

Registered number
1649976

AMENDED ACCOUNTS

KGD ENTERPRISES LTD

Report and Accounts

31 December 2014

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KGD ENTERPRISES LTD
Report and accounts
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KGD ENTERPRISES LTD
Company Information

Directors
K G Davies
E A Pitt

Secretary
H A Watts

Auditors
Agincourt Practice Ltd
6 Agincourt Street
Monmouth
NP25 3DZ

Registered office
Netherwood Road
Rotherwas Industrial Estate
Hereford
HR2 6JU

Registered number
1649976

KGD ENTERPRISES LTD

Strategic report

The directors present their strategic report for the year ended 31 December 2014.

Who we are

KGD Enterprises Ltd and its subsidiary company KGD Process specialise in many forms of fluid handling and processing for both the worldwide oil and gas industries together with the local food and drink manufacturers. We have an enviable reputation for quality engineering from design through manufacture, to installation and commissioning complying with the highest and most demanding customer specifications. We offer turnkey solutions for a variety of processing requirements which can be summed up as packaged units.

Our respected Hereford based team has the knowledge and experience to be trusted to deliver bespoke packages to the oil industry around the world, operating in the most extreme environments such as offshore production rigs and gas processing plants. Part of the company is engaged in supporting local industries including the food and drink sector on site dealing with process modifications and enhancements for a number of household name brands.

Our people

We are fortunate in having a stable workforce of over 100 people at our Hereford factory, many of whom we are pleased to say have come through our apprentice training programme. It is important to our future that we retain our skilled employees and have had a long term commitment to developing and extending our skill base.

In all sections of the business, project management, design, QA, NDT, workshop and commercial activities we now have a good depth of knowledge and experience to build on. Many of our senior team have progressed through various departments to further their career path.

The board, comprise Operations Director Edward Pitt; Finance Manager Heather Watts BSc (Econ) FCA who is also company secretary and the Chairman Ken Davies who brings his wealth of experience to the firm which he founded in 1982. Each project is controlled by a project engineer or site work manager who is responsible to the board.

Review of the business

The key financial and other performance indicators during the year were as follows:

	2014	2013	Change
	£	£	%
Turnover	13,395,993	11,132,885	20%
Group operating profit	1,438,001	1,050,135	37%
Profit after tax	1,089,623	807,710	35%
Equity shareholders funds	5,898,922	4,809,300	23%
Current assets as % of current liabilities ('quick ratio')	283%	190%	49%
Average number of employees	107	95	13%

In general 2014 was a very good year financially mainly due to number of contracts ongoing in the various sectors and no periods of low activity. This increased the sold hours to the optimal level with overtime being worked for the whole period. This period covered projects with expensive exotic materials together which with the continuity of work flow gave the company its highest turnover to date of £13.3million, 20% up on the previous year.

KGD ENTERPRISES LTD

Strategic report

About 75% of these projects will be shipped to their operational bases around the world both in the European Union, Australia, Norway, Middle East and Africa, helping the companies to maintain their strong exporting record. Our customers are mainly based in the EU but the units are dispatched from Hereford to the rig yards in Korea and Norway etc. for incorporation onto the main facility.

There were a number of contracts this year requiring similar skills sets familiar to our team which also reduced the number of individual new projects. There was also a large increase in site work producing the best rate and absolute contribution in the company's history.

This high level of activity in turn meant we have been unable to carry out work for some of our regular customers due to availability of staff and facilities.

Some were very large systems which may cause a space problem as they are not required at site as soon as they are completed therefore tying up space in our workshops. This may have implications for the results in 2015, although these are negative factors they have occurred before and can be solved with our long term plans.

Facilities

As well as constantly investing in our people we have always pursued a policy in investing in our facilities. Our main factory in Hereford has now been developed to its fullest potential with Non-destructive testing, shot blasting and painting facilities besides separate fabrication shops for steel and alloy materials and offices. However production demands over the last two years under review required the use of additional overflow facilities in Hereford.

The decision has been taken to increase our capacity by moving the operation to a much larger new purpose built design and manufacturing facility close to the existing factory, the plans for which are now well advanced.

Key performance indicators

KPI and strategic link	Measured by	Key activities in year
Number of chargeable hours compared with hours paid	Payroll and contract ledger	During this year the company enjoyed a very high level of chargeability
Safety	Lost time and minor accident frequency monitored by internal procedures.	The company is fastidious with its policy of continuous training in safe working practice
Customer focus	Follow up projects with customers asking for their impressions and taking on board any suggestions they make.	The company maintains contact with old customers and is frequently asked to quote new contracts for these companies.

KGD ENTERPRISES LTD
Strategic report

Contract profitability	Level of hourly contribution for any contract is analysed by contract, customer, engineer and type of product or site work.	The company managed to avoid any large contracts which negatively impacted overall recovery rates
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Risks

Nature of risk	Status	Mitigation
Contract profitability	There are always a number of major contracts ongoing. This was the case at this year-end, but there is every indication that the contracts in hand were being successfully managed.	The company relies on the knowledge and skill of its engineering teams and their ability and experience in managing these types of contracts over many years. The tried and tested methods of setting a budget and working within it are still paramount.
Continuity of Contracts	By the very nature of the work done by the company it is dependent on having successive contracts to keep its workforce fully occupied. The timing of contracts for both manufactured packages and site work both quoted, in negotiation and agreed is outside the control of the company and dependent on many external factors. It is almost unavoidable that there will be periods when not all staff are gainfully employed.	<p>The board try very hard to arrange and rearrange work to keep its core skilled people fully employed. Sometimes it is possible to bring forward or delay some areas of contracts and occasionally it has been possible to arrange "hospital jobs" or "housework" to cover spare capacity but usually at low rates of recovery. It is possible, rarely, to build some components for stock.</p> <p>The company also seeks to keep work coming from a variety of customers in different areas to obtain a degree of counter cyclical work. However this is a major risk which can never be wholly mitigated.</p>

KGD ENTERPRISES LTD
Strategic report

Oil price volatility	<p>Most of our package work is for offshore production rigs or FPSO's which tend to be put on hold or slowed down if the oil price drops significantly. This in turn leaves more package builders chasing fewer projects forcing the price down, although more on the lower quality cheaper jobs that we try and avoid. The forecasts for oil and gas consumption over the next ten years show a steady increase with a number of major fields reaching peak production during that time. This will lead to a steady increase in new fields which are increasingly in much more difficult areas and normally require the better quality installations.</p>	<p>By concentrating on achieving the highest possible standards from planning to manufacturing and finishing, we hope to be the preferred supplier in all cases where reliability, productivity and safety are the criteria on which contracts are awarded</p>
Exchange rate risks	<p>Contracts are priced in the currency dictated by the purchaser most commonly in Euros and US dollars. Although sometimes we are able to negotiate payment in Sterling. Sometimes a contract requires purchases from non UK based companies.</p>	<p>Wherever considered prudent we use forward exchange rate contracts to reduce our exposure to currency fluctuations on sales and purchases.</p> <p>Expensive foreign components would be price matched when contract orders are agreed.</p>
Health and safety violations	<p>The company has a good record on Health and Safety and is very conscious of the dangers to the business of any breaches.</p> <p>The company faces most of the obvious dangers including working at height, electric shock, injury by tools or materials as well as industrial disease caused by hazardous substances both in its own factory but also as outside contractors on customer's sites.</p>	<p>The company takes its responsibilities to its staff and outside parties very seriously. It invests heavily in training of its people as the first defence against possible breaches and has strict safety procedures which are enforced. It also uses outside consultants to ensure the company maintains its vigilance.</p>

KGD ENTERPRISES LTD
Strategic report

Employment legislation changes	<p>The company has completed its staging for auto-enrolment.</p> <p>It is aware of the holiday pay issue for regular overtime working but like other employers it is unclear what full impact this may have or how it should be interpreted.</p>	<p>Because of the irregular nature of overtime working patterns in the company the board do not consider there to be a material liability at this time.</p>
Warranty provisions	<p>The warranty provisions on the contracts now being completed extend for up to 65 months.</p> <p>The company has been virtually free from warranty claims and has had to contend with limited warranties.</p> <p>Any work required in compliance with these warranties will have to be done on site where ever the FPSO facilities are working. This entails very high costs repairs under difficult operating conditions. The main concern is damage to paint finishes in salt laden conditions.</p> <p>The eventual cost to the company is difficult to forecast.</p>	<p>The company takes the utmost precautions both in manufacture Fabrication and assembly being relatively robust and thoroughly tested is not likely to pose the main threat. Surface finishes are done to the highest possible standard but the most likely to suffer damage during their arduous life. Concentrating on quality is the best defence against future warranty claims.</p>

Corporate responsibility

Community relationships

The company is aware of the local community from which it draws most of its employees. To involve the community and to give them an idea of the excellent projects the company is capable of delivering it holds open days when they can be fitted into the production programme and a major contract is nearing completion.

The company also sponsors local non-professional football clubs both male and female, as well as undertaking small scale construction items for local sports associations when requested to do so.

KGD ENTERPRISES LTD

Strategic report

The company has always believed in the value of training and committed to its apprentice scheme. It has had a long involvement with the local training group which has trained many of its apprentices to become highly skilled tradesmen and engineers. The company takes pride in seeing these trainees progressing through the company to become key people, instrumental in the completion of some major contracts. The company looks to retain these people to fulfil their potential with the company to help them progress both as individuals and key members of the company in the future.

The company believes its future is completely interwoven with the future of its work force.

Environmental policy

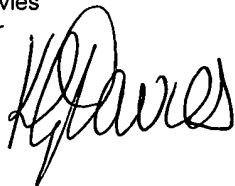
The company is actively seeking to reduce its carbon footprint, particularly in building a new factory which will be energy efficient in excess of national building requirements. Transport reductions by concentrating everything on one site will see carbon and labour savings. The building will be equipped with heat recovery systems, PV solar panels and wood chip heating.

The company actively recycles all its unused scrap metal and will seek to apply this to other waste materials. A rain water harvesting and storage system will be included in the design of the new building for pressure test, cleaning and toilet water.

The company is actively working on CO2 reduction technology as a product and the first test plant is being built at present

This report was approved by the board on 23 July 2015 and signed on its behalf.

K G Davies
Director

A handwritten signature in black ink, appearing to read 'K G Davies', is written over the printed name and title.

KGD ENTERPRISES LTD

Registered number: 1649976

Directors' Report

The directors present their report and accounts for the year ended 31 December 2014.

Directors

The following persons served as directors during the year:

K G Davies
E A Pitt

Dividends

The directors do not recommend a dividend.

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report.

The group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

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

This report was approved by the board on 23 July 2015 and signed on its behalf.

K G Davies
Director

A handwritten signature in black ink, appearing to read 'KGDavies', written over the printed name and title of the director.

KGD ENTERPRISES LTD
Statement of Directors' Responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

KGD ENTERPRISES LTD

Independent auditors' report

to the shareholders of KGD ENTERPRISES LTD

We have audited the accounts of KGD ENTERPRISES LTD for the year ended 31 December 2014 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on the accounts

In our opinion the accounts:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2014 and of the group's 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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.



Robert Mounter
(Senior Statutory Auditor)
for and on behalf of
Agincourt Practice Ltd
Accountants and Statutory Auditors
24 July 2015

6 Agincourt Street
Monmouth
NP25 3DZ

KGD ENTERPRISES LTD
Group Profit and Loss Account
for the year ended 31 December 2014

	Notes	2014 £	2013 £
Turnover	4	13,395,993	11,132,885
Cost of sales		(9,770,212)	(8,745,531)
Gross profit		<u>3,625,781</u>	<u>2,387,354</u>
Administrative expenses		(2,187,780)	(1,337,219)
Operating profit	5	<u>1,438,001</u>	<u>1,050,135</u>
Interest receivable		19,339	2,916
Profit on ordinary activities before taxation		<u>1,457,340</u>	<u>1,053,051</u>
Tax on profit on ordinary activities	8	(367,717)	(245,341)
Profit on ordinary activities after taxation		<u>1,089,623</u>	<u>807,710</u>
Profit for the financial year attributable to:			
Owners of the parent		1,252,978	798,715
Non-controlling interests		(163,355)	8,995
Total comprehensive income for the financial year attributable to:			
Owners of the parent		1,252,978	798,715
Non-controlling interests		(163,355)	8,995

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

KGD ENTERPRISES LTD
Group Balance Sheet
as at 31 December 2014

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	9	395,084	370,918
Current assets			
Stocks and work-in-progress	11	1,384,871	934,920
Debtors	12	1,305,601	6,109,971
Cash at bank and in hand		<u>5,832,217</u>	<u>2,381,321</u>
		8,522,689	9,426,212
Creditors: amounts falling due within one year	13	(3,014,867)	(4,964,110)
Net current assets		<u>5,507,822</u>	<u>4,462,102</u>
Total assets less current liabilities		<u>5,902,906</u>	<u>4,833,020</u>
Creditors: amounts falling due after more than one year	14	(100)	(100)
Provisions for liabilities			
Deferred taxation	15	(3,884)	(23,620)
Net assets		<u>5,898,922</u>	<u>4,809,300</u>
Capital and reserves			
Called up share capital	16	134,550	134,550
Capital redemption reserve	17	1,359	1,359
Profit and loss account	17	<u>5,547,028</u>	<u>4,294,050</u>
		5,682,937	4,429,959
Non controlling interests		215,985	379,341
		<u>5,898,922</u>	<u>4,809,300</u>

K G Davies
Director

Approved by the board and authorised for issue on 23 July 2015



KGD ENTERPRISES LTD
Parent Company Balance Sheet
as at 31 December 2014

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	9	395,084	370,918
Investments	10	<u>64,500</u>	<u>64,500</u>
		459,584	435,418
Current assets			
Stocks	11	1,083,436	585,451
Debtors	12	1,805,005	5,734,897
Cash at bank and in hand		<u>5,118,200</u>	<u>2,174,452</u>
		8,006,641	8,494,800
Creditors: amounts falling due within one year	13	(2,888,406)	(4,837,604)
Net current assets		<u>5,118,235</u>	<u>3,657,196</u>
Total assets less current liabilities		<u>5,577,819</u>	<u>4,092,614</u>
Provisions for liabilities			
Deferred taxation	15	(83,365)	(23,620)
Net assets		<u>5,494,454</u>	<u>4,068,994</u>
Capital and reserves			
Called up share capital	16	134,550	134,550
Capital redemption reserve	17	1,359	1,359
Profit and loss account	17	5,358,545	3,933,085
Shareholders' funds		<u>5,494,454</u>	<u>4,068,994</u>

K G Davies
Director

Approved by the board and authorised for issue on 23 July 2015



KGD ENTERPRISES LTD
Statement of Changes in Equity
for the year ended 31 December 2014

		Called-up share capital	Capital redemption reserve	Profit and loss account	Amount attributable to owners of the parent	Non- controlling interests	Total
		£	£	£	£	£	£
At 1 January	2013	134,550	1,359	3,865,681	3,631,244	370,346	4,001,590
Profit for the year		-	-	807,710	798,715	8,995	807,710
At 31 December	2013	134,550	1,359	4,673,391	4,429,959	379,341	4,809,300
Profit for the year		-	-	1,089,623	1,252,978	(163,355)	1,089,623
At 31 December	2014	134,550	1,359	5,763,014	5,682,937	215,986	5,898,923

KGD ENTERPRISES LTD
Consolidated Statement of Cash Flows
for the year ended 31 December 2014

	Notes	2014 £	2013 £
Cash flows from operating activities			
Profit for the financial year		1,089,623	807,710
Adjustments for:			
Depreciation and amortisation		169,694	171,930
Interest received		(19,339)	(2,916)
Taxation		367,717	245,341
Decrease/(increase) in debtors		4,799,910	(3,010,140)
(Increase)/decrease in stocks		(449,951)	293,754
(Decrease)/increase in creditors		(2,103,610)	3,188,686
Cash from operations		<u>3,854,044</u>	<u>1,694,365</u>
Income taxes paid		(228,627)	(125,933)
Net cash inflow generated from operating activities		<u>3,625,417</u>	<u>1,568,432</u>
Cash flows from investing activities			
Proceeds from sale of tangible assets			
Purchases of tangible assets		(193,860)	(163,506)
Interest received		19,339	2,916
Net cash from investing activities		<u>(174,521)</u>	<u>(160,590)</u>
Net increase in cash and cash equivalents		3,450,896	1,407,842
Cash and cash equivalents at beginning of year		<u>2,381,321</u>	<u>973,479</u>
Cash and cash equivalents at end of year		<u>5,832,217</u>	<u>2,381,321</u>

KGD ENTERPRISES LTD
Notes to the Accounts
for the year ended 31 December 2014

1 Company information

KGD Enterprises is a company domiciled in England and Wales, registration number 1649976. The registered office is Netherwood Road, Rotherwas Industrial Estate, Hereford, HR4 6JU.

2 Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 22 for an explanation of the transition.

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of KGD Enterprises Ltd and its subsidiary undertaking drawn up to 31 December each year.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's profit for the year was £1,467,459 (2013 £790,350 restated).

Going concern

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3 Accounting policies

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

KGD ENTERPRISES LTD
Notes to the Accounts
for the year ended 31 December 2014

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land over their expected useful lives, using the straight line method. The rates applicable are:

Leasehold land and buildings	10 - 30 years
Plant and machinery	2 - 10 years
Motor vehicles	4 years

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Stocks

Stocks and work-in-progress, excluding long term contracting work in progress, is valued at the lower of cost and net realisable value after making due allowances for obsolete and slow moving stock.

Profit on contracting is taken on short term contracts when there is a right to consideration, and for long term contracts attributable profit is taken when the final outcome can be foreseen with reasonable certainty; provision is made for any foreseeable losses. Amounts by which turnover in respect of long term contracts exceed payments on account are held in debtors as amounts recoverable on contracts. Amounts received in respect of long term contracts, in excess of amounts reflected in turnover, are held in creditors as payments on account.

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.

Warranty Provision

Warranties are now being incorporated into contracts for major offshore package applications currently being completed. This has necessitated the creation of a warranty provision. The company has experienced negligible claims in the past. Warranty periods will be up to 65 months from the date of shipping. A provision of 6.5% has been made based on typical sales values of the warranties on packages in question.

KGD ENTERPRISES LTD
Notes to the Accounts
for the year ended 31 December 2014

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.

Leasing and hire purchase commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating lease are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

KGD ENTERPRISES LTD
Notes to the Accounts
for the year ended 31 December 2014

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in a profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of value added tax and discounts. Turnover includes revenues earned from the sale of goods and from the rendering of services.

Turnover from larger contracts is recognised on staged invoices smaller contracts and site work is invoiced on completion.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

KGD ENTERPRISES LTD**Notes to the Accounts****for the year ended 31 December 2014*****Foreign currencies***

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£).

In preparing the financial statements of the individual entities, transactions in currencies other than the functionality of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

4 Analysis of turnover

	2014	2013
	£	£

By activity:

The directors are of the opinion that no further analysis of turnover is meaningful since all sales are based on the core skill of building, installing and maintaining fluid handling equipment.

By geographical market:

UK	3,614,647	2,772,274
Europe	3,711,494	466,890
Rest of world	6,069,852	7,893,721
	<u>13,395,993</u>	<u>11,132,885</u>

5 Group operating profit

	2014	2013
	£	£

This is stated after charging:

Depreciation of owned fixed assets	169,694	171,930
Auditors' remuneration for audit services	<u>5,000</u>	<u>4,600</u>

KGD ENTERPRISES LTD
Notes to the Accounts
for the year ended 31 December 2014

6 Directors' emoluments	2014	2013
	£	£
Emoluments	346,822	177,513
Company contributions to money purchase pension schemes	15,000	-
	<u>361,822</u>	<u>177,513</u>
 Number of directors in company pension schemes:	 2014	 2013
	Number	Number
Money purchase schemes	<u>1</u>	<u>1</u>
 7 Staff costs	 2014	 2013
	£	£
Wages and salaries	3,627,876	3,069,536
Social security costs	332,624	282,714
Other pension costs	15,531	541
	<u>3,976,031</u>	<u>3,352,791</u>
 Average number of employees during the year	 Number	 Number
Administration	5	5
Engineering	<u>102</u>	<u>90</u>
	<u>107</u>	<u>95</u>

KGD ENTERPRISES LTD
Notes to the Accounts
for the year ended 31 December 2014

8 Taxation	2014	2013
	£	£
Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the period	387,453	237,502
Deferred tax:		
Origination and reversal of timing differences	(19,736)	7,839
	<hr/>	<hr/>
Tax on profit on ordinary activities	367,717	245,341

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2014	2013
	£	£
Profit on ordinary activities before tax	<hr/> 1,457,340	<hr/> 1,053,051
Standard rate of corporation tax in the UK	21.92%	23.18%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	319,449	244,097
Effects of:		
Expenses not deductible for tax purposes	1,650	1,909
Capital allowances for period in excess of depreciation	(13,127)	(8,504)
Tax losses in year	79,481	-
	<hr/>	<hr/>
Current tax charge for period	387,453	237,502

KGD ENTERPRISES LTD
Notes to the Accounts
for the year ended 31 December 2014

9 Tangible fixed assets
Group and parent company

	Short Leasehold Land and buildings £	Vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 January 2014	120,799	187,477	1,091,073	1,399,349
Additions	-	34,802	159,058	193,860
At 31 December 2014	<u>120,799</u>	<u>222,279</u>	<u>1,250,131</u>	<u>1,593,209</u>
Depreciation				
At 1 January 2014	69,054	127,735	831,642	1,028,431
Charge for the year	<u>16,872</u>	<u>30,377</u>	<u>122,445</u>	<u>169,694</u>
At 31 December 2014	<u>85,926</u>	<u>158,112</u>	<u>954,087</u>	<u>1,198,125</u>
Net book value				
At 31 December 2014	<u>34,873</u>	<u>64,167</u>	<u>296,044</u>	<u>395,084</u>
At 31 December 2013	<u>51,745</u>	<u>59,742</u>	<u>259,431</u>	<u>370,918</u>

10 Investments
Parent company

	Investments in subsidiary undertakings £
Cost	
At 1 January 2014	64,500
At 31 December 2014	<u>64,500</u>

The company holds 20% or more of the share capital of the following company:

Company	Shares held Class	%
KGD Process International Ltd	Ordinary	51

KGD ENTERPRISES LTD
Notes to the Accounts
for the year ended 31 December 2014

11 Stocks and work-in-progress

	Group		Parent company	
	2014	2013	2014	2013
	£	£	£	£
Raw materials and consumables	25,121	24,679	23,921	23,479
Work in progress	163,044	115,561	163,044	115,561
Long-term contract balances	<u>1,196,706</u>	<u>794,680</u>	<u>896,471</u>	<u>446,411</u>
	<u>1,384,871</u>	<u>934,920</u>	<u>1,083,436</u>	<u>585,451</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

	2014	2013	2014	2013
	£	£	£	£
Long-term contract balances consist of:				
Costs to date less provisions for losses	1,196,706	3,496,275	896,471	3,148,006
Less: applicable payments on account	<u>-</u>	<u>(2,701,595)</u>	<u>-</u>	<u>(2,701,595)</u>
	<u>1,196,706</u>	<u>794,680</u>	<u>896,471</u>	<u>446,411</u>

12 Debtors

	Group		Parent company	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	1,120,666	5,837,514	908,922	5,384,867
Amounts owed by group undertakings	-	-	882,046	166,789
Other debtors	170,898	252,983	-	163,767
Prepayments and accrued income	<u>14,037</u>	<u>19,474</u>	<u>14,037</u>	<u>19,474</u>
	<u>1,305,601</u>	<u>6,109,971</u>	<u>1,805,005</u>	<u>5,734,897</u>

13 Creditors: amounts falling due within one year

	Group		Parent company	
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	228,930	1,462,685	228,930	1,460,217
Corporation tax	391,913	237,547	391,913	233,087
Other taxes and social security costs	209,262	69,121	208,502	68,809
Other creditors	884,433	3,064,238	762,032	2,948,272
Accruals and deferred income	<u>1,300,329</u>	<u>130,519</u>	<u>1,297,029</u>	<u>127,219</u>
	<u>3,014,867</u>	<u>4,964,110</u>	<u>2,888,406</u>	<u>4,837,604</u>

KGD ENTERPRISES LTD
Notes to the Accounts
for the year ended 31 December 2014

14 Creditors: amounts falling due after one year

	Group		Parent company	
	2014	2013	2014	2013
	£	£	£	£
Non-equity preference shares	100	100	-	-
	<u>100</u>	<u>100</u>	<u>-</u>	<u>-</u>

15 Deferred taxation

	Group		Parent company	
	2014	2013	2014	2013
	£	£	£	£
Accelerated capital allowances	83,475	23,620	83,365	23,620
Undiscounted provision for deferred tax	3,884	23,620	83,365	23,620
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 1 January	23,620	15,781	23,620	15,781
Deferred tax (credit)/charge in profit and loss account	(19,736)	7,839	59,745	7,839
At 31 December	<u>3,884</u>	<u>23,620</u>	<u>83,365</u>	<u>23,620</u>

16 Share capital

	Nominal value	2014 Number	2014 £	2013 £
Allotted, called up and fully paid: Ordinary shares	£1 each	134,550	<u>134,550</u>	<u>134,550</u>

17 Reserves

Called up share capital - represents the nominal value of shares that have been issued.

Capital redemption reserve - represents amount paid for own shares.

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

18 Loans to directors

Description and conditions	B/fwd £	Paid £	Repaid £	C/fwd £
K G Davies Current account	(7,761)	1,166,854	(1,244,008)	(84,915)
	<u>(7,761)</u>	<u>1,166,854</u>	<u>(1,244,008)</u>	<u>(84,915)</u>

KGD ENTERPRISES LTD**Notes to the Accounts****for the year ended 31 December 2014****19 Guarantees made by the director on behalf of the company**

Description and terms	Maximum liability £	Amount paid and incurred £
K G Davies Bank guarantee	1,500,000	-
	<u>1,500,000</u>	<u>-</u>

20 Related party transactions**2014**
£**2013**
£**K G Davies**

Investment properties owned by K G Davies, a director.

During the year the company made purchases of £255,275 and sales of £139,010 to K G Davies.

21 Financial risk management

The group has exposure to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure.

The group is exposed to currency exchange risk due to a significant proportion of its receivables being denominated in non- Sterling currencies. The net exposure of each currency is monitored and managed by the use of non-Sterling bank accounts.

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all financial obligations the group has credit facilities available.

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on a specified due date. This risk is mitigated by the strong on-going customer relationships.

KGD ENTERPRISES LTD
Notes to the Accounts
for the year ended 31 December 2014

22 Transition to FRS 102

The company has adopted FRS 102 for the year ended 2014 and has restated the comparative prior year amounts.

The group now provides for future dilapidations liabilities in respect of leasehold property.

Transition to FRS 102 - reconciliations

Restated consolidated statement of financial position	31 December 2013
	£
Original shareholders funds	4,967,300
Dilapidations adjustment	(200,000)
Deferred tax on dilapidations	42,000
	<hr/>
Restated shareholders funds	4,809,300
	<hr/>
Restated company statement of financial position	
Original shareholders funds	4,310,994
Dilapidations adjustment	(200,000)
Deferred tax on dilapidations	42,000
	<hr/>
Restated shareholders funds	4,152,994
	<hr/>
Restated profit for the year ended 31 December 2013	
Original profit on ordinary activities before tax	1,031,231
Less dilapidations	(200,000)
	<hr/>
	831,231
	<hr/>
Original tax on ordinary activities	(233,042)
Deferred tax on dilapidations	42,000
	<hr/>
Restated tax on ordinary activities	(191,042)
	<hr/>
Restated profit for the financial year	640,189
	<hr/>

23 Ultimate controlling party

During the year the company was controlled by K G Davies, the major shareholder and chairman of the parent company.

24 Amended accounts

These accounts replace the original accounts, are now the statutory accounts and are prepared as they were at the date of the original accounts.