

Company registration number 08044729 (England and Wales)

BRENIG CONSTRUCTION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2021

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BRENIG CONSTRUCTION LIMITED

COMPANY INFORMATION

Directors	M Parry H Vaughan Y Han
Company number	08044729
Registered office	Brenig House Cartrefi Conwy Business Park Station Road Mochdre Conwy United Kingdom LL28 5EF
Auditor	Azets Audit Services Ship Canal House 98 King Street Manchester M2 4WU

BRENIG CONSTRUCTION LIMITED

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BRENIG CONSTRUCTION LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2021

The directors present the strategic report for the year ended 31 October 2021.

Fair review of the business

Overall, the directors are satisfied with the performance of the company under the period under review, given the circumstances.

As the economy emerged from COVID the sector experienced significant material cost increases, limited availability of key material components and skilled labour. Delays in the planning process led to the delays in the company starting work at key strategic sites. Nevertheless, the team adapted to the circumstances and also realised several key opportunities which will come to fruition in the next F/Y 2022.

Principal risks and uncertainties

Whilst the impact of COVID still remains the major challenge that the business is facing, the board believe that as a business we are well placed to remain competitive in the market.

The key risks identified include significant material price increases and availability and lack of key resources and labour within the wider supply chain. Delays associated with planning permissions remains a significant challenge in the industry. The key strategic sites that have been delayed are now progressing and other opportunities are being worked on significantly earlier in the process to allow sufficient time should future planning delays occur.

With regards to material price increases, the issues associated with the supply chain have generally eased and many of the contracts which were secured on a "fixed" basis are planned to complete in the near future. The opportunity to increase our prices to take account of the market will exist moving forward.

The business has two distinct divisions. The first being the private house sales, which could be affected by the micro and macro economics of the housing sector. However, at present the market in North Wales remains extremely strong and prices still remain elevated which allows the business to absorb any additional costs and maintain the forecasted margin.

The second division is contracting, which in the main undertakes development projects for Registered Social Landlords (RSL) on a package deal basis, thus all the units are pre-sold prior to the company commencing works on any given site and thus eliminating the sales risk.

The company trades in the main with blue-chip customers who have strong credit ratings in the industry and as such the directors do not believe that the company is exposed unduly to the risk of significant bad debts. Payment terms are favourable and as a business we have robust processes to facilitate the "collection of payments".

Working capital requirements are a risk and to aide with managing this the business has made several key strategic decisions, including the sales of shares in other business interests.

The Board is mindful of its responsibilities in respect of Health and Safety and Environmental Legislation and continues to invest in this area.

BRENIG CONSTRUCTION LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2021

Development and performance

Trading performance and Key Performance Indicators may be summarised as follows:

	2021 (£'000)	2020 (£'000)
Turnover	14,992	11,283
Gross Margin	6%	8%
Operating Profit	(279)	143

In addition to the Key Performance Indicators above, the board also monitors several operational measures within its business, which are reported within the suite of comprehensive management information produced each month.

COVID-19 and future outlook

Key to the success of the business is overcoming the challenges which exist because of the pandemic and managing and reducing the planning risks to allow key developments to start on time and as per the forecast. The board are wholly confident that the opportunity to price accordingly moving forward with new contracts and commence works on the delayed sites and realise new opportunities will facilitate the business to improve year on year.

The company's impact on the community, environment and continuing its sustainability work continues to remain important. The company ensures that corporate and social responsibility is a high priority. We will continue to monitor our performance in all these areas as we look to optimise performance.

On behalf of the board



M Parry
Director

21 October 2022

BRENIG CONSTRUCTION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2021

The directors present their annual report and financial statements for the year ended 31 October 2021.

Principal activities

The principal activity of the company continued to be that of the construction and development of building projects.

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £139,848. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M Parry
H Vaughan
Y Han

Auditor

Azets Audit Services were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

BRENIG CONSTRUCTION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2021

On behalf of the board

A handwritten signature in black ink, appearing to be 'M Parry', written over a horizontal line.

M Parry
Director

21 October 2022

BRENIG CONSTRUCTION LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BRENIG CONSTRUCTION LIMITED

Qualified opinion on financial statements

We were engaged to audit the financial statements of Brenig Construction Limited (the 'company') for the year ended 31 October 2021 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 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.

Basis for qualified 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We have not been able to gain sufficient audit evidence on the opening balance sheet in order to provide an unqualified opinion on the opening position as at 1 November 2020.

Material uncertainty relating to going concern

We draw your attention to note 1.2 of the financial statements, which sets out that during 2021 there have been a number of well publicised macro-economic shocks that have impacted the company's operations and working capital position, notably continued supply chain issues and well documented material cost increases which have impacted the sector as a whole. Furthermore, commencement of work at number of key strategic sites was delayed and this has impacted the forecasted turnover and the company's ability to trade as planned.

These factors indicate that a material uncertainty may exist that could cast doubt on the company's ability to continue as a going concern. Our position is not modified in respect of this matter.

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.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

BRENIG CONSTRUCTION LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BRENIG CONSTRUCTION LIMITED

Opinions on other matters prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion, based on the work undertaken in the course of our 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 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.

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 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.

BRENIG CONSTRUCTION LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BRENIG CONSTRUCTION LIMITED

Extent to which the audit was considered 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 and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Azets Audit Services

David Clift (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

Date: 26/10/22

Chartered Accountants
Statutory Auditor

Ship Canal House
98 King Street
Manchester
M2 4WU

BRENIG CONSTRUCTION LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 OCTOBER 2021

		2021 £	2020 £
Turnover	3	14,992,008	11,282,782
Cost of sales		(14,079,173)	(10,424,631)
Gross profit		912,835	858,151
Administrative expenses		(1,467,945)	(1,053,559)
Other operating income		276,496	338,807
Operating (loss)/profit	4	(278,614)	143,399
Interest receivable and similar income		4,169	3,772
Interest payable and similar expenses	7	(182,325)	(132,698)
(Loss)/profit before taxation		(456,770)	14,473
Tax on (loss)/profit		472,366	151,884
Profit for the financial year		15,596	166,357
Retained earnings brought forward		587,764	547,522
Dividends	9	(139,848)	(126,115)
Retained earnings carried forward		463,512	587,764

The profit and loss account has been prepared on the basis that all operations are continuing operations.

BRENIG CONSTRUCTION LIMITED

BALANCE SHEET

AS AT 31 OCTOBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	10		225,304		156,363
Current assets					
Stocks	11	347,537		638,446	
Debtors	12	7,785,750		4,609,463	
Cash at bank and in hand		43,569		128,786	
		<u>8,176,856</u>		<u>5,376,695</u>	
Creditors: amounts falling due within one year	13	<u>(7,162,952)</u>		<u>(4,196,702)</u>	
Net current assets			1,013,904		1,179,993
Total assets less current liabilities			<u>1,239,208</u>		<u>1,336,356</u>
Creditors: amounts falling due after more than one year	14		(664,349)		(662,100)
Provisions for liabilities					
Deferred tax liability	17	41,347		16,492	
		<u>(41,347)</u>		<u>(16,492)</u>	
Net assets			<u>533,512</u>		<u>657,764</u>
Capital and reserves					
Called up share capital	19		78		78
Share premium account			69,890		69,890
Capital redemption reserve			32		32
Profit and loss reserves			463,512		587,764
Total equity			<u>533,512</u>		<u>657,764</u>

The financial statements were approved by the board of directors and authorised for issue on 21 October 2022 and are signed on its behalf by:


M Parry
Director

Company Registration No. 08044729

BRENIG CONSTRUCTION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash absorbed by operations	23		(15,730)		(313,655)
Income taxes (paid)/refunded			(42,950)		109,813
Net cash outflow from operating activities			(58,680)		(203,842)
Investing activities					
Purchase of tangible fixed assets		(100,162)		(108,905)	
Interest received		4,169		3,772	
Net cash used in investing activities			(95,993)		(105,133)
Financing activities					
Interest paid		(182,325)		(132,698)	
Net movement of borrowings		645,319		(155,606)	
Net movement of bank loans		(232,249)		750,000	
Payment of finance leases obligations		(21,441)		(7,547)	
Dividends paid		(139,848)		(126,115)	
Net cash generated from financing activities			69,456		328,034
Net (decrease)/increase in cash and cash equivalents			(85,217)		19,059
Cash and cash equivalents at beginning of year			128,786		109,727
Cash and cash equivalents at end of year			43,569		128,786

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2021

1 Accounting policies

Company information

Brenig Construction Limited is a private company limited by shares incorporated in England and Wales. The registered office is Brenig House, Cartrefi Conwy Business Park, Station Road, Mochdre, Colwyn Bay, Wales, LL28 5EF.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, the principal accounting policies adopted are set out below.

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2021

1 Accounting policies

(Continued)

1.2 Going concern

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. However, the directors are aware of certain material uncertainties which may cause doubt on the company's ability to continue as a going concern.

The company trades extensively with several other related entities (set out in Note 22) that are wholly owned by the shareholders of the company. As such, the profitability and cashflow of the company is intrinsically linked to that of these related entities.

The combination of well publicised labour and supply chain issues emanating from the world-wide Covid pandemic coupled with delays in getting onto key sites leading to the company having to absorb unanticipated costs, all have had a detrimental impact on the liquidity of the company and its related entities. Whilst challenges remain, the directors have taken steps accordingly to reduce costs and are also seeing an easing of some of these pressures. In July 2022 a related entity sold its share in Calon Homes LLP, using the proceeds in part to reduce the level of gearing across the related entities (and indirectly in the company).

Whilst the directors recognise the risks for the construction sector from the current uncertain economic outlook, they are confident that because of the profile of the developments underway the company and its related entities will be insulated to a large extent from the impact of the potential downsides. The business has two distinct divisions. The first being the private house sales, which could be affected by the micro and macro economics of the housing sector. However, at present the market in North Wales remains extremely strong. The second division is contracting, which in the main undertakes development projects for Registered Social Landlords (RSL) on a package deal basis, thus all the units are pre-sold prior to the company commencing works on any given site and thus eliminating the sales risk.

Whilst the directors do not produce formal profit and cashflow projections covering a 12-month period, they actively manage cashflow through projections covering shorter periods and by close and regular monitoring of progress on sites, resulting expected income streams and costs.

All projections depend upon subjective assumptions, and they are, according to the nature of the business, and the period covered, subject to change. Taking these assumptions into account, the directors consider that the company can operate within its existing debt facilities, assuming the ongoing goodwill of certain creditors, including the Crown, and the ongoing ability of the company to continue to access development finance, which it has historically been successful in doing. The directors are currently in discussions with the company's funders to increase facilities to provide additional headroom.

In taking these, and all other factors into account, at the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future and thus continue to adopt the Going Concern basis of accounting in the preparation of the financial statements. The accounts do not include any adjustments that would arise if this concept turned out not to be appropriate.

1.3 Turnover

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing sales raised to date against total anticipated contract sales. This percentage is applied to budgeted total costs for developments to ensure appropriate costs are matched with invoiced sales.

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2021

1 Accounting policies

(Continued)

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty.

The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	20% straight line
Fixtures and fittings	15% reducing balance
Computers	25% straight line
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Net realisable value is based on estimated selling price less additional costs to complete and disposal.

Developed land and work in progress are valued at the lower of cost, which includes materials and relevant overheads, and estimated residual value.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets classified as receivable within one year are not amortised.

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2021

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2021

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2021

1 Accounting policies

(Continued)

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Leases

Leases are classified as hire purchase contracts whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under hire purchase contracts are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2021

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Work in progress on contracts

Determining the valuation of construction and development contracts requires judgement regarding the stage of completion of jobs at the year end. The judgements are based surveys of work performed, proportions of work agreed and billed, and confirmations of completion of a physical proportion of the contract work.

There is also judgement involved in the assessment of total expected contract values and costs. Management takes a prudent approach in their assessment.

3 Turnover

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose in the United Kingdom.

4 Operating (loss)/profit

	2021 £	2020 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Government grants	(269,519)	(337,827)
Fees payable to the company's auditor for the audit of the company's financial statements	25,000	-
Depreciation of owned tangible fixed assets	31,221	48,625
(Profit)/loss on disposal of tangible fixed assets	-	3,075
Operating lease charges	46,989	46,982

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2021 Number	2020 Number
64	65

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2021

5 Employees

(Continued)

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	2,250,943	2,069,308
Social security costs	226,441	200,518
Pension costs	137,745	124,103
	<u>2,615,129</u>	<u>2,393,929</u>

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	47,394	54,584
Company pension contributions to defined contribution schemes	80,340	66,558
	<u>127,734</u>	<u>121,142</u>

7 Interest payable and similar expenses

	2021 £	2020 £
Other finance costs:		
Interest on finance leases and hire purchase contracts	10,616	7,012
Other interest	171,709	125,686
	<u>182,325</u>	<u>132,698</u>

8 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	(200,000)	(145,963)
Adjustments in respect of prior periods	(297,221)	(5,637)
Total current tax	<u>(497,221)</u>	<u>(151,600)</u>
Deferred tax		
Origination and reversal of timing differences	13,372	(284)
Adjustment in respect of prior periods	11,483	-
Total deferred tax	<u>24,855</u>	<u>(284)</u>
Total tax credit	<u>(472,366)</u>	<u>(151,884)</u>

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2021

8 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
(Loss)/profit before taxation	(456,770)	14,473
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(86,786)	2,750
Tax effect of expenses that are not deductible in determining taxable profit	3,116	1,003
Adjustments in respect of prior years	(297,221)	(5,637)
Deferred tax adjustments in respect of prior years	11,483	-
Tax relief in respect of research and development	(200,000)	(150,000)
Deferred tax not recognised in respect of trading losses	97,042	-
Taxation credit for the year	(472,366)	(151,884)

9 Dividends

	2021 £	2020 £
Final paid	139,848	126,115

10 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
Cost					
At 1 November 2020	-	6,273	132,248	145,361	283,882
Additions	637	-	99,525	-	100,162
At 31 October 2021	637	6,273	231,773	145,361	384,044
Depreciation and impairment					
At 1 November 2020	-	2,657	49,604	75,258	127,519
Depreciation charged in the year	53	904	12,739	17,525	31,221
At 31 October 2021	53	3,561	62,343	92,783	158,740
Carrying amount					
At 31 October 2021	584	2,712	169,430	52,578	225,304
At 31 October 2020	-	3,616	82,644	70,103	156,363

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2021

11 Stocks

	2021 £	2020 £
Work in progress	321,559	513,446
Stocks	25,978	125,000
	<u>347,537</u>	<u>638,446</u>

12 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	725,675	1,096,609
Gross amounts owed by contract customers	2,545,464	1,844,333
Corporation tax recoverable	588,893	48,722
Amounts owed by related parties	2,186,520	523,985
Other debtors	179,992	126,830
Prepayments and accrued income	1,559,206	968,984
	<u>7,785,750</u>	<u>4,609,463</u>

13 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans	15	310,253	229,167
Net obligations under hire purchase contracts	16	23,189	25,874
Other borrowings	15	557,300	246,321
Payments received on account		1,369,148	955,712
Trade creditors		2,854,223	2,080,637
Amounts due to related parties		1,275,405	94,977
Taxation and social security		400,024	242,436
Other creditors		214,321	224,478
Accruals and deferred income		159,089	97,100
		<u>7,162,952</u>	<u>4,196,702</u>

Bank loans due within one year of £270,833 (2020: £229,167) are secured by fixed and floating charge over the assets of the company.

Balances of £167,232 (2020: £nil) recognised within other borrowings are secured over the assets for which the loan was taken out to develop.

Balances of £236,971 (2020: £nil) recognised within other borrowings are secured by a floating charge over the assets of the company.

Net obligations under hire purchase contracts are secured on the assets to which they relate.

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2021

14 Creditors: amounts falling due after more than one year

		2021 £	2020 £
Bank loans and overdrafts	15	207,498	520,833
Net obligations under hire purchase contracts	16	20,903	39,659
Other borrowings	15	435,948	101,608
		<u>664,349</u>	<u>662,100</u>

Bank loans due after more than one year of £nil (2020: £270,833) are secured by fixed and floating charge over the assets of the company.

Net obligations under hire purchase contracts are secured on the assets to which they relate.

15 Loans and overdrafts

		2021 £	2020 £
Bank loans		517,751	750,000
Other loans		993,248	347,929
		<u>1,510,999</u>	<u>1,097,929</u>
Payable within one year		867,553	475,488
Payable after one year		<u>643,446</u>	<u>622,441</u>

The long-term loans are secured by fixed and floating charges over the assets of the company.

16 Finance lease obligations

		2021 £	2020 £
Future minimum lease payments due under finance leases:			
Within one year		23,189	25,874
In two to five years		20,903	39,659
		<u>44,092</u>	<u>65,533</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2021

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Accelerated capital allowances	41,347	16,492
	<u>41,347</u>	<u>16,492</u>
Movements in the year:		2021 £
Liability at 1 November 2020		16,492
Charge to profit or loss		24,855
		<u>41,347</u>
Liability at 31 October 2021		<u>41,347</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

18 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	137,745	124,103
	<u>137,745</u>	<u>124,103</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
A Ordinary shares of £1 each	39	39	39	39
B Ordinary shares of £1 each	39	39	39	39
	<u>78</u>	<u>78</u>	<u>78</u>	<u>78</u>

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2021

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	57,529	57,529
Between two and five years	202,944	214,944
In over five years	266,499	311,828
	<u>526,972</u>	<u>584,301</u>

21 Directors' transactions

During the year the company made further net advances to directors totalling £134,309 (2020: £138,286). These amounts were unsecured and repayable on demand. Interest was charged at 2.25% on these amounts.

During the year a director made an advance to the company totalling £nil (2020: £200,000). These amounts were unsecured and repayable by 24 October 2024. Interest was charged at 3% on these amounts.

The closing balance on the directors' current accounts are £166,600 (2020: £32,479) disclosed in other debtors and £200,000 (2020: £205,858) disclosed in other creditors

During the year, dividends were paid to directors of £139,848 (2020: £126,115).

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2021

22 Related party transactions

The company has borrowed funds from Brenig Homes Limited a company in which M Parry and H Vaughan have a controlling interest. At the balance sheet date amounts owed to Brenig Homes Limited due in less than one year were £666,901 (2020: £4,552 owed from) disclosed in amounts owed to related parties. In addition, the company has recognised £1,367,121 (£727,283) within gross amounts owed by contract customers relating to development works carried out on behalf of Brenig Homes Limited.

The company has advanced funds to Brenig Developments Limited a in which M Parry and H Vaughan have a controlling interest. At the balance sheet date amounts owed by Brenig Developments Limited due in less than one year were £736,263 (2020: £100,603) disclosed in amounts owed by related parties.

The company has advanced funds to Calon Homes LLP a limited liability partnership in which M Parry and H Vaughan have a controlling interest. At the balance sheet date amounts owed by Calon Homes LLP due in less than one year were £706,944 (2020: £nil) disclosed in amounts owed by related parties.

The company has advanced funds to Hillcrest (Buckley) Limited a company in which M Parry and H Vaughan have a controlling interest. At the balance sheet date amounts owed by Hillcrest (Buckley) Limited due in less than one year were £4,613 (2020: £nil) disclosed in amounts owed by related parties.

The company has advanced funds to Mary Bamber Developments Limited a company in which M Parry and H Vaughan have a controlling interest. At the balance sheet date net amounts owed by Mary Bamber Developments Limited due in less than one year were £256,384 (2020: £nil) disclosed gross in amounts owed by related parties (£738,703) and amounts owed to related parties (£482,319).

During the year, the company received advances from Seel Plant Hire Limited a company in which M Parry and H Vaughan have a controlling interest. At the balance sheet date amounts owed to Seel Plant Hire Limited due in less than one year were £88,372 (2020: £56,987) disclosed in amounts due to related parties.

During the year, the company paid £184 (2020: £37,990) to The Old Wheatsheaf Buildings Limited a company in which M Parry and H Vaughan have a controlling interest. At the balance sheet date amounts owed to The Old Wheatsheaf Buildings Limited due in less than one year were £37,806 (2020: £37,990) amounts due to related parties.

BRENIG CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2021

23 Cash absorbed by operations

	2021 £	2020 £
Profit for the year after tax	15,596	166,357
Adjustments for:		
Taxation credited	(472,366)	(151,884)
Finance costs	182,325	132,698
Investment income	(4,169)	(3,772)
(Gain)/loss on disposal of tangible fixed assets	-	3,075
Depreciation and impairment of tangible fixed assets	31,221	48,625
Movements in working capital:		
Decrease in stocks	290,909	320,877
Increase in debtors	(2,636,116)	(1,036,814)
Increase in creditors	2,576,870	207,183
Cash absorbed by operations	(15,730)	(313,655)

24 Analysis of changes in net debt

	1 November 2020 £	Cash flows £	31 October 2021 £
Cash at bank and in hand	128,786	(85,217)	43,569
Borrowings excluding overdrafts	(1,097,929)	(413,070)	(1,510,999)
Obligations under finance leases	(65,533)	21,441	(44,092)
	(1,034,676)	(476,846)	(1,511,522)