

**DENHOLM INDUSTRIAL SERVICES LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

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# **DENHOLM INDUSTRIAL SERVICES LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2006**

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# **DENHOLM INDUSTRIAL SERVICES LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **The board of directors**

D Bonaccorsi  
K P Daymond  
P M Fisher  
A D M Rough

### **Company secretary**

G A Hanson

### **Registered office**

18 Woodside Crescent  
Glasgow  
G3 7UL

### **Independent auditors**

Deloitte & Touche LLP  
Chartered Accountants  
& Registered Auditors  
GLASGOW

# **DENHOLM INDUSTRIAL SERVICES LIMITED**

## **THE DIRECTORS' REPORT**

### **YEAR ENDED 31 DECEMBER 2006**

The directors present their report and the financial statements of the company for the year ended 31 December 2006

#### **PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The principal activity of the company is the provision of multi discipline services to the UK

The directors consider the trading result for the year to be satisfactory. The directors anticipate another satisfactory year in 2007

The company's key performance indicators are turnover, operating profit and profit on ordinary activities before taxation. Turnover for the year amounted to £13,186,419 (2005 £19,707,178), operating profit amounted to £624,858 (2005 £356,169) and loss on ordinary activities before taxation amounted to £430,492 (2005 profit £913,448). The company's year end balance sheet reported net assets of £119,711 (2005 £783,822)

Turnover has reduced on the prior year due to the divisional reorganisation which resulted in the transfer of our oilfield services business to another group company. The turnover recorded in 2006 is purely from our UK operations while in prior years the company also reported the results of its operations which provided services out with the UK. Gross profit % has increased from 26.5% to 33.3%, through better control of jobs in the UK business. The company has reported a loss before taxation of £430,492 following the write off of our investment in a subsidiary.

The company's principal risks and uncertainties relate to economic factors such as marine and defence budgeted spend and the performance of competitors.

The company's principal financial assets are bank balances and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has a relatively concentrated credit risk, with exposure spread over a small number of customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The company's principal financial liability is its group borrowings, in respect of which interest is applied at a fixed rate above base rate.

In the normal course of business the company makes all sales and purchases in sterling. The company does not enter into forward currency contracts, although if the need was required to manage the risk of foreign exchange movements, the parent company enters into forward currency contracts in accordance with the group treasury and risk management policy.

#### **FUTURE DEVELOPMENTS**

The directors are confident that the business is well positioned for continued growth.

#### **RESULTS AND DIVIDENDS**

The loss for the year after taxation was £664,111 (profit 2005 £745,508) and has been dealt with as shown in the profit and loss account.

The directors do not recommend a payment of a dividend (2005 £900,000)

#### **DIRECTORS**

The current directors are listed on page 1

# DENHOLM INDUSTRIAL SERVICES LIMITED

## THE DIRECTORS' REPORT *(continued)*

### YEAR ENDED 31 DECEMBER 2006

No director at any time owned shares in the company or any other group undertaking

P M Fisher was appointed as a director on 26 January 2006

A D M Rough was appointed as a director on 1 May 2006

D J Harris was appointed as a director on 27 November 2006

G M Potts resigned as a director on 26 April 2006

C Stevens resigned as a director on 23 August 2006

A Thomson resigned as a director on 3 February 2006

D J Harris resigned as a director on 11 December 2006

C Devlin resigned as a director on 26 February 2007

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that year and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed, and
- (d) 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

# DENHOLM INDUSTRIAL SERVICES LIMITED

## THE DIRECTORS' REPORT *(continued)*

**YEAR ENDED 31 DECEMBER 2006**

### INDEPENDENT AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- 1 so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2 the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

### CLOSE COMPANY PROVISIONS

In the opinion of the directors, the company is a close company within the meaning of S 414 Income and Corporation Taxes Act, 1988 (as amended)

### DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### EMPLOYEE INVOLVEMENT

The company takes a positive view of employee communications and has maintained its established system of keeping employees informed of performance, development and progress by way of briefings by management and through the medium of divisional and group newsletters.

Signed by order of the directors



G A HANSON  
Company Secretary

Approved by the directors on 17th April 2007

**DENHOLM INDUSTRIAL SERVICES LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**DENHOLM INDUSTRIAL SERVICES LIMITED**  
**YEAR ENDED 31 DECEMBER 2006**

We have audited the financial statements of Denholm Industrial Services Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

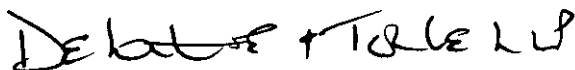
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**DENHOLM INDUSTRIAL SERVICES LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**DENHOLM INDUSTRIAL SERVICES LIMITED** *(continued)*  
**YEAR ENDED 31 DECEMBER 2006**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



**Deloitte & Touche LLP**

Chartered Accountants & Registered Auditors  
Glasgow

*At April 2007*



# DENHOLM INDUSTRIAL SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
<b>TURNOVER</b>	<b>2</b>	<b>13,186,419</b>	<b>19,707,178</b>
Cost of sales		<u>(8,796,414)</u>	<u>(14,482,754)</u>
<b>GROSS PROFIT</b>		<b>4,390,005</b>	<b>5,224,424</b>
Distribution costs		(469,302)	(588,072)
Administrative expenses		(3,340,168)	(4,293,155)
Other operating income	<b>3</b>	<u>44,323</u>	<u>12,972</u>
<b>OPERATING PROFIT</b>	<b>4</b>	<b>624,858</b>	<b>356,169</b>
Profit on disposal of fixed assets	<b>7</b>	267,734	—
Income from shares in group undertakings	<b>8</b>	—	900,000
Interest receivable	<b>9</b>	19,987	96,224
Amounts written off investments	<b>10</b>	(1,135,377)	—
Interest payable and similar charges	<b>11</b>	<u>(207,694)</u>	<u>(438,945)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(430,492)</b>	<b>913,448</b>
Tax on (loss)/profit on ordinary activities	<b>12</b>	<u>(233,619)</u>	<u>(167,940)</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	<b>25</b>	<b><u>(664,111)</u></b>	<b><u>745,508</u></b>

All of the activities of the company are classed as continuing

### Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £664,111 attributable to the shareholders for the year ended 31 December 2006 (2005 profit of £745,508)

The notes on pages 9 to 21 form part of these financial statements

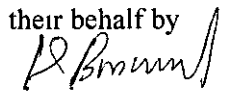
# DENHOLM INDUSTRIAL SERVICES LIMITED

## BALANCE SHEET

31 DECEMBER 2006

	Note	2006 £	2005 £
<b>FIXED ASSETS</b>			
Tangible assets	14	347,139	1,552,772
Investments	15	42,891	1,178,268
		<u>390,030</u>	<u>2,731,040</u>
<b>CURRENT ASSETS</b>			
Stocks	16	12,500	24,422
Debtors due within one year	17	3,223,310	6,252,055
Debtors due after one year	17	–	395,088
Cash at bank and in hand		364,147	710,189
		<u>3,599,957</u>	<u>7,381,754</u>
<b>CREDITORS: Amounts falling due within one year</b>	18	<u>(3,218,681)</u>	<u>(2,125,333)</u>
<b>NET CURRENT ASSETS</b>		<u>381,276</u>	<u>5,256,421</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>771,306</u>	<u>7,987,461</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	19	<u>(613,754)</u>	<u>(7,185,529)</u>
		<u>157,552</u>	<u>801,932</u>
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	21	<u>(37,841)</u>	<u>(18,110)</u>
<b>NET ASSETS</b>		<u>119,711</u>	<u>783,822</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	24	500,000	500,000
Profit and loss account	25	<u>(380,289)</u>	<u>283,822</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	26	<u>119,711</u>	<u>783,822</u>

These financial statements were approved by the directors on the 17<sup>th</sup> April 2007 and are signed on their behalf by

  
D BONACCORSI

The notes on pages 9 to 21 form part of these financial statements

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 1. ACCOUNTING POLICIES

#### Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

The financial statements contain information about Denholm Industrial Services Limited as an individual company and do not contain consolidated information of the group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group is included by full consolidation in the consolidated financial statements of its ultimate United Kingdom parent, J & J Denholm Limited.

The principal accounting policies are summarised below. They have all been adopted consistently throughout the current and preceding year.

#### Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company publishes a consolidated cash flow statement.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation, and any provision for impairment. Depreciation is calculated on a straight line basis to write off the cost less estimated residual value of tangible fixed assets over their anticipated useful lives as follows:

Freehold Property	Over 50 years
Office Equipment	2 - 4 years
Motor Vehicles	4 - 6 years
Plant and Machinery	4 - 15 years
Leasehold Property	over the shorter of 50 years or the period of the lease

#### Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further cost expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

#### Leases

Rentals in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 1. ACCOUNTING POLICIES *(continued)*

#### **Pension costs**

Employees of J & J Denholm Limited and the majority of its subsidiary undertakings in the United Kingdom are entered into either a defined benefit or defined contribution pension scheme

In respect of defined contribution pension schemes, contributions are charged to the profit and loss account as incurred

Pension benefits in the case of the defined benefit schemes are funded by payments to a Trustee administered fund. Due to the nature of the Group scheme the company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the requirements of FRS 17 relating to multi employers apply and contributions are treated in the same manner as those of the defined contribution scheme noted above

#### **Taxation**

The charge for taxation is based on the result for the year and takes into account deferred taxation. Deferred taxation is recognised as an asset or a liability if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax or a right to pay less tax in the future. An asset is not recognised unless it is more likely than not that the transfer of economic benefits in the future will crystallise. Deferred tax assets and liabilities are not discounted

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward contract. Monetary assets and liabilities are translated at the exchange rate ruling on the balance sheet date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account

#### **Long term contracts**

Profit on individual contracts is taken only where their outcome can be foreseen with reasonable certainty, based on the lower of the percentage margin earned to date and that prudently forecast at completion, taking account of agreed claims. Full provision is made for all known or expected losses on individual contracts, taking a prudent view of future claims income, immediately as such losses are foreseen

Excess progress payments are included in creditors as payments on account

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 2. TURNOVER

The turnover and (loss)/profit before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	2006 £	2005 £
United Kingdom	13,186,419	14,069,199
Non EEC countries		5,637,979
	<u>13,186,419</u>	<u>19,707,178</u>

Turnover, stated exclusive of value added tax, is derived from one continuing activity, and represents amounts invoiced in respect of goods and services supplied by the company in respect of short term contracts together with the value of work carried out in respect of long term contracts during the year, including amounts not invoiced

### 3. OTHER OPERATING INCOME

	2006 £	2005 £
Rent receivable	36,000	18,909
(Loss)/gain on foreign exchange	(280)	17,943
Gain/(loss) on sale of fixed assets	8,603	(23,880)
	<u>44,323</u>	<u>12,972</u>

### 4. OPERATING PROFIT

Operating profit is stated after charging

	2006 £	2005 £
Depreciation of owned fixed assets	156,403	281,334
Auditors' remuneration		
Audit fees	21,000	29,700
Operating lease costs		
Land and buildings	<u>88,182</u>	<u>129,056</u>

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2006 Number	2005 Number
Number of production staff	235	242
Number of administrative staff	39	46
Number of management staff	6	6
	<u>280</u>	<u>294</u>

The aggregate payroll costs of the above were

	2006 £	2005 £
Wages and salaries	6,968,718	8,821,400
Social security costs	683,736	621,463
Other pension costs	169,277	214,277
	<u>7,821,731</u>	<u>9,657,140</u>

The numbers stated above include directors' emoluments

### 6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2006 £	2005 £
Emoluments receivable	450,553	332,130
Value of company pension contributions to money purchase schemes	19,834	10,364
Compensation for loss of directorship	2,000	—
	<u>472,387</u>	<u>342,494</u>

#### Emoluments of highest paid director:

	2006 £	2005 £
Total emoluments (excluding pension contributions)	<u>178,835</u>	<u>112,584</u>

Benefits for the highest paid director are accruing under The Denholm Pension Scheme and, at the year end the accrued pension amounted to £45,207 (2005 £42,048)

The number of directors who accrued benefits under company pension schemes was as follows

	2006 Number	2005 Number
Money purchase schemes	3	2
The Denholm Pension Scheme	<u>1</u>	<u>3</u>

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 7. PROFIT ON DISPOSAL OF FIXED ASSETS

	2006	2005
	£	£
Profit on disposal of fixed assets	<u>267,734</u>	<u>—</u>

During the year the company sold its property at Boundary Way, Yeovil for a gain of £267,734. This gain has been offset by capital losses in other group companies and therefore the tax effect of this transaction was nil.

### 8. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2006	2005
	£	£
Dividends receivable from subsidiary undertakings	<u>—</u>	<u>900,000</u>

### 9. INTEREST RECEIVABLE

	2006	2005
	£	£
Bank interest receivable	19,987	37,533
Interest from group undertakings	<u>—</u>	<u>58,691</u>
	<u>19,987</u>	<u>96,224</u>

### 10. AMOUNTS WRITTEN OFF INVESTMENTS

	2006	2005
	£	£
Amount written off investments	<u>(1,135,377)</u>	<u>—</u>

### 11. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Interest payable on bank borrowing	15,661	203
Interest payable on amounts owed to group undertakings	<u>192,033</u>	<u>438,742</u>
	<u>207,694</u>	<u>438,945</u>

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 12 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in the year

	2006 £	2005 £
Current tax		
<b>UK Taxation</b>		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2005 30%)	213,888	75,710
Under/(Over) provision in prior year		3,773
	<u>213,888</u>	<u>79,483</u>
Double taxation relief		(75,710)
	<u>213,888</u>	<u>3,773</u>
<b>Foreign tax</b>		
Current tax on income for the year		75,710
Adjustments in respect of prior periods		96,920
		<u>172,630</u>
Total current tax	<u>213,888</u>	<u>176,403</u>
Deferred tax		
Origination and reversal of timing differences	19,731	(8,463)
Tax on (loss)/profit on ordinary activities	<u>233,619</u>	<u>167,940</u>



# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2006

#### 12. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES *(continued)*

##### (b) Factors affecting current tax charge for the period

Total current tax for the year when expressed as a percentage of (loss)/profit on ordinary activities before taxation is lower at (50)%, (2005 lower at 20%) than the standard rate of corporation tax in the UK of 30% (2005 30%)

	2006 %	2005 %
Standard rate of corporation tax in the UK	<u>30</u>	<u>30</u>
Expenses not deductible for tax purposes	(3)	4
Accounting depreciation not eligible for tax purposes	(2)	1
Capital allowances in excess of accounting depreciation	(1)	2
Investment provisions not deductible	(79)	
Utilisation of capital losses	18	
Dividends from UK companies		(29)
Adjustments in respect of prior periods	(12)	11
Sundry tax adjusting items	<u>(1)</u>	<u>1</u>
	<u>(50)</u>	<u>20</u>

#### 13. DIVIDENDS PAID AND PROPOSED

##### Equity dividends

	2006 £	2005 £
Paid		
Equity dividends	<u>—</u>	<u>900,000</u>

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 14 TANGIBLE FIXED ASSETS

	Freehold Property £	Short Leasehold Property £	Plant & Machinery £	Motor Vehicles £	Office Equipment £	Total £
<b>COST</b>						
At 1 Jan 2006	1,008,607	57,938	654,478	694,442	478,955	2,894,420
Additions	–	5,934	34,720	160,687	19,310	220,651
Disposals	(1,008,607)	–	–	(65,815)	–	(1,074,422)
Transfers	–	–	(367,740)	(28,693)	(5,253)	(401,686)
<b>At 31 Dec 2006</b>	<b>–</b>	<b>63,872</b>	<b>321,458</b>	<b>760,621</b>	<b>493,012</b>	<b>1,638,963</b>
<b>DEPRECIATION</b>						
At 1 Jan 2006	63,311	38,374	320,532	473,366	446,065	1,341,648
Charge for the year	13,764	9,942	5,581	108,466	18,650	156,403
On disposals	(77,075)	–	–	(65,332)	–	(142,407)
Transfers	–	–	(38,360)	(22,496)	(2,964)	(63,820)
<b>At 31 Dec 2006</b>	<b>–</b>	<b>48,316</b>	<b>287,753</b>	<b>494,004</b>	<b>461,751</b>	<b>1,291,824</b>
<b>NET BOOK VALUE</b>						
<b>At 31 Dec 2006</b>	<b>–</b>	<b>15,556</b>	<b>33,705</b>	<b>266,617</b>	<b>31,261</b>	<b>347,139</b>
At 31 Dec 2005	945,296	19,564	333,946	221,076	32,890	1,552,772

During the year the company sold its freehold property giving rise to a gain on sale of £267,734. The company also transferred various assets to another group company at a net book value of £337,866.

### 15 INVESTMENTS

	Subsidiary Undertakings £	Joint Venture £	Total £
<b>Cost:</b>			
At 1 January 2006	1,178,267	1	1,178,268
<b>At 31 December 2006</b>	<b>1,178,267</b>	<b>1</b>	<b>1,178,268</b>
<b>Amounts written off investments:</b>			
Provided in year	(1,135,377)	–	(1,135,377)
<b>Net book value:</b>			
<b>At 31 December 2006</b>	<b>42,890</b>	<b>1</b>	<b>42,891</b>
<b>Net book value:</b>			
At 31 December 2005	1,178,267	1	1,178,268

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 15. INVESTMENTS *(continued)*

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Subsidiary undertakings	Country of registration	Principal activity
Aby Access Limited	England	Scaffold Services
Joint Venture	Country of registration	Principal activity
Denholm OCS Limited (50%)	England	Specialised cleaning, painting and scaffolding services

### 16. STOCKS

	2006 £	2005 £
Stock	<u>12,500</u>	<u>24,422</u>

### 17. DEBTORS

	2006 £	2005 £
Trade debtors	2,967,406	3,265,854
Amounts owed by group undertakings	132,767	2,833,225
Corporation tax repayable	6,613	108,438
Other debtors	10,913	254,563
Prepayments and accrued income	105,611	185,063
	<u>3,223,310</u>	<u>6,647,143</u>

The debtors above include the following amounts falling due after more than one year

	2006 £	2005 £
Amounts owed by group undertakings	<u>—</u>	<u>395,088</u>

Interest is charged on amounts due from group undertakings after more than one year at 0.5% above base rate with no fixed term of repayment

Prior year comparatives have been reclassified for consistency with 2006

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 18 CREDITORS: Amounts falling due within one year

	2006	2005
	£	£
Trade creditors	753,344	735,715
Amounts owed to group undertakings	538,197	97,024
Other taxation and social security	836,649	380,572
Other creditors	55,185	61,556
Accruals and deferred income	1,035,306	850,466
	<u>3,218,681</u>	<u>2,125,333</u>

Prior year comparatives have been reclassified for consistency with 2006

### 19. CREDITORS: Amounts falling due after more than one year

	2006	2005
	£	£
Amounts owed to group undertaking	<u>613,754</u>	<u>7,185,529</u>

The amount due to a group undertaking after one year is in respect of a loan from the immediate parent undertaking which bears interest at a rate of 0.5% above Bank of England base rate and has no fixed term of repayment

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 20. PENSIONS

#### Defined benefit

The company participates in a funded defined benefit pension scheme, The Denholm Pension Scheme. Pension fund liabilities are assessed by professionally qualified actuaries at triennial valuations. The latest actuarial assessment of the scheme was at 1 July 2006 and the information in respect of the valuation as required by FRS 17 'Retirement Benefits', is detailed in full in the accounts of J & J Denholm Limited.

The pensions cost in the year represents the contributions made to the scheme and was £84,599 (2005 £134,268). Contributions have been made during 2006 at 26.5% for Senior Directors, 24% for Section 1 and 16% for Section II members. Following completion of the July 2006 actuarial valuation, these rates will change in July 2007 to 25.7%, 24.2% and 16% respectively. In addition, the group will absorb the administration costs of the scheme which previously had been factored into the contribution rate and is estimated to equate to 7.8% of pensionable salaries. In addition to the regular contributions the company has paid further contributions in the year in order to reduce the deficit.

Due to the nature of the group scheme the company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the requirements of FRS 17 relating to multi employers apply.

The valuation of the scheme as at 1 July 2006 has been updated to 31 December 2006 by a qualified actuary using the projected unit method, as required by FRS17. The net deficit in the scheme at 31 December 2006 using the method required by FRS17 was £1,112,000 (2005 £4,878,000), equivalent to 2% (2005 11%) of the market value of scheme assets. A breakdown of the position is given in the accounts of J & J Denholm Limited.

#### Defined contribution

The Group contributes to several defined contribution schemes for which the pension cost charge in the company for the year amounted to £84,678 (2005 £78,418).

#### Private Pension

In addition, the company paid no contributions into personal pension plans for employees (2005 £1,591).

### 21. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	2006 £	2005 £
Provision brought forward	18,110	26,573
Profit and loss account movement arising during the year	19,731	(8,463)
Provision carried forward	<u>37,841</u>	<u>18,110</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2006 £	2005 £
Excess of taxation allowances over depreciation on fixed assets	37,841	18,110
	<u>37,841</u>	<u>18,110</u>

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2006

#### 21 DEFERRED TAXATION *(continued)*

There is no un provided deferred tax at 31 December 2006 or 31 December 2005

#### 22. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2006 and at 31 December 2005 the company had annual commitments under non cancellable operating leases as set out below

	<b>Land &amp; Buildings</b>	
	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Operating leases which expire		
Within 1 year	4,763	4,463
Within 2 to 5 years	63,930	131,860
After more than 5 years		21,000
	<u>68,693</u>	<u>157,323</u>

#### 23. RELATED PARTY TRANSACTIONS

Transactions with entities in which the J & J Denholm Group of companies has 90% or more of the voting rights are not disclosed as permitted by Financial Reporting Standard No 8 "Related Party Disclosures"

During the year the company entered into the following transactions, in the ordinary course of business, with related parties

<b>Related party</b>	<b>Sales to related party</b>	<b>Trading balances owed by related party</b>
<b>2006</b>	<b>£</b>	<b>£</b>
Denholm OCS Limited	<u>238,903</u>	<u>—</u>
<b>Related party</b>		
<b>2005</b>	<b>£</b>	<b>£</b>
Denholm OCS Limited	<u>3,345,237</u>	<u>387,135</u>

# DENHOLM INDUSTRIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

### 24. SHARE CAPITAL

#### Authorised share capital:

	2006 £	2005 £
Ordinary shares of £1 each	500,000	500,000

#### Allotted, called up and fully paid:

	2006 Number	£	2005 Number	£
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<b>Equity shares</b>				
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

### 25. PROFIT AND LOSS ACCOUNT

	2006 £	2005 £
Balance brought forward	283,822	438,314
(Loss)/profit for the financial year	(664,111)	745,508
Equity dividends paid	—	(900,000)
Balance carried forward	<u>(380,289)</u>	<u>283,822</u>

### 26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
(Loss)/profit for the financial year	(664,111)	745,508
Equity dividends paid	—	(900,000)
Net reduction to shareholders' funds	(664,111)	(154,492)
Opening shareholders' funds	<u>783,822</u>	<u>938,314</u>
Closing shareholders' funds	<u>119,711</u>	<u>783,822</u>

### 27. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Denholm Industrial Services (Holdings) Limited, a company registered in Scotland. The ultimate parent undertaking is J & J Denholm Limited, a company controlled by the Denholm family. Copies of the accounts of J & J Denholm Limited may be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB.