<u>103</u>

10. Other interest receivable and similar income

	2019 £000	2018 £000
Interest on cash and cash equivalents	<u>129</u>	<u>118</u>

11. Tax on profit

Major components of tax expense

	2019 £000	2018 £000
Current tax:		
UK current tax expense	555	11
Deferred tax:		
Origination and reversal of timing differences	<u>27</u>	<u>60</u>
Tax on profit	<u>582</u>	<u>71</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £000	2018 £000
Profit on ordinary activities before taxation	<u>3,014</u>	<u>1,180</u>
Profit on ordinary activities by rate of tax	573	224
Effect of expenses not deductible for tax purposes	12	2
Group relief	–	(149)
Impact of change in tax rate	(3)	(7)
Deferred tax not recognised	–	1
Tax on profit	<u>582</u>	<u>71</u>

Henry Brothers Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2019

12. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2019 £000	2018 £000
Dividends paid	—	2,000

13. Tangible assets

Group and company	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2018	187	388	138	468	1,181
Additions	—	138	8	374	520
Disposals	(187)	—	—	(21)	(208)
At 31 March 2019	<u>—</u>	<u>526</u>	<u>146</u>	<u>821</u>	<u>1,493</u>
Depreciation					
At 1 April 2018	—	92	12	42	146
Charge for the year	—	93	29	132	254
Disposals	—	—	—	(7)	(7)
At 31 March 2019	<u>—</u>	<u>185</u>	<u>41</u>	<u>167</u>	<u>393</u>
Carrying amount					
At 31 March 2019	<u>—</u>	<u>341</u>	<u>105</u>	<u>654</u>	<u>1,100</u>
At 31 March 2018	<u>187</u>	<u>296</u>	<u>126</u>	<u>426</u>	<u>1,035</u>

14. Investments

The group has no investments.

Company	Shares in participating interests £000
Cost	
At 1 April 2018	50
Disposals	(50)
At 31 March 2019	<u>—</u>
Impairment	
At 1 April 2018 and 31 March 2019	<u>—</u>
Carrying amount	
At 31 March 2019	<u>—</u>
At 31 March 2018	<u>50</u>

During the year a group reorganisation was undertaken and as a result the company disposed of its investment in Henry Brothers (Magherafelt) Limited.

Henry Brothers Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2019

14. Investments *(continued)*

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

Subsidiary undertakings	Class of share	Percentage of shares held
Henry Brothers Midlands Limited	Ordinary Shares	100

15. Stocks

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Raw materials and consumables	<u>23</u>	<u>29</u>	<u>23</u>	<u>29</u>

16. Debtors

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade debtors	5,002	6,809	4,164	4,948
Amounts owed by group undertakings	329	455	329	575
Amounts owed by related parties	2	74	2	24
Prepayments and accrued income	76	80	76	80
Amounts recoverable on contract	1,319	829	1,086	735
Other debtors	397	291	382	284
	<u>7,125</u>	<u>8,538</u>	<u>6,039</u>	<u>6,646</u>

All debtors are repayable within one year of the balance sheet date.

17. Creditors: Amounts falling due within one year

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade creditors	1,764	1,392	1,262	1,130
Amounts owed to group undertakings	286	213	243	204
Amounts owed to related parties	–	1	–	1
Accruals and deferred income	21,810	19,035	13,113	11,062
Corporation tax	555	11	363	11
Social security and other taxes	600	898	370	505
Other creditors	207	127	77	81
	<u>25,222</u>	<u>21,677</u>	<u>15,428</u>	<u>12,994</u>

Henry Brothers Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2019

18. Provisions

Group and company	Deferred tax (note 19) £000
At 1 April 2018	84
Additions	27
At 31 March 2019	<u>111</u>

19. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Included in provisions (note 18)	<u>111</u>	<u>84</u>	<u>111</u>	<u>84</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Accelerated capital allowances	114	84	84	84
Short term timing differences	(3)	-	-	-
	<u>111</u>	<u>84</u>	<u>84</u>	<u>84</u>

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £145,575 (2018: £128,725).

21. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>

22. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

Henry Brothers Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2019

23. Related party transactions

Group

The company has taken advantage of the exemption contained in paragraph 33.1A of FRS 102 not to disclose any transactions with its parent or fellow 100% owned subsidiary undertakings on the grounds that it is a 100% owned subsidiary and the consolidated accounts of Henry Group (NI) Limited, in which the company is included, are publicly available.

Company

The following transactions were undertaken with related parties during the year:

	Sales/ recharges to related parties £000	Purchases/ recharges from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
2019	132	258	2	–
2018	154	39	24	1

The related parties involved in the aforementioned transactions are related by virtue of ultimate common shareholders and directors.

No further transactions with related parties were undertaken such as are required to be disclosed under FRS 102 Section 33.

24. Controlling party

The directors consider that the ultimate parent undertaking of this company is Henry Group (NI) Limited, a company incorporated in Northern Ireland.

The consolidated accounts of this group are available to the public at:

Companies House
The Linenhall
32-38 Linenhall Street
Belfast

Henry Group (NI) Limited is under the control of its shareholders. As no one shareholder holds a majority of the shares the directors conclude that there is no ultimate controlling party.

25. Comparative figures

Some comparative figures have been changed for presentational purposes only. The changes made have had no effect on either profit or loss.