

Hensall Mechanical Services Limited

Registered number: 02999852

Annual report

For the year ended 30 June 2017

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HENSALL MECHANICAL SERVICES LIMITED

COMPANY INFORMATION

Directors	C L Bond J S Unwin (resigned 16 September 2016) A J Barlow (appointed 2 September 2016)
Company secretary	C L Bond
Registered number	02999852
Registered office	Roall Hall Roall Lane Eggborough Goole North Yorkshire DN14 0NY
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor Mazars House Gelderd Road Gildersome Leeds LS27 7JN
Bankers	Yorkshire Bank plc 1-2 The Arcade Hill Top Knottingley WF11 8HZ

HENSALL MECHANICAL SERVICES LIMITED

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HENSALL MECHANICAL SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2017

Introduction

The directors present their Strategic Report for Hensall Mechanical Services Limited for the year ended 30 June 2017.

Business review

The Company's principal activity continued to be that of Building Services Design & Installation Contractors.

Our focus during the past 12 months has been to rebrand the business & improve our internal systems & procedures, to ensure that it is running as efficiently as possible having carried out a full review of operations and we now feel that we have achieved this. We have focused on both quality and efficiency, which has subsequently improved overall profitability. This can be seen in the improved operating profits for the period, with operating profits at £420,889 for the year compared with £336,115 in 2015/16.

Principal risks and uncertainties

Operational risks - there is a risk that new projects are not secured with existing customers due to the highly competitive nature of the market. The directors mitigate this risk by ensuring we provide unrivalled service levels, and costs control to provide competitive pricing which results in excellent value for money for our customers.

Financial risk management - financial risks are managed through strict internal management controls and accurate timely management information. Individual projects are also closely monitored by management to identify potential issues and ensure that projects are delivered at a margin that is acceptable to the directors.

Financial key performance indicators

Management use a range of performance measures to monitor and manage the business. Some of the key performance measures are set out below:

	30 June 2017	30 June 2016
Turnover	£11,388,917	£13,579,337
Gross Profit	£1,431,597	£1,803,456
Gross Profit Margin	12.6%	13.3%
Operating Profit	£420,889	£336,115

The Company acts as the main contractor for services provided to customers, however some of the electrical work is subcontracted to HMS Electrical Systems Limited and this only attracts a small margin in order for the Company to remain competitive. The level of this work has remained relatively stable over the last two financial years reducing from £3.20m (23.6% of turnover) in 2015/16 to £2.37m (20.8% of turnover) in 2016/17.

The gross margin achieved on non-electrical work was approximately 15% (2016: 19%).

HENSALL MECHANICAL SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2017

Development and financial performance during the year

The construction industry continues to be a challenging market in which to operate, in light of that the directors are satisfied with the performance in 2017. As reported in the Company's Statement of Comprehensive Income gross profit margin for the period was 12.6%. Although a minor reduction on the 13.3% reported in 2015/16 this is still considerably higher than the 9.2% reported in 2014/15 and represents a strong stable performance over the past two financial periods. Operating profits have also improved at £420,889 for the year compared with £336,115 in 2015/16.

This report was approved by the board on *26th March 2018* and signed on its behalf.



C L Bond
Director

HENSALL MECHANICAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £322,484 (2016 - £285,709).

Dividend paid during the financial year amounted to £135,320 (2016: 453,474).

Directors

The directors who served during the year were:

C L Bond

J S Unwin (resigned 16 September 2016)

A J Barlow (appointed 2 September 2016)

Future developments

The directors are confident that the financial and operational strength of the Company and the updated business processes which have been implemented will result in further improvement in the future. Currently the business is undergoing a re-branding of its corporate image, with the objective of building a business that has an integrated client focused range of service offerings which complement the existing strengths of the business.

Matters covered in the strategic report

The mandatory disclosures in relation to the principle risks and uncertainties of the Company are considered by the directors to be of strategic importance. These have therefore been included in the Strategic Report.

HENSALL MECHANICAL SERVICES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2017**

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *26th March 2018* and signed on its behalf.



C L Bond
Director

HENSALL MECHANICAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HENSALL MECHANICAL SERVICES LIMITED

Opinion

We have audited the financial statements of Hensall Mechanical Services Limited (the 'Company') for the year ended 30 June 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

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.

HENSALL MECHANICAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HENSALL MECHANICAL SERVICES LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

HENSALL MECHANICAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HENSALL MECHANICAL SERVICES LIMITED

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page X, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors' determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors' either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities 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 auditor's report.



John Holroyd (Senior statutory auditor)

for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor

Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

Date: 26th March 2018

HENSALL MECHANICAL SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 £	2016 £
Turnover	4	11,388,917	13,579,337
Cost of sales		(9,957,320)	(11,775,881)
Gross profit		<u>1,431,597</u>	<u>1,803,456</u>
Administrative expenses		(1,010,708)	(1,467,341)
Operating profit	5	<u>420,889</u>	<u>336,115</u>
Interest payable and expenses	9	(3,436)	(14,057)
Profit before tax		<u>417,453</u>	<u>322,058</u>
Tax on profit	10	(94,969)	(36,349)
Profit for the financial year		<u><u>322,484</u></u>	<u><u>285,709</u></u>

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 11 to 26 form part of these financial statements.


HENSALL MECHANICAL SERVICES LIMITED
REGISTERED NUMBER: 02999852

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	12	104,006	113,590
Investments	13	438	438
		<u>104,444</u>	<u>114,028</u>
Current assets			
Stocks	14	148,977	33,232
Debtors: amounts falling due after more than one year	15	147,073	123,667
Debtors: amounts falling due within one year	15	7,569,556	7,645,576
Cash at bank and in hand	16	251,281	849,025
		<u>8,116,887</u>	<u>8,651,500</u>
Creditors: amounts falling due within one year	17	(5,037,381)	(5,795,558)
Net current assets		<u>3,079,506</u>	<u>2,855,942</u>
Total assets less current liabilities		<u>3,183,950</u>	<u>2,969,970</u>
Creditors: amounts falling due after more than one year	18	(84,564)	(54,910)
Provisions for liabilities			
Deferred tax	19	(7,712)	(10,550)
		<u>(7,712)</u>	<u>(10,550)</u>
Net assets		<u><u>3,091,674</u></u>	<u><u>2,904,510</u></u>
Capital and reserves			
Called up share capital	20	2	2
Other reserves	21	548,734	548,734
Profit and loss account	21	2,542,938	2,355,774
		<u>3,091,674</u>	<u>2,904,510</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

26th March 2018


C L Bond
 Director

The notes on pages 11 to 26 form part of these financial statements.

HENSALL MECHANICAL SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital	Other reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2016	2	548,734	2,355,774	2,904,510
Profit for the year	-	-	322,484	322,484
Dividends: Equity capital	-	-	(135,320)	(135,320)
At 30 June 2017	2	548,734	2,542,938	3,091,674

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Called up share capital	Other reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2015	2	548,734	2,523,539	3,072,275
Profit for the year	-	-	285,709	285,709
Dividends: Equity capital	-	-	(453,474)	(453,474)
At 30 June 2016	2	548,734	2,355,774	2,904,510

The notes on pages 11 to 26 form part of these financial statements.

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. General information

Hensall Mechanical Services Limited ("the Company") is a private limited company (limited by share capital) incorporated in the United Kingdom. The address of its registered office and principal place of business is Roall Hall, Roall Lane, Eggborough, Goole, North Yorkshire, DN14 0NY.

These financial statements have been prepared in Pound Sterling as this is the currency of the primary economic environment in which the Company operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Hensall Group Limited as at 30 June 2017 and these financial statements may be obtained from Companies House.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

2.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report in these financial statements.

The directors have prepared financial forecasts and projections, taking account of possible changes in trading performance, which show that the Company is able to operate within its current working capital facilities for the foreseeable future.

Therefore the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. The directors have considered a period in excess of twelve months from the date of the approval of these financial statements in making their assessment.

2.4 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Plant & machinery	- 10% and 33.33% straight line
Motor vehicles	- 25% straight line
Fixtures & fittings	- 15% straight line

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

2.6 Valuation of investments

Investments held as fixed assets are shown at cost less provision for impairment.

2.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

2.10 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.12 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

The critical judgements that the Directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements:

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the Directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability and where applicable, the ability of the asset to be operated as planned. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Recoverability of receivables

The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors have considered factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

(ii) Determining useful economic lives of tangible and intangible assets

The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of tangible assets is based on historic performance as well as expectations about the future use and therefore requires estimates and assumptions to be applied. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

(iii) Estimated profitability of long-term contracts

The nature of the Company's business results in the requirement for estimations into the potential future profitability of long-term contracts in progress at the year-end. These estimations will determine the level of costs that are accrued at the year-end in order to recognise the appropriate amount of profit on each outstanding project. When estimating future profitability of long-term contracts the Company uses a range of information available to it such as approved contract value and variations, total costs booked to the job plus an estimate of costs to complete the contract using estimated bills of materials, labour and any other costs specific to a particular contract.

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

4. Turnover

The whole of the turnover is attributable to amounts recognised on mechanical and electrical contract works.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	53,369	46,748
Operating lease rentals	51,683	47,992
Defined contribution pension cost	26,187	17,157
	<u>131,240</u>	<u>111,897</u>

6. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12,250	11,900
Fees payable to the Company's auditor in respect of:		
Services relating to statutory accounts preparation	3,500	3,350
Other services relating to taxation	2,675	2,550
Services relating to information technology	6,000	6,000
Services relating to human resources	1,200	8,600
All other non-audit services	25,679	12,350
	<u>39,054</u>	<u>32,850</u>

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	819,138	1,073,203
Social security costs	88,263	96,891
Cost of defined contribution scheme	26,187	17,157
	<u>933,588</u>	<u>1,187,251</u>

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

	2017 No.	2016 No.
Production	13	13
Sales, tendering and design	9	10
Administration	4	4
	<u>26</u>	<u>27</u>

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	72,576	29,160
Company contributions to defined contribution pension schemes	1,935	-
	<u>74,511</u>	<u>29,160</u>

During the year there were benefits accruing to 3 directors (2016: nil) in respect of defined contribution pension schemes.

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	1,924	5,603
Finance leases and hire purchase contracts	1,512	8,454
	<u>3,436</u>	<u>14,057</u>

HENSALL MECHANICAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	96,709	80,539
Adjustments in respect of previous periods	1,098	(42,893)
Total current tax	<u>97,807</u>	<u>37,646</u>
Deferred tax		
Origination and reversal of timing differences	(2,838)	(1,297)
Taxation on profit on ordinary activities	<u>94,969</u>	<u>36,349</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.75% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>417,453</u>	<u>322,058</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	82,447	64,412
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	12,162	15,145
Adjustments to tax charge in respect of prior periods	1,099	(42,893)
Non-taxable income	-	(4)
Changes in provisions leading to an increase (decrease) in the tax charge	(369)	246
Impact of a change in tax rates on the deferred tax charge	(907)	(557)
Other differences leading to an increase (decrease) in the tax charge	537	-
Total tax charge for the year	<u>94,969</u>	<u>36,349</u>

Factors that may affect future tax charges

A reduction in the UK Corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) was substantively enacted in September 2016 and has therefore been considered when calculating deferred tax at the reporting date. Deferred tax balances at the reporting date are measured at 17% (2016: 19%).

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

11. Dividends

	2017 £	2016 £
Dividends paid on equity shares	135,320	453,474

12. Tangible fixed assets

	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation				
At 1 July 2016	145,797	196,146	13,561	355,504
Additions	3,760	40,535	-	44,295
Disposals	-	(66,456)	-	(66,456)
At 30 June 2017	149,557	170,225	13,561	333,343
Depreciation				
At 1 July 2016	121,852	108,285	11,777	241,914
Charge for the year on owned assets	16,623	36,381	365	53,369
Disposals	-	(65,946)	-	(65,946)
At 30 June 2017	138,475	78,720	12,142	229,337
Net book value				
At 30 June 2017	11,082	91,505	1,419	104,006
At 30 June 2016	23,945	87,861	1,784	113,590

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £	2016 £
Plant and machinery	3,967	15,871
Motor vehicles	26,047	10,208
	30,014	26,079

HENSALL MECHANICAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

13. Fixed asset investments

	Listed investments £
Cost or valuation	
At 1 July 2016	438
At 30 June 2017	438
Net book value	
At 30 June 2017	438
At 30 June 2016	438

14. Stocks

	2017 £	2016 £
Work in progress	133,977	18,232
Finished goods and goods for resale	15,000	15,000
	148,977	33,232

HENSALL MECHANICAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

15. Debtors

	2017 £	2016 £
Due after more than one year		
Trade debtors	147,073	123,667

	2017 £	2016 £
Due within one year		
Trade debtors	2,040,349	1,916,387
Amounts owed by group undertakings	3,937,275	3,885,596
Other debtors	962,905	189,645
Prepayments and accrued income	51,056	48,338
Amounts recoverable on long term contracts	577,971	1,605,610
	<u>7,569,556</u>	<u>7,645,576</u>

16. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	251,281	849,025
Less: bank overdrafts	(36,527)	-
	<u>214,754</u>	<u>849,025</u>

HENSALL MECHANICAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

17. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	36,527	-
Bank loans	-	87,099
Trade creditors	4,328,206	5,324,547
Corporation tax	348,574	80,539
Taxation and social security	57,529	56,799
Obligations under finance lease and hire purchase contracts	24,024	20,842
Other creditors	25,361	35,543
Accruals and deferred income	217,160	190,189
	<u>5,037,381</u>	<u>5,795,558</u>

Net obligations under the finance lease contracts are secured by a fixed charge on the assets concerned.

18. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Trade creditors	<u>84,564</u>	<u>54,910</u>

Secured loans

Bank loans and overdrafts are secured by a debenture and a personal guarantee provided by Mr C L Bond for £100,000.

There is also a cross guarantee supported by a debenture from fellow group members, Hensall Group Limited (formerly HMS Corp Limited), HMS Group Limited and Hensall Environmental Limited (formerly HMS Environmental Limited), for all monies owing to the bank.

Net obligations under the finance lease contracts are secured by a fixed charge on the assets concerned.

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19. Deferred taxation

	2017 £
At beginning of year	(10,550)
Charged to profit or loss	2,838
At end of year	(7,712)

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(7,712)	(10,550)
	<u>(7,712)</u>	<u>(10,550)</u>

20. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

The Company has one class of ordinary shares which carry voting rights but no rights to fixed income.

21. Reserves

Other reserves

Other reserves arose in the year ended 30 June 2015 when Hensall Mechanical Services Limited received a capital contribution from the then ultimate parent company Hensall Group Limited (formerly HMS Corp Limited) as a result of an intercompany loan waiver between two subsidiaries of the common parent, Hensall Group Limited (formerly HMS Corp Limited).

Profit & loss account

The profit and loss account represents the brought forward accumulated profits plus/minus the profit/loss for the financial period less any dividends paid during the financial period.

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £26,187 (2016: £17,157). At the balance sheet date £1,177 (2016: £1,228) was payable to the fund.

23. Commitments under operating leases

At 30 June 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	33,348	33,432
Later than 1 year and not later than 5 years	-	1,698
	<u>33,348</u>	<u>35,130</u>

24. Transactions with directors

At 30 June 2017, Mr C L Bond owed the Company £613,842 (2016: £90,271) in respect of an interest free loan. Mr J Unwin owed the Company £37,305 (2016: £37,305) in respect of an interest free loan.

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

25. Related party transactions

The Company is a wholly owned subsidiary of Hensall Group Limited and as such has taken advantage of the exemption permitted by Section 33 'Related Party Disclosures' not to provide disclosures of transactions entered into with the parent company or other wholly owned subsidiaries within the group. The consolidated financial statements can be obtained from the registered office of Hensall Group Limited; Roall Hall, Roall Lane, Eggborough, North Yorkshire, DN14 0NY.

Included within Cost of Sales are £97,398 (2016: £171,309) worth of costs payable to Building Information Modelling (Yorkshire) Limited for the provision of 3D modelling services; the company is part owned by Mr C L Bond, shareholder and director of Hensall Mechanical Services Limited.

During the prior year an additional loan was advanced to Building Information Modelling (Yorkshire) Limited by Hensall Mechanical Services Limited in the amount of £13,850. There was no additional loan advanced in the current year.

The amounts due from/(owed to) related parties at the balance sheet date are shown below:

	2017 £	2016 £
Building Information Modelling (Yorkshire) Limited - loan balance	42,780	42,780
Building Information Modelling (Yorkshire) Limited - purchase ledger	72,500	(32,748)
Mr C L Bond	613,842	90,271
Mr J Unwin	37,305	37,305
	<u>766,427</u>	<u>137,608</u>

26. Controlling party

The ultimate parent company is Hensall Group Limited (formerly HMS Corp Limited) by virtue of its 100% shareholdings of the allocated share capital of Hensall Mechanical Services Limited.

The ultimate controlling party is Mr C L Bond, a director.