

KDC Holdings Limited

Report and Financial Statements

Year Ended

31 December 2016

Company number 06396708

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KDC Holdings Limited

Report and financial statements for the year ended 31 December 2016

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Directors

I Smithson
P Higton
G Gurney

Secretary and registered office

G Gurney, 1 Robeson Way, Sharston Green Business Park, 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 2016

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2016.

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 and Falkirk.

The company is a holding company.

Financial review

The company realised a turnover in 2016 of £ 18.6m, similar to that realised in 2015 (£19.1m).

The Gross margin returned on 2016 sales was 23%, which was much improved versus 2015 (19%), so realising a £0.7m increase in the actual resulting Gross Margin. The Gross Margin returned in 2016 is in keeping with that returned historically and reflected improved operating performance versus 2015.

Overheads in 2016 were £3.5m, again similar to 2015 (£3.3m).

The net result of 2016's trading was to produce operating profit before goodwill amortisation of £1.25m (2015 - £0.7m). The directors consider that operating profit before goodwill amortisation, is the principal financial key performance indicator by which performance of the business is monitored.

The Directors are pleased to announce that in December 2016 the Bank term loan was fully repaid ahead of schedule, leaving the Group with no bank debt or associated bank covenants to meet.

In addition, on 10 May 2017 the Directors concluded agreement with both Barclays and Management to convert to equity or cancel the remaining loan notes. The result of this transaction was to remove all remaining long term debt from the KDC Holdings Limited balance sheet; the effect of this transaction, had taken place on 31 December 2016, is displayed in Note 24.

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 group undertakes to mitigate these, are summarised below.

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 now no longer relevant due to having repaid the bank term loan. Non-bank debt is at fixed rates and so hedging is not required.

KDC Holdings Limited

Strategic report for the year ended 31 December 2016 (*continued*)

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; the directors are also actively assessing new markets for which KDC has an existing skill set, both in the UK and overseas.

KDC Holdings Limited

Strategic report for the year ended 31 December 2016 *(continued)*

The Group's resultant net debt position is as follows:

	Cash and cash equivalents £'000	Borrowings £'000	Total £'000
At 1 January 2016	52	(6,339)	(6,287)
Cash flow	977	1,295	2,272
Other movements	-	(216)	(216)
At 31 December 2016	1,029	(5,260)	(4,231)
<i>Comprising:</i>		2016 £'000	2015 £'000
Balance sheet cash and cash equivalents		1,029	52
Bank overdrafts		-	-
		1,029	52
Cash flow statements cash and cash equivalents			
Other current liabilities		(629)	(988)
Non-current liabilities due to bank and asset finance lenders		(936)	(1,655)
Non-current liabilities due to shareholders		(3,695)	(3,695)
Total		(4,231)	(6,287)

KDC Holdings Limited

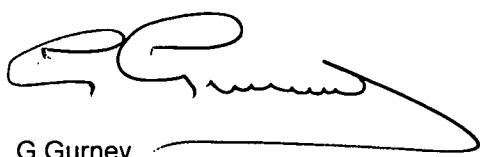
Strategic report for the year ended 31 December 2016 (continued)

Key performance indicators

	2016	2015
Turnover from continuing operations (£m)	18.6	19.1
<i>As the prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies.</i>		
Gross margin from continuing operations (%)	22.6	18.5
Gross margin from continuing operations (£m)	4.2	3.5
<i>Gross margin provides an indication of the quality of turnover growth and is also a measure of value added by the group.</i>		
Operating profit before amortisation	1.3	0.7
<i>Operating profit before goodwill amortisation provides an indication of the quality of turnover growth and overhead management.</i>		

Approval

This strategic report was approved by order of the Board on 15 May 2017



G Gurney

Director

KDC Holdings Limited

Report of the directors for the year ended 31 December 2016

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

Results and dividends

The Group profit and loss account is set out on page 9 and shows the profit for the year.

The directors do not recommend the payment of a dividend (2015 - £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 2016 (*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

Date 15 May 2017

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 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, 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 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, 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.

KDC Holdings Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.



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

Date 18/5/17.

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

KDC Holdings Limited

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	3	18,610	19,071
Cost of sales		(14,400)	(15,542)
Gross profit		4,210	3,529
Administrative expenses		(3,474)	(3,318)
Group operating profit	6	736	211
Interest payable and similar charges	7	(180)	(204)
Profit on ordinary activities before taxation		556	7
Taxation on loss from ordinary activities	8	(153)	(63)
Profit / (loss) on ordinary activities after taxation		403	(56)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the year		403	(56)

All amounts relate to continuing activities in the year.

The notes on pages 15 to 30 form part of these financial statements.

KDC Holdings Limited

Consolidated balance sheet as at 31 December 2016

Company number 06396708	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Intangible assets	9		5,449		5,931
Tangible assets	10		3,666		4,196
			<u>9,115</u>		<u>10,127</u>
Current assets					
Stocks	12	19		29	
Debtors	13	2,714		3,031	
Cash at bank and in hand		1,029		52	
		<u>3,762</u>		<u>3,112</u>	
Creditors: amounts falling due within one year	14	(5,223)		(5,370)	
Net current liabilities			<u>(1,461)</u>		<u>(2,258)</u>
Total assets less current liabilities			<u>7,654</u>		<u>7,869</u>
Creditors: amounts falling due after more than one year	15		(4,631)		(5,350)
Deferred tax liability	16		(101)		-
Net assets			<u>2,922</u>		<u>2,519</u>
Capital and reserves					
Called up share capital	17		100		100
Share premium			4,701		4,701
Revaluation reserve			706		706
Profit and loss account			(2,585)		(2,988)
Shareholders' funds			<u>2,922</u>		<u>2,519</u>

The financial statements were approved by the board of directors and authorised for issue on 15 May 2017

Ian Smithson
Director



The notes on pages 15 to 30 form part of these financial statements.

KDC Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2016	100	4,701	706	(2,988)	2,519
Profit for the year	-	-	-	403	403
Total comprehensive income for the year	-	-	-	403	403
Contributions by and distribution to owners					
Shares issued	-	-	-	-	-
31 December 2016	100	4,701	706	(2,585)	2,922
	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2015	97	4,701	794	(2,929)	2,663
Loss for the year	-	-	-	(56)	(56)
Revaluation Impairment	-	-	(88)	-	(88)
Total comprehensive income for the year	-	-	(88)	(56)	(144)
Contributions by and distribution to owners					
Shares issued	3	-	-	(3)	-
31 December 2015	100	4,701	706	(2,988)	2,519

The notes on pages 15 to 30 form part of these financial statements.

KDC Holdings Limited

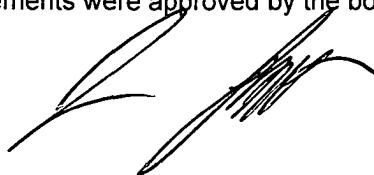
Company balance sheet as at 31 December 2016

Company number 06396708	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Fixed asset investments	11		9,690		9,690
Current assets					
Debtors	13	4		9	
Cash at bank and in hand		2		-	
		<u>6</u>		<u>9</u>	
Creditors: amounts falling due within one year	14	(2,486)		(2,658)	
Net current liabilities			(2,480)		(2,649)
Total assets less current liabilities			<u>7,210</u>		<u>7,041</u>
Creditors: amounts falling due after more than one year	15		(3,695)		(3,925)
Net assets			<u>3,515</u>		<u>3,116</u>
Capital and reserves					
Called up share capital	17		100		100
Share premium			4,701		4,701
Profit and loss account			(1,286)		(1,685)
Shareholders' funds			<u>3,515</u>		<u>3,116</u>

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 profit after tax for the year was £399,159 (2015 - £153,407).

The financial statements were approved by the board of directors and authorised for issue on. 15 May 2017

Ian Smithson
Director



The notes on pages 15 to 30 form part of these financial statements.

KDC Holdings Limited

Company statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
1 January 2016	100	4,701	(1,685)	3,116
Profit for the year	-	-	399	399
Total comprehensive income for the year	-	-	399	399
Contributions by and distribution to owners				
Shares issued	-	-	-	-
31 December 2016	100	4,701	(1,286)	3,515
	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
1 January 2015	97	4,701	(1,835)	2,963
Profit for the year	-	-	153	153
Total comprehensive income for the year	-	-	153	153
Contributions by and distribution to owners				
Shares issued	3	-	(3)	-
31 December 2015	100	4,701	(1,685)	3,116

The notes on pages 15 to 30 form part of these financial statements.

KDC Holdings Limited

Consolidated cash flow statement for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit /(Loss) for the financial year		403	(56)
Adjustments for:			
Depreciation and amortisation of fixed assets		1,290	1,199
Taxation charge		153	63
Interest payable		180	204
Profit on sale of fixed assets		(16)	(3)
Decrease / (Increase) in trade and other debtors		265	(815)
Decrease in stocks		10	21
Increase in trade and other creditors		155	986
Cash from operations		2,441	1,599
Interest paid		(122)	(136)
Taxation receipt		-	79
Net cash generated from operating activities		2,319	1,542
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		36	166
Purchases of tangible fixed assets		(299)	(1,821)
Finance Lease receipt		216	1,953
Receipt of asset grant		-	60
Net cash from investing activities		(47)	358
Cash flows from financing activities			
Capital element of lease repaid		(757)	(1,114)
Bank loan repayment		(538)	(308)
Bank overdraft repayment		-	(427)
Net cash used in financing activities		(1,295)	(1,849)
Net increase in cash and cash equivalents		977	51
Cash and cash equivalents at beginning of year		52	1
Cash and cash equivalents at end of year		1,029	52
Cash and cash equivalents comprise:			
Cash at bank and in hand		1,029	52
		1,029	52

The notes on pages 15 to 30 form part of these financial statements.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2016

1 Accounting policies

KDC Holdings Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

The directors have concluded that it is appropriate to prepare the financial statements on the going concern basis.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of KDC Holdings Limited and all of its subsidiary undertakings as at 31 December 2016 using the acquisition method of accounting. Results of subsidiary undertakings are included from the date of acquisition.

Revenue

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

Revenue 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 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.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

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 considered to be 20 years. The remaining useful life is 11 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.

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.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

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

The Group enters into basic financial instruments transactions that result in the recognition of financial assets like trade and other accounts receivable and payable and loans from banks and other third parties. 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. Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

1 Accounting policies (continued)

Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- Revaluation reserve relates to changes in the market value of the land
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Revenue recognition*

Revenue is recognised as the stage of completion of contracts with the reference to the proportion of work completed at the year end relative to the total expected work required to complete the contract. This assessment includes assumptions being made as to future costs to be incurred. Actual results may therefore differ to those currently estimated.

3 Revenue

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

	2016 £'000	2015 £'000
United Kingdom	18,610	19,071

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

4 Employees

	2016 Group £'000	2015 Group £'000
Staff costs, including directors, consist of:		
Wages and salaries	5,872	5,686
Social security costs	644	624
Other pension costs	206	159
	<u>6,722</u>	<u>6,469</u>

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

	2016 Group Number	2015 Group Number
Site Management and Operatives	92	83
Administration	26	27
	<u>118</u>	<u>110</u>

5 Directors

The number of directors for whom retirement benefits were accruing at 31 December 2016 under money purchase pension schemes amounted to 2 (2015 - 2).

The total amount payable to the highest paid director in respect of emoluments was £120,794 (2015 - £128,242). Company pension contributions of £ 52,345 (2015 - £42,099) were made to a money purchase scheme on their behalf.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

6 Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets	808	717
Amortisation of intangible fixed assets - goodwill	482	483
Profit on disposal of tangible assets	(16)	(3)
Operating lease rentals - plant and machinery	29	15
Operating lease rentals - land and buildings	195	195
Non recurring costs*	24	7
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	24
- tax services	8	8

* Non recurring costs relate to costs associated with a business strategy review that took place during 2016.

7 Interest payable and similar charges

	2016 £'000	2015 £'000
Bank loans and overdrafts	15	31
Hire purchase	81	81
Other charges	84	92
	180	204

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

8 Taxation on profit from ordinary activities

	2016 £'000	2015 £'000
<i>Current tax</i>		
Tax charge on profit for the year	-	-
Adjustment for prior years	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	153	63
Taxation on profit on ordinary activities	153	63

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

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	556	7
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.2% (2015 - 20.25%)	112	-
Effect of:		
Depreciation in excess of capital allowances	87	51
Adjustment in respect of previous years	1	2
Additional deduction for R&D expenditure	(47)	(114)
Total tax charge for the year	153	63

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

9 Intangible assets

Group	Goodwill £'000
<i>Cost</i>	
At 1 January 2016 and 31 December 2016	9,649
<i>Amortisation</i>	
At 1 January 2016	(3,718)
Provided for in the year (included within admin expenses)	(482)
At 31 December 2016	(4,200)
<i>Net book value</i>	
At 31 December 2016	5,449
At 31 December 2015	5,931

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 2016	1,002	173	5,139	331	6,645
Additions	-	5	256	37	298
Disposals	-	-	(103)	(83)	(186)
Valuation impairment	-	-	-	-	-
At 31 December 2016	1,002	178	5,292	285	6,757
<i>Depreciation</i>					
At 1 January 2016	-	115	2,193	141	2,449
Provided for the year	-	23	711	74	808
Disposals	-	-	(102)	(64)	(166)
At 31 December 2016	-	138	2,802	151	3,091
<i>Net book value</i>					
At 31 December 2016	1,002	40	2,490	134	3,666
At 31 December 2015	1,002	58	2,946	190	4,196

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

10 Tangible assets (continued)

The net book value of land and buildings may be further analysed as follows:

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Freehold	1,002	1,002	-	-
Long leasehold	-	-	-	-
Short leasehold	-	-	-	-
	<u>1,002</u>	<u>1,002</u>	<u>-</u>	<u>-</u>

Finance Leases

The net book value of plant, machinery and vehicles for the group includes an amount of £1,864,009 (2015 - £2,365,171) in respect of assets held under finance leases and hire purchase contracts. The company had no assets held under such leases at either year end.

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

In April 2016 the Company received an offer for 90% of the land that was accepted subject to certain conditions; as at the date of signing the accounts the sale had not completed but the offer received has been used to determine the open market value of the land as detailed above. The net book value on an historical cost basis was £352,098.

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>	1,864	78	1,942
At 31 December 2016	<u>1,864</u>	<u>78</u>	<u>1,942</u>
At 31 December 2015	<u>2,233</u>	<u>132</u>	<u>2,365</u>
<i>Depreciation charge for the year</i>			
31 December 2016	369	20	389
31 December 2015	<u>386</u>	<u>28</u>	<u>414</u>

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

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

11 Fixed asset investments

Company
Group
undertakings
£'000

Cost	
At 31 December 2016	9,690
At 31 December 2015	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.

12 Stocks

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Salvaged equipment for resale	19	-	29	-

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

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (continued)

13 Debtors

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Amounts recoverable on long term contracts	275	-	472	-
Trade debtors	2,314	-	2,347	-
Prepayments	125	4	156	6
Other debtors	-	-	3	3
Corporation tax	-	-	-	-
Deferred tax asset	-	-	52	-
	<u>2,714</u>	<u>4</u>	<u>3,031</u>	<u>9</u>

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

The deferred tax asset is made up as follows:

	2016 £'000	2015 £'000
Unutilised tax losses	-	187
Fixed Asset timing differences	-	(137)
Short term timing differences	-	2
	<u>-</u>	<u>2</u>

14 Creditors: amounts falling due within one year

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Bank loans and overdrafts (secured - see note 16)	-	-	307	307
Trade creditors	1,622	153	2,282	95
Amounts received on account	722	-	505	-
Amounts owed to group undertakings	-	2,296	-	2,229
Other taxation and social security	938	-	681	-
Obligations under finance leases and hire purchase contracts	629	-	682	-
Accruals and deferred income	864	37	477	27
Other creditors	448	-	436	-
	<u>5,223</u>	<u>2,486</u>	<u>5,370</u>	<u>2,658</u>

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

15 Creditors: amounts falling due after more than one year

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Bank loans (secured)	-	-	230	230
Obligations under finance leases	936	-	1,425	-
Loan notes (secured)	3,695	3,695	3,695	3,695
	<u>4,631</u>	<u>3,695</u>	<u>5,350</u>	<u>3,925</u>
Group	Loans and overdrafts	Finance leases	Loan notes	Total
	2016	2016	2016	2016
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	629	-	629
In more than one year but not more than two years	-	543	358	901
In more than two years but not more than five years	-	393	3,337	3,730
In more than five years	-	-	-	-
	<u>-</u>	<u>936</u>	<u>3,695</u>	<u>4,631</u>
	Loans and overdrafts	Finance leases	Loan notes	Total
	2015	2015	2015	2015
	£'000	£'000	£'000	£'000
In one year or less, or on demand	307	682	-	989
In more than one year but not more than two years	230	580	-	810
In more than two years but not more than five years	-	845	716	1,561
In more than five years	-	-	2,979	2,979
	<u>230</u>	<u>1,425</u>	<u>3,695</u>	<u>5,350</u>

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 *(continued)*

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

Company	Loans and overdrafts 2016 £'000	Finance leases 2016 £'000	Loan notes 2016 £'000	Total 2016 £'000
In one year or less, or on demand	-	-	-	-
In more than one year but not more than two years	-	-	358	358
In more than two years but not more than five years	-	-	3,337	3,337
In more than five years	-	-	-	-
	-	-	3,695	3,695
Company	Loans and overdrafts 2015 £'000	Finance leases 2015 £'000	Loan notes 2015 £'000	Total 2015 £'000
In one year or less, or on demand	307	-	-	307
In more than one year but not more than two years	230	-	-	230
In more than two years but not more than five years	-	-	716	716
In more than five years	-	-	2,979	2,979
	230	-	3,695	3,925

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (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 bank debt was repaid early in full in December 2016, as such the Group has no bank debt or associated bank covenants to meet.

In December 2014 the Directors concluded agreement with Barclays and Management to convert 56% of the Loan Note balance at that time into equity. In addition the remaining 44% of Loan notes were restructured so as not to require interest to be paid or accrued from trading going forward.

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 Barclays and Management to the KDC business.

Details of the remaining Loan Notes as 31st December 2016 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.
- £11,827 of loan notes (management loan notes) that are unsecured and repayable only when the ownership of the Group changes.

On 10 May 2017 the Directors concluded agreement with both Barclays and Management to convert to equity or cancel the remaining loan notes. The result of this transaction was to remove all remaining long term debt from the KDC Holdings Limited balance sheet, please see Note 24.

16 Deferred taxation

	Fixed Asset timing differences 2016 £	Fixed Asset timing differences 2015 £
Deferred tax liability	101	-

17 Share capital

	2016 Number	Allotted, called up and fully paid 2016 £'000	2015 Number	2015 £'000
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 B2 shares of £1 each	3,500	3,500	3,500	3,500
Ordinary Z Shares	8	8	8	8
	<u>100,008</u>	<u>100,008</u>	<u>100,008</u>	<u>100,008</u>

The different classes of share carry different priority rights in the event of a sale of the group. The shares rank pari passu in all other respects.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (continued)

18 Commitments under operating leases

As at 31 December 2016, the group were committed to making the following payments under non-cancellable operating leases:

	Group 2016 Land and buildings £000	Group 2016 Other £000	Group 2015 Land and buildings £000	Group 2015 Other £000
Within 1 year	195	44	194	22
2-5 year	164	50	375	36
More than 5 years	-	-	-	-
	<u>359</u>	<u>94</u>	<u>569</u>	<u>58</u>

As at 31 December 2016 the company had no commitments under non-cancellable operating leases.

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 £184,000 (2015 - £159,000).

20 Related party transactions

The group has taken advantage of the exemption confirmed by section 33 of FRS 102 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 2015 loan notes as disclosed in Note 16.

The directors of the company are some of the beneficiaries of the management loan notes as disclosed in Note 16.

There were no other related party transactions during the year.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

21 Transactions with directors

There were no transactions with Directors in 2016 or in 2015.

Key management personnel are considered to be the directors of the group. Their remuneration is included in Note 5.

22 Control

The directors are deemed to be the ultimate controlling party by virtue of their directorship and shareholdings in the year to 31 December 2016.

23 Financial instruments

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and amounts owed by associated undertakings.

Financial liabilities measured at amortised cost comprise convertible loan stock, bank loans and overdrafts, trade creditors, other creditors and accruals.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.

24 Post Balance Sheet Events

On 10 May 2017 the Directors concluded agreement with both Barclays and Management to convert to equity or cancel the remaining loan notes. The result of this transaction was to remove all remaining long term debt from the KDC Holdings Limited balance sheet.

Had the Loan note conversion or cancelation been transacted as at the 31st December 2016 the impact on the both the KDC Holdings Consolidated Group and Company balance sheets is displayed on pages 31 to 33.

KDC Holdings Limited

Consolidated balance sheet as at 31 December 2016
Allowing for post balance sheet debt / equity restructure

<i>Company number 06396708</i>	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets				
Intangible assets		5,449		5,931
Tangible assets		3,666		4,196
		9,115		10,127
Current assets				
Stocks	19		29	
Debtors	2,714		3,031	
Cash at bank and in hand	1,029		52	
	3,762		3,112	
Creditors: amounts falling due within one year	(5,223)		(5,370)	
Net current liabilities		(1,461)		(2,258)
Total assets less current liabilities		7,654		7,869
Creditors: amounts falling due after more than one year		(936)		(5,350)
Deferred tax liability		(101)		-
Net assets		6,617		2,519
Capital and reserves				
Called up share capital		100		100
Share premium		8,284		4,701
Revaluation reserve		706		706
Profit and loss account		(2,473)		(2,988)
Shareholders' funds		6,617		2,519

KDC Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2016 Allowing for post balance sheet debt / equity restructure

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2016	100	4,701	706	(2,988)	2,519
Profit for the year	-	-	-	403	403
Total comprehensive income for the year	-	-	-	403	403
Contributions by and distribution to owners					
Shares issued	-	3,583	-	112	3,695
31 December 2016	100	8,284	706	(2,473)	6,617

KDC Holdings Limited

Consolidated balance sheet as at 31 December 2016
Allowing for post balance sheet debt / equity restructure

<i>Company number 06396708</i>	<i>Note</i>	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Fixed asset investments			9,690		9,690
Current assets					
Debtors	4			9	
Cash at bank and in hand	2			-	
		<u>6</u>		<u>9</u>	
Creditors: amounts falling due within one year		(2,486)		(2,658)	
Net current liabilities			(2,480)		(2,649)
Total assets less current liabilities			<u>7,210</u>		<u>7,041</u>
Creditors: amounts falling due after more than one year			-		(3,925)
Net assets			<u>7,210</u>		<u>3,116</u>
Capital and reserves					
Called up share capital			100		100
Share premium			8,284		4,701
Profit and loss account			(1,174)		(1,685)
Shareholders' funds			<u>7,210</u>		<u>3,116</u>