

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 29 FEBRUARY 2020  
FOR  
A. & B. ENGINEERING (MECHANICAL  
SERVICE DIVISION) LIMITED**

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

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for the Year Ended 29 February 2020**

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

**COMPANY INFORMATION  
for the Year Ended 29 February 2020**

<b>DIRECTORS:</b>	A J Currie M Hart G Dwyer
<b>SECRETARY:</b>	M Hart
<b>REGISTERED OFFICE:</b>	11 Derby Lane Old Swan Liverpool Merseyside L13 6QA
<b>REGISTERED NUMBER:</b>	01368342 (England and Wales)
<b>INDEPENDENT AUDITORS:</b>	Fairhurst Statutory Auditor Chartered Accountants Douglas Bank House Wigan Lane Wigan Lancashire WN1 2TB
<b>SOLICITORS:</b>	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 29 February 2020**

The directors present their strategic report for the year ended 29 February 2020.

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 2020 was another good year for us. With sales of £ 49,583,333 this is exactly where we planned the business to be at for this year end and we are expecting a similar turnover in our 2021 accounts.

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 2022 and 2023 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.

**STRATEGIC REPORT  
for the Year Ended 29 February 2020**

**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 2021 Accounts. Business optimism remains high and we continue to see a very healthy pipeline of work and future opportunities across all our sectors. Our extensive portfolio of clients and the sectors we engage in help us to keep turning enquiries into live projects and our success on key targets is enviable. Our range in value across all our works helps drive our bottom line.

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 and this continues to be the case

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 our reputation and portfolio continue to grow and gives added value to our forward opportunities and bids. We continue to seek out and target our preferred particular projects and work hard to convert opportunities into those targeted orders.

Our development and investment in our Design Department and in particular BIM Technologies and 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 analyzed 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 utilizing 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
- 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.

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

**STRATEGIC REPORT  
for the Year Ended 29 February 2020**

**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.

**COVID 19**

2020 brought us the added concerns with the arrival of Covid 19. Whilst it continues to affect our operations, we do feel that our line of business in construction and the sectors we work in are not as badly affected as much as other industries and sectors. We have taken confidence in our healthy cash balance and we have not had to secure any Coronavirus Business Interruption loans and our extent of Furloughed people has been minimal. We are fortunate that we have not seen any forward orders delayed or cancelled as yet.

**ON BEHALF OF THE BOARD:**

M Hart - Secretary

26 November 2020

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

**REPORT OF THE DIRECTORS  
for the Year Ended 29 February 2020**

The directors present their report with the financial statements of the company for the year ended 29 February 2020.

**PRINCIPAL ACTIVITY**

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

**DIVIDENDS**

Interim dividends totalling £25.6762 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 29 February 2020 will be £ 2,850,000 .

**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 2019 to the date of this report.

The beneficial interests of the directors holding office at 29 February 2020 in the shares of the company, according to the register of directors' interests, were as follows:

	29.2.20	1.3.19
<b>Ordinary shares of 10p each</b>		
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.

**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.

**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.

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

**REPORT OF THE DIRECTORS  
for the Year Ended 29 February 2020**

**AUDITORS**

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

**ON BEHALF OF THE BOARD:**

M Hart - Secretary

26 November 2020



**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 29 February 2020 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 29 February 2020 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](http://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

27 November 2020

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

**STATEMENT OF COMPREHENSIVE INCOME  
for the Year Ended 29 February 2020**

	Notes	2020 £	2019 £
<b>TURNOVER</b>	3	49,583,333	31,809,249
Cost of sales		<u>42,972,842</u>	<u>27,764,929</u>
<b>GROSS PROFIT</b>		6,610,491	4,044,320
Administrative expenses		<u>3,050,132</u>	<u>2,166,536</u>
		3,560,359	1,877,784
Other operating income	4	<u>17,000</u>	<u>68,840</u>
<b>OPERATING PROFIT</b>	6	3,577,359	1,946,624
Interest receivable and similar income	7	<u>6,786</u>	<u>4,680</u>
		3,584,145	1,951,304
Interest payable and similar expenses	8	<u>57,831</u>	<u>129,267</u>
<b>PROFIT BEFORE TAXATION</b>		3,526,314	1,822,037
Tax on profit	9	<u>682,681</u>	<u>371,815</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		2,843,633	1,450,222
<b>OTHER COMPREHENSIVE INCOME</b>			
Purchase of own shares		-	(40,738)
Capital redemption reserve		-	124
Transfer between reserves		257	2,628
Transfer between reserves		(257)	(2,628)
Revaluation of property		-	(148,885)
Income tax relating to components of other comprehensive income		<u>-</u>	<u>-</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		-	(189,499)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>2,843,633</u>	<u>1,260,723</u>

The notes form part of these financial statements

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

**BALANCE SHEET  
29 February 2020**

	Notes	2020 £	£	2019 £	£
<b>FIXED ASSETS</b>					
Tangible assets	11		736,847		780,866
Investment property	12		304,000		304,000
			<u>1,040,847</u>		<u>1,084,866</u>
<b>CURRENT ASSETS</b>					
Stocks	13	44,213		111,926	
Debtors	14	8,401,675		5,758,524	
Cash at bank		<u>1,403,418</u>		<u>1,123,716</u>	
		9,849,306		6,994,166	
<b>CREDITORS</b>					
Amounts falling due within one year	15	<u>7,998,186</u>		<u>5,767,054</u>	
<b>NET CURRENT ASSETS</b>			<u>1,851,120</u>		<u>1,227,112</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			2,891,967		2,311,978
<b>CREDITORS</b>					
Amounts falling due after more than one year	16		(1,363,585)		(770,234)
<b>PROVISIONS FOR LIABILITIES</b>	17		<u>(18,092)</u>		<u>(25,087)</u>
<b>NET ASSETS</b>			<u>1,510,290</u>		<u>1,516,657</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		11,126		11,126
Share premium	19		37,500		37,500
Revaluation reserve	19		24,570		24,827
Capital redemption reserve	19		43,874		43,874
Retained earnings	19		<u>1,393,220</u>		<u>1,399,330</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>1,510,290</u>		<u>1,516,657</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 November 2020 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 29 February 2020**

	Called up share capital £	Retained earnings £	Share premium £
<b>Balance at 1 March 2018</b>	11,250	1,347,146	37,500
<b>Changes in equity</b>			
Issue of share capital	(124)	-	-
Dividends	-	(1,359,928)	-
Total comprehensive income	-	1,412,112	-
<b>Balance at 28 February 2019</b>	<u>11,126</u>	<u>1,399,330</u>	<u>37,500</u>
<b>Changes in equity</b>			
Dividends	-	(2,850,000)	-
Total comprehensive income	-	2,843,890	-
<b>Balance at 29 February 2020</b>	<u>11,126</u>	<u>1,393,220</u>	<u>37,500</u>
	Revaluation reserve £	Capital redemption reserve £	Total equity £
<b>Balance at 1 March 2018</b>	176,340	43,750	1,615,986
<b>Changes in equity</b>			
Issue of share capital	-	-	(124)
Dividends	-	-	(1,359,928)
Total comprehensive income	(151,513)	124	1,260,723
<b>Balance at 28 February 2019</b>	<u>24,827</u>	<u>43,874</u>	<u>1,516,657</u>
<b>Changes in equity</b>			
Dividends	-	-	(2,850,000)
Total comprehensive income	(257)	-	2,843,633
<b>Balance at 29 February 2020</b>	<u>24,570</u>	<u>43,874</u>	<u>1,510,290</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 29 February 2020**

	Notes	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	4,253,694	3,694,094
Interest paid		(57,831)	(129,267)
Tax paid		(564,115)	(368,869)
Net cash from operating activities		<u>3,631,748</u>	<u>3,195,958</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(13,474)	(57,714)
Sale of tangible fixed assets		5,199	2,500
Interest received		6,786	4,680
Net cash from investing activities		<u>(1,489)</u>	<u>(50,534)</u>
<b>Cash flows from financing activities</b>			
Amount introduced by directors		-	500,557
Amount withdrawn by directors		(500,557)	(1,900,000)
Share buyback		-	(40,738)
Equity dividends paid		(2,850,000)	(1,359,928)
Net cash from financing activities		<u>(3,350,557)</u>	<u>(2,800,109)</u>
<b>Increase in cash and cash equivalents</b>		<u>279,702</u>	<u>345,315</u>
<b>Cash and cash equivalents at beginning of year</b>	2	1,123,716	778,401
<b>Cash and cash equivalents at end of year</b>	2	<u>1,403,418</u>	<u>1,123,716</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 29 February 2020**

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

	2020 £	2019 £
Profit before taxation	3,526,314	1,822,037
Depreciation charges	55,149	68,133
Profit on disposal of fixed assets	(2,855)	(1,961)
Loss on revaluation of fixed assets	-	16,000
Finance costs	57,831	129,267
Finance income	(6,786)	(4,680)
	<u>3,629,653</u>	<u>2,028,796</u>
Decrease/(increase) in stocks	67,713	(68,839)
(Increase)/decrease in trade and other debtors	(2,643,151)	5,056,219
Increase/(decrease) in trade and other creditors	<u>3,199,479</u>	<u>(3,322,082)</u>
<b>Cash generated from operations</b>	<u><u>4,253,694</u></u>	<u><u>3,694,094</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 29 February 2020**

	29/2/20 £	1/3/19 £
Cash and cash equivalents	<u>1,403,418</u>	<u>1,123,716</u>

**Year ended 28 February 2019**

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

**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1/3/19 £	Cash flow £	At 29/2/20 £
<b>Net cash</b>			
Cash at bank	<u>1,123,716</u>	<u>279,702</u>	<u>1,403,418</u>
	<u>1,123,716</u>	<u>279,702</u>	<u>1,403,418</u>
<b>Total</b>	<u><u>1,123,716</u></u>	<u><u>279,702</u></u>	<u><u>1,403,418</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 29 February 2020**

**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.



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**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 29 February 2020**

**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.

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**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 29 February 2020**

**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**

	2020	2019
	£	£
Rent	17,000	17,000
Sundry receipts	-	51,840
	<u>17,000</u>	<u>68,840</u>

**5. EMPLOYEES AND DIRECTORS**

	2020	2019
	£	£
Wages and salaries	3,537,281	3,043,602
Social security costs	334,272	257,917
Other pension costs	126,715	111,108
	<u>3,998,268</u>	<u>3,412,627</u>

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

	2020	2019
Operatives	35	54
Administration	31	28
Directors and management	6	5
	<u>72</u>	<u>87</u>

  

	2020	2019
	£	£
Directors' remuneration	300,000	30,000
Directors' pension contributions to money purchase schemes	<u>30,000</u>	<u>30,000</u>

**A. & B. ENGINEERING (MECHANICAL  
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**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 29 February 2020**

**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>
------------------------	----------	----------

Information regarding the highest paid director for the year ended 29 February 2020 is as follows:

	2020
	£
Emoluments etc	100,000
Pension contributions to money purchase schemes	<u>10,000</u>

**6. OPERATING PROFIT**

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

	2020	2019
	£	£
Depreciation - owned assets	55,149	68,133
Profit on disposal of fixed assets	(2,855)	(1,961)
Auditors' remuneration	<u>15,000</u>	<u>15,000</u>

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2020	2019
	£	£
Bank interest	<u>6,786</u>	<u>4,680</u>

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020	2019
	£	£
Interest on directors loans	<u>57,831</u>	<u>129,267</u>

**9. TAXATION**

**Analysis of the tax charge**

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

	2020	2019
	£	£
Current tax:		
UK corporation tax	692,263	371,815
Under provision in earlier years	(2,587)	-
Total current tax	<u>689,676</u>	<u>371,815</u>
Deferred tax	(6,995)	-
Tax on profit	<u>682,681</u>	<u>371,815</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 29 February 2020**

**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:

	2020 £	2019 £
Profit before tax	<u>3,526,314</u>	<u>1,822,037</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	670,000	346,187
Effects of:		
Adjustments to tax charge in respect of previous periods	(2,587)	(1,969)
Depreciation on non qualifying assets	2,455	3,044
Disallowable items for taxation	15,244	24,662
Deferred tax movement relating to previous years	(2,431)	-
Rounding	-	421
Deferred tax not provided	-	(530)
Total tax charge	<u>682,681</u>	<u>371,815</u>

**Tax effects relating to effects of other comprehensive income**

	Gross £	2020 Tax £	Net £
Purchase of own shares			
Capital redemption reserve			
Transfer between reserves	257	-	257
Transfer between reserves	(257)	-	(257)
Revaluation of property	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	Gross £	2019 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>

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

	2020 £	2019 £
Final	2,490,072	1,000,000
Interim	359,928	359,928
	<u>2,850,000</u>	<u>1,359,928</u>

**11. TANGIBLE FIXED ASSETS**

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST OR VALUATION</b>				
At 1 March 2019	646,000	156,324	166,274	968,598
Additions	-	13,474	-	13,474
Disposals	-	(70,435)	(8,275)	(78,710)
At 29 February 2020	<u>646,000</u>	<u>99,363</u>	<u>157,999</u>	<u>903,362</u>
<b>DEPRECIATION</b>				
At 1 March 2019	-	103,266	84,466	187,732
Charge for year	12,920	16,703	25,526	55,149
Eliminated on disposal	-	(70,435)	(5,931)	(76,366)
At 29 February 2020	<u>12,920</u>	<u>49,534</u>	<u>104,061</u>	<u>166,515</u>
<b>NET BOOK VALUE</b>				
At 29 February 2020	<u>633,080</u>	<u>49,829</u>	<u>53,938</u>	<u>736,847</u>
At 28 February 2019	<u>646,000</u>	<u>53,058</u>	<u>81,808</u>	<u>780,866</u>

Cost or valuation at 29 February 2020 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	(143,516)	-	-	(143,516)
Cost	<u>658,115</u>	<u>99,363</u>	<u>157,999</u>	<u>915,477</u>
	<u>646,000</u>	<u>99,363</u>	<u>157,999</u>	<u>903,362</u>

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**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 29 February 2020**

**11. TANGIBLE FIXED ASSETS - continued**

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

	2020	2019
	£	£
Cost	<u>658,115</u>	<u>684,476</u>
Aggregate depreciation	<u>114,433</u>	<u>89,107</u>

Freehold property was valued on an open market basis on 22 May 2019 by Phil Winckles BSc (Hons) MRICS .

**12. INVESTMENT PROPERTY**

	Total £
<b>FAIR VALUE</b>	
At 1 March 2019	
and 29 February 2020	<u>304,000</u>
<b>NET BOOK VALUE</b>	
At 29 February 2020	<u>304,000</u>
At 28 February 2019	<u>304,000</u>

Fair value at 29 February 2020 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	(81,553)
Cost	<u>272,986</u>
	<u>304,000</u>

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

	2020	2019
	£	£
Cost	<u>272,986</u>	<u>319,466</u>

Investment property was valued on an open market basis on 22 May 2019 by Phil Winckles BSc (Hons) MRICS .

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**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 29 February 2020**

**13. STOCKS**

	2020	2019
	£	£
Long term contract gross costs	122,584	168,536
Applicable payments on account	(118,371)	(96,610)
Small tools & consumables	40,000	40,000
	<u>44,213</u>	<u>111,926</u>

**14. DEBTORS**

	2020	2019
	£	£
Amounts falling due within one year:		
Amounts recoverable on contract	7,335,020	4,868,028
Other debtors	16,000	17,946
Prepayments	150,421	166,580
	<u>7,501,441</u>	<u>5,052,554</u>
Amounts falling due after more than one year:		
Amounts recoverable on contract	900,234	705,970
Aggregate amounts	<u>8,401,675</u>	<u>5,758,524</u>

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020	2019
	£	£
Trade creditors	7,107,041	4,611,290
Tax	397,918	272,357
Social security and other taxes	108,002	81,498
VAT	10,257	144,620
Other creditors	5,157	37,124
Deferred income	126,549	104,335
Directors' loan accounts	-	500,557
Accrued expenses	243,262	15,273
	<u>7,998,186</u>	<u>5,767,054</u>

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

	2020	2019
	£	£
Deferred income	1,012,501	448,594
Trade creditors	351,084	321,640
	<u>1,363,585</u>	<u>770,234</u>

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

	2020 £	2019 £
Deferred tax		
Accelerated capital allowances	<u>18,092</u>	<u>25,087</u>
		Deferred tax
		£
Balance at 1 March 2019		25,087
Provided during year		<u>(6,995)</u>
Balance at 29 February 2020		<u>18,092</u>

**18. CALLED UP SHARE CAPITAL**

Allotted and issued:				
Number:	Class:	Nominal value:	2020 £	2019 £
110,997	Ordinary shares	10p	<u>11,126</u>	<u>11,126</u>

**19. RESERVES**

	Retained earnings £	Share premium £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1 March 2019	1,399,330	37,500	24,827	43,874	1,505,531
Profit for the year	2,843,633				2,843,633
Dividends	(2,850,000)				(2,850,000)
Transfer of excess depreciation as a result of revaluation	<u>257</u>	<u>-</u>	<u>(257)</u>	<u>-</u>	<u>-</u>
At 29 February 2020	<u>1,393,220</u>	<u>37,500</u>	<u>24,570</u>	<u>43,874</u>	<u>1,499,164</u>

Included in retained earnings are non-distributable reserves of £31,014 (2019 £110,997 ) relating to the revaluation of the investment property.

**20. CONTINGENT LIABILITIES**

There were no contingent liabilities as at 29 February 2020 (2019: £NIL).

**21. RELATED PARTY DISCLOSURES**

During the year, total dividends of £1,841,802 (2019 - £1,014,756) were paid to the directors .

**Other related parties**

	2020 £	2019 £
Dividends	<u>865,699</u>	<u>277,176</u>

During the year, a total of key management personnel compensation of £ 403,452 (2019 - £ 87,306 ) was paid.



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**NOTES TO THE FINANCIAL STATEMENTS - continued  
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**22. POST BALANCE SHEET EVENTS**

The COVID-19 pandemic has forced measures to be taken by various governments to contain the virus. At this stage, there has been no adverse impact on our business.

**23. ULTIMATE CONTROLLING PARTY**

There is no controlling party.

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.