

REGISTERED NUMBER: 01368342 (England and Wales)

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

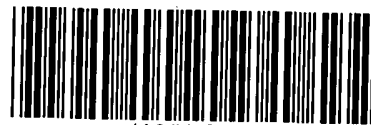
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2017

FOR

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED**

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**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

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for the Year Ended 28 February 2017**

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**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED**

**COMPANY INFORMATION
for the Year Ended 28 February 2017**

DIRECTORS:

A J Currie
M Hart
G Dwyer

SECRETARY:

M Hart

REGISTERED OFFICE:

11 Derby Lane
Old Swan
Liverpool
Merseyside
L13 6QA

REGISTERED NUMBER:

01368342 (England and Wales)

INDEPENDENT AUDITORS:

Fairhurst
Statutory Auditor
Chartered Accountants
Douglas Bank House
Wigan Lane
Wigan
Lancashire
WN1 2TB

SOLICITORS:

Wafer Phillips
54 Muirhead Avenue East
Liverpool
L1 1EL

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**STRATEGIC REPORT
for the Year Ended 28 February 2017**

The directors present their strategic report for the year ended 28 February 2017.

A&B Engineering (Mechanical Service Division) Limited provides design, supply and installation of Mechanical, Electrical and Plumbing Services (MEP) predominantly throughout the North West of England, North Wales, South Yorkshire and occasionally further afield within the UK on select projects with select clients.

We work alongside our associate partner A&B Engineering (Electrical Service Division) Limited and we are based in the same buildings we own and have been based in for over 50 years, in Liverpool. All our operations are run from this office. We have made considerable investments in our Offices, acquiring adjacent buildings as they became available and this gives us extended office space, extended car park facilities and increased space for our plant, equipment, transport, storage and logistics requirements and indeed pre-fabrication space.

REVIEW OF BUSINESS

The year to February 2017 was another exceptional year financially and one that was fully expected and planned. Turnover at £25,491,326 was similar to previous years and this matched our Target Sales. Gross profit was up 51% in part due to a number of successful end-user contracts secured and in part all projects being managed successfully and being completed on time. A huge factor is also the considerable investment in recent years on recruitment and training and the success of the team as a whole.

A number of prestigious projects were secured during the year: -

- Wrexham Eastern Command Centre
- Lime Street Hotel and Student Accommodation
- Conwy County Council New Offices
- Trinity Riverside Development
- Mersey Police Force Command Centre

With many others giving us continued spread in our sectors - Health, Education, Blue Light, Residential, Hotels and Offices.

We continue to work with a number of Blue Chip companies and End Users, this reduces our risk of having anticipated sales slipping.

Business optimism remains very high and allows us to continue to recruit both new apprentices and qualified trades, to continue to invest in our future and develop further the skills and expertise we have and the reputation we have built.

We value client relationships and we continue to build on these. We value our workforce and continue to mentor and develop to ensure we have a passionate, on-board, highly skilled and highly motivated workforce for many years to come.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitor Risk

The company operates in highly competitive markets. The Directors are continuously looking at ways to streamline its cost base to ensure it remains competitive and wins future contracts.

Litigation & Investigations

The company is subject to a broad range of laws, regulations and standards. Failure to comply properly with these laws, regulations and standards could significantly damage the reputation and performance of the company.

Energy & Raw Materials

The company's principal activity as mechanical service engineers is to install mechanical services using plant and raw materials. Continuous monitoring of market conditions surrounding the raw materials we use is integral to our pricing. With a number of projects secured running into 2019 and 2020 it brings a risk of inflation in Materials and Labour costs. These schemes include a margin to cover increases we anticipate and with early appointment and engagement with our suppliers and partners, we have obtained fixed prices for specialist trades that greatly reduces our risk.

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**STRATEGIC REPORT
for the Year Ended 28 February 2017**

PRINCIPAL RISKS AND UNCERTAINTIES – continued

Credit Risk

The company derives a significant proportion of its revenue from sales to major customers. The failure of any such company to honour its debts could materially impact on the company's results. The company has credit insurance in place on all major clients in order to minimise this risk.

FUTURE DEVELOPMENTS

The Directors plan to maintain similar Sales Targets with increase for growth. A number of schemes are currently underway that will be complete and included in our February 2018 Accounts. The close intensive cost management of all these projects have indications that similar returns to 2017 can be achieved in 2018.

We have continued to develop our Client base and we have a number of Main Contractors and Developers where we are undertaking our first projects together. These first projects help drive our growth for the future.

Enquiry levels with a wider client base has increased by 15% and again, the extensive investment in people and the extensive training is allowing us to embrace the increased enquiry level. We remain extremely selective in choosing what we bid and the development of our collaborative working style with all our partners is helping us to achieve our goals in this respect. Indeed a number of our work winning targets have been secured and we have some long term projects added to our Forward Order Book. This has enabled us to be more selective on further future bids to add to our already healthy Order Book.

We have also established ourselves as a term contractor on a Business Park in the North West, which has considerable revenues that will materialise in the next few years.

Projects secured going forward are: -

- Edge Lane Fleet Headquarters
- Strand Street Residential
- Merseyside Police Force Headquarters
- Connah's Quay High School

These awards have given us a very healthy Order Book going forward into the coming Financial Years.

Year	Target	Secured	%
2018	£25,000,000	£22,163,214	88
2019	£26,000,000	£17,124,189	66
2020	£27,000,000	£8,471,309	31

Another factor is as the Company's reputation and expertise has grown, as has the value of Orders being secured. Larger contract values are more fitting of a business of our size and that is driving our bottom line. Having delivered a number of bigger value schemes gives us the marketing factor that we use to sell ourselves being able to deliver these bigger projects.

Our development and investment in our Design Department and in particular BIM Technologies allows us to design our schemes in-house and gives us a collaborative approach to Mechanical, Electrical and Public Health and to produce sustainable and Low Carbon Designs. Our highly qualified engineers are committed to providing the highest level of service through dedication and expertise and we continue to develop in order to remain at the forefront of our ever changing industry. We believe that with our in-depth knowledge and with an early appointment our design engineers can influence the scheme from initial inception and together with our construction knowledge we can develop each project with an innovative and cost effective approach to enable all solutions to be analysed for its commercial viability.

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**STRATEGIC REPORT
for the Year Ended 28 February 2017**

FUTURE DEVELOPMENTS – continued

All our engineers offer an expertise in BIM Level 2 production using Autodesk Revit Platform and we continue to excel in this area with many projects having been completed. We have an expertise in renewables and we have designed and installed numerous schemes utilising Bio-mas Boilers, Photovoltaics, Combined Heat and Power (CHP), Air Source Heat Pumps (ASHP) and LED Lighting. We also have an expertise in the requirements of BREEAM accreditation and we have delivered many schemes achieving the required credits.

- In House Qualified Design Engineers
- Thermal / Energy Modelling
- SBEM / Energy Performance Certificates
- BIM / 3D Modelling
- BREEAM
- Low Carbon Consultants
- Integrated Engineering Solutions
- Innovative Solutions
- Commercial Viability
- Partnering larger schemes with M&E Consultants
- Professional Indemnity Insurance @ £ 10 Million
- Investment in Training / Engineering Apprentices

We are also a Low Carbon Consultant and we are at the forefront in the production of Thermal Models, SBEM Calculations and producing Energy Performance Certificates.

We continue to invest in Health and Safety which is of paramount importance. The training in this respect in time and money continues and we are proud of our Health and Safety records across all our schemes.

FINANCIAL INSTRUMENTS

The company holds or issues financial instruments to finance its operations and enters into contracts to manage risks arising from those operations and its sources of finance in accordance with its accounting policies.

In addition various financial instruments such as amounts recoverable on contracts, cash and trade creditors arise directly from the company's operations. Cash is placed only with reputable financial institutions to minimize credit risk.

Operations are financed by a mixture of retained profits and loans from directors. Working capital requirements are funded principally out of retained profits and loans from directors.

ON BEHALF OF THE BOARD:



.....
M Hart - Secretary

Date:

20th Nov. 2017

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**REPORT OF THE DIRECTORS
for the Year Ended 28 February 2017**

The directors present their report with the financial statements of the company for the year ended 28 February 2017.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of mechanical engineering contractors.

DIVIDENDS

Interim dividends totalling £4.1436 per share were paid during the year. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 28 February 2017 will be £2,959,929.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors set out in the table below have held office during the whole of the period from 1 March 2016 to the date of this report.

The beneficial interests of the directors holding office at 28 February 2017 in the shares of the company, according to the register of directors' interests, were as follows:

	28.2.17	1.3.16
Ordinary shares of 10p each		
A J Currie	23,249	23,249
M Hart	35,149	35,149
G Dwyer	23,249	23,249

These directors did not hold any non-beneficial interests in the shares of the company.

DIRECTORS' INTERESTS AND CONTROL

On 29 April 2012 the company contracted to purchase all of the shares of A G Williams over a period of eight years. At the balance sheet date the company had purchased 60% of A G Williams shares, being 5,871 ordinary shares. Mr A G Williams resigned as Director on 30 April 2012 and waives all rights to future dividends

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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.

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**REPORT OF THE DIRECTORS
for the Year Ended 28 February 2017**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Fairhurst, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Michael Paul.

.....
M Hart - Secretary

Date:

20th November 17

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED**

We have audited the financial statements of A. & B. Engineering (Mechanical Service Division) Limited for the year ended 28 February 2017 on pages nine to twenty three. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements, and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the company and its environment, we have not identified any material misstatements in the Strategic Report or the Report of the Directors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED**

Matters on which we are required to report by exception

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.

Fairhurst

James J Weston FCCA (Senior Statutory Auditor)
for and on behalf of Fairhurst
Statutory Auditor
Chartered Accountants
Douglas Bank House
Wigan Lane
Wigan
Lancashire
WN1 2TB

Date: *23 November 2017*

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 28 February 2017**

	Notes	2017 £	2016 £
TURNOVER	3	25,491,326	22,955,409
Cost of sales		<u>18,030,353</u>	<u>18,032,040</u>
GROSS PROFIT		7,460,973	4,923,369
Administrative expenses		<u>3,263,996</u>	<u>1,736,828</u>
		4,196,977	3,186,541
Other operating income	4	<u>17,000</u>	<u>17,000</u>
OPERATING PROFIT	6	4,213,977	3,203,541
Interest receivable and similar income	7	<u>2,017</u>	<u>5,219</u>
		4,215,994	3,208,760
Amounts written off investments	8	<u>-</u>	<u>17,000</u>
		4,215,994	3,191,760
Interest payable and similar expenses	9	<u>209,395</u>	<u>-</u>
PROFIT BEFORE TAXATION		4,006,599	3,191,760
Tax on profit	10	<u>821,390</u>	<u>661,817</u>
PROFIT FOR THE FINANCIAL YEAR		3,185,209	2,529,943
OTHER COMPREHENSIVE INCOME			
Purchase of own shares		(32,591)	(32,590)
Revaluation of investment property		-	(35,127)
Revaluation of PPE		-	(27,876)
Capital redemption reserve		124	124
Movement on deferred tax liability due to changes in estimation technique			
Transfer of excess depn		2,628	3,682
Transfer of excess depn		(2,628)	(3,682)
Income tax relating to components of other comprehensive income		<u>36,329</u>	<u>25,000</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>3,862</u>	<u>(70,469)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>3,189,071</u></u>	<u><u>2,459,474</u></u>

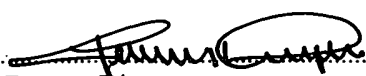
The notes form part of these financial statements

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**BALANCE SHEET
28 February 2017**

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	12	841,774	577,845
Investment property	13	<u>320,000</u>	<u>320,000</u>
		1,161,774	897,845
CURRENT ASSETS			
Stocks	14	47,690	41,445
Debtors	15	8,751,237	7,081,512
Investments	16	380	380
Cash at bank		<u>2,140,000</u>	<u>665,000</u>
		10,939,307	7,788,337
CREDITORS			
Amounts falling due within one year	17	<u>10,191,235</u>	<u>6,938,622</u>
NET CURRENT ASSETS		<u>748,072</u>	<u>849,715</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,909,846	1,747,560
CREDITORS			
Amounts falling due after more than one year	18	(316,727)	(345,554)
PROVISIONS FOR LIABILITIES	21	<u>(23,912)</u>	<u>(61,817)</u>
NET ASSETS		<u>1,569,207</u>	<u>1,340,189</u>
CAPITAL AND RESERVES			
Called up share capital	22	11,374	11,498
Share premium	23	37,500	37,500
Revaluation reserve	23	175,297	141,596
Capital redemption reserve	23	43,626	43,502
Retained earnings	23	<u>1,301,410</u>	<u>1,106,093</u>
SHAREHOLDERS' FUNDS		<u>1,569,207</u>	<u>1,340,189</u>

The financial statements were approved by the Board of Directors on 20 NOVEMBER 17 and were signed on its behalf by:


G Dwyer - Director

The notes form part of these financial statements

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**STATEMENT OF CHANGES IN EQUITY
for the Year Ended 28 February 2017**

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 March 2015	11,622	1,097,094	37,500
Changes in equity			
Issue of share capital	(124)	-	-
Dividends	-	(2,459,928)	-
Total comprehensive income	-	2,468,927	-
Balance at 29 February 2016	<u>11,498</u>	<u>1,106,093</u>	<u>37,500</u>
Changes in equity			
Issue of share capital	(124)	-	-
Dividends	-	(2,959,929)	-
Total comprehensive income	-	3,155,246	-
Balance at 28 February 2017	<u>11,374</u>	<u>1,301,410</u>	<u>37,500</u>
	Revaluation reserve £	Capital redemption reserve £	Total equity £
Balance at 1 March 2015	151,173	43,378	1,340,767
Changes in equity			
Issue of share capital	-	-	(124)
Dividends	-	-	(2,459,928)
Total comprehensive income	(9,577)	124	2,459,474
Balance at 29 February 2016	<u>141,596</u>	<u>43,502</u>	<u>1,340,189</u>
Changes in equity			
Issue of share capital	-	-	(124)
Dividends	-	-	(2,959,929)
Total comprehensive income	33,701	124	3,189,071
Balance at 28 February 2017	<u>175,297</u>	<u>43,626</u>	<u>1,569,207</u>

The notes form part of these financial statements

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**CASH FLOW STATEMENT
for the Year Ended 28 February 2017**

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	5,630,474	2,379,900
Interest paid		(209,395)	-
Tax paid		(706,238)	(665,430)
Net cash from operating activities		<u>4,714,841</u>	<u>1,714,470</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(301,498)	(43,650)
Purchase of investment property		-	(7,624)
Interest received		<u>2,017</u>	<u>5,219</u>
Net cash from investing activities		<u>(299,481)</u>	<u>(46,055)</u>
Cash flows from financing activities			
Amount introduced by directors		366,500	285,000
Amount withdrawn by directors		(285,000)	(190,000)
Share buyback		(32,591)	(32,591)
Equity dividends paid		<u>(2,959,929)</u>	<u>(2,459,928)</u>
Net cash from financing activities		<u>(2,911,020)</u>	<u>(2,397,519)</u>
Increase/(decrease) in cash and cash equivalents		<u>1,504,340</u>	<u>(729,104)</u>
Cash and cash equivalents at beginning of year	2	<u>629,170</u>	<u>1,358,274</u>
Cash and cash equivalents at end of year	2	<u><u>2,133,510</u></u>	<u><u>629,170</u></u>

The notes form part of these financial statements

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 28 February 2017**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017 £	2016 £
Profit before taxation	4,006,599	3,191,760
Depreciation charges	37,568	35,003
Finance costs	209,395	-
Finance income	<u>(2,017)</u>	<u>(5,219)</u>
	4,251,545	3,221,544
(Increase)/decrease in stocks	(6,245)	46,879
(Increase)/decrease in trade and other debtors	(1,669,724)	1,178,235
Increase/(decrease) in trade and other creditors	<u>3,054,898</u>	<u>(2,066,758)</u>
Cash generated from operations	<u><u>5,630,474</u></u>	<u><u>2,379,900</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 28 February 2017

	28/2/17 £	1/3/16 £
Cash and cash equivalents	2,140,000	665,000
Bank overdrafts	<u>(6,490)</u>	<u>(35,830)</u>
	<u><u>2,133,510</u></u>	<u><u>629,170</u></u>

Year ended 29 February 2016

	29/2/16 £	1/3/15 £
Cash and cash equivalents	665,000	1,358,274
Bank overdrafts	<u>(35,830)</u>	<u>-</u>
	<u><u>629,170</u></u>	<u><u>1,358,274</u></u>

The notes form part of these financial statements

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 28 February 2017**

1. STATUTORY INFORMATION

A. & B. Engineering (Mechanical Service Division) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), and with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Construction contracts

The directors have applied the percentage completion method to recognise contract revenue and contract costs for construction contracts. This is done by applying the proportion that costs incurred for work performed to date bear to the estimated total costs.

Where it is probable that total contract costs will exceed total contract revenue on a construction contract, the expected loss shall be recognised as an expense immediately, with a corresponding provision for an onerous contract.

Investment properties

Investment properties are recognised where areas of the land and buildings are used by third parties. The % allocation is dependent upon the % usage. This is determined by % of building area occupied, the total building area is calculated by an independent surveyor during valuation however the area used by the third party is subject to an element of judgement.

Turnover

Turnover represents the net invoiced value of goods sold, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Freehold property	- 2% on cost
Fixtures and fittings	- 20% on cost and 10% on cost
Motor vehicles	- 20% on cost

Investment property

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

**A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED (REGISTERED NUMBER: 01368342)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 28 February 2017**

2. ACCOUNTING POLICIES - continued

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Long-term contracts

Long term contract work-in-progress is shown at net cost after deducting foreseeable losses and payments on account.

Turnover on long term contracts is recognised on the basis of percentage completion of contractual obligations plus agreement of variations to the contract.

Operating profit includes attributable profit on long term contracts completed and amounts recoverable on contracts uncompleted, the latter also being included under trade debtors due within one year and after one year.

Financial instruments

Short term debtors and amounts recoverable on contracts are measured at transaction price, less any impairment. Short term trade creditors are measured at the transaction price. The following assets and liabilities are classified as financial instruments; trade debtors (including amounts recoverable on contracts), Directors' loan accounts, trade creditors, accruals and hire purchase agreements.

Financial instruments that are payable or receivable within one year, typically Directors' loan accounts, trade creditors, accruals and trade debtors, are measured initially and subsequently at the undiscounted amount of the cash or other consideration that is expected to be paid or received.

Financial instruments repayable in more than one year such as hire purchase agreements are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method unless the effect of discounting would be immaterial.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 28 February 2017**

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

4. OTHER OPERATING INCOME

	2017	2016
	£	£
Rent	<u>17,000</u>	<u>17,000</u>

5. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	4,081,599	2,842,641
Social security costs	437,305	264,186
Other pension costs	<u>101,357</u>	<u>193,726</u>
	<u>4,620,261</u>	<u>3,300,553</u>

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

	2017	2016
Operatives	52	50
Administration	26	25
Directors and management	<u>5</u>	<u>5</u>
	<u>83</u>	<u>80</u>

	2017	2016
	£	£
Directors' remuneration	996,500	86,934
Directors' pension contributions to money purchase schemes	<u>47,500</u>	<u>168,467</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

Information regarding the highest paid director for the year ended 28 February 2017 is as follows:

	2017
	£
Emoluments etc	332,167
Pension contributions to money purchase schemes	<u>15,833</u>

6. OPERATING PROFIT

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation - owned assets	37,569	35,002
Auditors' remuneration	<u>12,000</u>	<u>12,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 28 February 2017**

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£	£
Bank interest	<u>2,017</u>	<u>5,219</u>

8. AMOUNTS WRITTEN OFF INVESTMENTS

	2017	2016
	£	£
Amounts w/o invs	<u>-</u>	<u>17,000</u>

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Interest on directors loans	<u>209,395</u>	<u>-</u>

10. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2017	2016
	£	£
Current tax:		
UK corporation tax	823,836	660,000
Under provision in earlier years	<u>(870)</u>	<u>-</u>
Total current tax	822,966	660,000
Deferred tax	<u>(1,576)</u>	<u>1,817</u>
Tax on profit	<u>821,390</u>	<u>661,817</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£	£
Profit before tax	<u>4,006,599</u>	<u>3,191,760</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20.080%)	801,320	640,905
Effects of:		
capital allowances		
Disallowable items for taxation	25,571	18,459
Deferred tax movement relating to non distributable retained earnings	(7,691)	-
Rounding	(871)	2,453
Change in estimation	<u>3,061</u>	<u>-</u>
Total tax charge	<u>821,390</u>	<u>661,817</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 28 February 2017**

10. TAXATION - continued

Tax effects relating to effects of other comprehensive income

	Gross £	2017 Tax £	Net £
Purchase of own shares	(32,591)	-	(32,591)
Revaluation of investment property			
Revaluation of PPE			
Capital redemption reserve	124	-	124
Movement on deferred tax liability due to changes in estimation technique	-	36,329	36,329
Transfer of excess depn	2,628	-	2,628
Transfer of excess depn	<u>(2,628)</u>	<u>-</u>	<u>(2,628)</u>
	<u>(32,467)</u>	<u>36,329</u>	<u>3,862</u>

	Gross £	2016 Tax £	Net £
Purchase of own shares	(32,590)	-	(32,590)
Revaluation of investment property	(35,127)	6,000	(29,127)
Revaluation of PPE	(27,876)	5,000	(22,876)
Capital redemption reserve	124	-	124
Movement on deferred tax liability due to change in rate of tax	-	13,375	13,375
Transfer of excess depn	3,682	-	3,682
Transfer of excess depn	<u>(3,682)</u>	<u>625</u>	<u>(3,057)</u>
	<u>(95,469)</u>	<u>25,000</u>	<u>(70,469)</u>

11. DIVIDENDS

	2017 £	2016 £
Final	2,500,000	-
Interim	<u>459,929</u>	<u>2,459,928</u>
	<u>2,959,929</u>	<u>2,459,928</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 28 February 2017**

12. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION				
At 1 March 2016	480,000	99,431	71,601	651,032
Additions	<u>253,759</u>	<u>9,104</u>	<u>38,635</u>	<u>301,498</u>
At 28 February 2017	<u>733,759</u>	<u>108,535</u>	<u>110,236</u>	<u>952,530</u>
DEPRECIATION				
At 1 March 2016	-	52,968	20,219	73,187
Charge for year	<u>9,600</u>	<u>13,648</u>	<u>14,321</u>	<u>37,569</u>
At 28 February 2017	<u>9,600</u>	<u>66,616</u>	<u>34,540</u>	<u>110,756</u>
NET BOOK VALUE				
At 28 February 2017	<u>724,159</u>	<u>41,919</u>	<u>75,696</u>	<u>841,774</u>
At 29 February 2016	<u>480,000</u>	<u>46,463</u>	<u>51,382</u>	<u>577,845</u>

Cost or valuation at 28 February 2017 is represented by:

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2005	344,568	-	-	344,568
Valuation in 2007	(48,000)	-	-	(48,000)
Valuation in 2010	(87,000)	-	-	(87,000)
Valuation in 2013	(25,477)	-	-	(25,477)
Valuation in 2016	(52,690)	-	-	(52,690)
Cost	<u>602,358</u>	<u>108,535</u>	<u>110,236</u>	<u>821,129</u>
	<u>733,759</u>	<u>108,535</u>	<u>110,236</u>	<u>952,530</u>

If freehold property had not been revalued it would have been included at the following historical cost:

	2017 £	2016 £
Cost	<u>348,598</u>	<u>348,598</u>
Aggregate depreciation	<u>50,198</u>	<u>50,198</u>

Freehold property was valued on an open market basis on 31 March 2016 by Andrew McNee BSc FRICS.
Mason Owen.

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**NOTES TO THE FINANCIAL STATEMENTS - continued
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13. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 March 2016 and 28 February 2017	<u>320,000</u>
NET BOOK VALUE	
At 28 February 2017	<u>320,000</u>
At 29 February 2016	<u>320,000</u>
Fair value at 28 February 2017 is represented by:	
	£
Valuation in 2005	229,712
Valuation in 2007	(32,000)
Valuation in 2010	(33,034)
Valuation in 2013	(16,984)
Valuation in 2016	(35,127)
Cost	<u>207,433</u>
	<u>320,000</u>

If Investment property had not been revalued it would have been included at the following historical cost:

	2017 £	2016 £
Cost	<u>207,433</u>	<u>207,433</u>

Investment property was valued on an open market basis on 31 March 2016 by Andrew McNee BSc FRICS.
Mason Owen.

14. STOCKS

	2017 £	2016 £
Long term contract gross costs	232,398	134,109
Applicable payments on account	(224,708)	(132,664)
Small tools & consumables	<u>40,000</u>	<u>40,000</u>
	<u>47,690</u>	<u>41,445</u>

15. DEBTORS

	2017 £	2016 £
Amounts falling due within one year:		
Amounts recoverable on contract	8,208,959	6,744,492
Other debtors	11,443	5,226
Prepayments	<u>143,866</u>	<u>122,104</u>
	<u>8,364,268</u>	<u>6,871,822</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued
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15. DEBTORS - continued

	2017 £	2016 £
Amounts falling due after more than one year:		
Amounts recoverable on contract	<u>386,969</u>	<u>209,690</u>
Aggregate amounts	<u>8,751,237</u>	<u>7,081,512</u>

16. CURRENT ASSET INVESTMENTS

	2017 £	2016 £
Listed investments	<u>380</u>	<u>380</u>
Market value of listed investments at 28 February 2017 - £0 (2016 - £0).		

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Bank loans and overdrafts (see note 19)	6,490	35,830
Trade creditors	6,868,363	5,409,178
Tax	517,106	400,378
Social security and other taxes	76,174	103,293
VAT	873,587	132,668
Other creditors	34,056	37,042
Deferred income	284,317	434,805
Directors' loan accounts	366,500	285,000
Accrued expenses	<u>1,164,642</u>	<u>100,428</u>
	<u>10,191,235</u>	<u>6,938,622</u>

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £	2016 £
Deferred income	200,953	140,872
Trade creditors	<u>115,774</u>	<u>204,682</u>
	<u>316,727</u>	<u>345,554</u>

19. LOANS

An analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>6,490</u>	<u>35,830</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued
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20. SECURED DEBTS

The following secured debts are included within creditors:

	2017 £	2016 £
Bank overdrafts	<u>6,490</u>	<u>35,830</u>

21. PROVISIONS FOR LIABILITIES

	2017 £	2016 £
Deferred tax		
Accelerated capital allowances	17,932	11,817
Other timing differences	<u>5,980</u>	<u>50,000</u>
	<u>23,912</u>	<u>61,817</u>

	Deferred tax £
Balance at 1 March 2016	61,817
Credit to Statement of Comprehensive Income during year	(1,576)
Charge/(credit) to revaluation reserve during the year	<u>(36,329)</u>
Balance at 28 February 2017	<u>23,912</u>

22. CALLED UP SHARE CAPITAL

Allotted and issued:				
Number:	Class:	Nominal value:	2017 £	2016 £
113,756	Ordinary shares	10p	11,374	11,498
(2016 - 114,992)			<u> </u>	<u> </u>

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23. RESERVES

	Retained earnings £	Share premium £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1 March 2016	1,106,093	37,500	141,596	43,502	1,328,691
Profit for the year	3,185,209				3,185,209
Dividends	(2,959,929)				(2,959,929)
Purchase of own shares	(32,591)	-	-	124	(32,467)
Transfer of excess depreciation as a result of revaluation	2,628	-	(2,628)	-	-
Deferred tax	-	-	36,329	-	36,329
At 28 February 2017	<u>1,301,410</u>	<u>37,500</u>	<u>175,297</u>	<u>43,626</u>	<u>1,557,833</u>

Included in retained earnings are non-distributable reserves of £110,258 (2016 £102,567) relating to the revaluation of the investment property.

24. CONTINGENT LIABILITIES

There were no contingent liabilities as at 29 February 2016 (2015: £NIL).

25. POST BALANCE SHEET EVENTS

On 19 May 2017 the directors voted a final dividend for the financial year to 28/02/17 of £22.5231 per share, totalling £2,500,000.

26. ULTIMATE CONTROLLING PARTY

There is no controlling party.