

Registered number: 00540706

**KERSHAW MECHANICAL SERVICES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	G D Smith (Managing Director) A C E Crouch P S Edis I M Greenstock L Ashton (appointed 19 February 2018)
<b>Company secretary</b>	K E Smith
<b>Registered number</b>	00540706
<b>Registered office</b>	Edward Leonard House Pembroke Avenue Denny End Road Waterbeach Cambridge CB25 9QR
<b>Independent auditors</b>	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Equipoise House Grove Place Bedford MK40 3LE

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**KERSHAW MECHANICAL SERVICES LIMITED**

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## KERSHAW MECHANICAL SERVICES LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their report and the financial statements for the year ended 31 December 2017.

#### 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), 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

#### Principal activities

The principal activities of the company continue to be the design, installation and maintenance of building services.

#### Results and dividends

The audited financial statements for the year ended 31 December 2017 are set out on pages 7 to 25.

The profit for the year, after taxation, amounted to £942,232 (2016 - £377,766).

During the year, ordinary share dividends of 280 pence per ordinary share, totalling £700,000 were paid (2016 - £Nil).

#### Directors

The directors who served during the year were:

G D Smith  
E L Bird (Retired 22 March 2018)  
A C E Crouch  
P S Edis  
M S Finlay (Retired 22 March 2018)  
I M Greenstock

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Future developments**

These are covered within the business review included in the Strategic Report.

**Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

**Post balance sheet events**

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

**Auditors**

The auditors, MHA MacIntyre Hudson, 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.



**K E Smith**  
Secretary

Date: 29 March 2018

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Business review and future developments**

The financial statements report an increase in turnover in 2017 to £42.2m following significant programme delays adversely affecting the activity reported in 2016. Continued investment in Building Information Modelling (BIM) technology has been a key driver of growth and along with its preconstruction capability, the company has an established pipeline in excess of £35m for 2018 and beyond. In addition to the company's Special Projects division, strong growth has been reported by the Service & Maintenance division, with its senior management team continuing to embrace growth through innovation. The client focussed approach affirms the directors' goals for continued organic growth.

The group is mindful of its impact upon the environment and has undertaken audit procedures and implemented quality assurance programmes in order to minimise its carbon footprint. The directors remain committed to the continued development of environmental policies and welcome the involvement of its employees and supply chain partners in this process.

Due to the active day to day involvement of the directors and shareholders in the management of the company, the directors consider turnover, gross margin and cash management to be the primary key performance indicators to monitor the performance and development of the company.

**Principal risks and uncertainties**

Risks and uncertainties that arise in the conduct of the company's business are kept under regular review by the directors. The principal risks and uncertainties are considered to be the retention of key clients and skilled employees. The company is also mindful of its impact upon the environment and the directors remain committed to the continued development of environmental improvements to its products and services. The directors welcome the involvement of its employees and supply chain partners in this process.

The company is exposed to various financial risks that arise as a normal part of its trading activities. The primary risks include cash flow, liquidity risk and credit risk.

**Treasury operations and financial instruments**

The Group operates a centralised treasury function which is responsible for managing the liquidity, interest and credit risks associated with the Group's activities. The Group closely monitors various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations.

**Liquidity risk**

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs to its business.

**Credit risk**

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies approved by the board. All customers who wish to trade on credit terms are subject to credit verification procedures. The efficiency of collection of the trade debtors and the extension of credit to those clients are carefully controlled in order to minimise cash flow and credit risk.

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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



**K E Smith**  
Secretary

Date: 29 March 2018

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KERSHAW MECHANICAL SERVICES LIMITED**

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**Opinion**

We have audited the financial statements of Kershaw Mechanical Services Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Auditors' 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



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**KERSHAW MECHANICAL SERVICES LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KERSHAW MECHANICAL SERVICES LIMITED (CONTINUED)**

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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.

**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.

**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 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.

**Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement on page 1, 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.

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KERSHAW MECHANICAL SERVICES LIMITED (CONTINUED)**

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**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

**Use of our report**

This report is made solely to the Company's shareholders, 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 shareholders those matters we are required to state in an Auditors' 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 shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Moyser FCCA ACA (Senior Statutory Auditor)  
for and on behalf of

**MHA MacIntyre Hudson**

Chartered Accountants

Statutory Auditors

Equipoise House

Grove Place

Bedford

MK40 3LE

Date: 3 April 2018

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Note	2017 £	2016 £
Turnover	3	42,234,935	19,613,661
Cost of sales		(36,857,072)	(15,953,639)
<b>Gross profit</b>		<b>5,377,863</b>	<b>3,660,022</b>
Administrative expenses		(4,430,430)	(3,170,052)
<b>Operating profit</b>	5	<b>947,433</b>	<b>489,970</b>
Interest payable and expenses	4	(10,201)	(10,297)
<b>Profit before tax</b>		<b>937,232</b>	<b>479,673</b>
Tax on profit	9	5,000	(101,907)
<b>Profit for the financial year</b>		<b>942,232</b>	<b>377,766</b>

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.

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**KERSHAW MECHANICAL SERVICES LIMITED**  
**REGISTERED NUMBER: 00540706**

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**BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

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	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	11	<u>244,933</u>	<u>254,546</u>
		<b>244,933</b>	<b>254,546</b>
<b>Current assets</b>			
Stocks	12	16,249	33,632
Debtors: amounts falling due after more than one year	13	452,038	142,077
Debtors: amounts falling due within one year	13	9,511,888	6,499,097
Cash at bank and in hand	14	<u>1,319,522</u>	<u>1,176,105</u>
		<b>11,299,697</b>	<b>7,850,911</b>
Creditors: amounts falling due within one year	15	<u>(9,984,882)</u>	<u>(6,934,625)</u>
<b>Net current assets</b>		<b>1,314,815</b>	<b>916,286</b>
<b>Total assets less current liabilities</b>		<b>1,559,748</b>	<b>1,170,832</b>
Creditors: amounts falling due after more than one year	16	<u>(282,894)</u>	<u>(136,210)</u>
<b>Net assets</b>		<b>1,276,854</b>	<b>1,034,622</b>
<b>Capital and reserves</b>			
Called up share capital	20	250,000	250,000
Profit and loss account	19	<u>1,026,854</u>	<u>784,622</u>
		<b>1,276,854</b>	<b>1,034,622</b>

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



**G D Smith**  
Managing Director

Date: 29 March 2018

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

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KERSHAW MECHANICAL SERVICES LIMITED

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STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

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	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2016	250,000	406,856	656,856
Profit for the year	-	377,766	377,766
At 1 January 2017	250,000	784,622	1,034,622
Profit for the year	-	942,232	942,232
Dividends: Equity capital	-	(700,000)	(700,000)
At 31 December 2017	250,000	1,026,854	1,276,854

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## KERSHAW MECHANICAL SERVICES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. Accounting policies

##### 1.1 General information

Kershaw Mechanical Services Limited is a limited liability company incorporated in England and Wales.

The Registered Office is Edward Leonard House, Pembroke Avenue, Denny End Road, Waterbeach, Cambridge, CB25 9QR.

##### 1.2 Statement of compliance

The financial statements have been prepared in compliance with Financial Reporting Standard 102 as it applies to the financial statements for the year ended 31 December 2017.

##### 1.3 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom 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 2).

The following principal accounting policies have been applied:

##### 1.4 Exemptions for qualifying entities under FRS 102

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the exemption in Financial Reporting Standard 102 from including a Cash Flow Statement in the financial statements on the grounds that the Company is wholly owned and its ultimate Parent publishes a Consolidated Cash Flow Statement.

##### 1.5 Tangible fixed assets

Land and buildings are stated at deemed cost as set out in note 10. Other fixed assets are shown at deemed cost. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Short leasehold buildings	-	term of lease
Plant and machinery	-	20% - 30% per annum
Motor vehicles	-	25% per annum
Fixtures and fittings	-	10% - 33% per annum
Computers	-	25% - 33% per annum

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**1. Accounting policies (continued)**

**1.6 Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials and consumables - purchase cost on a first-in, first-out basis, including transport.  
Work in progress - cost of materials and labour plus attributable overheads.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

**1.7 Taxation**

Corporation tax payable is provided on taxable profits at the current rate.  
The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group undertakings.

**1.8 Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

\* provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the Balance Sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the Balance Sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

\* deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting policies (continued)**

**1.9 Revenue recognition**

Revenue comprises the contract sales valuation (excluding VAT and trade discounts) of goods and services in the normal course of business. Revenue is derived entirely from the provision of specialist building services within the United Kingdom.

Revenue represents, in the case of long-term contracts, the proportion of contract value applicable to the activity in the year, ascertained by reference to the costs incurred to date. These costs are matched with the revenue, resulting in the reporting of attributable profit proportionate to the contract activity. Where the outcome of a contract cannot be foreseen with reasonable certainty but no loss is expected, revenue and costs are recorded as the activity progresses using a zero estimate of profit. In respect of short-term contracts the revenue is recorded at cost plus attributable overheads.

Estimates of total contract costs and revenues are reviewed periodically and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided for in full as soon as they are foreseen. All costs incurred are recorded as cost of sales. Revenues recognised in excess of amounts billed are classified as amounts recoverable on contracts and included in debtors. Where cash is received in advance of the contract valuation, the balance is recognised as part of creditors due within one year, as payments received on account.

**1.10 Leases and hire purchase agreements**

The company enters into operating and finance leases.

Assets held under finance leases and similar contracts are initially reported at the fair value of the asset, with the capital elements of future lease obligations categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease. Finance lease rentals are apportioned between finance charges and reduction of the liability and allocated to cost of sales and other operating expenses as appropriate.

Rentals under operating leases are charged on a straight-line basis over the lease term even if the payments are not made on such a basis.

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the group profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

**1.11 Pension costs**

The group provides pensions through defined contribution pension schemes.

Under the defined contribution schemes the amount charged to the Statement of Comprehensive Income in respect of the pension cost and other post retirement benefits is the contributions payable in the year. Differences between the contributions payable in the year and contributions actually paid are disclosed as either accruals or prepayments at the Balance Sheet date.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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1. Accounting policies (continued)

1.12 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.

1.13 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.

1.14 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, 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 payables or receivables, 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 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.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- i) at fair value with changes recognised in the Profit and Loss Account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- ii) at cost less impairment for all other investments.

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 Profit and Loss Account.

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, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the Balance Sheet date.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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1. Accounting policies (continued)

Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.15 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.

1.16 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.

1.17 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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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

The preparation of financial statements in accordance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**a) Critical judgements in applying accounting policies**

i) There are no judgements (apart from those involving estimates) that have had a significant effect on amounts recognised in the Financial Statements.

**b) Key accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have the most significant potential impact upon the carrying values of assets and liabilities within the next financial year are as follows:

i) *Revenue recognition on long term contracts*

Recognition of revenue and profit is based on judgements made in respect of the ultimate profitability of a contract. Such judgements are arrived at through the use of estimates in relation to the costs and value of work performed to date and to be performed in bringing contracts to completion, including satisfaction of maintenance responsibilities. The Company has appropriate control procedures to ensure all estimates are determined on a consistent basis and subject to appropriate review and authorisation.

ii) *Useful economic lives of tangible fixed assets*

The useful economic lives used by the Company in respect of tangible fixed assets are set out in the accounting policies. These estimates are the best estimate based on past experience and expected performance and are regularly reviewed to ensure they remain appropriate. The net book value of tangible fixed assets as at 31 December 2017 was £244,933 after a depreciation charge in the period of £107,918.

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KERSHAW MECHANICAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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3. Analysis of turnover

	2017 £	2016 £
Sales	42,234,935	19,613,661
	<u>42,234,935</u>	<u>19,613,661</u>

All turnover arose within the United Kingdom.

4. Interest payable and similar charges

	2017 £	2016 £
Other interest payable	3,478	4,003
Finance leases and hire purchase contracts	6,723	6,294
	<u>10,201</u>	<u>10,297</u>

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2017 £	2016 £
Depreciation and amounts written off tangible fixed assets:		
- Owned	53,526	39,865
- Held under finance lease contracts (see note 10)	54,392	49,999
Profit on sale of fixed assets	-	(267)
Operating lease rentals		
- Property rentals	40,000	40,000
- Vehicles and other rentals	62,003	57,238
	<u>        </u>	<u>        </u>

Amounts payable to MHA MacIntyre Hudson for audit and non-audit services are borne by the ultimate parent undertaking.

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**6. Staff costs**

The aggregate remuneration of employees (including executive directors) comprised:

	2017 £	2016 £
Wages and salaries	4,112,599	3,461,793
Social security costs	469,965	381,272
Other pension costs	219,963	198,174
	<u>4,802,527</u>	<u>4,041,239</u>

The average monthly number of persons (including executive directors) employed by the Company during the year was as follows:

	2017 Number	2016 Number
Operatives	48	45
Administrative staff	53	46
	<u>101</u>	<u>91</u>

**7. Directors' remuneration**

	2017 £	2016 £
Directors' emoluments	294,983	320,241
Company contributions to defined contribution pension schemes	34,835	34,152
	<u>329,818</u>	<u>354,393</u>

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

The Company considers the key management personnel to comprise the directors only. Compensation paid to key management personnel is therefore the same as the disclosure of directors' remuneration above.

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KERSHAW MECHANICAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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8. Directors' remuneration (continued)

Directors' emoluments

The total emoluments and pension contributions attributable to the highest paid director were as follows:

	2017 £	2016 £
Emoluments	115,844	139,443
Pension contributions	15,320	15,019
	<u>131,164</u>	<u>154,462</u>

9. Tax on profit on ordinary activities

	2017 £	2016 £
<b>a) Current Corporation tax</b>		
Current tax on profits for the year	68,089	-
SME R&D credits	(68,089)	-
Adjustments in respect of previous periods	(5,000)	(3,093)
	<u>(5,000)</u>	<u>(3,093)</u>
Intercompany charge for group relief	-	105,000
	<u>(5,000)</u>	<u>101,907</u>
<b>Total current tax</b>	<u>(5,000)</u>	<u>101,907</u>

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**9. Tax on profit on ordinary activities (continued)**

b) A reconciliation of the factors affecting the tax charge for the year includes:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>937,232</u>	<u>479,673</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	180,417	95,935
<b>Effects of:</b>		
Expenses not deductible for tax purposes	2,303	1,068
Capital allowances for year in excess of depreciation/in deficit	3,151	(2,154)
Adjustments to tax charge in respect of prior periods	(5,000)	(3,093)
Utilisation of group tax losses	(117,782)	(94,849)
SME R&D credits	(68,089)	-
Intercompany charge for group relief	-	105,000
<b>Total tax charge for the year</b>	<u>(5,000)</u>	<u>101,907</u>

**Factors that may affect future tax charges**

Since the year end, the Company received tax repayments, in respect of R & D tax claims, amounting to £550,911. An amount of £68,089 has been recognised as a tax asset in the financial statements to the extent that the tax liability arising in the year is covered. There is an unrecognised asset amounting to £482,822, at the Balance Sheet date, relating to the R & D claim amounts received during 2018.

**10. Dividends**

	2017 £	2016 £
Equity ordinary dividends paid in the year amounted to 280 pence (2016 - nil pence) per share	<u>700,000</u>	<u>-</u>

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**11. Tangible fixed assets**

	Short leasehold buildings £	Plant, office equipment and motor vehicles £	Total £
<b>Cost or valuation</b>			
At 1 January 2017	67,916	626,315	694,231
Additions	-	70,702	70,702
Transfers intra group	-	59,393	59,393
Disposals	-	(74,628)	(74,628)
At 31 December 2017	<u>67,916</u>	<u>681,782</u>	<u>749,698</u>
<b>Depreciation</b>			
At 1 January 2017	18,785	420,900	439,685
Charge for the year on owned assets	6,666	46,860	53,526
Charge for the year on financed assets	-	54,392	54,392
Transfers intra group	-	19,847	19,847
Disposals	-	(62,685)	(62,685)
At 31 December 2017	<u>25,451</u>	<u>479,314</u>	<u>504,765</u>
<b>Net book value</b>			
At 31 December 2017	<u>42,465</u>	<u>202,468</u>	<u>244,933</u>
At 31 December 2016	<u>49,131</u>	<u>205,415</u>	<u>254,546</u>

Included in plant, office equipment and motor vehicles at 31 December 2017 are items held under finance agreements with a net book value of £104,187 (2016 - £116,357).



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KERSHAW MECHANICAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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12. Stocks

	2017 £	2016 £
Raw materials and consumables	16,249	33,632
	<u>16,249</u>	<u>33,632</u>

Included within the raw materials and consumables above is work in progress of £nil (2016 - £13,209).

13. Debtors

	2017 £	2016 £
<b>Due after more than one year</b>		
Trade debtors	452,038	142,077
	<u>452,038</u>	<u>142,077</u>

	2017 £	2016 £
<b>Due within one year</b>		
Trade debtors	7,924,988	4,596,334
Amounts owed by parent company	1,331,000	1,481,022
Other debtors	42,367	39,658
Prepayments and accrued income	198,251	95,869
Amounts recoverable on contracts	15,282	286,214
	<u>9,511,888</u>	<u>6,499,097</u>

14. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	<u>1,319,522</u>	<u>1,176,105</u>

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**15. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Payments received on account	3,318	-
Trade creditors	8,982,703	6,523,128
UK corporation tax payable	-	5,000
Taxation and social security	792,890	321,963
Obligations under finance lease contracts	48,193	43,005
Other creditors	142,122	25,751
Accruals and deferred income	15,656	15,778
	<u>9,984,882</u>	<u>6,934,625</u>

Each finance lease is secured against the assets to which the specific finance agreement relates.

**16. Creditors: Amounts falling due after more than one year**

	2017 £	2016 £
Obligations under finance lease contracts due between one to five years	47,893	65,971
Trade creditors	235,001	70,239
	<u>282,894</u>	<u>136,210</u>

Each finance lease is secured against the assets to which the specific finance agreement relates.

**17. Hire purchase and finance leases**

Minimum lease payments under finance leases fall due as follows:

	2017 £	2016 £
Within one year	48,193	43,005
Between 1-2 years	33,602	62,571
Between 2-5 years	14,291	3,400
	<u>96,086</u>	<u>108,976</u>

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**KERSHAW MECHANICAL SERVICES LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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**18. Financial instruments**

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>9,750,393</b>	6,259,091
	<u><b>9,750,393</b></u>	<u>6,259,091</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(9,359,826)</b>	(6,619,118)
	<u><b>(9,359,826)</b></u>	<u>(6,619,118)</u>
Financial assets measured at amortised cost comprise:		
- trade debtors	£8,377,026	(2016: £4,738,411)
- amounts owed by parent company	£1,331,000	(2016: £1,481,022)
- other debtors	£42,367	(2016: £39,658)
Financial liabilities measured at amortised cost comprise:		
- trade creditors	£9,217,704	(2016: £6,593,367)
- other creditors	£142,122	(2016: £25,751)

**19. Reserves****Profit and loss account**

Profit and loss account includes all current and previous period retained profits and losses.

**20. Called-up share capital**

	2017 £	2016 £
<b>Authorised, allotted, called up and fully paid</b>		
250,000 ordinary shares of £1 each	<b>250,000</b>	250,000
	<u><b>250,000</b></u>	<u>250,000</u>

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**21. Pension arrangements**

The Company contributed to a group pension scheme operated through Kershaw Group Limited. Note 6 provides details of the employer contributions for the year. There were outstanding contributions at the Balance Sheet date of £3,845 (2016: £3,730).

**22. Lease commitments**

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
<b>Land and buildings</b>		
Not later than 1 year	33,333	40,000
Later than 1 year and not later than 5 years	-	33,333
	<u>33,333</u>	<u>73,333</u>
	2017 £	2016 £
<b>Other</b>		
Not later than 1 year	59,390	46,640
Later than 1 year and not later than 5 years	62,234	69,955
	<u>121,624</u>	<u>116,595</u>

**23. Contingent liabilities**

A cross composite guarantee agreement exists between the Company, its parent undertaking and fellow subsidiary undertakings whereby each Company has guaranteed the bank accounts of the others. The cross composite guarantee is secured by a debenture in the name of the parent undertaking in the bank's standard form.

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**KERSHAW MECHANICAL SERVICES LIMITED**

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**24. Ultimate parent undertaking**

The Company is a wholly owned subsidiary of Kershaw Services Limited. Kershaw Services Limited itself is a wholly owned subsidiary of the ultimate parent undertaking Kershaw Group Limited at the Balance Sheet date.

The only group in which the results of the Company have been consolidated is that headed by Kershaw Group Limited. The Consolidated Financial Statements of Kershaw Group Limited are available to the public and may be obtained from Edward Leonard House, Pembroke Avenue, Denny End Road, Waterbeach, Cambridge, CB25 9QR.

**25. Related party transactions**

As a 100% subsidiary undertaking of Kershaw Group Limited, the company has taken advantage of the exemption in Financial Reporting Standard No.102 "Related party disclosures" not to disclose transactions with other members of the group headed by Kershaw Group Limited.