

Company Registration No. 03342049 (England and Wales)

**FEL Group Limited**  
**Annual Report And Financial Statements**  
**For The Year Ended 31 December 2020**

# FEL GROUP LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr J N Higginbottom Mr J Camm Mr J A Preston	(Appointed 17 January 2020) (Appointed 17 January 2020)
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<b>Company number</b>	03342049
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<b>Registered office</b>	Normanby Gateway Lysaghts Way Normandby Road Scunthorpe North Lincolnshire DN15 9YG
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<b>Auditor</b>	Garbutt & Elliott Audit Limited Triune Court Monks Cross Drive York YO32 9GZ
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# FEL GROUP LIMITED

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# FEL GROUP LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present the strategic report for the year ended 31 December 2020.

### **Fair review of the business**

The company's principal activities during the year were in the delivery of Turnkey Data Centre Cooling Solutions, Installation, Service and Maintenance of Air Conditioning equipment. This year's numbers show that the business has managed to stabilise its position despite the disruption caused to the economy by the Coronavirus pandemic and its associated lockdowns.

The long-term objective of the directors for the business is to grow the customer base to allow more resilience to the fluctuations in customer spend patterns. Good work has been achieved in that over the course of the year as the business has provided services to a greater number of customers and looks to strengthen that further through 2021.

### **Principal risks and uncertainties**

The board continues to target large organisations less susceptible to fluctuations in capital expenditure variations. The business experienced no adverse effect from the protracted Brexit withdrawal arrangements and works hard with its supply chain to ensure this carries on through the long term.

Acquiring well structured long-term finance will help the board continue the work started on structuring the business for the future.

Early in 2020 the risk of the Covid 19 pandemic became apparent. The board were able to respond to ensure the business could still operate at sites where allowed to do so and for delivery to be supported by remote working office staff. This continued through the year as the whole business was able to adapt to working under new restrictions.

### **Performance during the year**

For the majority of businesses 2020 represented a hugely challenging year. FEL Group has been able to show a result that shows the business is in a strong position to make the most of the upturn in activity expected in 2021. The net result of a near break even position compared with a loss in 2019 of £1.2 million is a very encouraging result.

The restructuring work undertaken in 2019 has shown its positive impact on the business in 2020. The overheads at £1.77 million were much reduced from the £3.4 million in 2019. This enabled the business to absorb some of the impact of the pandemic lockdowns and reach a near break even position from a reduced turnover.

Work winning on data centre projects has been positive with key projects acquired with household name companies. The business has a long-term strategy to be key delivery partners to national businesses in the data centre sector.

Despite seeing some slow down in capital expenditure items by our customers within Installations, that part of the business performed well we and engaged with several new customers.

Gross profits remained consistent with previous years at 30%.

In January 2020 a Management Buy Out of the business was completed. This was able to bring in much needed funding to the business.

### **Performance at the year end**

The end of year performance shows a much improved position following 2019. Without the impact of the Coronavirus the end of year would have undoubtedly been even better. Some work winning and long term contracts expected in 2020 were delayed until 2021 and the impact of those will strengthen the business further.

**FEL GROUP LIMITED**

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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On behalf of the board

Mr J N Higginbottom  
**Director**

26 May 2021

# FEL GROUP LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present their annual report and financial statements for the year ended 31 December 2020.

### Principal activities

The principal activity of the company continued to be that of plumbing, heat and air-conditioning installation.

### Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### Directors

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

Mr J N Higginbottom

Mr J Camm

(Appointed 17 January 2020)

Mr J A Preston

(Appointed 17 January 2020)

### Auditor

The auditor, Garbutt & Elliott Audit Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### 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.

On behalf of the board

Mr J N Higginbottom

**Director**

26 May 2021

## **FEL GROUP LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

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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.

# FEL GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEL GROUP LIMITED

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### Opinion

We have audited the financial statements of FEL Group Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *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.

### Conclusions relating to going concern

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

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

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

### Other information

The 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.

### Opinions on other matters prescribed by the Companies Act 2006

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.

# FEL GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FEL GROUP LIMITED

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### **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 and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the 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.

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.

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.

## FEL GROUP LIMITED

### INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FEL GROUP LIMITED

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#### **Extent to which the audit was capable of identifying irregularities, including fraud**

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management, and from inspection of the company's regulatory and legal correspondence. We discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance during the audit.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation, taxation legislation and further laws and regulations that could indirectly affect the financial statements, comprising employment, environmental and health and safety legislation and, in the current climate, covid regulations. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These procedures did not identify any potentially material actual or suspected non-compliance.

To identify risks of material misstatement due to fraud we considered the opportunities and incentives and pressures that may exist within the company to commit fraud. Our risk assessment procedures included: enquiry of directors to understand the high level policies and procedures in place to prevent and detect fraud, reading Board minutes and considering performance targets and incentive schemes in place for management. We communicated identified fraud risks throughout our team and remained alert to any indications of fraud during the audit.

As a result of these procedures we identified the greatest potential for fraud in the following areas:

- revenue recognition and in particular the risk that revenue is recorded in the wrong period;
- revenue recognition and in particular the risk of accounting for long term contracts; and
- subjective accounting estimates

This is due to the potential desire to present stronger results for financing and contract work.

As required by auditing standards we also identified and addressed the risk of management override of controls.

We performed the following procedures to address the risks of fraud identified:

- identifying and testing high risk journal entries through vouching the entries to supporting documentation;
- assessing significant accounting estimates for bias; and
- testing the timing and recognition of income and, in particular, that it was appropriately recognised or deferred.
- testing the underlying assumptions made in the calculations of long term contracts, as well as reviewing post year end information to ensure estimations of profitability and completion were reasonable.

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

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

## **FEL GROUP LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FEL GROUP LIMITED**

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#### **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.

**Martin Davey (Senior Statutory Auditor)**  
**For and on behalf of Garbutt & Elliott Audit Limited**

26 May 2021

**Chartered Accountants**  
**Statutory Auditor**

Triune Court  
Monks Cross Drive  
York  
YO32 9GZ

## FEL GROUP LIMITED

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
<b>Turnover</b>	<b>2</b>	5,489,642	7,660,242
Cost of sales		(3,682,541)	(5,393,993)
<b>Gross profit</b>		<b>1,807,101</b>	<b>2,266,249</b>
Administrative expenses		(1,909,603)	(3,429,149)
Other operating income		129,917	500
Exceptional item	<b>3</b>	-	(266,126)
<b>Operating profit/(loss)</b>	<b>4</b>	<b>27,415</b>	<b>(1,428,526)</b>
Interest receivable and similar income	<b>7</b>	111	2,971
Interest payable and similar expenses	<b>8</b>	(83,525)	(2,754)
Amounts written off investments	<b>9</b>	22,000	-
<b>Loss before taxation</b>		<b>(33,999)</b>	<b>(1,428,309)</b>
Tax on loss	<b>10</b>	4,000	274,792
<b>Total comprehensive (loss)/income for the year</b>		<b>(29,999)</b>	<b>(1,153,517)</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# FEL GROUP LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	12		455,767		715,725
<b>Current assets</b>					
Stocks	13	33,347		48,877	
Debtors	14	1,202,174		1,255,321	
Cash at bank and in hand		120,001		355,288	
		<u>1,355,522</u>		<u>1,659,486</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(2,077,193)</u>		<u>(3,406,726)</u>	
<b>Net current liabilities</b>			<u>(721,671)</u>		<u>(1,747,240)</u>
<b>Total assets less current liabilities</b>			<u>(265,904)</u>		<u>(1,031,515)</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(573,610)		-
<b>Provisions for liabilities</b>					
Deferred tax liability	18	<u>68,000</u>		<u>122,000</u>	
			<u>(68,000)</u>		<u>(122,000)</u>
<b>Net liabilities</b>			<u>(907,514)</u>		<u>(1,153,515)</u>
<b>Capital and reserves</b>					
Called up share capital	21		276,002		2
Profit and loss reserves			<u>(1,183,516)</u>		<u>(1,153,517)</u>
<b>Total equity</b>			<u>(907,514)</u>		<u>(1,153,515)</u>

The financial statements were approved by the board of directors and authorised for issue on 26 May 2021 and are signed on its behalf by:

Mr J N Higginbottom  
**Director**

**Company Registration No. 03342049**

## FEL GROUP LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
<b>Balance at 1 January 2019</b>		2	2,842,715	2,842,717
<b>Year ended 31 December 2019:</b>				
Loss and total comprehensive income for the year		-	(1,153,517)	(1,153,517)
Dividends	11	-	(2,842,715)	(2,842,715)
<b>Balance at 31 December 2019</b>		2	(1,153,517)	(1,153,515)
<b>Year ended 31 December 2020:</b>				
Loss and total comprehensive income for the year		-	(29,999)	(29,999)
Issue of share capital	21	276,000	-	276,000
<b>Balance at 31 December 2020</b>		276,002	(1,183,516)	(907,514)

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## FEL GROUP LIMITED

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019	
	Notes	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	25	(1,304,509)		(467,276)	
Interest paid		(83,525)		(2,754)	
Income taxes refunded		71,052		72,473	
<b>Net cash outflow from operating activities</b>		<b>(1,316,982)</b>		<b>(397,557)</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(1,500)		(101,474)	
Proceeds on disposal of tangible fixed assets		107,084		32,083	
Interest received		111		2,971	
<b>Net cash generated from/(used in) investing activities</b>		<b>105,695</b>		<b>(66,420)</b>	
<b>Financing activities</b>					
Proceeds from issue of shares		276,000		-	
Proceeds from borrowings		450,000		-	
Proceeds of new bank loans		250,000		-	
Payment of finance leases obligations		-		(39,678)	
Dividends paid		-		(2,842,715)	
<b>Net cash generated from/(used in) financing activities</b>		<b>976,000</b>		<b>(2,882,393)</b>	
<b>Net decrease in cash and cash equivalents</b>		<b>(235,287)</b>		<b>(3,346,370)</b>	
Cash and cash equivalents at beginning of year		355,288		3,701,658	
<b>Cash and cash equivalents at end of year</b>		<b>120,001</b>		<b>355,288</b>	

# FEL GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

#### Company information

FEL Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Normanby Gateway, Lysaghts Way, Normandby Road, Scunthorpe, North Lincolnshire, DN15 9YG.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with "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 £1.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

The company has reported a loss in the year of £29,999 (2019- £1,153,517) and has net liabilities of £907,514 (2019- £1,153,515) as at 31 December 2020. The company went through a process of internal restructuring and financing in the prior year. In light of this restructure and change in management, improvement can be seen as the company returns to a break-even position.

Post year end trading results are in light of the third UK Covid-19 lockdown, which has had the short term affect of delaying companies capital expenditure and investment in large capital expenditure, however the directors are confident in a improved year of trade as a number of large purchase orders and contracts have been received as the lock down eases. The crisis has not had a significant detriment to the industry in medium and long term, as IT infrastructure has become more important in the current environment.

Post year end further financing was secured, and a number of contracts were part financed up front, ensuring the company is in a strong cash position. This combined with other significant tenders on the horizon, has put the directors in a position to believe the pandemic will not have a critical effect on it being a going concern.

Although the current economic climate creates both cashflow and profitability risks for the company, the directors believe on balance that they have sufficient resources to enable trading to continue for a period of at least one year from the date of approval of the financial statements, on the basis of information currently available to them as at the point of approval. Accordingly, these financial statements have been prepared on the going concern basis.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover from long term contracts 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 costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

#### 1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

# FEL GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.5 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:

Leasehold improvements	15% reducing balance
Plant and equipment	15% reducing balance
Fixtures and fittings	15% reducing balance and 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.

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

# FEL GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.8 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

#### 1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.10 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 unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **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.

# FEL GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### **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 unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. 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.

#### **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.

# FEL GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### ***Derecognition of financial liabilities***

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

#### **1.11 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.

#### **1.12 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.

#### **1.13 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.

#### **1.14 Retirement benefits**

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

#### **1.15 Leases**

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.

# FEL GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 Accounting policies

(Continued)

#### 1.16 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.

#### 1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

### 2 Turnover and other revenue

	2020	2019
	£	£
<b>Turnover analysed by class of business</b>		
Plumbing, heat and air conditioning installation	5,489,642	7,660,242
	<u>5,489,642</u>	<u>7,660,242</u>
	2020	2019
	£	£
<b>Other significant revenue</b>		
Interest income	111	2,971
Grants received	129,917	-
	<u>129,917</u>	<u>-</u>
	2020	2019
	£	£
<b>Turnover analysed by geographical market</b>		
UK	5,489,642	7,660,242
	<u>5,489,642</u>	<u>7,660,242</u>
	2020	2019
	£	£
<b>Expenditure</b>		
Exceptional restructuring costs	-	266,126
	<u>-</u>	<u>266,126</u>

At the end of the prior year, the company began to undergo the process of refinancing and restructuring the group and therefore incurred one-off material costs that directly impacted the performance of the company. Included within the above amounts were costs relating to legal, financial and restructuring advice attributable to the restructuring.

# FEL GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 4 Operating profit/(loss)

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) for the year is stated after charging/(crediting):		
Research and development costs	5,652	-
Government grants	(129,917)	-
Fees payable to the company's auditor for the audit of the company's financial statements	12,180	11,800
Depreciation of owned tangible fixed assets	130,029	157,778
Loss on disposal of tangible fixed assets	24,345	13,409
Operating lease charges	71,307	80,320
	<u>71,307</u>	<u>80,320</u>

### 5 Employees

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

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Production	17	24
Non Production	23	39
Total	<u>40</u>	<u>63</u>

Their aggregate remuneration comprised:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,446,960	3,015,671
Social security costs	144,635	54,114
Pension costs	29,271	29,335
	<u>1,620,866</u>	<u>3,099,120</u>

### 6 Directors' remuneration

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	149,037	450,743
Company pension contributions to defined contribution schemes	830	3,000
	<u>149,867</u>	<u>453,743</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019 - 4).

## FEL GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 6 Directors' remuneration (Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020	2019
	£	£
Remuneration for qualifying services	n/a	146,110
Company pension contributions to defined contribution schemes	n/a	311
	<u>          </u>	<u>          </u>

As total directors' remuneration was less than £200,000 in the current year, no disclosure is provided for that year.

#### 7 Interest receivable and similar income

	2020	2019
	£	£
<b>Interest income</b>		
Interest on bank deposits	111	2,971
	<u>          </u>	<u>          </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	111	2,971
	<u>          </u>	<u>          </u>

#### 8 Interest payable and similar expenses

	2020	2019
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	73	-
Interest on invoice finance arrangements	83,452	-
	<u>          </u>	<u>          </u>
	83,525	-
<b>Other finance costs:</b>		
Interest on finance leases and hire purchase contracts	-	2,754
	<u>          </u>	<u>          </u>
	83,525	2,754
	<u>          </u>	<u>          </u>

#### 9 Amounts written off investments

	2020	2019
	£	£
Amounts written back to financial liabilities	22,000	-
	<u>          </u>	<u>          </u>

## FEL GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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10 Taxation	2020	2019
	£	£
<b>Current tax</b>		
Adjustments in respect of prior periods	-	(2,459)
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(4,000)	(272,333)
	<u>          </u>	<u>          </u>
 Total tax credit	 (4,000)	 (274,792)
	<u>          </u>	<u>          </u>

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

	2020	2019
	£	£
Loss before taxation	(33,999)	(1,428,309)
	<u>          </u>	<u>          </u>
 Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(6,460)	(271,379)
Tax effect of expenses that are not deductible in determining taxable profit	10,693	14,855
Effect of change in deferred tax rate	-	(17,475)
Other	(8,233)	(793)
	<u>          </u>	<u>          </u>
Taxation credit for the year	(4,000)	(274,792)
	<u>          </u>	<u>          </u>

11 Dividends	2020	2019
	£	£
Interim paid	-	2,842,715
	<u>          </u>	<u>          </u>

## FEL GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 12 Tangible fixed assets

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2020	163,834	191,074	699,224	402,659	1,456,791
Additions	-	-	-	1,500	1,500
Disposals	-	-	-	(380,288)	(380,288)
At 31 December 2020	163,834	191,074	699,224	23,871	1,078,003
<b>Depreciation and impairment</b>					
At 1 January 2020	87,802	110,656	300,681	241,927	741,066
Depreciation charged in the year	11,412	12,060	80,614	25,943	130,029
Eliminated in respect of disposals	-	-	-	(248,859)	(248,859)
At 31 December 2020	99,214	122,716	381,295	19,011	622,236
<b>Carrying amount</b>					
At 31 December 2020	64,620	68,358	317,929	4,860	455,767
At 31 December 2019	76,032	80,418	398,543	160,732	715,725

#### 13 Stocks

	2020 £	2019 £
Finished goods and goods for resale	33,347	48,877

#### 14 Debtors

	2020 £	2019 £
<b>Amounts falling due within one year:</b>		
Trade debtors	903,669	866,518
Other debtors	10,000	10,000
Prepayments and accrued income	68,505	108,803
	982,174	985,321
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset (note 18)	220,000	270,000
<b>Total debtors</b>	<b>1,202,174</b>	<b>1,255,321</b>

## FEL GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 15 Loans and overdrafts

	2020	2019
	£	£
Bank loans	250,000	-
Other loans	450,000	-
	<u>700,000</u>	<u>-</u>
Payable within one year	126,390	-
Payable after one year	573,610	-
	<u>573,610</u>	<u>-</u>

The above loans consist of two CBIL loans issued in the year.

The bank loan of £250,000 is repayable over 6 years and is secured by a fixed and floating charge on the assets of the company.

The other loan of £450,000 is repayable over 5 years and is also secured by personal guarantees of the directors and the parent company Twentec Holdings.

#### 16 Creditors: amounts falling due within one year

	Notes	2020	2019
		£	£
Bank loans	15	33,333	-
Other borrowings	15	93,057	-
Trade creditors		1,033,254	1,503,916
Amounts owed to group undertakings		-	298,000
Corporation tax		71,052	-
Other taxation and social security		392,886	101,212
Deferred income	19	-	897,808
Other creditors		231,343	46,582
Accruals and deferred income		222,268	559,208
		<u>2,077,193</u>	<u>3,406,726</u>

Included in other creditors is a liability in regards to an invoice finance facility which is secured by a fixed charge on the assets of the company.

#### 17 Creditors: amounts falling due after more than one year

	Notes	2020	2019
		£	£
Bank loans and overdrafts	15	216,667	-
Other borrowings	15	356,943	-
		<u>573,610</u>	<u>-</u>

# FEL GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 17 Creditors: amounts falling due after more than one year (Continued)

Amounts included above which fall due after five years are as follows:

Payable by instalments	16,666	-
	<u>          </u>	<u>          </u>

### 18 Deferred taxation

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

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
<b>Balances:</b>				
Accelerated capital allowances	68,000	122,000	-	-
Tax losses	-	-	220,000	270,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	68,000	122,000	220,000	270,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
				<b>2020</b>
<b>Movements in the year:</b>				<b>£</b>
Asset at 1 January 2020				(148,000)
Credit to profit or loss				(4,000)
				<u>          </u>
Asset at 31 December 2020				(152,000)
				<u>          </u>

The deferred tax asset set out above is expected to reverse within 24 months and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above relates to accelerated capital allowances.

### 19 Deferred income

	2020 £	2019 £
Other deferred income	-	897,808
	<u>          </u>	<u>          </u>

### 20 Retirement benefit schemes

	2020 £	2019 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	29,271	29,335
	<u>          </u>	<u>          </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.

## FEL GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 21 Share capital

	2020	2019	2020	2019
Ordinary share capital Issued and fully paid	Number	Number	£	£
Ordinary shares of £1 each	276,002	2	276,002	2

During the year 276,000 of ordinary shares were issued for cash consideration of £276,000.

#### 22 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:

	2020	2019
	£	£
Within one year	35,869	35,869
Between two and five years	7,959	35,530
	<u>43,828</u>	<u>71,399</u>

#### 23 Directors' transactions

The company has entered into guarantees for its directors as follows:

Each director is party to a 20% personal loan guarantee described in note 16.

#### 24 Ultimate controlling party

During the year the entire share capital of the company was purchased by Twentec Holdings Limited which subsequently became the immediate parent company and controlling party of the company (previously Nickle Holdings Limited), with registered office address of Triune Court, Monks Cross Drive, York, YO32 9GZ.

## FEL GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

<b>25 Cash absorbed by operations</b>		<b>2020</b>	<b>2019</b>	
		<b>£</b>	<b>£</b>	
Loss for the year after tax		(29,999)	(1,153,517)	
<b>Adjustments for:</b>				
Taxation credited		(4,000)	(274,792)	
Finance costs		83,525	2,754	
Investment income		(111)	(2,971)	
Loss on disposal of tangible fixed assets		24,345	13,409	
Depreciation and impairment of tangible fixed assets		130,029	157,778	
Amounts written off investments		(22,000)	-	
<b>Movements in working capital:</b>				
Decrease in stocks		15,530	28,799	
Decrease in debtors		3,147	4,967,302	
Decrease in creditors		(607,167)	(963,435)	
Decrease in deferred income		(897,808)	(3,242,603)	
<b>Cash absorbed by operations</b>		<b>(1,304,509)</b>	<b>(467,276)</b>	
<b>26 Analysis of changes in net funds/(debt)</b>				
	<b>1 January 2020</b>	<b>Cash flows</b>	<b>Other non-cash</b>	<b>31 December</b>
	<b>£</b>	<b>£</b>	<b>changes</b>	<b>2020</b>
			<b>£</b>	<b>£</b>
Cash at bank and in hand	355,288	(235,287)	-	120,001
Borrowings excluding overdrafts	-	(722,000)	22,000	(700,000)
	<u>355,288</u>	<u>(957,287)</u>	<u>22,000</u>	<u>(579,999)</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.