

KDC Holdings Limited

Report and Financial Statements

- Year Ended

31 December 2014

Company number 06396708

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KDC Holdings Limited

Report and financial statements for the year ended 31 December 2014

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Directors

I Smithson
P Higon
G Gurney

Secretary and registered office

G Gurney, Sharston Green Business Park ,1 Robeson Way, Manchester, M22 4SW

Company number

06396708

Auditors

BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT

Bankers

Santander UK plc, 298 Deansgate, Manchester, M3 4HHI

KDC Holdings Limited

Strategic report for the year ended 31 December 2014

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2014.

Business model

The group is engaged in specialist decommissioning, demolition and land remediation in the UK and Europe. The group operates in the nuclear, petrochemical, pharmaceutical, energy & utility, industrial and land remediation markets from offices in Manchester, Falkirk and Reading.

The company's is a holding company.

Financial review

The group realised a turnover in 2014 of £14.4 m, a 12% reduction compared with 2013 (£16.4m); delays in work packages being released in the Nuclear sector and clients in other sectors generally taking longer to action projects were the main factor impacting sales realised in 2014. This work has not been lost, it has just been delayed into 2015 & 2016.

The gross margin returned on 2014 sales was impacted by some contracts (unusually) returning losses in 2014; this included a large chemical site clearance that was our first project undertaken in mainland Europe, for which the client was very pleased and from which KDC learnt much about hidden costs of working overseas. The loss making contracts were completed during 2014 and recent trading has seen margins returning to normal levels.

Given the lower than anticipated sales & margin in 2014, management took action during the year to reduce overheads where possible, including closing the southern office where the lease was up for renewal. There were some redundancies as a result of this action, the cost of which is detailed in the accounts as a non-recurring cost (£0.09m).

The net result of 2014's trading was to produce an operating loss before goodwill amortisation of £(1.3)m (2013 - £0.2m profit). The directors consider that operating profit before goodwill amortisation is the principal financial key performance indicator by which performance of the business is monitored.

In recent months KDC has been awarded a number of contracts which now sees the 2015 order book much higher than at any time during 2014 and so the expected sales outturn for the year is expected to be significantly increased on 2014.

On 30 June 2014 the Company drew down new bank term loan of £1,000,000, repayable over 3.25 years in quarterly instalments. This was done as part of moving its bank facilities from Yorkshire Bank to Santander; in doing so then term loan arranged in 2013 with Yorkshire Bank was repaid. The bank debt is secured by a fixed and floating charge over the property and assets of the Group

In December 2014 the Directors concluded agreement with Barclays Ventures (BV) and Executive Loan Note holders to convert 56% of the Loan Note balance at that time into equity. In addition the remaining 44% of Loan notes have been restructured so as not to require interest to be paid or accrued from trading going forward and the staged repayment of the BV notes will not now be required prior to 2018.

The purpose of this Loan Note capitalisation & restructure was to demonstrate the true nature of the loan note debt and to provide tangible evidence of ongoing support of BV and Management to the KDC business.

The effect of this loan note conversion to equity was to remove £4.7m of debt from the balance sheet as at the time of the transaction.

Principal risks and uncertainties

All financial and operational risks inherent in contracts are managed through careful selection and appropriate due diligence when tendering for a contract. These principal risks and uncertainties, together with the actions the company undertakes to mitigate these, are summarised below.

KDC Holdings Limited

Strategic report for the year ended 31 December 2014

Financial risks

The Group's objective is to reduce the risk of financial loss due to a counter party's failure to honour its obligations. Standard payment terms for decommissioning contracts provide for regular monthly payments against the full contract value. The credit worthiness of new customers is assessed by the Group prior to entering into a contract. The Group actively manages the collection of payments to ensure that they are received promptly and in accordance with agreed terms, thereby ensuring that the Group's exposure to bad debts is not significant.

The Group finances its activities with a combination of hire purchase contracts and cash deposits. Overdrafts are used to satisfy short-term cash flow requirements. Other financial assets and liabilities such as trade debtors and trade creditors, arise directly from the Group's operating activities.

Interest rate risk associated with bank debt is not considered material to the Group by the directors at present, due to the current consistent historically low interest rates; should this change hedging of this risk will be considered in line with previous hedging instruments used by the Group. Non bank debt is at fixed rates and so hedging is not required.

The Group traded outside the United Kingdom in 2014 and so was exposed to some foreign currency risk; hedging in 2014 was done by matching income received in Euros with expenditure in the same currency. Moving into 2014, a review of possible exchange rate hedging instruments will take place towards the end of the project, when there will be excess Euros to convert back to sterling.

Operational risks

In order to ensure that the Group matches operational costs to contracts, reducing the possibility of carrying unproductive overhead, we utilise the services of third party contractors. The Group identifies contractors who have been proved to supply a high standard of service, allowing us to mitigate the risk of non-delivery by our suppliers. We vet all suppliers thoroughly prior to engaging their services, to ensure that they meet our requirements for health & safety, quality and financial stability.

We recognise our responsibility to provide our workforce and contractors with a safe place of work and provide an adequate degree of training suitable to their needs. In recognition of this, the Group holds ISO 18001 accreditation for safety procedures.

Future developments

The directors are optimistic for the future of the business with the markets in which KDC work continuing to provide a high level of enquiries and orders, from both existing and new clients. In recent months KDC has been awarded a number of contracts which now sees the 2015 order book much higher than at any time during 2014 and so the expected sales outturn for the year is expected to be significantly increased on 2014.

Approval

This strategic report was approved by order of the Board on 6 May 2015



G Gurney

Director

KDC Holdings Limited

Report of the directors for the year ended 31 December 2014

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

Results and dividends

The Group profit and loss account is set out on page 7 and shows the loss for the year.

The directors do not recommend the payment of a dividend (2013 - £Nil).

Directors and officers insurance

The group maintains insurance cover with respect to directors and officers liabilities.

Directors

The directors of the company during the year were:

I Smithson
P Higon
G Gurney

Financial Instruments

The group's financial risk management objectives and policies are set out in the Strategic Report.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KDC Holdings Limited

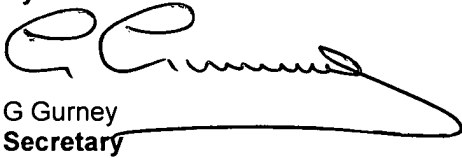
Report of the directors for the year ended 31 December 2014 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the next annual general meeting.

By order of the Board



G Gurney
Secretary

6 May 2015

KDC Holdings Limited

Independent auditor's report

TO THE MEMBERS OF KDC HOLDINGS LIMITED

We have audited the financial statements of KDC Holdings Limited for the year ended 31 December 2014 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses and note of historical cost profit and loss, the consolidated and company balance sheets, the consolidated 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 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.

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 financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

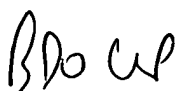
KDC Holdings Limited

Independent auditor's report (*continued*)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



*Philip Storer (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
United Kingdom*

6 May 2015

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

KDC Holdings Limited

Consolidated profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	2	14,357	16,425
Cost of sales		(12,491)	(13,046)
Gross profit		1,866	3,379
Administrative expenses		(3,669)	(3,647)
Operating loss	5	(1,803)	(268)
Interest payable and similar charges	6	(731)	(869)
Loss on ordinary activities before taxation		(2,534)	(1,137)
Taxation on loss from ordinary activities	7	96	484
Loss on ordinary activities after taxation	8	(2,438)	(653)

All amounts relate to continuing activities in the year.

The notes on pages 12 to 25 form part of these financial statements.

KDC Holdings Limited

Consolidated statement of recognised gains and losses and note of historical cost profit and loss for the year ended 31 December 2014

	2014 £	2013 £
Loss for the year	(2,438)	(653)
Total recognised losses for the year	(2,438)	(653)
Note of historical cost profit and loss	2014 £	2013 £
Reported loss on ordinary activities after taxation	(2,438)	(653)
Difference between historical cost profit on disposal and actual loss on disposal	-	-
Historical cost loss on ordinary activities after taxation	(2,438)	(653)

The notes on pages 12 to 25 form part of these financial statements.

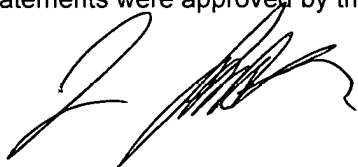
KDC Holdings Limited

Consolidated balance sheet as at 31 December 2014

<i>Company number 06396708</i>	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Intangible assets	9		6,414		6,896
Tangible assets	10		3,342		3,641
			<u>9,756</u>		<u>10,537</u>
Current assets					
Stocks	12	50		20	
Debtors	13	1,920		2,237	
Cash at bank and in hand		1		327	
		<u>1,971</u>		<u>2,584</u>	
Creditors: amounts falling due within one year	14	(4,142)		(3,866)	
Net current liabilities			<u>(2,171)</u>		<u>(1,282)</u>
Total assets less current liabilities			<u>7,585</u>		<u>9,255</u>
Creditors: amounts falling due after more than one year	15		(4,922)		(8,855)
Net assets			<u>2,663</u>		<u>400</u>
Capital and reserves					
Called up share capital	16		97		97
Share premium	17		4,701		-
Revaluation reserve	17		794		794
Profit and loss account	17		(2,929)		(491)
Shareholders' funds	17		<u>2,663</u>		<u>400</u>

The financial statements were approved by the board of directors and authorised for issue on 6 May 2015

Ian Smithson
Director



The notes on pages 12 to 25 form part of these financial statements.

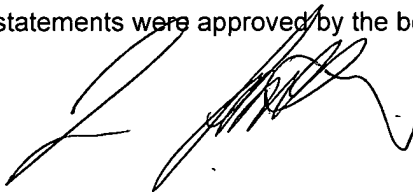
KDC Holdings Limited

Company balance sheet as at 31 December 2014

<i>Company number 06396708</i>	<i>Note</i>	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Fixed asset investments	11		9,690		9,690
Current assets					
Debtors	13	18		14	
Cash at bank and in hand		4		9	
		22		23	
Creditors: amounts falling due within one year	14	(2,516)		(1,892)	
Net current liabilities			(2,494)		(1,869)
Total assets less current liabilities			7,196		7,821
Creditors: amounts falling due after more than one year	15		(4,233)		(8,435)
Net assets / (liabilities)			2,963		(614)
Capital and reserves					
Called up share capital	16		97		97
Share premium	17		4,701		-
Profit and loss account			(1,835)		(711)
Shareholders' funds / (deficit)	17		2,963		(614)

The financial statements were approved by the board of directors and authorised for issue on 6 May 2015

Ian Smithson
Director



The notes on pages 12 to 25 form part of these financial statements.

KDC Holdings Limited

Consolidated cash flow statement for the year ended 31 December 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net cash (outflow) / inflow from operating activities	22		(191)		1,203
Returns on investments and servicing of finance					
Hire purchase interest		(81)		(76)	
Other interest paid		(77)		(353)	
Net cash outflow from returns on investments and servicing of finance			(158)		(429)
Capital expenditure					
Payments to acquire tangible fixed assets		(48)		(32)	
Proceeds from sale of tangible fixed assets		333		102	
			285		70
Cash inflow before financing			(64)		928
Financing					
Capital element of finance leases repaid		(770)		(755)	
Repayment of loans		(1,169)		(1,250)	
New loans		1,250		1,250	
Shares Buyback		-		(80)	
			(689)		(835)
(Decrease) / increase in cash			(753)		9

The notes on pages 12 to 25 form part of these financial statements.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2014

1 Accounting policies

The financial statements have been prepared under the historical cost convention modified to include the revaluation of land and are in accordance with applicable UK accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the results of KDC Holdings Limited and all of its subsidiary undertakings as at 31 December 2014 using the acquisition method of accounting. Results of subsidiary undertakings are included from the date of acquisition.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Turnover on the sale of scrap items is recognised on acceptance by the customer.

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives, as follows:

Tenants improvements to leasehold property	-	Life of the lease
Plant and machinery	-	15% to 33% per annum straight line
Motor vehicles	-	20% per annum straight line

Fixed assets - land

Land is carried in the balance sheet at current market value. To achieve this, the land is subject to valuation every five years with an interim valuation carried out in the third year of the cycle. The profit or loss on disposal of revalued land is calculated by reference to the net book value and any realised revaluation surplus is transferred to the profit and loss account through reserves.

Intangible assets - goodwill

Goodwill arising on acquisitions of a business or company is the difference between consideration paid and the fair value of the assets and liabilities acquired. Goodwill arising on acquisition is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 20 years.

Impairment of intangible fixed assets and goodwill

The need for any fixed asset impairment write-down is assessed by comparing the carrying value of the asset against the higher of realisable value and value in use.

Purchased goodwill and intangible assets are reviewed for impairment at the end of the first year of acquisition and at the end of each year only when there is an indication that assets are impaired.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (*continued*)

1 Accounting policies (*continued*)

Investments

Investments in group undertakings are stated at cost less any provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase at the latest purchase price. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Cash

Cash comprise cash on hand and deposits repayable on demand held in qualifying financial institutions.

Finance costs

Finance costs are charged to the profit and loss account over the term of the debts so that the amounts charged are at a constant rate on the carrying amounts. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future years. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant yearly rate of charge on the net obligation outstanding in each year. Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Pension costs

The company operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the year to which they relate. These contributions are invested separately from the company's assets.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates which are expected to apply in the years in which the timing differences are expected to reverse, based on the tax rates and laws which have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Financial instruments

Financial liabilities and equity instruments are initially measured at the amount of the net proceeds received. Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

2 Turnover

The total turnover of the company for the year has been derived from its principal activity undertaken in:

	2014 £'000	2013 £'000
United Kingdom	12,337	16,139
Rest of Europe	2,020	286
	<u>14,357</u>	<u>16,425</u>

3 Employees

	2014 Group £'000	2013 Group £'000
Staff costs, including directors, consist of:		
Wages and salaries	6,157	6,617
Social security costs	679	730
Other pension costs	132	126
	<u>6,968</u>	<u>7,473</u>

The average number of employees of the group including directors, during the year was as follows:

	2014 Group Number	2013 Group Number
Site Management and Operatives	99	108
Administration	27	28
	<u>126</u>	<u>136</u>

4 Directors

Included in the employee cost for Group are the following costs for the directors of the company:

	2014 £'000	2013 £'000
Emoluments for qualifying services	276	281
Company pension contributions to money purchase schemes	33	20
	<u>309</u>	<u>301</u>

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

4 Directors (continued)

The number of directors for whom retirement benefits were accruing at 31 December 2014 under money purchase pension schemes amounted to 3 (2013 - 3).

The total amount payable to the highest paid director in respect of emoluments was £148,947 (2013 - £126,818). Company pension contributions of £10,274 (2013 - £11,408) were made to a money purchase scheme on their behalf.

5 Operating loss

	2014 £'000	2013 £'000
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	722	793
Amortisation of intangible fixed assets - goodwill	482	483
Loss / (profit) on disposal of tangible assets	5	(18)
Operating lease rentals - plant and machinery	10	25
Operating lease rentals - land and buildings	190	200
Non recurring costs*	91	49
Auditors' remuneration:		
- fees payable to the company's auditor for the audit of the company's annual accounts	5	5
- fees payable to the company's auditors for the audit of Subsidiary companies	24	25
- tax services	8	8

* Non recurring costs relate to costs associated with a severance agreement for a subsidiary director and legal costs associated with the buying back and cancelling company shares.

6 Interest payable and similar charges

	2014 £'000	2013 £'000
Bank loans and overdrafts	554	691
Hire purchase	81	76
Other charges	96	102
	731	869

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

7 Taxation on profit from ordinary activities

	2014 £'000	2013 £'000
<i>Current tax</i>		
Tax charge on profit for the year	-	-
Adjustment for prior years	(79)	(295)
Total current tax	(79)	(295)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(17)	(189)
Taxation on profit on ordinary activities	(96)	(484)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2014 £'000	2013 £'000
Loss on ordinary activities before tax	(2,534)	(1,137)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	(544)	(264)
Effect of:		
Expenses not deductible for tax purposes	51	150
Depreciation in excess of capital allowances	2	48
Adjustment in respect of previous years	395	(295)
Additional deduction for R&D expenditure	-	(303)
Unrelieved tax losses and other deductions in the period	-	369
Current tax (credit) for the year	(96)	(295)

8 Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been presented as part of these accounts. The parent company's loss after tax for the year was £1,125,333 (2013 – loss of £934,309).

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

9 Intangible assets

Group	Goodwill £'000
<i>Cost</i>	
At 1 January 2014 and 31 December 2014	9,649
<i>Amortisation</i>	
At 1 January 2014	(2,753)
Provided for in the year	(482)
At 31 December 2014	(3,235)
<i>Net book value</i>	
At 31 December 2014	6,414
At 31 December 2013	6,896

10 Tangible assets

Group	Land £'000	Tenants improvements to leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 2014	1,090	173	3,579	479	5,321
Additions	-	-	669	92	761
Disposals	-	-	(649)	(155)	(804)
At 31 December 2014	1,090	173	3,599	416	5,278
<i>Depreciation</i>					
At 1 January 2014	-	73	1,479	128	1,680
Provided for the year	-	21	592	109	722
Disposals	-	-	(379)	(87)	(466)
At 31 December 2014		94	1,692	150	1,936
<i>Net book value</i>					
At 31 December 2014	1,090	79	1,907	266	3,342
At 31 December 2013	1,090	100	2,100	351	3,641

The company has no fixed assets.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

10 Tangible assets (continued)

On 28 November 2011 Sanderson Weatherall, an independent external valuer, valued the land at an open market value of £1,140,000. The net book value on an historical cost basis was £351,098. The directors are not aware of any material change in value during the period to 31 December 2014 and therefore have also adopted this valuation at 31 December 2014.

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £'000	Motor vehicles £'000	Total £'000
<i>Net book value</i>			
At 31 December 2014	1,300	244	1,544
At 31 December 2013	1,451	351	1,802
<i>Depreciation charge for the year</i>			
31 December 2014	270	83	353
31 December 2013	334	112	446

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

11 Fixed asset investments

	Company Group undertakings £'000
<i>Cost</i>	
At 31 December 2014	9,690
At 31 December 2013	9,690

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

Subsidiary undertakings	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
KDC Contractors Limited	England	100%	Specialist decommissioning, demolition and land remediation contractors.
K-Land Solutions Limited	England	100%*	Dormant.
Recycled Assets Trading Limited	England	100%	Salvaged assets trading company.

The results of the above companies are included within these consolidated financial statements.

* Shareholding owned by KDC Contractors Limited.

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (*continued*)

12 Stocks

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Salvaged equipment for resale	41	-	16	-
Consumables	9	-	4	-
	<u>50</u>	<u>-</u>	<u>20</u>	<u>-</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

13 Debtors

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Amounts recoverable on long term contracts	570	-	931	-
Trade debtors	1,005	-	1,033	-
Prepayments	151	18	170	14
Other debtors	-	-	4	-
Corporation Tax	79	-	-	-
Deferred Tax Asset	115	-	99	-
	<u>1,920</u>	<u>18</u>	<u>2,237</u>	<u>14</u>

All amounts shown under debtors fall due for payment within one year.

The deferred tax asset is made up as follows:

	2014 £'000	2013 £'000
Unutilised tax losses	204	156
Fixed Asset timing differences	(90)	-
Short term timing differences	1	(57)
	<u>115</u>	<u>-</u>

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

14 Creditors: amounts falling due within one year

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Bank loans and overdrafts (secured - see note 15)	307	307	269	269
Trade creditors	1,302	58	1,227	-
Amounts received on account	58	-	31	-
Amounts owed to group undertakings	-	2,103	-	1,459
Other taxation and social security	563	-	645	-
Obligations under finance leases and hire purchase contracts	579	-	655	-
Accruals and deferred income	509	48	575	164
Other creditors	397	-	464	-
Bank overdraft	427	-	-	-
	<u>4,142</u>	<u>2,516</u>	<u>3,866</u>	<u>1,892</u>

15 Creditors: amounts falling due after more than one year

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Bank loans (secured)	538	538	703	703
Obligations under finance leases	689	-	420	-
Loan notes (secured)	3,695	3,695	7,732	7,732
	<u>4,922</u>	<u>4,233</u>	<u>8,855</u>	<u>8,435</u>
Group	Loans and overdrafts	Finance leases	Loan notes	Total
	2014	2014	2014	2014
	£'000	£'000	£'000	£'000
In one year or less, or on demand	<u>307</u>	<u>579</u>	<u>-</u>	<u>886</u>
In more than one year but not more than two years	538	326	-	864
In more than two years but not more than five years	-	363	716	1,079
In more than five years	-	-	2,866	2,866
	<u>538</u>	<u>689</u>	<u>3,582</u>	<u>4,809</u>

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

15 Creditors: amounts falling due after more than one year (continued)

	Loans and overdrafts 2013 £'000	Finance leases 2013 £'000	Loan notes 2013 £'000	Total 2013 £'000
In one year or less, or on demand	269	655	-	924
In more than one year but not more than two years	313	340	7,494	8,147
In more than two years but not more than five years	390	80	-	470
In more than five years	-	-	238	238
	703	420	7,732	8,855
Company	Loans and overdrafts 2014 £'000	Finance leases 2014 £'000	Loan notes 2014 £'000	Total 2014 £'000
In one year or less, or on demand	307	-	-	307
In more than one year but not more than two years	538	-	-	538
In more than two years but not more than five years	-	-	716	716
In more than five years	-	-	2,866	2,866
	538	-	3,582	4,120
Company	Loans and overdrafts 2013 £'000	Finance leases 2013 £'000	Loan notes 2013 £'000	Total 2013 £'000
In one year or less, or on demand	269	-	-	269
In more than one year but not more than two years	313	-	7,494	7,807
In more than two years but not more than five years	390	-	-	390
In more than five years	-	-	238	238
	703	-	7,732	8,435

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

15 Creditors: amounts falling due after more than one year (continued)

On 30 June 2014 the Company drew down new bank term loan of £1,000,000, repayable over 3.25 years in quarterly instalments. This was done as part of moving its bank facilities from Yorkshire Bank to Santander; in doing so then term loan arranged in 2013 with Yorkshire Bank was repaid. The bank debt is secured by a fixed and floating charge over the property and assets of the Group

In December 2014 the Directors concluded agreement with Barclays Ventures (BV) and Executive Loan Note holders to convert 56% of the Loan Note balance at that time into equity. In addition the remaining 44% of Loan notes have been restructured so as not to require interest to be paid or accrued from trading going forward and the staged repayment of the BV notes will not now be required prior to 2018.

The purpose of this Loan Note capitalisation & restructure was to demonstrate the true nature of the loan note debt and to provide tangible evidence of ongoing support of BV and Management to the KDC business.

The effect of this loan note conversion to equity was to remove £4.7m of debt from the balance sheet as at the time of the transaction.

Details of the remaining Loan Notes are as follows:

- £3,582,716 of loan notes, repayable as 10% in 2018, 10% in 2019 & the balance in 2020; these are secured by a fixed and floating charge on property and assets of the Group.
- £111,827 of loan notes (management loan notes) that are unsecured and repayable only when the ownership of the Group changes.

16 Share capital

	Allotted, called up and fully paid			
	2014 Number	2014 £	2013 Number	2013 £
Ordinary A shares of £1 each	43,000	43,000	43,000	43,000
Ordinary B shares of £1 each	53,500	53,500	53,500	53,500
Ordinary Z shares of £1 each	8	8	-	-
	96,508	96,508	96,500	96,500

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 (continued)

17 Reconciliation of shareholders' funds

Reconciliation of shareholders' funds			Group £'000	Company £'000
At 1 January 2014			400	(614)
New shares issued			4,701	4,701
Retained loss for year			(2,438)	(1,124)
At 31 December 2014			2,663	2,963

Reserves - Group	Profit and loss account £'000	Share Premium £'000	Share Capital £'000	Revaluation reserve £'000	Total £'000
At 1 January 2014	(491)	-	97	794	400
Loss for the financial year	(2,438)	-	-	-	(2,438)
New shares issued	-	4,701	-	-	4,701
At 31 December 2014	(2,929)	4,701	97	794	2,663

The revaluation reserve was created in respect of plots of land that have been acquired and, where necessary, remediated. The valuation shown is open market value net of an overage payment due the previous owner of the land should it be sold on at a later date.

The movement in the share premium account resulted from the conversion of loan notes to equity as detailed above in Note 15.

18 Commitments under operating leases

As at 31 December 2014, the group were committed to making the following payments under non-cancellable operating leases in the year to 31 December 2014.

	Group 2014 Land and buildings £000	Group 2014 Other £000	Group 2013 Land and buildings £000	Group 2013 Other £000
Operating leases which expire:				
Within one year	-	-	12	5
In two to five years	195	7	195	7
	195	7	207	12

As at 31 December 2014 the company had no commitments under non-cancellable operating leases.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

19 Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £132,000 (2013 - £121,000).

20 Related party transactions

The group has taken advantage of the exemption confirmed by Financial Reporting Standard 8 "Related Parties" not to disclose transactions with members of the group headed by KDC Holdings Limited on the grounds that 100% of the voting rights in the company are controlled within that group.

Barclays Unquoted Investments Limited, shareholder in the company, is the beneficiary of the December 2014 loan notes as disclosed in Note 15; the capital payment that was due to them as at December 2014 has been agreed to be postponed to December 2015.

The directors of the company are some of the beneficiaries of the management loan notes as disclosed in Note 15.

There were no other related party transactions during the year.

21 Transactions with directors

There were no transactions with Directors in 2014 or in 2013.

22 Reconciliation of group operating profit to net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating loss	(1,803)	(268)
Depreciation	722	793
Amortisation	482	483
Loss / (profit) on fixed asset disposals	5	(18)
(Increase) / decrease in stocks	(30)	6
Reduction in debtors	396	159
Increase in creditors	37	48
Net cash (outflow) / inflow from operating activities	(191)	1,203

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2014 (continued)

23 Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
(Decrease) / increase in cash in the year	(754)	9
Bank loans and finance leases taken out in the year	(1,963)	(1,366)
Cash repaying loans and finance leases	1,897	2,005
Non cash movements	4,037	(475)
Movement in net debt at 31 December 2014	3,217	173

24 Analysis of changes in net debt

	At 31 December 2013 £000	Cash flows £000	Non-cash movements* £000	At 31 December 2014 £000
Cash at bank and in hand	327	(753)	-	(426)
Bank loans				
- due within one year	(269)	(38)	-	(307)
- due after one year	(703)	165	-	(538)
Loan notes				
- due within one year	-	-	-	-
- due after one year	(7,732)	-	4,037	(3,695)
Finance leases				
- due within one year	(655)	76	-	(579)
- due after one year	(420)	(269)	-	(689)
Total	(9,452)	(819)	4,037	(6,234)

* Non cash movement is the conversion of loan notes into equity.

25 Control

The directors are deemed to be the ultimate controlling party by virtue of their directorship and shareholdings in the year to 31 December 2014.