

Ark Mechanical and Electrical Services Limited

Report and Financial Statements

Year Ended

31 December 2016

Company Number 08441858

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Ark Mechanical and Electrical Services Limited

Company Information

Directors Mr R Gleeson
Mr K W Keegan
Mr J J Reddington

Company secretary Mr R Gleeson

Registered number 08441858

Registered office 4 Elstree Way
Borehamwood
Hertfordshire
WD6 1RN

Independent auditor BDO LLP
55 Baker Street
London
W1U 7EU

Ark Mechanical and Electrical Services Limited

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Ark Mechanical and Electrical Services Limited

Strategic Report for the Year Ended 31 December 2016

Introduction

The directors present the strategic report of Ark Mechanical and Electrical Services Limited for the year ended 31 December 2016.

Business review

The company has experienced difficult trading results during the year. Having restructured the business the directors are satisfied that the business will achieve profitability and contribute to the groups results going forward.

Principal risks and uncertainties

The company continues to operate specific policies, agreed by the board, to control and monitor risk. The primary areas of risk are as follows:

Credit risk

The company's principal financial assets are contract debtors and other receivables. All new clients are referenced with reputable credit reporting agencies. Across the company contract debtors are regularly reviewed, whereby, any variance from agreed terms is immediately reported. In addition, the company uses credit insurance to supplement an already robust credit control system.

Liquidity risk

The company maintains appropriate funding levels relative to the level of current and future requirements arising from the company's strategy. Cash flow forecasts are prepared on a weekly basis and are closely monitored. We maintain a proactive relationship with our panel of lenders to ensure transparency and appropriate levels of facilities are maintained. This is an area of detailed analysis on a very regular basis and we consider current arrangements are adequate.

Market risk

The principal risk facing the business is the uncertainty of the UK economy. This sustained period of difficult market conditions has allowed the company to develop robust monitoring processes, covering in particular the secured order book and flexed forecasts within a rolling 12-month period. Any variances which are identified as having a potential impact on profitability or liquidity are flagged immediately, to ensure remedial action is taken if, or when, required.

Ark Mechanical and Electrical Services Limited

Strategic Report for the Year Ended 31 December 2016

Financial key performance indicators

The key performance indicators of the company are as follows:

Revenue has decreased when compared to the 2015 period, by 3% to £16.1m (2015 - £16.5m).

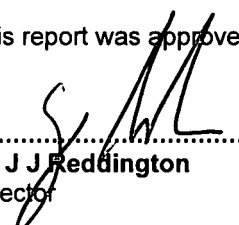
The directors also consider the net liabilities of the company, which have increased from £3.3m to £4.2m.

The company achieved a loss before tax of £1.2m (2015 - £2.9m) with a gross profit margin of 5% (2015 - gross loss margin of 10%).

Business outlook

2016 represents a very positive trading period for the business and the directors look forward with confidence.

This report was approved by the board and signed on its behalf.


.....
Mr J J Reddington
Director

Date: 31 March 2017

Ark Mechanical and Electrical Services Limited

Directors' Report for the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

Principal activity

The company's principal activity is the design, engineering and construction of both permanent and temporary mechanical and electrical services to the construction industry.

Results and dividends

The loss for the year, after taxation, amounted to £923,611 (2015 - loss £2,276,745).

The directors do not recommend the payment of a dividend (2015 - £NIL).

Directors

The directors who served during the year were:

Mr R Gleeson
Mr K W Keegan
Mr J J Reddington

Ark Mechanical and Electrical Services Limited

Directors' Report (continued) for the Year Ended 31 December 2016

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.

Auditor

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

This report was approved by the board and signed on its behalf.


.....
Mr K W Keegan
Director

Date: 31 March 2017

Ark Mechanical and Electrical Services Limited

Independent Auditor's Report to the Members of Ark Mechanical and Electrical Services Limited

We have audited the financial statements of Ark Mechanical and Electrical Services Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss 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.

Opinion 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.

Ark Mechanical and Electrical Services Limited

Independent Auditor's Report to the Members of Ark Mechanical and Electrical Services Limited

Matters on which we are required to report by exception

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

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

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

BDO LLP

Thomas Edward Goodworth (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: *31/03/12*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Ark Mechanical and Electrical Services Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	2016 £	2015 £
Revenue		16,055,734	16,487,331
Cost of sales		(15,326,619)	(18,171,998)
Gross profit/(loss)		729,115	(1,684,667)
Administrative expenses		(1,880,460)	(1,170,744)
Other operating income		-	850
Operating loss		(1,151,345)	(2,854,561)
Interest payable and similar charges	8	(7,657)	-
Loss before tax		(1,159,002)	(2,854,561)
Tax on loss	9	235,391	577,816
Loss for the year		(923,611)	(2,276,745)

All amounts relate to continuing operations.

There was no other comprehensive income for 2016 (2015 - £NIL).

The notes on pages 10 to 19 form part of these financial statements.


Ark Mechanical and Electrical Services Limited

Registered number: 08441858

Statement of Financial Position as at 31 December 2016

	Note	2016 £	2015 £
Current assets			
Debtors	10	3,032,425	6,015,430
Cash and cash equivalents	11	1,934	12,400
		<u>3,034,359</u>	<u>6,027,830</u>
Creditors: amounts falling due within one year	12	(7,222,658)	(9,292,518)
Net current liabilities		<u>(4,188,299)</u>	<u>(3,264,688)</u>
Net liabilities		<u>(4,188,299)</u>	<u>(3,264,688)</u>
Capital and reserves			
Called up share capital	13	1,000	1,000
Profit and loss account	14	(4,189,299)	(3,265,688)
		<u>(4,188,299)</u>	<u>(3,264,688)</u>

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


.....
Mr R. Gleeson
Director

31 March 2017

The notes on pages 10 to 19 form part of these financial statements.

Ark Mechanical and Electrical Services Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	1,000	(3,265,688)	(3,264,688)
Comprehensive loss for the year			
Loss for the year	-	(923,611)	(923,611)
At 31 December 2016	<u>1,000</u>	<u>(4,189,299)</u>	<u>(4,188,299)</u>

Statement of Changes in Equity for the Year Ended 31 December 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	1,000	(988,943)	(987,943)
Comprehensive loss for the year			
Loss for the year	-	(2,276,745)	(2,276,745)
At 31 December 2015	<u>1,000</u>	<u>(3,265,688)</u>	<u>(3,264,688)</u>

The notes on pages 10 to 19 form part of these financial statements.

Ark Mechanical and Electrical Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1. General information

Ark Mechanical and Electrical Services Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the company's operations and principal activity are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared 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 judgement 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 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of JRL Group Holdings Limited as at 31 December 2016 and these financial statements may be obtained from 4 Elstree Way, Borehamwood, Hertfordshire, WD6 1RN.

2.3 Going concern

At the reporting date the company had net current liabilities of £4,188,299 (2015 - £3,264,688). Included in the current liabilities however, is a loan from JRL Group Limited of £4,750,000 (2015 - £2,251,211) which the directors of JRL Group Limited have confirmed will not be recalled within 12 months from the date of approval of these accounts. As a result of the confirmation letter the directors are confident that the company will continue to be able to meet its debts as they fall due. The directors have prepared detailed cash flow forecasts that show the company has sufficient funds to enable it to continue to trade for a period not less than one year from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

Ark Mechanical and Electrical Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2. Accounting policies (continued)

2.4 Revenue

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 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 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.

2.7 Creditors

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

2.8 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.

Ark Mechanical and Electrical Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

2. Accounting policies (continued)

2.9 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.

2.10 Holiday pay adjustment

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

To the extent that the holiday pay adjustment gives rise to an asset balance at the reporting date the amount is reported in prepayments.

2.11 Taxation

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 reporting 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.

Ark Mechanical and Electrical Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

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

Key sources of estimation uncertainty:

- *Long term contracts*

Recognition of revenue and profit on long term contracts requires management judgement regarding the anticipated final outcome of individual contracts and of the proportion of works completed at the reporting date. Management undertakes detailed reviews on a monthly basis in order to exercise judgement over the outcome of each contract and the associated risks and opportunities.

The value of work completed at the reporting date is assessed by undertaking surveys and completing internal valuations on each element of works completed and in progress. Regular management reviews of contract progress include a comparison of internal valuations to the applications for payment made by supply chain partners and to external valuations completed on behalf of clients. Any material variances are investigated and updates made where appropriate.

The age, nature and recoverability of all debtors and amounts recoverable on long term contracts are reviewed regularly by management and provisions made where appropriate.

Consistent procedures and management tools are in place to ensure that estimates are applied and results determined on a consistent basis.

- *Defects provision*

A provision in relation to defects arising post completion of contracts has been accrued based on management expectations of costs incurred from historical experience.

4. Analysis of revenue

All revenue is attributable to the design, engineering and construction of both permanent and temporary mechanical and electrical services to the construction industry and arises solely within the United Kingdom.

5. Other operating income

	2016 £	2015 £
Other operating income	-	850

Ark Mechanical and Electrical Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

6. Operating loss

The operating loss is stated after charging:

	2016 £	2015 £
Defined contribution pension cost	24,270	17,116

Auditor's remuneration is borne by J Reddington Limited, a fellow group company.

During the year, no director received any emoluments (2015 - £NIL). The directors are paid by fellow group company, J Reddington Limited.

7. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	2,596,486	1,879,284
Social security costs	294,850	206,955
Cost of defined contribution scheme	24,270	17,116
	<u>2,915,606</u>	<u>2,103,355</u>

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

	2016 No.	2015 No.
	<u>52</u>	<u>40</u>

8. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	7,657	-

Ark Mechanical and Electrical Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

9. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on losses for the year	(231,800)	(577,816)
Adjustments in respect of previous periods	(3,591)	-
Taxation on loss on ordinary activities	(235,391)	(577,816)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	(1,159,002)	(2,854,561)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	(231,800)	(578,049)
Effects of:		
Expenses not deductible for tax purposes	-	233
Prior year adjustments	(3,591)	-
Total tax credit for the year	(235,391)	(577,816)

Ark Mechanical and Electrical Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

10. Debtors

	2016 £	2015 £
Trade debtors	81	-
Amounts owed by group undertakings	2,031,856	4,936,834
Other debtors	22,412	10,443
Prepayments and accrued income	25,852	1,609
Amounts recoverable on long term contracts	-	21,671
Corporation tax recoverable	813,918	578,666
VAT recoverable	138,306	466,207
	<u>3,032,425</u>	<u>6,015,430</u>

All amounts shown under debtors fall due for payment within one year.

11. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	1,934	12,400
Less: bank overdrafts	(477,022)	(163,075)
	<u>(475,088)</u>	<u>(150,675)</u>

12. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank overdrafts	477,022	163,075
Payments received on account	26,942	-
Trade creditors	1,474,779	4,858,573
Amounts owed to group undertakings	4,882,440	3,437,785
Amounts owed to related parties	203	-
Other taxation and social security	-	27,485
Accruals and deferred income	361,272	805,600
	<u>7,222,658</u>	<u>9,292,518</u>

Ark Mechanical and Electrical Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

13. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

14. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

15. 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 £24,270 (2015 - £17,116). Contributions totalling £NIL (2015 - £NIL) were payable to the fund at the reporting date.

Ark Mechanical and Electrical Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

16. Related party transactions

The company has taken advantage of the exemption available under paragraph 33.1A of the Financial Reporting Standard 102 not to disclose transactions with other wholly owned members of the group.

During the year ended 31 December 2016, the company entered into transactions and had outstanding balances with the following companies which are related by common control:

Related party transactions and balances

	Sales to related parties £	Purchases from related parties £	Amounts owed by related parties £	Amounts owed to related parties £
2016				
Elstree Ink Limited	-	661	-	203
J Reddington Limited	455,368	2,912,883	150,411	23,912
JRL Plant and Logistics Limited	11,356	294,742	9,723	41,403
Midgard Limited	15,477,849	-	1,838,448	66,261
Stair Master Limited	35,618	720	11,939	864
Thames Reinforcements Limited	10,526	-	8,340	-
	15,990,717	3,209,006	2,018,861	132,643
2015				
J Reddington Limited	215,256	2,101,456	83,287	122,833
JRL Plant and Logistics Limited	638	369,104	-	98,870
Midgard Limited	15,998,568	-	4,812,056	964,742
Miller Piling Limited	593	-	-	-
Stair Master Limited	42,237	-	9,591	-
Thames Reinforcements Limited	20,563	-	24,675	-
	16,277,855	2,470,560	4,929,609	1,186,445

Ark Mechanical and Electrical Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

17. Ultimate parent undertaking and controlling party

The company is a subsidiary of JRL Group Limited, a company registered in England and Wales. The ultimate parent company is JRL Group Holdings Limited, a company registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by JRL Group Holdings Limited. The smallest group in which the results of the company are consolidated is that headed by JRL Group Limited. The consolidated accounts of both of these companies are available to the public and may be obtained from 4 Elstree Way, Borehamwood, Hertfordshire, WD6 1RN.

18. Guarantees

During the year ended 31 December 2016, the company provided an unlimited cross guarantee in respect of a group overdraft and invoice discounting facilities, secured over all assets of the company and those of fellow companies within the group headed by JRL Group Holdings Limited. As at the 31 December 2016, the net indebtedness of the above companies in respect of those facilities is £1,716,638 (2015 - £1,653,137).