

COMPANY REGISTRATION NUMBER SC083579

DENHOLM INDUSTRIAL SERVICES LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2018

THURSDAY



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19/09/2019
COMPANIES HOUSE

DENHOLM INDUSTRIAL SERVICES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

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DENHOLM INDUSTRIAL SERVICES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

Directors

S A Hill
B D R MacLehose
W M McFadyen
T McIlduff
D L O'Brien
K P Daymond (Appointed 2 March 2018)
S D Jenkins (Appointed 2 March 2018)

Secretary

G A Hanson

Registered office

18 Woodside Crescent
Glasgow
G3 7UL

Independent auditor

BDO LLP
Chartered Accountants and Statutory Auditor
Glasgow
United Kingdom

DENHOLM INDUSTRIAL SERVICES LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2018

The directors in preparing this strategic report have complied with s414C of the Companies Act 2006.

Business review

The principal activity of the company is the provision of scaffolding and painting services within the UK.

The directors consider the trading result for the year to be in lower than expectations. The directors are anticipating a much improved trading result in 2019, as they look to secure further long term work.

The company's key performance indicators are turnover, operating loss and loss on ordinary activities before taxation. Turnover for the year amounted to £12,565,962 (2017 - £11,978,471), operating loss amounted to £669,869 (2017 - £611,807) and loss on ordinary activities before taxation amounted to £811,619 (2017 - £739,483).

The development of business opportunities and exploration of new markets have resulted in turnover increasing by 5% from the prior year, although operating loss has increased in the year, partly due to a £230,000 impairment of fixed assets.

Financial risk management

The company's principal risks and uncertainties relate to economic factors such as government spending cuts and the performance of competitors. To mitigate against these risks the company is seeking to build its current market share and develop new services to expand into new business sectors.

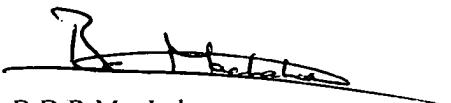
The company's principal financial assets are bank balances and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company has a relatively concentrated credit risk, with exposure 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 liabilities are amounts owed to group undertakings and trade creditors.

In the normal course of business the company makes all sales and purchases in sterling.

Future developments

Whilst the directors anticipate a difficult trading environment in 2019, long term secured contracts should return the company to profitability.

By order of the Board on 29 May 2019.



B D R MacLehose
Director

DENHOLM INDUSTRIAL SERVICES LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2018

The directors submit their report and the financial statements of the company for the year ended 31 December 2018.

Company number

The company is registered in Scotland (company number SC083579).

Results and dividends

The loss for the year after taxation was £691,210 (2017 - £602,334). The directors do not recommend a dividend for the year ended 31 December 2018 (2017 - £Nil).

Principal activity

The principal activity of the company is the provision of scaffolding and painting services within the UK.

Financial risk management and future developments

Information on the company's financial risk management and future developments is included within the strategic report.

Directors

The directors who served the company during the year and to the date of this report are listed on page 1.

Employment policies

The company's employment policies are built around Fairness, Achievement, Integrity and Respect as set out in the Denholm Standard for employment.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. 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 state of affairs of the company and of the profit or loss of the company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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, having considered the company's forecasts, cash resources, and group facilities, have concluded that the company has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

The directors are responsible for keeping proper accounting records which 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.

DENHOLM INDUSTRIAL SERVICES LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2018

Directors' responsibilities statement *(continued)*

As at the date of this report, as far as each director is aware, there is no relevant audit information of which the company's auditor is unaware. Each of the directors have taken such steps as they should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the Board on 29 May 2019.



G A HANSON
Company Secretary

DENHOLM INDUSTRIAL SERVICES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DENHOLM
INDUSTRIAL SERVICES LIMITED
YEAR ENDED 31 DECEMBER 2018

Opinion

We have audited the financial statements of Denholm Industrial Services Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the directors' report and strategic 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

DENHOLM INDUSTRIAL SERVICES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DENHOLM
INDUSTRIAL SERVICES LIMITED
YEAR ENDED 31 DECEMBER 2018

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, 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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

DENHOLM INDUSTRIAL SERVICES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DENHOLM
INDUSTRIAL SERVICES LIMITED
YEAR ENDED 31 DECEMBER 2018

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.

BDO LLP.

Mark McCluskey (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Glasgow, United Kingdom

30 May 2019

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

DENHOLM INDUSTRIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
TURNOVER	2	12,565,962	11,978,471
Cost of sales		(9,849,469)	(9,585,961)
GROSS PROFIT		2,716,493	2,392,510
Distribution costs		(380,278)	(402,049)
Administrative expenses		(2,994,929)	(2,668,839)
Impairment of fixed assets	4	(230,000)	-
Profit on disposal of fixed assets	3	218,845	66,571
OPERATING LOSS	4	(669,869)	(611,807)
Interest receivable and similar income	7	1,260	1,937
Interest payable and similar charges	8	(143,010)	(129,613)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(811,619)	(739,483)
Tax on loss on ordinary activities	9	120,409	137,149
LOSS FOR THE FINANCIAL YEAR		(691,210)	(602,334)

All of the activities of the company are classed as continuing.

Statement of other comprehensive income

There are no items of other comprehensive income other than the loss of £691,210 attributable to the shareholders for the year ended 31 December 2018 (2017 - loss of £602,334). Accordingly, a statement of other comprehensive income is not presented.

The notes on pages 11 to 21 form part of these financial statements.

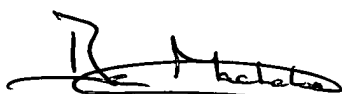
DENHOLM INDUSTRIAL SERVICES LIMITED

BALANCE SHEET

31 DECEMBER 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible assets	10	4,805,163	2,633,988
CURRENT ASSETS			
Debtors due within one year	11	3,559,825	3,470,048
Stock		94,367	-
Cash at bank and in hand		6,964	17,225
CREDITORS: Amounts falling due within one year	13	3,661,156 (7,676,973)	3,487,273 (5,208,248)
NET CURRENT LIABILITIES		(4,015,817)	(1,720,975)
TOTAL ASSETS LESS LIABILITIES		789,346	913,013
PROVISIONS FOR LIABILITIES	14	(265,543)	(198,000)
NET ASSETS		523,803	715,013
CAPITAL AND RESERVES			
Called-up share capital	15	500,000	500,000
Profit and loss account	15	23,803	215,013
SHAREHOLDERS' FUNDS		523,803	715,013

These financial statements were approved by the Board on 29 May 2019.



B D R MacLehose
Director

The notes on pages 11 to 21 form part of these financial statements.

DENHOLM INDUSTRIAL SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

	Called up Share capital £	Profit and loss account £	Total £
At 1 January 2017	500,000	317,347	817,347
Capital contribution - loan waiver	-	500,000	500,000
Loss for the financial year	-	(602,334)	(602,334)
At 31 December 2017	500,000	215,013	715,013
Capital contribution - loan waiver	-	500,000	500,000
Loss for the financial year	-	(691,210)	(691,210)
At 31 December 2018	500,000	23,803	523,803

The notes on pages 11 to 21 form part of these financial statements.

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES

Basis of accounting

Denholm Industrial Services Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1 and its principal activities are set out in the directors' report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. They have been prepared on the going concern basis, as explained in the directors' report. The company has taken advantage of the reduced disclosure exemptions as permitted by FRS 102 in preparing these financial statements as noted throughout these financial statements. This information is included in the consolidated financial statements of J. & J. Denholm Limited as at 31 December 2018 and these financial statements may be obtained from Companies House.

During 2017, the Financial Reporting Council ('FRC') issued "Amendments to FRS 102 - Triennial Review 2017" which updated and clarified a number of areas in the Financial Reporting Standard. These amendments to FRS 102 come into effect for all companies from 1st January 2019, however early adoption is permitted. These financial statements have been prepared in accordance with this new Standard in the current and prior year.

The functional and presentational currency of Denholm Industrial Services Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Going concern

The company has net current liabilities of £4,015,817 (2017 - £1,720,975) at the balance sheet date. The directors note the loss incurred in the year to 31 December 2018.

The directors have prepared budgets and cashflow forecasts for at least 12 months from the date of signing these financial statements. The directors have identified no conditions which suggest that the company cannot continue to operate as a going concern. Accordingly the financial statements have been prepared on a going concern basis.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard 102, Section 1 from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company includes the company in its consolidated financial statements.

Turnover

The turnover shown in the profit and loss account represents amounts earned during the year and is stated net of Value Added Tax.

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:

Motor vehicles	- over 2 - 4 years
Leasehold Property	- over the lesser period of the lease
Office Equipment	- over 4 years
Plant & Machinery	- over 3 - 10 years

Freehold land is not depreciated.

Leases

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

Pension costs

Employees are entered into a defined contribution scheme and contributions to the scheme are charged to the profit and loss account as incurred.

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

1 **ACCOUNTING POLICIES** *(continued)*

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with a maturity date of 12 months or less.

Taxation

Current tax is provided at amounts expected to be paid (or received) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be argued as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Long term contracts

Where the outcome of a construction or long term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion of the contract completed to date, as assessed by management. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred where it is probable they will be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total costs will exceed total revenue, the expected loss is recognised as an expense immediately.

Provision for warranty claims

A number of the company's contracts include warranty obligations in respect of the work it has undertaken. These obligations continue for a variety of periods up to a maximum of seven years. The directors recognise a provision for future costs expected to be incurred in respect of warranties issued up to the balance sheet date based on their best estimate of such costs. The level of provision is reassessed at least annually based on latest information, the company's warranty track record and any known issues.

Stocks

Stocks are stated 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.

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES (*continued*)

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The directors have taken advantage of the exemption in Financial Reporting Standard 102, Section 1 from including a detailed financial instruments note on the grounds that the company is a qualifying entity and detailed information on the financial instruments are included in the consolidated financial statements of the ultimate parent.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Debt instruments that are classified as payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when the contractual rights to the cash flows from the financial asset expire or are settled.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments and estimates in applying the company's accounting policies:

The following are the critical judgements and estimates that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Revenue recognition and margin recognition on contracts in progress

Revenue and projected margin on lump sum contracts for services, construction contracts and fixed price long-term service agreements is recognised based on the completion of a physical proportion of the contract work. Estimating the stage of completion is a key judgement in respect of revenue recognition on these contracts.

(b) Provisions and warranties

The company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiation. Judgement is required in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

(c) Useful life and residual value of property, plant and equipment

The carrying value of property, plant and equipment is calculated on the basis of estimates of depreciation periods and residual values. The expected useful life of an asset and its estimated residual value may change as a result of changes in market circumstances and changes in the use of the asset. The company will carry out an impairment review whenever changes in circumstances indicate that the carrying value of the asset may not be recoverable.

2 TURNOVER

Turnover, stated exclusive of Value Added Tax, is derived from one continuing activity and represents amounts earned for the provision of scaffolding and painting services in the United Kingdom.

	2018 £	2017 £
Rendering of services	<u>12,565,962</u>	<u>11,978,471</u>

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

3 OTHER OPERATING INCOME

	2018	2017
	£	£
Profit on disposal of fixed assets	218,845	66,571

4 OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2018	2017
	£	£
Depreciation of tangible fixed assets	605,890	706,341
Profit on disposal of fixed assets	(218,845)	(66,571)
Impairment of fixed assets	230,000	-
Auditor's remuneration - audit fees	14,987	14,550
Operating lease costs:		
Land and buildings	208,832	151,194

5 PARTICULARS OF EMPLOYEES

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

	2018	2017
	Number	Number
Number of production staff	158	160
Number of administrative staff	24	24
Number of management staff	7	6
	189	190

The aggregate payroll costs of the above were:

	2018	2017
	£	£
Wages and salaries	7,376,208	7,045,446
Social security costs	814,612	810,639
Other pension costs (note 16)	178,755	110,926
	8,369,575	7,967,011

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

6 DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	2018	2017
	£	£
Remuneration receivable	647,085	438,815
Company pension contributions to money purchase schemes	57,544	39,010
	<u>704,629</u>	<u>477,825</u>

Some of the company's directors were paid by other group companies during the year and in the prior year. The emoluments reported above relate to the remuneration paid to the directors for their services to the company and fellow group undertakings. Certain of the directors are remunerated by J. & J. Denholm Limited and it is not practical to make apportionment of remuneration in respect of services provided to this company.

Remuneration of highest paid director:

	2018	2017
	£	£
Total remuneration (excluding pension contributions)	168,743	155,847
Company pension contributions to money purchase scheme	16,545	13,483
	<u>185,288</u>	<u>169,330</u>

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

	2018	2017
	Number	Number
Money purchase schemes	<u>6</u>	<u>5</u>

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£	£
Bank interest received	181	1,836
Interest receivable on amounts due from group undertakings	1,079	101
	<u>1,260</u>	<u>1,937</u>

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2018	2017
	£	£
Interest payable on amounts due to group undertakings	<u>143,010</u>	<u>129,613</u>

9 TAXATION ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of tax credit in the year

	2018	2017
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	228,584	120,189
Over provision in prior year	(296)	(2,260)
Total current tax	<u>228,288</u>	<u>117,929</u>
Deferred tax:		
Origination and reversal of timing differences	(107,879)	19,220
Tax on loss on ordinary activities	<u>120,409</u>	<u>137,149</u>

(b) Factors affecting current tax credit for the year

The tax assessed on the loss on ordinary activities for the year is lower (2017 - lower) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

	2018	2017
	£	£
Loss on ordinary activities before tax	<u>(811,619)</u>	<u>(739,483)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	154,208	142,350
Expenses not deductible for tax purposes	(50,682)	(4,658)
Adjustments in respect of prior periods	(53)	1,360
Capital gains covered by brought forward losses	4,216	162
Difference in current tax rate and deferred tax rate	12,720	(2,065)
Total tax credit	<u>120,409</u>	<u>137,149</u>

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

10 TANGIBLE FIXED ASSETS

	Freehold & Leasehold Property £	Plant & Machinery £	Motor Vehicles £	Office Equipment £	Total £
Cost					
At 1 January 2018	531,527	6,361,146	818,495	375,818	8,086,986
Additions	-	3,509,784	338,534	17,010	3,865,328
Transfers	-	(25,916)	(77,870)	-	(103,786)
Disposals	-	(2,385,564)	(52,061)	-	(2,437,625)
At 31 December 2018	531,527	7,459,450	1,027,098	392,828	9,410,903
Depreciation					
At 1 January 2018	12,362	4,515,093	623,830	301,713	5,452,998
Charge for the year	4,352	443,220	123,770	34,548	605,890
Impairment	230,000	-	-	-	230,000
On Transfers	-	(12,909)	(77,870)	-	(90,779)
On disposals	-	(1,540,308)	(52,061)	-	(1,592,369)
At 31 December 2018	246,714	3,405,096	617,669	336,261	4,605,740
Net Book Value					
At 31 December 2018	284,813	4,054,354	409,429	56,567	4,805,163
At 31 December 2017	519,165	1,846,053	194,665	74,105	2,633,988

During the year assets were transferred out to another group company at net book value. The net book value of freehold property at the year end was £274,846 (2017 - £504,846). The net book value of the leasehold property at the year end was £9,967 (2017 - £14,319).

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

11 DEBTORS

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	2,232,815	2,318,956
Amounts owed by group undertakings	-	139,644
Amounts recoverable on contracts	913,885	698,331
Corporation tax	348,477	120,189
Prepayments and accrued income	64,648	152,592
Deferred taxation (note 12)	-	40,336
	<u>3,559,825</u>	<u>3,470,048</u>

The financial assets above are recorded at the transaction price. The debt instruments receivable above are reported at the undiscounted amount payable.

The amount owed by group undertakings includes a loan to the immediate parent company which bears interest at the Bank of England base rate and is repayable on demand.

12 DEFERRED TAXATION

The deferred tax included in the balance sheet is as follows:

	2018 £	2017 £
Included in provisions (2017: debtors (note 11))	<u>(67,543)</u>	<u>40,336</u>

The movement in the deferred taxation liability/asset during the year was:

	2018 £	2017 £
Balance brought forward	40,336	21,116
Profit and loss account movement arising during the year (note 9)	<u>(107,879)</u>	<u>19,220</u>
Balance carried forward	<u>(67,543)</u>	<u>40,336</u>

The balance of the deferred taxation liability/asset consists of the tax effect of timing differences in respect of:

	2018 £	2017 £
Capital allowances in excess of depreciation/depreciation in excess of capital allowances	<u>(67,543)</u>	<u>40,336</u>

There is no unprovided deferred tax at 31 December 2018 or 31 December 2017.

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

13 CREDITORS: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	920,306	491,597
Amounts owed to group undertakings	5,202,242	2,916,442
Other taxation and social security	414,880	726,477
Other creditors	24,371	19,536
Accruals and deferred income	1,115,174	1,054,196
	<u>7,676,973</u>	<u>5,208,248</u>

The financial liabilities above are recorded at the transaction price. The debt instruments payable above are recorded at the undiscounted amount payable.

The amount owed to group undertakings includes a loan from the immediate parent company which bears interest at a fixed rate of 3.5% plus Bank of England base rate (2017 - 3.5%) and repayable on demand.

14 PROVISIONS FOR LIABILITIES

	2018	2017
	£	£
Deferred taxation (note 12)	67,543	-
Provision for warranty claims	198,000	198,000
	<u>265,543</u>	<u>198,000</u>

The provision relates to warranties that were provided for three ship painting contracts entered into in 2014 and 2015. The warranties are in effect for a period of 5 years. Two of the warranties are due to expire in 2019 and the final warranty will expire in 2020.

15 SHARE CAPITAL

Allotted, called up and fully paid:

	2018		2017	
	Number	£	Number	£
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

The profit and loss account of £23,803 (2017 - £215,013) represents cumulative profits or losses, net of dividends paid and other adjustments.

16 PENSIONS

The company contributes to a defined contribution scheme for which the pension charge for the year amounted to £178,755 (2017 - £110,926).

DENHOLM INDUSTRIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

17 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 total future minimum lease payments under non-cancellable operating leases were as follows:

	2018	2017
	Land and	Land and
	buildings	buildings
	£	£
Operating lease payments due:		
Within 1 year	197,839	157,425
Within 2 to 5 years	278,842	292,382
	<u>476,681</u>	<u>449,807</u>

18 FINANCIAL COMMITMENTS

The company has contracted capital commitments at 31 December 2018 of £Nil (2017 - £120,170).

19 RELATED PARTY TRANSACTIONS

Transactions with entities in which the J. & J. Denholm Limited group of companies has 100% of the voting rights are not disclosed, as permitted by Section 33.1A of FRS 102.

In addition, advantage has been taken of the exemption under Section 1.12 of FRS 102 from disclosing total remuneration of key management personnel, as the company is a wholly owned subsidiary of J. & J. Denholm Limited.

20 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. Copies of the accounts of J. & J. Denholm Limited, the largest and smallest group undertaking, which consolidate the financial statements of the company, may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.