

REGISTERED NUMBER: 01368342 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019
FOR
A. & B. ENGINEERING (MECHANICAL
SERVICE DIVISION) LIMITED**

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for the Year Ended 28 February 2019**

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

**COMPANY INFORMATION
for the Year Ended 28 February 2019**

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 2019**

The directors present their strategic report for the year ended 28 February 2019.

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 2019 was another good year for us even with the sales reducing from our target Business Plan. Whilst we had secured the planned sales, the amount of programme slippage we experienced across a number of projects greatly affected the sales down from £42,375,842.00 in 2018 to £31,809,249.00. However, the works that did slip back will be successfully managed and delivered through our next financial year and our expectations are that this will be an exceptionally good year.

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

- o Liverpool John Moores University
- o Manchester Royal Infirmary
- o 55 Portland Street Hotel
- o Marriott Hotel - Keele

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 and we have secured a number of first time clients that will strengthen our portfolio.

PRINCIPAL RISKS AND UNCERTAINTIES

With a number of projects secured running into 2021 and 2022 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.

In an uncertain world and political changes, insolvency of some of our clients still remains a high risk. We have and continue to have Credit Insurance in place on all our customers. We are safe in the fact that we have full Credit Insurance on all exposure we have across the board.

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

**STRATEGIC REPORT
for the Year Ended 28 February 2019**

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 2020 Accounts. The close intensive cost management of all these projects and picking up the projects that slipped this year into next year will help drive our projected profits.

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.

Enquiry levels with a wider client base continues to increase, 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.

Projects secured going forward are: -

- o Embankment Office Development - £6 million
- o Royal College of Physicians - £5 million
- o Copperas Hill Development - £7.5 million

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

Year	Target	Secured	%
2019	£46,000,000	£46,000,000	100
2020	£46,000,000	£34,000,000	74
2021	£46,000,000	£18,000,000	39

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 and now virtual reality, 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.

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. In 2017, we attained BIM Level 2 Accreditation. 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.

- o In House Qualified Design Engineers
- o Thermal / Energy Modelling
- o SBEM / Energy Performance Certificates
- o BIM / 3D Modelling
- o BREEAM
- o Low Carbon Consultants
- o Integrated Engineering Solutions

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

**STRATEGIC REPORT
for the Year Ended 28 February 2019**

- o Innovative Solutions
- o Commercial Viability
- o Partnering larger schemes with M&E Consultants
- o Professional Indemnity Insurance @ £ 10 Million
- o 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 and virtual reality.

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.

SUMMARY

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.

We seem geographically well placed with a number of considerable Construction / Development opportunities on our doorstep and we believe we are in a strong position to secure a number of these lucrative awards.

ON BEHALF OF THE BOARD:

M Hart - Secretary

12 September 2019

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

**REPORT OF THE DIRECTORS
for the Year Ended 28 February 2019**

The directors present their report with the financial statements of the company for the year ended 28 February 2019.

PRINCIPAL ACTIVITY

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

DIVIDENDS

Interim dividends totalling £12.25195 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 2019 will be £ 1,359,928 .

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 2018 to the date of this report.

The beneficial interests of the directors holding office at 28 February 2019 in the shares of the company, according to the register of directors' interests, were as follows:

	28.2.19	1.3.18
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 2019**

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:

M Hart - Secretary

12 September 2019

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

Opinion

We have audited the financial statements of A. & B. Engineering (Mechanical Service Division) Limited (the 'company') for the year ended 28 February 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for 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 Auditors' 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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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 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, and for such internal control as the directors determine 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 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.

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

17 September 2019

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

**STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 28 February 2019**

	Notes	2019 £	2018 £
TURNOVER	3	31,809,249	42,375,842
Cost of sales		<u>27,764,929</u>	<u>36,353,252</u>
GROSS PROFIT		4,044,320	6,022,590
Administrative expenses		<u>2,166,536</u>	<u>2,252,487</u>
		1,877,784	3,770,103
Other operating income	4	<u>68,840</u>	<u>51,319</u>
OPERATING PROFIT	6	1,946,624	3,821,422
Interest receivable and similar income	7	<u>4,680</u>	<u>2,376</u>
		1,951,304	3,823,798
Interest payable and similar expenses	8	<u>129,267</u>	<u>165,016</u>
PROFIT BEFORE TAXATION		1,822,037	3,658,782
Tax on profit	9	<u>371,815</u>	<u>723,156</u>
PROFIT FOR THE FINANCIAL YEAR		1,450,222	2,935,626
OTHER COMPREHENSIVE INCOME			
Purchase of own shares		(40,738)	(32,590)
Capital redemption reserve		124	124
Transfer of excess depreciation		2,628	2,628
Transfer of excess depreciation		(2,628)	(2,628)
Revaluation of property		(148,885)	-
Income tax relating to components of other comprehensive income		<u>-</u>	<u>3,671</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>(189,499)</u>	<u>(28,795)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,260,723</u>	<u>2,906,831</u>

The notes form part of these financial statements

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

**BALANCE SHEET
28 February 2019**

	Notes	2019 £	£	2018 £	£
FIXED ASSETS					
Tangible assets	11		780,866		940,709
Investment property	12		304,000		320,000
			<u>1,084,866</u>		<u>1,260,709</u>
CURRENT ASSETS					
Stocks	13	111,926		43,087	
Debtors	14	5,758,524		10,814,743	
Cash at bank		<u>1,123,716</u>		<u>778,401</u>	
		6,994,166		11,636,231	
CREDITORS					
Amounts falling due within one year	15	<u>5,767,054</u>		<u>10,494,784</u>	
NET CURRENT ASSETS			<u>1,227,112</u>		<u>1,141,447</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,311,978		2,402,156
CREDITORS					
Amounts falling due after more than one year	16		(770,234)		(761,083)
PROVISIONS FOR LIABILITIES	17		<u>(25,087)</u>		<u>(25,087)</u>
NET ASSETS			<u>1,516,657</u>		<u>1,615,986</u>
CAPITAL AND RESERVES					
Called up share capital	18		11,126		11,250
Share premium	19		37,500		37,500
Revaluation reserve	19		24,827		176,340
Capital redemption reserve	19		43,874		43,750
Retained earnings	19		<u>1,399,330</u>		<u>1,347,146</u>
SHAREHOLDERS' FUNDS			<u>1,516,657</u>		<u>1,615,986</u>

The financial statements were approved by the Board of Directors on 12 September 2019 and were signed on its behalf by:

G Dwyer - Director

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

**STATEMENT OF CHANGES IN EQUITY
for the Year Ended 28 February 2019**

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 March 2017	11,374	1,301,410	37,500
Changes in equity			
Issue of share capital	(124)	-	-
Dividends	-	(2,859,928)	-
Total comprehensive income	-	2,905,664	-
Balance at 28 February 2018	<u>11,250</u>	<u>1,347,146</u>	<u>37,500</u>
Changes in equity			
Issue of share capital	(124)	-	-
Dividends	-	(1,359,928)	-
Total comprehensive income	-	1,412,112	-
Balance at 28 February 2019	<u>11,126</u>	<u>1,399,330</u>	<u>37,500</u>
	Revaluation reserve £	Capital redemption reserve £	Total equity £
Balance at 1 March 2017	175,297	43,626	1,569,207
Changes in equity			
Issue of share capital	-	-	(124)
Dividends	-	-	(2,859,928)
Total comprehensive income	1,043	124	2,906,831
Balance at 28 February 2018	<u>176,340</u>	<u>43,750</u>	<u>1,615,986</u>
Changes in equity			
Issue of share capital	-	-	(124)
Dividends	-	-	(1,359,928)
Total comprehensive income	(151,513)	124	1,260,723
Balance at 28 February 2019	<u>24,827</u>	<u>43,874</u>	<u>1,516,657</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 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	3,694,094	1,282,399
Interest paid		(129,267)	(165,016)
Tax paid		(368,869)	(966,005)
Net cash from operating activities		<u>3,195,958</u>	<u>151,378</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(57,714)	(150,543)
Sale of tangible fixed assets		2,500	-
Sale of fixed asset investments		-	319
Interest received		4,680	2,376
Net cash from investing activities		<u>(50,534)</u>	<u>(147,848)</u>
Cash flows from financing activities			
Amount introduced by directors		500,557	1,900,000
Amount withdrawn by directors		(1,900,000)	(366,500)
Share buyback		(40,738)	(32,590)
Equity dividends paid		(1,359,928)	(2,859,928)
Disposal of current assets investments		-	379
Net cash from financing activities		<u>(2,800,109)</u>	<u>(1,358,639)</u>
Increase/(decrease) in cash and cash equivalents		<u>345,315</u>	<u>(1,355,109)</u>
Cash and cash equivalents at beginning of year	2	778,401	2,133,510
Cash and cash equivalents at end of year	2	<u>1,123,716</u>	<u>778,401</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 2019**

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

	2019 £	2018 £
Profit before taxation	1,822,037	3,658,782
Depreciation charges	68,133	51,609
Profit on disposal of fixed assets	(1,961)	(319)
Loss on revaluation of fixed assets	16,000	-
Finance costs	129,267	165,016
Finance income	(4,680)	(2,376)
	<u>2,028,796</u>	<u>3,872,712</u>
(Increase)/decrease in stocks	(68,839)	4,603
Decrease/(increase) in trade and other debtors	5,056,219	(2,063,506)
Decrease in trade and other creditors	(3,322,082)	(531,410)
Cash generated from operations	<u><u>3,694,094</u></u>	<u><u>1,282,399</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 2019

	28/2/19 £	1/3/18 £
Cash and cash equivalents	<u>1,123,716</u>	<u>778,401</u>

Year ended 28 February 2018

	28/2/18 £	1/3/17 £
Cash and cash equivalents	778,401	2,140,000
Bank overdrafts	<u>-</u>	<u>(6,490)</u>
	<u><u>778,401</u></u>	<u><u>2,133,510</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 2019**

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.

Principal or Agent

Determining whether an entity is acting as a principal or as an agent requires judgement and consideration of all the relevant facts and circumstances

Changes in accounting policies

On consideration of facts present during the year the company has determined that it is the principal of the contracts that it holds. In prior years it had been determined to be acting as agent in relation to the electrical installation element of contracts.

Turnover

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

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 28 February 2019**

2. ACCOUNTING POLICIES - continued

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

The cost of property under construction is included within Freehold Property until it comes into use. At that point if subject to use by third parties the appropriate use % is transferred to Investment Property cost. Whilst property is under construction it is not depreciated.

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.

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.

**A. & B. ENGINEERING (MECHANICAL
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 28 February 2019**

2. ACCOUNTING POLICIES - continued

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.

3. TURNOVER

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

4. OTHER OPERATING INCOME

	2019	2018
	£	£
Rent	17,000	17,000
Sundry receipts	51,840	34,000
Profit on sale of fixed asset investments	-	319
	<u>68,840</u>	<u>51,319</u>

5. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	3,043,602	3,067,343
Social security costs	257,917	286,215
Other pension costs	111,108	89,885
	<u>3,412,627</u>	<u>3,443,443</u>

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

	2019	2018
Operatives	54	56
Administration	28	27
Directors and management	5	5
	<u>87</u>	<u>88</u>

	2019	2018
	£	£
Directors' remuneration	30,000	30,000
Directors' pension contributions to money purchase schemes	<u>30,000</u>	<u>30,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued
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5. EMPLOYEES AND DIRECTORS - continued

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

Money purchase schemes	<u>3</u>	<u>3</u>
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6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2019	2018
	£	£
Depreciation - owned assets	68,133	51,608
Profit on disposal of fixed assets	(1,961)	(319)
Auditors' remuneration	<u>15,000</u>	<u>15,000</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Bank interest	<u>4,680</u>	<u>2,376</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Interest on directors loans	<u>129,267</u>	<u>165,016</u>

9. TAXATION

Analysis of the tax charge

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

	2019	2018
	£	£
Current tax:		
UK corporation tax	371,815	718,310
Deferred tax	-	4,846
Tax on profit	<u>371,815</u>	<u>723,156</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 28 February 2019**

9. TAXATION - continued

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:

	2019 £	2018 £
Profit before tax	<u>1,822,037</u>	<u>3,658,782</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19.085%)	346,187	698,279
Effects of:		
Adjustments to tax charge in respect of previous periods assets	(1,969)	-
Disallowable items for taxation	27,706	26,402
Deferred tax movement relating to non distributable retained earnings	-	(2,309)
Rounding	421	784
Deferred tax not provided	<u>(530)</u>	<u>-</u>
Total tax charge	<u>371,815</u>	<u>723,156</u>

Tax effects relating to effects of other comprehensive income

	2019 Gross £	Tax £	Net £
Purchase of own shares	(40,738)	-	(40,738)
Capital redemption reserve	124	-	124
Transfer of excess depreciation	2,628	-	2,628
Transfer of excess depreciation	(2,628)	-	(2,628)
Revaluation of property	<u>(148,885)</u>	<u>-</u>	<u>(148,885)</u>
	<u>(189,499)</u>	<u>-</u>	<u>(189,499)</u>
	2018 Gross £	Tax £	Net £
Purchase of own shares	(32,590)	-	(32,590)
Capital redemption reserve	124	-	124
Transfer of excess depreciation	2,628	-	2,628
Transfer of excess depreciation	(2,628)	-	(2,628)
Movement on deferred tax liability due to indexation allowance	<u>-</u>	<u>3,671</u>	<u>3,671</u>
	<u>(32,466)</u>	<u>3,671</u>	<u>(28,795)</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued
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10. DIVIDENDS

	2019 £	2018 £
Final	1,000,000	2,500,000
Interim	359,928	359,928
	<u>1,359,928</u>	<u>2,859,928</u>

11. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION				
At 1 March 2018	815,877	125,787	161,409	1,103,073
Additions	14,227	30,537	12,950	57,714
Disposals	-	-	(8,085)	(8,085)
Revaluations	(184,104)	-	-	(184,104)
At 28 February 2019	<u>646,000</u>	<u>156,324</u>	<u>166,274</u>	<u>968,598</u>
DEPRECIATION				
At 1 March 2018	19,200	83,940	59,224	162,364
Charge for year	16,019	19,326	32,788	68,133
Eliminated on disposal	-	-	(7,546)	(7,546)
Revaluation adjustments	(35,219)	-	-	(35,219)
At 28 February 2019	<u>-</u>	<u>103,266</u>	<u>84,466</u>	<u>187,732</u>
NET BOOK VALUE				
At 28 February 2019	<u>646,000</u>	<u>53,058</u>	<u>81,808</u>	<u>780,866</u>
At 28 February 2018	<u>796,677</u>	<u>41,847</u>	<u>102,185</u>	<u>940,709</u>

Cost or valuation at 28 February 2019 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)
Valuation in 2019	(148,885)	-	-	(148,885)
Cost	<u>663,484</u>	<u>156,324</u>	<u>166,274</u>	<u>986,082</u>
	<u>646,000</u>	<u>156,324</u>	<u>166,274</u>	<u>968,598</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued
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11. TANGIBLE FIXED ASSETS - continued

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

	2019 £	2018 £
Cost	<u>684,476</u>	<u>684,476</u>
Aggregate depreciation	<u>89,107</u>	<u>89,107</u>

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

12. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 March 2018	320,000
Revaluations	<u>(16,000)</u>
At 28 February 2019	<u>304,000</u>
NET BOOK VALUE	
At 28 February 2019	<u>304,000</u>
At 28 February 2018	<u>320,000</u>

Fair value at 28 February 2019 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)
Valuation in 2019	(16,000)
Cost	<u>207,433</u>
	<u>304,000</u>

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

	2019 £	2018 £
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

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**NOTES TO THE FINANCIAL STATEMENTS - continued
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13. STOCKS

	2019	2018
	£	£
Long term contract gross costs	168,536	124,412
Applicable payments on account	(96,610)	(121,325)
Small tools & consumables	40,000	40,000
	<u>111,926</u>	<u>43,087</u>

14. DEBTORS

	2019	2018
	£	£
Amounts falling due within one year:		
Amounts recoverable on contract	4,868,028	9,828,289
Other debtors	17,946	7,000
Prepayments	166,580	302,589
	<u>5,052,554</u>	<u>10,137,878</u>
Amounts falling due after more than one year:		
Amounts recoverable on contract	<u>705,970</u>	<u>676,865</u>
Aggregate amounts	<u>5,758,524</u>	<u>10,814,743</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Trade creditors	4,611,290	7,441,412
Tax	272,357	269,411
Social security and other taxes	81,498	89,645
VAT	144,620	181,652
Other creditors	37,124	148,728
Deferred income	104,335	188,059
Directors' loan accounts	500,557	1,900,000
Accrued expenses	15,273	275,877
	<u>5,767,054</u>	<u>10,494,784</u>

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

	2019	2018
	£	£
Deferred income	448,594	412,009
Trade creditors	321,640	349,074
	<u>770,234</u>	<u>761,083</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued
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17. PROVISIONS FOR LIABILITIES

	2019 £	2018 £
Deferred tax		
Accelerated capital allowances	<u>25,087</u>	<u>25,087</u>
		Deferred tax
		£
Balance at 1 March 2018		25,087
Charge/(credit) to revaluation reserve during the year		
Balance at 28 February 2019		<u>25,087</u>

18. CALLED UP SHARE CAPITAL

Allotted and issued: Number:	Class:	Nominal value:	2019 £	2018 £
110,997 (2018 - 112,520)	Ordinary shares	10p	11,126	11,250

19. RESERVES

	Retained earnings £	Share premium £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1 March 2018	1,347,146	37,500	176,340	43,750	1,604,736
Profit for the year	1,450,222				1,450,222
Dividends	(1,359,928)				(1,359,928)
Purchase of own shares	(40,738)	-	-	124	(40,614)
Transfer of excess depreciation as a result of revaluation	2,628	-	(2,628)	-	-
Revaluation in year	-	-	(148,885)	-	(148,885)
At 28 February 2019	<u>1,399,330</u>	<u>37,500</u>	<u>24,827</u>	<u>43,874</u>	<u>1,505,531</u>

Included in retained earnings are non-distributable reserves of £110,997 (2018 £112,567) relating to the revaluation of the investment property.

20. CONTINGENT LIABILITIES

There were no contingent liabilities as at 28 February 2019 (2018: £NIL).

21. RELATED PARTY DISCLOSURES

During the year, total dividends of £1,014,756 (2018 - £2,103,700) were paid to the directors .

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**NOTES TO THE FINANCIAL STATEMENTS - continued
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21. RELATED PARTY DISCLOSURES - continued

Other related parties

	2019	2018
	£	£
Dividends	<u>277,176</u>	<u>613,227</u>

During the year, a total of key management personnel compensation of £ 87,306 (2018 - £ 86,978) was paid.

22. POST BALANCE SHEET EVENTS

On 15 May 2019 the directors voted an interim dividend for the financial year to 28/02/20 of £1,000,000.

23. ULTIMATE CONTROLLING PARTY

There is no controlling party.

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