

Hensall Mechanical Services Limited

Registered number: 02999852

Annual report and financial statements

For the year ended 30 June 2018

SATURDAY



A7XXSY6X

A09

26/01/2019

#316

COMPANIES HOUSE

HENSALL MECHANICAL SERVICES LIMITED

COMPANY INFORMATION

Directors	C L Bond A J Barlow
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 5th Floor 3 Wellington Place Leeds LS1 4AP
Bankers	Yorkshire Bank plc 1-2 The Arcade Hill Top Knottingley WF11 8HZ

HENSALL MECHANICAL SERVICES LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditor's Report	5 - 7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 28

HENSALL MECHANICAL SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018

Introduction

The directors present their Strategic Report for Hensall Mechanical Services Limited for the year ended 30 June 2018.

Business review

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

Our focus during the past twenty four 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 £643,035 for the year compared with £420,889 in 2016/17. We are now seeing a growth in turnover year on year, with revenues for 2017/18 being £12.7m compared with £11.4m in 2016/17.

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 2018	30 June 2017
Turnover	£12,718,290	£11,388,917
Gross Profit	£2,151,060	£1,431,597
Gross Profit Margin	16.9%	12.6%
Operating Profit	£643,035	£420,889

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 work 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 increasing £2.37m (20.8% of turnover) in 2016/17 to £2.78m (21.9% of turnover) in 2017/18.

The gross margin achieved on non-electrical work was approximately 21% (2017 - 15%).

HENSALL MECHANICAL SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

Development and financial performance during the year

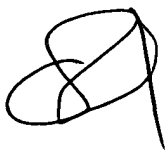
The construction industry continues to be a challenging market in which to operate, in light of that the directors are extremely pleased with the performance in 2018. As reported in the Company's Statement of Comprehensive Income gross profit margin for the period was 16.9%, an increase of 4.3% on the 12.6% gross margin achieved in the previous year. The Company is displaying an upward trend in gross profitability, with a 13.3% gross margin reported in 2015/16 and 9.2% reported in 2014/15. This upward trend is a reflection of decisions made in the 2015/16 financial year to scale back the size of the business in terms of turnover levels and place greater focus on accepting contracts where the directors are confident they can profitably deliver a high quality of work and unrivalled customer services levels using the resources at their disposal. These decisions along with additional improvements in internal processes have led to efficiencies being achieved that the Company is now seeing the full benefits of.

As reported in the Company's Statement of Financial Position the net assets position has increased from £3.1m at 30 June 2017 to £3.3m at 30 June 2018, due to an increase in profit and loss reserves of £0.2m in the year.

This report was approved by the board on

21/01/2019

and signed on its behalf.



C L Bond
Director

HENSALL MECHANICAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The directors present their report and the financial statements for the year ended 30 June 2018.

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; and
- 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 £498,188 (2017 - £322,484).

Dividends paid during the financial year amounted to £261,667 (2017 - £135,320).

Directors

The directors who served during the year and up to the date of this report were:

C L Bond
A J Barlow

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 performance improvement in the future. The business has undergone 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. The business continues to focus on accepting contracts where the directors are confident that profits can be achieved whilst delivering high quality work and unrivalled customer services.

HENSALL MECHANICAL SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

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.

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.

Going concern

These financial statements have been prepared on a going concern basis. The directors, having considered the financial position of the company for a period of at least twelve months from the date of signing these financial statements, have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the company to continue as a going concern.

Accordingly the directors have a reasonable expectation that the company will continue in operational existence and thus they adopt the going concern basis of accounting in preparing the financial statements.

This report was approved by the board on 21/01/2019 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 2018 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 2018 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.

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 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.

HENSALL MECHANICAL SERVICES LIMITED

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

Other information (continued)

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 specified 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 3, 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 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.

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.



Ross Preston (Senior statutory auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Date: 21/01/2019

HENSALL MECHANICAL SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 £	2017 £
Turnover	4	12,718,290	11,388,917
Cost of sales		(10,567,230)	(9,957,320)
Gross profit		<u>2,151,060</u>	<u>1,431,597</u>
Administrative expenses		(1,508,025)	(1,010,708)
Operating profit	5	<u>643,035</u>	<u>420,889</u>
Interest payable and similar expenses	9	(11,220)	(3,436)
Profit before tax		<u>631,815</u>	<u>417,453</u>
Tax on profit	10	(133,627)	(94,969)
Profit for the financial year		<u><u>498,188</u></u>	<u><u>322,484</u></u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 or 2017.

The notes on pages 11 to 28 form part of these financial statements.

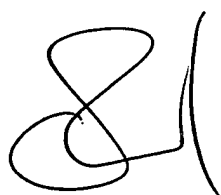
HENSALL MECHANICAL SERVICES LIMITED
REGISTERED NUMBER: 02999852

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	106,580	104,006
Investments	13	438	438
		<u>107,018</u>	<u>104,444</u>
Current assets			
Stocks	14	66,420	148,977
Debtors: amounts falling due after more than one year	15	202,079	147,073
Debtors: amounts falling due within one year	15	8,032,260	7,569,556
Cash at bank and in hand	16	193,872	251,281
		<u>8,494,631</u>	<u>8,116,887</u>
Creditors: amounts falling due within one year	17	(5,086,657)	(5,037,381)
Net current assets		<u>3,407,974</u>	<u>3,079,506</u>
Total assets less current liabilities		<u>3,514,992</u>	<u>3,183,950</u>
Creditors: amounts falling due after more than one year	18	(182,801)	(84,564)
Provisions for liabilities			
Deferred tax	20	(3,996)	(7,712)
		<u>(3,996)</u>	<u>(7,712)</u>
Net assets		<u><u>3,328,195</u></u>	<u><u>3,091,674</u></u>
Capital and reserves			
Called up share capital	21	2	2
Other reserves	22	548,734	548,734
Profit and loss account	22	2,779,459	2,542,938
		<u><u>3,328,195</u></u>	<u><u>3,091,674</u></u>

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

C L Bond
Director



21/01/2019

The notes on pages 11 to 28 form part of these financial statements.

HENSALL MECHANICAL SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Called up share capital	Other reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2017	2	548,734	2,542,938	3,091,674
Profit for the year	-	-	498,188	498,188
Total comprehensive income for the year	-	-	498,188	498,188
Dividends: Equity capital	-	-	(261,667)	(261,667)
At 30 June 2018	2	548,734	2,779,459	3,328,195

The notes on pages 11 to 28 form part of these financial statements.

**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
Total comprehensive income 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

The notes on pages 11 to 28 form part of these financial statements.

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. General information

Hensall Mechanical Services Limited ("the Company") is a private limited company (limited by share capital) incorporated in England and Wales. 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 Company has early adopted the changes made to FRS 102 as a result of the March 2017 triennial review.

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 2018 and these financial statements may be obtained from Companies House.

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

The stage of completion of the contract at the end of the reporting period is measured by reference to the certified value of works completed compared to the total contract value.

2.5 Operating leases

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

2.6 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. Accounting policies (continued)

2.7 Borrowing costs

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

2.8 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.

2.9 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 2018**

2. Accounting policies (continued)

2.10 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.11 Valuation of investments

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

2.12 Stocks

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

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of comprehensive income.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.14 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. Accounting policies (continued)

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 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.

2.17 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 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 retentions receivable and amounts recoverable on contracts

The Company establishes a provision for all 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) Estimated profitability of on-going contracts

The nature of the Company's business results in the requirement for estimations into the potential future profitability of 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 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. Management estimate the stage of completion of ongoing contracts by reference to the certified value of work as a percentage of the total agreed contract value.

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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:

	2018 £	2017 £
Depreciation of tangible fixed assets	51,537	53,369
Operating lease rentals	33,348	51,683
Defined contribution pension cost	40,431	26,187
	<u>125,316</u>	<u>131,240</u>

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	13,250	12,500

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

7. Employees

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

	2018 £	2017 £
Wages and salaries	1,290,785	819,138
Social security costs	121,660	88,263
Cost of defined contribution scheme	40,431	26,187
	<u>1,452,876</u>	<u>933,588</u>

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

	2018 No.	2017 No.
Production	14	13
Sales, tendering and design	14	9
Administration	5	4
	<u>33</u>	<u>26</u>

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	106,614	72,576
Company contributions to defined contribution pension schemes	2,502	1,935
	<u>109,116</u>	<u>74,511</u>

During the year there were benefits accruing to 2 (2017 - 3) directors in respect of defined contribution pension schemes.

The directors of the business are considered to be the key management personnel.

HENSALL MECHANICAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

9. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	1,677	1,924
Finance leases and hire purchase contracts	9,543	1,512
	<u>11,220</u>	<u>3,436</u>

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	138,253	96,709
Adjustments in respect of previous periods	(910)	1,098
Total current tax	<u>137,343</u>	<u>97,807</u>
Deferred tax		
Origination and reversal of timing differences	(3,570)	(2,838)
Adjustment in respect of previous periods	(146)	-
Taxation on profit on ordinary activities	<u>133,627</u>	<u>94,969</u>

HENSALL MECHANICAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.75%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	631,815	417,453
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.75%)	120,045	82,447
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	15,610	12,162
Adjustments to tax charge in respect of previous periods	(910)	1,099
Adjustment to deferred tax charge in respect of previous periods	(146)	-
Changes in provisions leading to a decrease in the tax charge	-	(369)
Impact of a change in tax rates on the deferred tax charge	-	(907)
Other differences leading to an (decrease) / increase in the tax charge	(972)	537
Total tax charge for the year	133,627	94,969

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% (2017 - 17%).

11. Dividends

	2018 £	2017 £
Dividends paid on equity shares	261,667	135,320

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

12. Tangible fixed assets

	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation				
At 1 July 2017	149,557	170,225	13,561	333,343
Additions	2,528	62,083	-	64,611
Disposals	-	(46,404)	-	(46,404)
At 30 June 2018	152,085	185,904	13,561	351,550
Depreciation				
At 1 July 2017	138,475	78,720	12,142	229,337
Charge for the year on owned assets	8,527	27,612	269	36,408
Charge for the year on financed assets	-	15,129	-	15,129
Disposals	-	(35,904)	-	(35,904)
At 30 June 2018	147,002	85,557	12,411	244,970
Net book value				
At 30 June 2018	5,083	100,347	1,150	106,580
At 30 June 2017	11,082	91,505	1,419	104,006

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

	2018 £	2017 £
Plant and machinery	-	3,967
Motor vehicles	62,830	26,047
	62,830	30,014

HENSALL MECHANICAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. Fixed asset investments

	Listed investments £
Cost or valuation	
At 1 July 2017	438
At 30 June 2018	438
Net book value	
At 30 June 2018	438
At 30 June 2017	438

14. Stocks

	2018 £	2017 £
Work in progress	51,420	133,977
Finished goods and goods for resale	15,000	15,000
	66,420	148,977

Stock recognised in cost of sales during the year as an expense was £3,101,226 (2017 - £1,909,952) .

HENSALL MECHANICAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

15. Debtors

	2018 £	2017 £
Due after more than one year		
Trade debtors	<u>202,079</u>	<u>147,073</u>
	2018 £	2017 £
Due within one year		
Trade debtors	1,595,145	2,040,349
Amounts owed by group undertakings	3,930,173	3,937,275
Other debtors	725,452	962,905
Prepayments and accrued income	43,739	51,056
Amounts recoverable on long term contracts	<u>1,737,751</u>	<u>577,971</u>
	<u>8,032,260</u>	<u>7,569,556</u>

16. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	193,872	251,281
Less: bank overdrafts	<u>(166,786)</u>	<u>(36,527)</u>
	<u>27,086</u>	<u>214,754</u>

HENSALL MECHANICAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

17. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	166,786	36,527
Trade creditors	4,035,940	4,267,678
Amounts owed to group undertakings	89,296	60,528
Corporation tax	358,628	348,574
Other taxation and social security	186,601	57,529
Obligations under finance lease and hire purchase contracts	24,652	24,024
Other creditors	27,093	25,361
Accruals and deferred income	197,661	217,160
	<u>5,086,657</u>	<u>5,037,381</u>

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

There is also a cross guarantee supported by a debenture from fellow group members, Hensall Group Limited, Hensall Intelligent Building Energy Management Systems Limited and 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.

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

	2018 £	2017 £
Net obligations under finance leases and hire purchase contracts	26,366	-
Trade creditors	156,435	84,564
	<u>182,801</u>	<u>84,564</u>

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 2018**

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2018 £	2017 £
Within one year	24,652	24,024
Between 1-2 years	12,641	-
Between 2-5 years	13,725	-
	<u>51,018</u>	<u>24,024</u>

20. Deferred taxation

	2018 £	2017 £
At beginning of year	(7,712)	(10,550)
Charged to statement of comprehensive income	3,716	2,838
At end of year	<u>(3,996)</u>	<u>(7,712)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(4,296)	(7,712)
Short term timing differences	300	-
	<u>(3,996)</u>	<u>(7,712)</u>

21. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
2 (2017 - 2) Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

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

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22. Reserves

Other reserves

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

23. 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 £40,431 (2017 - £26,187). At the statement of financial position date £1,761 (2017 - £1,177) as payable to the fund.

24. Commitments under operating leases

At 30 June 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	33,299	33,348
Later than 1 year and not later than 5 years	4,505	-
	<u>37,804</u>	<u>33,348</u>

25. Transactions with directors

At 30 June 2018, C L Bond owed the Company £450,335 (2017 - £613,842) in respect of an overdrawn director's loan account. The maximum amount the loan account was overdrawn during the period was £704,365 (2017 - £691,933). The loan does not incur interest charges.

HENSALL MECHANICAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

26. 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 of FRS102 '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.

Building Information Modelling (Yorkshire) Limited is a related party of Hensall Mechanical Services Limited by virtue of C L Bond having common control. Included within cost of sales are £63,244 (2017 - £97,398) worth of costs payable to this related party for the provision of 3D modelling services. At the current year reporting date there are no amounts owing in respect of these transactions. At the prior year reporting date the company was owed £72,500 by the related party by virtue of incurring payments on account which were not invoiced until after the prior year reporting date.

There have been no changes to the loan balance advanced to Building Information Modelling (Yorkshire) Limited in the current or prior year.

C L Bond is a related party of the company by virtue of being a company director and majority shareholder of the ultimate parent company. At the reporting date C L Bond owed the company £450,335 (2017 - £613,842) in respect of an overdrawn director's loan account.

R Cristescu is a related party of the company by virtue of being a close family member of a company director. During the current year the company advanced R Cristescu £23,400 all of which is outstanding at the reporting date.

J Unwin was a related party of the company until 6 September 2016 by virtue of being a company director. At the prior year reporting date J Unwin owed the company £37,305 in respect of an overdrawn director's loan account. There is no current year disclosure in the table below due to J Unwin not being a related party for the entirety of the year ended 30 June 2018.

The amounts due from/(owed to) related parties at the statement of financial position date are shown below:

	2018 £	2017 £
Building Information Modelling (Yorkshire) Limited - loan balance	42,780	42,780
Building Information Modelling (Yorkshire) Limited - purchase ledger	-	72,500
C L Bond	450,335	613,842
J Unwin	-	37,305
R Cristescu	23,400	-
	<u>516,515</u>	<u>766,427</u>

HENSALL MECHANICAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

27. Controlling party

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

The ultimate controlling party is C L Bond, a director by virtue of his majority shareholding in the ultimate parent company.