

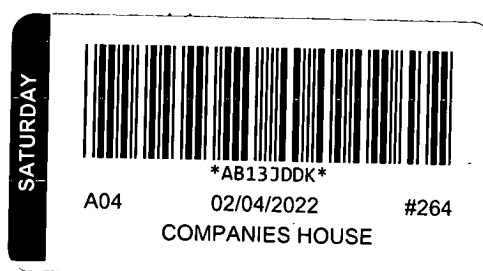
Renelec Hennion Limited

Annual Report and Financial Statements

Year Ended

30 September 2021

Company Number 05817190



Renelec Hennion Limited

Company Information

Directors	A P Mills M G Reeves
Company secretary	A K Harper
Registered number	05817190
Registered office	Brownston House New Park Street Devizes Wiltshire SN10 1DS
Independent auditor	BDO LLP Bridgewater House Counterslip Bristol BS1 6BX
Bankers	Svenska Handelsbanken AB (publ) 1 & 4 Forest Gate Pewsham Chippenham SN15 3RS

Renelec Hennion Limited

Contents

	Page
Strategic Report	1 - 2
Directors' Report	3 - 2
Directors' Responsibilities Statement	4
Independent Auditor's Report	5 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 - 25

Renelec Hennion Limited

Strategic Report For the Year Ended 30 September 2021

The directors present their Strategic Report together with the audited financial statements for the year ended 30 September 2021.

Principal activity

The principal activity of the company is heating and ventilation contracting in the United Kingdom.

Review of the business

During the year, turnover decreased by 17.8% to £3.6m. The Covid pandemic continued to impact both the company and the overall economy with a second national lockdown in November 2020, restrictions not easing until early spring. This delayed the start dates on various projects we had secured and impacted the number of new enquiries received.

There remains a lot of uncertainty in the industry with the supply chain, relating to prices and availability of products due to various factors including Covid and Brexit. The company has incurred unprecedented material price increases during the year which has impacted on profitability. Unfortunately, this remains very difficult to predict and will continue to have an impact in the medium to long-term, especially with the spectre of relatively high inflation now on the horizon.

However, the company has proven that it can react to any situation and act accordingly, this should ensure its continued success.

Principal risks and uncertainties

The construction industry is influenced by various factors outside the company's control. These would include government intervention, confidence, unemployment, inflation, interest rates and labour.

The availability of skilled labour also impacts our business as there is a shortage of all trades. Renelec Group look to train all their workforce to high standards and actively encourage an apprenticeship programme.

Retentions is a significant consideration in terms of cash flow and when they fall due, great emphasis is put collection to ensure this does not impact the liquidity of the company.

Given that the company works on construction sites which are inherently dangerous places, safety is of paramount importance. The company strives to ensure that all employees and subcontractors work in a safe and healthy working environment supported by the latest policies and procedures.

Financial key performance indicators

The directors monitor the company's progress against its strategic objectives and the financial performance of the company's operations on a regular basis producing monthly management accounts. Two key financial performance indicators are turnover (growth) and gross profit % (profitability).

For the year ended 30 September 2021, turnover was £3,601,933 (2020 - £4,379,496), this represents a 17.8% decrease on the previous year.

Gross profit % for the year ended 30 September 2021 was 17.2% (2020 - 11.1%), this represents a 6.1% increase on the previous year.

The company is forecasting an increase in turnover to around £4.5m for the forthcoming year, which is a 24% increase on the current year. This is largely dependent on current economic factors easing, minimal contract delays from our clients and based on the current order book and level of enquiries being received.

The forecast GP margin of 13.1% considers current inflationary pressures and is therefore prudent. The company will make every effort to improve further, through procurement savings and contract efficiencies.

Renelec Hennion Limited

Strategic Report (continued) For the Year Ended 30 September 2021

Going concern

The directors prepare both budgets and cash flow forecasts for a period extending to at least twelve months from the date of approval of these financial statements. The directors are satisfied that those forecasts, which take account of trading performance, secured turnover and tendered contracts, provide a reasonable expectation that the company can continue in operational existence for the foreseeable future. For this reason, the company continues to adopt the going concern basis.

This report was approved by the board on 24 March 2022 and signed on its behalf.



A K Harper
Secretary

Renelec Hennion Limited

Directors' Report For the Year Ended 30 September 2021

The directors present their report and the financial statements for the year ended 30 September 2021.

Business review

A review of the business and its principal risks and uncertainties is set out in the Strategic Report on page 1 of these financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £45,461 (2020 - £47,388).

Dividends of £Nil were proposed in the year (2020 - £75,000).

Directors

The directors who served during the year were:

B G Crew (resigned 31 January 2022)
A P Mills
M G Reeves

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 24 March 2022 and signed on its behalf.



A K Harper
Secretary

Renelec Hennion Limited

Directors' Responsibilities Statement For the Year Ended 30 September 2021

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

Renelec Hennion Limited

Independent Auditor's Report to the Members of Renelec Hennion Limited

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Renelec Hennion Limited ("the company") for the year ended 30 September 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Renelec Hennion Limited

Independent Auditor's Report to the Members of Renelec Hennion Limited (continued)

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Renelec Hennion Limited

Independent Auditor's Report to the Members of Renelec Hennion Limited (continued)

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.

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

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

- we obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the Company. These included but were not limited to compliance with the Companies Act 2006, UK GAAP and tax legislation;
- in addressing the risk of fraud, including the risk of management override of controls and the risk of fraud in revenue recognition, we performed journals testing based on a set of risk criteria and tested to supporting documentation;
- we tested a sample of contracts for which estimates are made in connection with the stage of completion which can impact on the amount of revenue and profit recognised;
- we also incorporated unpredictability procedures as part of our response to the risk of management override of controls;
- we agreed financial statement disclosures to supporting documentation;
- we made enquiries of management; and
- we remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Renelec Hennion Limited

Independent Auditor's Report to the Members of Renelec Hennion Limited (continued)

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.

DocuSigned by:

Neil Dimes

D194A67B16AC4C4...

Neil Dimes (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Bristol
United Kingdom

Date: 25 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Renelec Hennion Limited

Statement of Comprehensive Income For the Year Ended 30 September 2021

	Note	2021 £	2020 £
Turnover	4	3,601,933	4,379,496
Cost of sales		(2,981,566)	(3,892,165)
Gross profit		620,367	487,331
Administrative expenses		(577,472)	(533,509)
Other operating income	5	12,321	105,183
Operating profit	6	55,216	59,005
Interest receivable and similar income	10	1,398	1,489
Interest payable and similar charges	11	-	(74)
Profit before tax		56,614	60,420
Tax on profit	12	(11,153)	(13,032)
Profit for the financial year		45,461	47,388

There were no recognised gains and losses for 2021 or 2020 other than those included in the Statement of Comprehensive Income.

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 12 to 25 form part of these financial statements.

Renelec Hennion Limited

Registered number:05817190

Statement of Financial Position As at 30 September 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	14		2,020		1,356
Current assets					
Stocks	15	33,915		-	
Debtors: amounts falling due within one year	16	1,054,050		1,446,878	
Cash at bank and in hand		277,520		444,949	
		<u>1,365,485</u>		<u>1,891,827</u>	
Creditors: amounts falling due within one year	17	(1,111,543)		(1,682,828)	
Net current assets			253,942		208,999
Provisions for liabilities					
Deferred taxation	18		(146)		-
Net assets			<u>255,816</u>		<u>210,355</u>
Capital and reserves					
Called up share capital	19		1,000		1,000
Profit and loss account	20		254,816		209,355
			<u>255,816</u>		<u>210,355</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 March 2022



A P Mills
Director

The notes on pages 12 to 25 form part of these financial statements.

Renelec Hennion Limited

Statement of Changes in Equity For the Year Ended 30 September 2021

	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2020	1,000	209,355	210,355
Comprehensive income for the year			
Profit for the year	-	45,461	45,461
Total comprehensive income for the year	-	45,461	45,461
At 30 September 2021	1,000	254,816	255,816

Statement of Changes in Equity For the Year Ended 30 September 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2019	1,000	236,967	237,967
Comprehensive income for the year			
Profit for the year	-	47,388	47,388
Total comprehensive income for the year	-	47,388	47,388
Dividends: Equity capital	-	(75,000)	(75,000)
At 30 September 2020	1,000	209,355	210,355

The notes on pages 12 to 25 form part of these financial statements.

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

1. General information

Renelec Hennion Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the company's operations and its principal activity are set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A and 12.30;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Renelec Limited as at 30 September 2021 and these financial statements may be obtained from Brownston House, New Park Street, Devizes, Wiltshire, SN10 1DS.

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

2. Accounting policies (continued)

2.3 Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate.

The directors prepare both budgets and cash flow forecasts and they are satisfied that those forecasts, which take account of trading performance, secured turnover and tendered contracts, provide a reasonable expectation that the company can continue in operational existence for the foreseeable future.

The directors therefore continue to adopt the going concern basis in preparing the financial statements. In reaching this conclusion the directors have considered the following factors:

The ability to operate and complete projects:

All construction sites regularly review strict health & safety requirements which includes all Covid-19 precautions to protect all trades and to minimise any disruption to completing projects within forecast timescales.

In addition, management continually monitor and review back-office resources and procedures to ensure the company can function remotely, continue to pay employees and suppliers and issue sales invoices. Management continue to monitor credit terms offered to customers and outstanding balances.

The ability to meet debts as they fall due:

Management have undertaken an exercise to forecast financial performance for at least 12 months from the date of this report and continually review short term cash requirements. The result of these reviews is that the directors are satisfied that the company can meet its liability as they fall due for the foreseeable future.

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

2. Accounting policies (continued)

2.4 Turnover

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

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

On contracts that are forecast to be profitable, profit is taken on the basis of the value of work carried out at the Statement of Financial Position date, taking into account the stage of completion of the contract and total expected costs at the various stages of the contract. Turnover derived from variations on contracts are recognised only when they have been accepted by the customer.

On contracts that are forecast to be loss-making, all of the loss is recognised as soon as it is foreseen irrespective of the stage of completion of the contract.

2.5 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Fixtures, fittings, tools & equipment	- 3 to 5 years
---------------------------------------	----------------

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

2. Accounting policies (continued)

2.6 Stocks

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

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in statement of comprehensive income.

2.7 Debtors

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

2.8 Financial instruments

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

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

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

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

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

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

2. Accounting policies (continued)

2.9 Cash and cash equivalents

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

2.10 Creditors

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

2.11 Government grants

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.13 Operating leases: the company as lessee

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

2.14 Pensions

Defined contribution pension plan

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

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

2.15 Interest income

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

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Long term contracts

Profit associated with a long term contract can be recognised only where the profitable outcome can be estimated reliably. Estimation of the outcome requires estimates of the stage of completion or value of work completed at the end of the reporting period, future costs and the collectability of amounts claimed from the customer.

- Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Turnover

The whole of the turnover is attributable to heating and ventilation contracting.

All turnover arose within the United Kingdom.

5. Other operating income

	2021 £	2020 £
Government grants receivable - furlough income	12,321	105,183
	<u>12,321</u>	<u>105,183</u>

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

6. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	1,045	615
Other operating lease rentals	39,808	57,433
Defined contribution scheme	57,179	53,144
	<u>57,179</u>	<u>53,144</u>

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	10,000	9,000
Fees payable to the company's auditor and its associates for other services relating to taxation	2,550	2,400
	<u>2,550</u>	<u>2,400</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	748,525	760,767
Social security costs	83,564	76,137
Cost of defined contribution scheme	57,179	53,144
	<u>889,268</u>	<u>890,048</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Staff and directors	6	6
Operatives including apprentices	15	16
	<u>21</u>	<u>22</u>

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	140,522	128,955
Company contributions to defined contribution pension schemes	38,010	34,507
	<u>178,532</u>	<u>163,462</u>

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

10. Interest receivable and similar income

	2021 £	2020 £
Interest receivable from group companies	<u>1,398</u>	<u>1,489</u>

11. Interest payable and similar charges

	2021 £	2020 £
Loans from group undertakings	<u>-</u>	<u>74</u>

12. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	5,683	8,563
Adjustments in respect of previous periods	-	935
Group tax relief	-	8,563
Total current tax	<u>5,683</u>	<u>18,061</u>
Deferred tax		
Origination and reversal of timing differences	5,470	(5,029)
Total deferred tax	<u>5,470</u>	<u>(5,029)</u>
Taxation on profit on ordinary activities	<u>11,153</u>	<u>13,032</u>

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

12. Taxation (continued)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	56,614	60,420
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	10,757	11,480
Effects of:		
Fixed asset differences	(32)	-
Expenses not deductible for tax purposes	393	652
Adjustments to corporation tax charge in respect of prior periods	-	935
Group relief claimed	-	(8,563)
Payment for group relief	-	8,563
Remeasurement of deferred tax for changes in tax rates	35	(35)
Total tax charge for the year	11,153	13,032

Factors that may affect future tax charges

Increases in the UK Corporation tax rate from 19% to 25% (19% effective from 1 April 2017, and 25% effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly. The value of the deferred tax liability at the Statement of Financial Position date has been calculated using the applicable rate when the liability is expected to be realised.

A deferred tax asset of £Nil (2020 - £5,249) has been recognised in respect of pension contributions not paid at the year end. This will reverse when the contributions are paid. During the year the brought forward deferred tax asset of £5,249 (2020 - £85) relating to unpaid pension contributions reversed as the pension contributions were paid.

13. Dividends

	2021 £	2020 £
Final dividend paid	-	75,000
	-	75,000

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

14. Tangible fixed assets

	Fixtures, fittings, tools & equipment £
Cost	
At 1 October 2020	25,814
Additions	1,709
At 30 September 2021	<u>27,523</u>
Depreciation	
At 1 October 2020	24,458
Charge for the year	1,045
At 30 September 2021	<u>25,503</u>
Net book value	
At 30 September 2021	<u>2,020</u>
At 30 September 2020	<u>1,356</u>

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

15. Stocks

	2021 £	2020 £
Long term contract balances	<u>33,915</u>	<u>-</u>
Long term contract balances consist of:		
	2021 £	2020 £
Costs to date less provision for losses	94,529	19,805
Applicable payments on account	(60,614)	(19,805)
	<u>33,915</u>	<u>-</u>

16. Debtors: amounts falling due within one year

	2021 £	2020 £
Trade debtors	1,024,002	1,387,410
Other debtors	3,373	29,546
Prepayments and accrued income	7,437	8,572
Amounts recoverable on long term contracts	19,238	16,026
Deferred taxation	-	5,324
	<u>1,054,050</u>	<u>1,446,878</u>

17. Creditors: amounts falling due within one year

	2021 £	2020 £
Payments received on account	205,253	625,225
Trade creditors	516,016	776,010
Amounts owed to group undertakings	10,294	15,903
Corporation tax	5,689	18,061
Other taxation and social security	21,702	24,119
Other creditors	100,337	111,484
Accruals and deferred income	252,252	112,026
	<u>1,111,543</u>	<u>1,682,828</u>

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

18. Deferred taxation

	2021 £
At beginning of year	5,324
Charged to the profit or loss	(5,470)
At end of year	(146)

The deferred taxation balance is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(146)	75
Short-term timing differences	-	5,249
	<u>(146)</u>	<u>5,324</u>

19. Share capital

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

The Ordinary shares each carry one voting right, a right to dividends declared at the discretion of the directors and a return of capital upon winding up.

20. Reserves

The company's capital and reserves are as follows:

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Renelec Hennion Limited

Notes to the Financial Statements For the Year Ended 30 September 2021

21. Contingent liabilities

There is an unlimited cross guarantee between the company and Renelec Building Services Limited, Brownston Homes Limited, Renelec Chalgrove Limited, Renelec Groundworks Limited and Renelec Limited in favour of Svenska Handelsbanken AB (publ). This guarantee is secured by a fixed and floating charge over all assets of the company.

The company contingent liability as at 30 September 2021 was £3,155,909 (2020 - £2,711,955).

22. Pension commitments

The company operates defined contribution pension schemes for its employees. The assets of the schemes are kept independently of the company in a separately administered fund.

Contributions payable to the schemes for the year were £57,179 (2020 - £53,144).

Contributions unpaid at the end of the year amounted to £28,956 (2020 - £27,625).

23. Commitments under operating leases

At 30 September 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	240	2,027
Later than 1 year and not later than 5 years	80	320
	<u>320</u>	<u>2,347</u>

24. Related party transactions

Disclosure is not required of related party transactions between group companies since the company meets the exemption criteria of being a 100% subsidiary of its parent company for which consolidated accounts, including the company, are publicly available.

25. Ultimate parent undertaking and controlling party

The parent undertaking of the smallest group for which consolidated accounts are prepared is Renelec Limited, a company registered in England and Wales. In the opinion of the directors, Renelec Limited controls the company.

The parent undertaking of the largest group for which consolidated accounts are prepared is Renelec Group Limited, a company registered in England and Wales. In the opinion of the directors this is the company's ultimate parent undertaking and ultimate controlling party.

Consolidated accounts for both of the above mentioned companies are available from Renelec Limited, Brownston House, New Park Street, Devizes, Wiltshire, SN10 1DS.