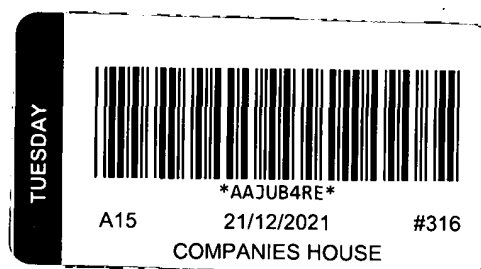


KH Engineering Services Limited
Annual report and financial statements
for the period ended 31 March 2021

Registered number 07523778



KH Engineering Services Limited

Annual report and financial statements for the period ended 31 March 2021

Contents	Page
Company information	1
Strategic report for the period ended 31 March 2021	2
Directors' report for the period ended 31 March 2021	4
Independent auditors' report to the members of KH Engineering Services Limited	6
Profit and loss account for the period ended 31 March 2021	10
Balance sheet as at 31 March 2021	11
Statement of changes in equity for the period ended 31 March 2021	12
Notes to the financial statements for the period ended 31 March 2021	13

KH Engineering Services Limited

Company information

Directors	J M Arnold J H Davies A R Findlay M R Francis S Hollingsworth R J Walker J R Winnicott
Company secretary	W J Cooper
Registered office	Abel Smith House Gunnels Wood Road Stevenage Hertfordshire SG1 2ST
Registered number	07523778
Independent auditors	Deloitte LLP 1 New Street Square London EC4A 3HQ

KH Engineering Services Limited

Strategic report for the period ended 31 March 2021

The directors present their strategic report together with the audited financial statements for the period ended 31 March 2021.

Principal activities

The principal activities of the company are electrical and mechanical engineering solutions for the rail and wider transport sectors.

Review of the Business

The business has achieved results in line with management expectations, delivering projects and services to our train operating companies and tier 1 contractor clients.

The accounting reference date was shortened to 31 March to be in line with group companies, the financial statements are for a period of 11 months, prior year comparatives are not entirely comparable.

Company turnover for the year was £8.9m (2020: £13.1m) and operating profit was £0.7m (2020: £3.0m). The net assets at 31 March 2021 were £4.1m (2020: £3.5m).

We continue to build on the strong reputation achieved in our key markets and to establish relationships with new clients.

The health and safety policy and operational arrangements of KH Engineering Services Limited have remained fully enforced throughout the year and resulted in another year with no Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORs). The company continues to be focused on continual improvement and has identified key objectives to meet in the forthcoming year, which include implementing a behavioural safety leadership improvement programme and improving our service avoidance system.

Outlook

The impact of the Covid-19 pandemic has resulted in the suspension of the train operating franchise model and the replacement of Network Rail with Great British Railways. This period of change has delayed the award of a number of projects and impacted the success of long established work winning strategies for KH Engineering Services Limited.

Client's key representatives have continued to work from home throughout the pandemic restricting the development of project pipelines and further delaying the award of new projects.

Secured contracts will contribute to this year and we expect the volumes of work from current clients to increase in the next financial period. By focussing our resources and expertise within rail infrastructure and other sectors that required specialist competencies to access work, we are able to build off the back of our existing client relationships and attract new clients.

The business has continued to develop staff and increase the number of apprentices in order to build on our continued success and facilitate expected growth over the next few years.

We remain focused on the quality of our service and maintaining agility in delivering works which align to our core competencies. We expect our approach to working with clients in a collaborative way to help deliver further growth opportunities whilst ensuring we maintain our ethos which has safety, service delivery and customers at the heart of our business.

KH Engineering Services Limited have trained a number of colleagues in Mental Health First Aid, our commitment to our colleagues wellbeing continues to be a high priority.

Key performance indicators (KPIs)

The Board monitors progress on the overall company strategy and trading performance by reference to KPIs, the principal measures being turnover, EBITDA, operating profit, order book, cash flow and accident frequency rate. See also Review of the Business above. Group performance against these can also be found in the consolidated financial statements of M Group Services Limited.

KH Engineering Services Limited

Strategic report for the period ended 31 March 2021 (continued)

Principal business risks

COVID 19

The suspended rail franchises and the creation of GB Rail as a replacement for Network Rail, has been a significant change within the industry.

KH Engineering Services Limited continues to secure projects under challenging circumstances and are well placed to secure a strong portfolio of project works in a resilient market supporting key infrastructure.

Economic conditions

Much of the company's activities are within the transport infrastructure and rely upon train operating companies continuing to replace and upgrade life expired electrical and mechanical installations. The current suspension of the rail franchises by central government is unprecedented and does give cause for concern. Ultimately, demand for our services will remain but the delivery model will need to adapt to reflect the changing landscape. We continue to engage with our clients to ensure we are able to assess and mitigate this risk.

Skills shortages

The company focuses on delivery via directly employed engineers and within the market these are skill shortages, we invest in staff training and employing apprentices to fulfil the staffing requirements of the business. There is a risk that skill shortages may impact the company's ability to deliver its services. The company is actively recruiting engineering staff to address the skills shortage.

Health and safety

There is a risk that a significant health and safety failure would impact our ability to conduct our existing business and win new business. Health and safety considerations form a key part of the company's operational practices and the company promotes a culture that puts safety first. The company operates safe and reliable working practices through a policy of honesty, trust and sharing best practices across all business operations.

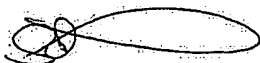
Financial risk

The company is exposed to market risk in respect of any changes in interest rates with regard to its cash holdings. Management of cash is supported via the M Group Services Treasury Team as part of the group's overall cash management strategy.

The Company's customers are blue chip companies with strong credit ratings and the directors consider that credit risk is minimal. As appropriate, the company carries out credit reviews for new customers and sets credit terms to ensure the credit risk for each new customer is appropriately managed.

The strategic report was approved and authorised for issue by the board of directors.

On behalf of the board,



J H Davies

Director

17 December 2021

Registered Number: 07523778

Abel Smith House
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2ST

KH Engineering Services Limited

Directors' report for the period ended 31 March 2021

The directors present their annual report together with the audited financial statements for the period ended 31 March 2021.

Business review

The principal activity of the company, principal risks and review of the business, including future developments, are disclosed within the Strategic Report.

Credit, cash flow and liquidity risk

Credit and cash flow risk from trade receivables and amounts recoverable on contracts are managed through policies on payment terms and regular reviews of the balance and amounts outstanding. The company aims to mitigate liquidity risk by managing cash generation and utilisation by its operations and applying best practice within the credit control function.

Dividends

Dividends paid in the period amounted to £nil (2020: £2,840,000). The directors do not recommend the payment of a final dividend (2020: £nil).

Political donations

The company made nil donations to a registered political party during the year (2020: nil).

Directors

The directors who served during the year and up to the date of signing were as follows:

J M Arnold	
D Bates	(Resigned 31 August 2021)
M G Beesley	(Resigned 22 October 2021)
J H Davies	
J N Edwards	(Resigned 15 February 2021)
A R Findlay	(Appointed 18 August 2021)
M R Francis	
S Hollingsworth	
R J Walker	(Appointed 15 February 2021)
J R Winnicott	

Third party indemnity

The Company's directors are covered by qualifying third party indemnity insurance taken out by M Group Services Limited (See Note 23) as required by section 234 of the Companies Act 2006. These insurances were in force throughout the year to 31 March 2021 and continue to the date of approval of the financial statements.

Going concern

The directors have prepared the financial statements on the going concern basis. This is based on the financial projections and the current expectations of the directors about the prospects of the company and the group. Based on these projections, the directors consider that the company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the

KH Engineering Services Limited

Directors' report for the period ended 31 March 2021 (continued)

Statement of directors' responsibilities (continued)

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

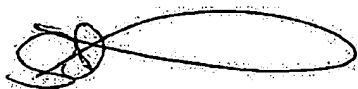
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

During the year Deloitte LLP were appointed as the Company's auditors and they have also confirmed willingness to remain in office.

The directors' report was approved and authorised for issue by the board of directors.

On behalf of the board,



J H Davies
Director
17 December 2021
Registered Number: 07523778

Abel Smith House
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2ST

KH Engineering Services Limited

Independent auditors' report to the members of KH Engineering Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of K H Engineering Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st March 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have

KH Engineering Services Limited

Independent auditors' report to the members of KH Engineering Services Limited (continued)

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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Employment Laws, Health and Safety Act, and General Data Protection Regulations ("GDPR").

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

The Work in progress ("WIP") is recognised based on revenue in the year that has not been billed at the year end. Judgement is applied in determining the recoverability of this balance, and therefore

KH Engineering Services Limited

Independent auditors' report to the members of KH Engineering Services Limited (continued)

the revenue, and a provision is applied to the portion of WIP that may not be recoverable. The procedures performed included obtaining evidence of cash collections post year end for a sample of contracts.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential

Independent auditors' report to the members of KH Engineering Services Limited (continued)

bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

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 any material misstatements in [the strategic report or] the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

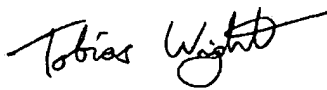
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other 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.

KH Engineering Services Limited

Independent auditors' report to the members of KH Engineering Services Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.



Tobias Wright FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
17 December 2021

KH Engineering Services Limited

Profit and loss account for the period ended 31 March 2021

		Period to 31 March 2021	Year to 30 April 2020
	Note	£'000	£'000
Turnover	5	8,908	13,109
Cost of sales		(6,753)	(8,264)
Gross profit		2,155	4,845
Administrative expenses		(1,484)	(1,856)
Other operating income	6	48	-
EBITDA before exceptional items		832	3,299
Exceptional items	7	(9)	(166)
Depreciation	7,12	(104)	(144)
Operating profit	7	719	2,989
Interest payable and similar expenses	9	-	(3)
Profit before taxation		719	2,986
Tax on profit	10	(136)	(613)
Profit and total comprehensive income for the financial period/year		583	2,373

The accompanying notes on pages 13 to 28 form part of these financial statements.

The above results relate to continuing operations for the financial period/year.

The Company has no other comprehensive income / (expense) other than those included in the results above, and therefore no separate statement of comprehensive income has been presented.

KH Engineering Services Limited

Balance sheet as at 31 March 2021

			<i>Restated</i>
	Note	At 31 March 2021 £'000	At 30 April 2020 £'000
Fixed assets			
Tangible assets	12	81	183
Loans to group undertakings	13	1,736	1,261
		1,817	1,444
Current assets			
Inventories	14	2	-
Debtors	15	2,486	3,133
Cash at bank and in hand		1,669	1,314
		4,157	4,447
Creditors: amounts falling due within one year	16	(1,877)	(2,358)
Net current assets		2,280	2,089
Total assets less current liabilities		4,097	3,533
Provisions for liabilities	17	(13)	(32)
Net assets		4,084	3,501
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account	19	4,084	3,501
Total equity		4,084	3,501

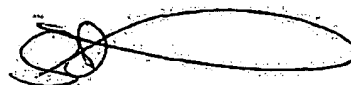
Note 22 details the prior year restatement.

The notes on pages 13 to 28 are an integral part of these financial statements.

The financial statements on pages 10 to 28 were approved and authorised for issue by the board of directors on 17 December 2021 and were signed on its behalf by:



R J Walker
Director



J H Davies
Director

Registered Number: 07523778

KH Engineering Services Limited

Statement of changes in equity for the period ended 31 March 2021

		Called up share capital	Retained earnings	Total equity
		£'000	£'000	£'000
	Note			
Balance as at 1 May 2019		-	3,968	3,968
Profit and total comprehensive income for the financial year		-	2,373	2,373
Dividends	11	-	(2,840)	(2,840)
Balance as at 30 April		-	3,501	3,501
Profit and total comprehensive income for the financial period		-	583	583
Balance as at 31 March 2021		-	4,084	4,084

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021

1 General Information

KH Engineering Services Limited is a private company limited by shares incorporated in England and domiciled in the United Kingdom. The address of its registered office is Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.

2 Statement of compliance

The individual financial statements of KH Engineering Services Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. The company has adopted FRS 102 in these financial statements:

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention with consistently applied accounting standards applicable in the United Kingdom and in accordance with the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand.

The preparation of financial statements in conformity with FRS 102 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The directors have prepared the financial statements on the going concern basis. This is based on the financial projections and the current expectations of the directors about the prospects of the company and the group. Based on these projections, the directors consider that the company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 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, under FRS 102.12B, from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Minerva Equity Limited, includes the company's cash flows in its consolidated financial statements.

The company has taken advantage of the exemption under FRS 102.33.1A, and has not disclosed transactions with entities that are part of the Minerva Equity Limited group.

The company has taken advantage of the exemption under FRS 102.33.7 and has not disclosed key management personnel remuneration.

The company has taken advantage of the exemption under FRS 102.1.12C and has not disclosed a table of financial instruments as they appear in the Minerva Equity Limited consolidated financial statements.

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

3 Summary of significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services provided and net of discounts and value added taxes.

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 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 costs to complete the contract can be measured reliably

Contract income

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as the proportion of total contract value which costs incurred to date bear to total expected costs for the contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the client. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Exceptional items

Where it is considered that items of income or expense are material and are considered 'one off' or because they are material and of a scale such that separate presentation is helpful for the reader of the financial statements to understand the financial performance of the entity, their nature and amount is disclosed separately on the face of the profit and loss account where this enhances the understanding of the Group's financial performance.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value where there is reasonable assurance that the grant will be received. Amounts received are recognised over the period in which the related costs are recognised. In the current year, grant accounting has only been applied to the Job Retention Scheme launched as part of HM Governments response to the COVID-19 pandemic. This is shown within Other Operating Income

Employee Benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans

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 when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

3 Summary of significant accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are included at historic purchase cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs directly attributable to bringing the asset into its working condition for its intended use.

Depreciation and residual values

Depreciation of assets is calculated at rates expected to write off cost less the estimated residual value of the relevant assets over their estimated useful lives. The estimated useful lives of the assets to the business are reassessed periodically in light of experience.

The estimated useful lives used are principally as follows:

Plant and machinery	-	3 years straight line
Vehicles, fixtures, fittings and equipment	-	3 years straight line

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account.

Leased assets

At inception the company assesses agreements that transfer the right to use assets to the company. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

3 Summary of significant accounting policies (continued)

Leased assets (continued)

Finance leased assets

Lease of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as fixed assets at the fair value of the leased asset, or if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight line basis over the period of the lease.

Inventories

Inventories are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised. Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in creditors falling due within one year.

Provisions and contingencies

Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised as a finance cost.

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and overdrafts, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements 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 to liability simultaneously.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

4 Critical accounting judgements and estimation uncertainty

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.

Critical judgements in applying the entity's accounting policies

There are no specific judgements that have been made that would result in a material change to the statutory financial statements.

Critical 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. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Turnover

At 31 March 2021 and 30 April 2020, the company had one class of business. All turnover relates to activities in the United Kingdom, both geographically and by origin.

6 Other operating income

	Period to 31 March 2021 £'000	Year to 31 March 2020 £'000
Grants received under Coronavirus Job Retention Scheme	48	-

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

7 Operating profit

	Period to 31 March 2021	Year to 30 April 2020
	£'000	£'000
Operating profit is stated after charging:		
Wages and salaries	1,824	2,999
Social security costs	312	318
Other pension costs	53	57
Staff costs	2,189	3,374
Depreciation – owned assets (see note 12)	104	144
Operating lease rentals - property	98	150
Exceptional costs	9	166
Services provided by the Company's auditors		
Fees payable to the Company's auditors for the audit of the financial statements	22	26

The exceptional costs in the current year relate to redundancy costs while those in the prior year relate to forgiveness of intercompany balances on acquisition.

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

8 Employees and directors

	Period to 31 March 2021 Number	Year to 30 April 2020 Number
Average monthly number of full time equivalent management and supervisory staff employed (including executive directors)	30	23
Average monthly number of full time equivalent operational staff employed (including executive directors)	42	51
	72	74
Directors' remuneration	Period to 31 March 2021 £'000	Year to 30 April 2020 £'000
Emoluments	394	401
Pension contributions	5	5
	399	406
Highest paid director		
Total emoluments	120	120
Pension contributions	1	1
	121	121

Certain directors are remunerated by other group companies. No recharges are made to the company in respect of their services.

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Period to 31 March 2021 £'000	Year to 30 April 2020 £'000
Aggregate emoluments	394	443
Pension contributions	5	6
	399	449

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

9 Interest payable and similar expenditure

	Period to 31 March 2021 £'000	Year to 30 April 2020 £'000
Interest payable and similar expenditure		
Hire purchase interest	-	(3)
Total interest payable and similar expenditure	-	(3)

10 Tax on profit

Tax expense included in profit or loss	Period to 31 March 2021 £'000	Year to 30 April 2020 £'000
Current tax:		
UK Corporation tax on profit for the period/year	154	641
Adjustments in respect of previous periods	1	-
Total current tax	155	641
Deferred tax:		
Origination and reversal of timing differences	(18)	(27)
Adjustments in respect of previous periods	(1)	(1)
Total deferred tax	(19)	(28)
Tax on profit	136	613

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

10 Tax on profit (continued)

Reconciliation of tax charge

The tax assessed for the period is the lower than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	Period to 31 March 2021 £'000	Year to 30 April 2020 £'000
Profit before taxation	719	2,986
Profit before taxation multiplied by the standard UK rate of tax 19% (2020: 19%)	137	567
Effects of:		
Expenses not deductible for tax purposes	-	47
Adjustments in respect of previous periods	(1)	(1)
Total tax charge for the period/year	136	613

An increase to the UK corporation tax rate to 25% with effect from 1 April 2023 was announced on 3 March 2021 and included in Finance Bill 2021. As at the Balance Sheet date this increase was not substantively enacted and deferred taxes at the balance sheet date have been measured at 19%, being the enacted tax rate at the year end. If the announced increased in the corporation tax rate had been substantively enacted at the balance sheet date the impact on the deferred tax charge is estimated to be a charge of £1k.

11 Dividends

	Period to 31 March 2021 £'000	Year to 30 April 2020 £'000
Ordinary shares		
Dividend paid on ordinary D share £nil (2020: £126.03)	-	25
Dividend paid on ordinary shares £nil (2020: £281.5 per share)	-	2,815
Total dividends	-	2,840

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

12 Tangible assets

	Plant and machinery	Vehicles, fixtures, fitting and equipment	Total
Cost	£'000	£'000	£'000
At 1 May 2020	69	462	531
Additions	-	16	16
Disposals	-	(117)	(117)
At 31 March 2021	69	361	430
At 1 May 2020	(30)	(318)	(348)
Charge for the period	(21)	(83)	(104)
Disposals	-	103	103
At 31 March 2021	(51)	(298)	(349)
Net book value at 31 March 2021	18	63	81
Net book value at 30 April 2020	39	144	183

13 Loans to group undertakings

	<i>Restated</i>	
	At 31 March 2021	At 31 March 2020
	£'000	£'000
Loans to group undertakings	1,736	1,261

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The company's loans to group undertakings have been reclassified from debtors to fixed assets (note 22).

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

14 Inventories

	At 31 March 2021	At 30 April 2020
	£'000	£'000
Raw materials	2	-

15 Debtors

	At 31 March 2021	<i>Restated</i> At 30 April 2020
	£'000	£'000
Trade debtors	956	1,017
Amounts recoverable on contracts	1,116	1,641
Amounts owed by group undertakings	-	352
Corporation tax	259	-
Other debtors	1	-
Prepayments and accrued income	154	123
	2,486	3,133

Amounts owed by group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

16 Creditors: amounts falling due within one year

	At 31 March 2021	At 30 April 2020
	£'000	£'000
Trade creditors	717	1,162
Amounts owed to group undertakings	467	13
Other creditors	490	3
Other taxation and social security	91	464
Corporation tax	-	641
Accruals and deferred income	112	75
	1,877	2,358

Amounts owed to group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

17 Provisions for liabilities

	Deferred Tax £'000
At 1 May 2020	32
Adjustment in respect of prior years	(1)
Charge / (credit) to the profit and loss account	(18)
At 31 March 2021	13

The provision for deferred tax consists of the following deferred tax liabilities:

	At 31 March 2021	At 30 April 2020
	£'000	£'000
Fixed asset timing differences	15	33
Other temporary differences	(2)	(1)
Total deferred tax liability	13	32

The amount of deferred tax expected to reverse in the next months is £nil.

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

18 Post-employment benefits

Defined contribution scheme

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The amount recognised as an expense for the defined contribution scheme was:

	At 31 March 2021	At 30 April 2020
	£'000	£'000
Current year contributions	53	57

19 Called up share capital and reserves

	At 31 March 2021	At 30 April 2020
	£'000	£'000
Allotted and fully paid share capital		
10,000 (2020: 10,000) ordinary shares of £0.01 each	-	-

The profit and loss account represents the accumulated profits and losses made by the Company since its incorporation to the end of the current financial year.

20 Capital and other commitments

As at 31 March 2021, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	At 31 March 2021	At 30 April 2020
	£'000	£'000
Payments due		
Within one year	133	133
Between one and five years	452	465
After five years	292	400
	877	998

The company had no other off-balance sheet arrangements.

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

21 Related party transactions

In the prior year, prior to the acquisition by the Minerva Equity Limited Group, the company traded with connected companies. In relation to these connected companies, the balances and transaction included in the accounts are as below:

	At 31 March 2021 £'000	At 30 April 2020 £'000
Sale of goods	-	22
Purchase of goods	-	203
Debtors	-	-
Creditors	-	-

The company has taken advantage of the exemption under FRS 102.33.1A, and has not disclosed transactions with entities that are part of the Minerva Equity Limited group, where 100% of the voting rights of these entities are controlled within the group.

22 Prior year adjustments

The company's loans to group undertakings of £1,261,000 have been reclassified from debtors to fixed assets. This represents the fact that these amounts are intended for the continuing use of the borrowing companies as part of the capital structure of those companies. As such they represent fixed assets of KH Engineering Services Limited. The prior year ended 31 March 2020 has been restated to reflect the above.

	As originally presented At 31 March 2020 £'000	Restated At 31 March 2020 £'000
Fixed Assets	183	1,444
Debtors	4,394	3,133

KH Engineering Services Limited

Notes to the financial statements for the period ended 31 March 2021 (continued)

23 Immediate and ultimate parent undertaking and controlling parties

At 31 March 2021, the company's immediate parent undertaking was KH Engineering Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking is Minerva Equity Limited, a company registered in England and Wales, whose ultimate controlling party is PAI Partners a private equity firm registered in France.

M Group Services Limited is the parent undertaking of the smallest group to consolidate these financial statements. Minerva Equity Limited is the parent undertaking of the largest group to consolidate these financial statements.

Copies of the M Group Services Limited and Minerva Equity Limited consolidated financial statements can be obtained from the Company Secretary at Abel Smith House, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2ST.