

KDC Holdings Limited

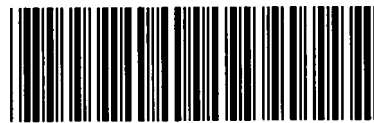
Report and Financial Statements

Year Ended

31 December 2017

Company number 06396708

FRIDAY



A766R0IX

A12

18/05/2018

#318

COMPANIES HOUSE

KDC Holdings Limited

Report and financial statements for the year ended 31 December 2017

Contents

Page:

1	Strategic report
4	Report of the directors
6	Report of the independent auditors
9	Consolidated statement of comprehensive income
10	Consolidated balance sheet
11	Consolidated statement of changes in equity
12	Company balance sheet
13	Company statement of changes in equity
14	Consolidated cash flow statement
15	Notes forming part of the financial statements

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 2017

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2017.

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 Group realised a turnover in 2017 of £16.6m, below that realised in 2016 (£18.6m). The reduced turnover was the result of number of current projects starting later in the year than planned.

The Gross margin returned on 2017 sales was 23%, which was the same as 2016 and in keeping with that returned historically.

Overheads in 2017 were £3.1m, slightly below 2016 (£3.5m), mainly because of increased profit on asset disposals.

The net result of 2017's trading was to produce operating profit before goodwill amortisation of £1.2m (2016 - £1.2m). The directors consider that operating profit before goodwill amortisation, is the principal financial key performance indicator by which performance of the business is monitored.

On 10 May 2017 the Directors concluded an agreement with both Barclays and Management to convert £3,583k of the loan notes to equity with the remaining £112k being cancelled and written off. The result of this transaction was to remove all remaining long term debt from the KDC Holdings Limited balance sheet; the company having repaid a Bank term loan in December 2016.

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.

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 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 2017 (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.

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

	Cash and cash equivalents £'000	Borrowings £'000	Total £'000
At 1 January 2016	1,029	(5,260)	(4,231)
Cash flow	2,543	633	3,176
Other movements	-	3,671	3,671
At 31 December 2017	3,572	(956)	2,616
<i>Comprising:</i>		2017 £'000	2016 £'000
Balance sheet cash and cash equivalents		3,572	1,029
Bank overdrafts		-	-
		3,572	1,029
Cash flow statements cash and cash equivalents			
Other current assets / (liabilities)		(551)	(629)
Non-current liabilities due to bank and asset finance lenders		(405)	(936)
Non-current liabilities due to shareholders		-	(3,695)
Total		2,616	(4,231)

KDC Holdings Limited

Strategic report for the year ended 31 December 2017 (continued)

Key performance indicators

	2017	2016
Turnover from continuing operations (£m)	16.6	18.6
<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 (%)	23.1	22.6
Gross margin from continuing operations (£m)	3.8	4.2
<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	1.2	1.2
<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 10.5.2018



G Gurney

Director

KDC Holdings Limited

Report of the directors for the year ended 31 December 2017

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

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 (2016 - £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 2017 *(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

10th May 2018

KDC Holdings Limited

Independent auditor's report

Opinion

We have audited the financial statements of KDC Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement 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 Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit and the Parent Company'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.

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 Group and the Parent 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 Group or the Parent 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 information included in the report and financial statements, other than the financial statements and our auditor's report thereon. 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.

KDC Holdings Limited

Independent auditor's report

We have nothing to report in this regard.

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 period 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 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 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 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; or

Responsibilities of Directors

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, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

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.

KDC Holdings Limited

Independent auditor's report

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.



Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester

Date 10.5.2018.

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 2017

	Note	2017 £'000	2016 £'000
Revenue	3	16,605	18,610
Cost of sales		(12,766)	(14,400)
Gross profit		3,839	4,210
Administrative expenses		(3,109)	(3,474)
Group operating profit	6	730	736
Interest payable and similar charges	7	(135)	(180)
Profit on ordinary activities before taxation		595	556
Taxation on profit from ordinary activities	8	(172)	(153)
Profit on ordinary activities after taxation		423	403
Other comprehensive income		-	-
Total comprehensive profit for the year		423	403

All amounts relate to continuing activities in the year.

The notes on pages 15 to 29 form part of these financial statements.

KDC Holdings Limited

Consolidated balance sheet as at 31 December 2017

<i>Company number 06396708</i>	<i>Note</i>	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Intangible assets	9		4,966		5,449
Tangible assets	10		2,022		3,666
			6,988		9,115
Current assets					
Stocks	12	68		19	
Debtors	13	3,169		2,714	
Cash at bank and in hand		3,572		1,029	
		6,809		3,762	
Creditors: amounts falling due within one year	14	(6,466)		(5,223)	
Net current liabilities			343		(1,461)
Total assets less current liabilities			7,331		7,654
Creditors: amounts falling due after more than one year	15		(405)		(4,631)
Deferred tax liability	16		(74)		(101)
Net assets			6,852		2,922
Capital and reserves					
Called up share capital	17		100		100
Share premium			8,208		4,701
Revaluation reserve			-		706
Profit and loss account			(1,456)		(2,585)
Shareholders' funds			6,852		2,922

The financial statements were approved by the board of directors and authorised for issue on 10.5.2018

Ian Smithson
Director



The notes on pages 15 to 29 form part of these financial statements.

KDC Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2017	100	4,701	706	(2,585)	2,922
Profit for the year	-	-	-	423	423
Reserves Transfer			(706)	706	-
Total comprehensive income for the year	-	-	(706)	1,129	423
Contributions by and distribution to owners					
Shares issued		3,507	-	-	3,507
31 December 2017	100	8,208	-	(1,456)	6,852
	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

The notes on pages 15 to 29 form part of these financial statements.

KDC Holdings Limited

Company balance sheet as at 31 December 2017

<i>Company number 06396708</i>	<i>Note</i>	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Fixed asset investments	11		9,690		9,690
Current assets					
Debtors	13	894		4	
Cash at bank and in hand		3		2	
		<u>897</u>		<u>6</u>	
Creditors: amounts falling due within one year	14	(2,125)		(2,486)	
Net current liabilities			(1,228)		(2,480)
Total assets less current liabilities			<u>8,462</u>		<u>7,210</u>
Creditors: amounts falling due after more than one year	15		-		(3,695)
Net assets			<u>8,462</u>		<u>3,515</u>
Capital and reserves					
Called up share capital	17		100		100
Share premium			8,208		4,701
Profit and loss account			154		(1,286)
Shareholders' funds			<u>8,462</u>		<u>3,515</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 £1,440,000 (2016 - £399,000).

The financial statements were approved by the board of directors and authorised for issue on. 10.5.2018

Ian Smithson
Director



The notes on pages 15 to 29 form part of these financial statements.

KDC Holdings Limited

Company statement of changes in equity for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
1 January 2017	100	4,701	(1,286)	3,515
Profit for the year			1,440	1,440
Total comprehensive income for the year	-	-	1,440	1,440
Contributions by and distribution to owners				
Shares issued	-	3,507	-	3,507
31 December 2017	100	8,208	154	8,462
	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

The notes on pages 15 to 29 form part of these financial statements.

KDC Holdings Limited

Consolidated cash flow statement for the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit for the financial year	423	403
Adjustments for:		
Depreciation and amortisation of fixed assets	1,221	1,290
Taxation charge	172	153
Interest payable	135	180
Profit on sale of fixed assets	(284)	(16)
Loan note write off	(188)	-
(Increase) / Decrease in trade and other debtors	(456)	265
(Increase) / Decrease in stocks	(48)	10
Increase/ (Decrease) in trade and other creditors	(192)	155
Cash from operations	783	2,441
Interest paid	(75)	(122)
Net cash generated from operating activities	708	2,319
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	2,594	36
Purchases of tangible fixed assets	(150)	(299)
Finance Lease receipt	24	216
Net cash from investing activities	2,468	(47)
Cash flows from financing activities		
Capital element of lease repaid	(633)	(757)
Bank loan repayment	-	(538)
Net cash used in financing activities	(633)	(1,295)
Net increase in cash and cash equivalents	2,543	977
Cash and cash equivalents at beginning of year	1,029	52
Cash and cash equivalents at end of year	3,572	1,029
Cash and cash equivalents comprise:		
Cash at bank and in hand	3,572	1,029
	3,572	1,029

The notes on pages 15 to 29 form part of these financial statements.

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2017

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 2017 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 2017 (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 2017 (*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 2017 (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:

	2017 £'000	2016 £'000
United Kingdom	16,605	18,610

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

4 Employees

	2017 Group £'000	2016 Group £'000
Staff costs, including directors, consist of:		
Wages and salaries	5,814	5,872
Social security costs	650	644
Other pension costs	225	206
	<u>6,689</u>	<u>6,722</u>

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

	2017 Group Number	2016 Group Number
Site Management and Operatives	87	92
Administration	26	26
	<u>113</u>	<u>118</u>

5 Directors

The number of directors for whom retirement benefits were accruing at 31 December 2017 under money purchase pension schemes amounted to 2 (2016 - 2).

The total amount payable to the highest paid director in respect of emoluments was £138,132 (2016 - £120,794). Company pension contributions of £47,803 (2016 - £52,345) 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 2017 (continued)

6 Operating profit

	2017 £'000	2016 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	738	808
Amortisation of intangible fixed assets - goodwill	483	482
Profit on disposal of tangible assets	(284)	(16)
Operating lease rentals - plant and machinery	92	29
Operating lease rentals - land and buildings	195	195
Non recurring costs:		
- Profit on cancelling Management Loan Notes	(112)	-
- Costs associated with tax advice and business strategy review	112	24
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

7 Interest payable and similar charges

	2017 £'000	2016 £'000
Bank loans and overdrafts	-	15
Hire purchase	68	81
Other charges	67	84
	135	180

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

8 Taxation on profit from ordinary activities

	2017 £'000	2016 £'000
<i>Current tax</i>		
Tax charge on profit for the year	199	-
Adjustment for prior years	-	-
Total current tax	199	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(27)	153
Taxation on profit on ordinary activities	172	153

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

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	595	556
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	115	112
Effect of:		
Adjustment in respect of previous years	-	1
Additional deduction for R&D expenditure	(53)	(47)
Capital gains / (losses)	183	-
Other short term timing differences	(73)	87
Total tax charge for the year	172	153

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015-16 on 26 October 2015, reducing the effective tax rate from 20% to 19% from April 2017, with a further reduction to 18% from April 2020. On 15 September 2016 the Government announced a further reduction to 17% for the tax year beginning in April 2020. Deferred taxes at the Balance Sheet date have been measured using these enacted tax rates and reflected in these financial statements.

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

9 Intangible assets

Group	Goodwill £'000
<i>Cost</i>	
At 1 January 2017 and 31 December 2017	9,649
<i>Amortisation</i>	
At 1 January 2017	4,200
Provided for in the year (included within admin expenses)	483
At 31 December 2017	4,683
<i>Net book value</i>	
At 31 December 2017	4,966
At 31 December 2016	5,449

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 2017	1,002	178	5,292	285	6,757
Additions	-	6	144	-	150
Disposals	(1,002)	-	(396)	(188)	(1,586)
At 31 December 2017	-	184	5,040	97	5,321
<i>Depreciation</i>					
At 1 January 2017	-	138	2,802	151	3,091
Provided for the year	-	23	676	39	738
Disposals	-	-	(380)	(150)	(530)
At 31 December 2017	-	161	3,098	40	3,299
<i>Net book value</i>					
At 31 December 2017	-	23	1,942	57	2,022
At 31 December 2016	1,002	40	2,490	134	3,666

KDC Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

10 Tangible assets (continued)

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

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Freehold	-	1,002	-	-
Long leasehold	-	-	-	-
Short leasehold	-	-	-	-
	<u>-</u>	<u>1,002</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>1,002</u>	<u>-</u>	<u>-</u>

During 2017 the Company, through its subsidiary Recycled Assets Trading Limited, sold the land it owned for the open market value of the land as declared for 2016. The net book value on an historical cost basis was £352,000.

Finance leases

The net book value of plant, machinery and vehicles for the group includes an amount of £1,258,000 (2016 - £1,942,000) 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.

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 2017	<u>1,018</u>	<u>238</u>	<u>1,257</u>
At 31 December 2016	<u>1,864</u>	<u>78</u>	<u>1,942</u>
<i>Depreciation charge for the year</i>			
31 December 2017	<u>303</u>	<u>85</u>	<u>388</u>
31 December 2016	<u>369</u>	<u>20</u>	<u>389</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 2017 (continued)

11 Fixed asset investments

Company
Group
undertakings
£'000

Cost	
At 31 December 2017	9,690
At 31 December 2016	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.

Both KDC Contractors Limited and Recycled Assets Trading Limited have their registered office at 1 Robeson Way, Sharston Green Business Park, Manchester, M22 4SW.

The registered office for K-Land Solutions Limited is 6 Earls Court, Earls Gate Business Park, Grangemouth, FK3 8ZE

12 Stocks

	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Salvaged equipment for resale	67	-	19	-

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 2017 (continued)

13 Debtors

	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Amounts recoverable on long term contracts	738	-	275	-
Trade debtors	2,329	-	2,314	-
Prepayments	96	4	125	4
Other debtors	6	890	-	-
	<u>3,169</u>	<u>894</u>	<u>2,714</u>	<u>4</u>

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

14 Creditors: amounts falling due within one year

	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Trade creditors	2,472	310	1,622	153
Amounts received on account	172	-	722	-
Amounts owed to group undertakings	-	1,806	-	2,296
Corporation Tax	198	-	-	-
Other taxation and social security	1,095	-	938	-
Obligations under finance leases and hire purchase contracts	551	-	629	-
Accruals and deferred income	435	9	864	37
Other creditors	1,543	-	448	-
	<u>6,466</u>	<u>2,125</u>	<u>5,223</u>	<u>2,486</u>

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

15 Creditors: amounts falling due after more than one year

	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Obligations under finance leases	405	-	936	-
Loan notes (secured)	-	-	3,695	3,695
	<u>405</u>	<u>-</u>	<u>4,631</u>	<u>3,695</u>
Group	Loans and overdrafts 2017 £'000	Finance leases 2017 £'000	Loan notes 2017 £'000	Total 2017 £'000
In one year or less, or on demand	-	551	-	551
In more than one year but not more than two years	-	277	-	277
In more than two years but not more than five years	-	128	-	128
In more than five years	-	-	-	-
	<u>-</u>	<u>405</u>	<u>-</u>	<u>-</u>
	Loans and overdrafts 2016 £'000	Finance leases 2016 £'000	Loan notes 2016 £'000	Total 2016 £'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>

**Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)**

[illegible]

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.

KDC Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

16 Deferred taxation

	Fixed Asset timing differences 2017 £	Fixed Asset timing differences 2016 £
Deferred tax liability	74	101

17 Share capital

	2017 Number	Allotted, called up and fully paid 2017 £'000	2016 Number	2016 £'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 D shares of £1 each	41	41	-	-
Ordinary E shares of £1 each	59	59	-	-
Ordinary Z shares of £1 each	8	8	8	8
	100,108	100,108	100,008	100,008

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.

18 Commitments under operating leases

As at 31 December 2017, the group were committed to making the following payments under non-cancellable operating leases:

	Group 2017 Land and buildings £000	Group 2017 Other £000	Group 2016 Land and buildings £000	Group 2016 Other £000
Within 1 year	164	91	195	44
2-5 year	-	61	164	50
More than 5 years	-	-	-	-
	164	152	359	94

As at 31 December 2017 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 2017 (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 £207,000 (2016 - £184,000).

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.

There were no other related party transactions during the year.

21 Transactions with directors

There were no transactions with Directors in 2017 or in 2016.

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 2017.

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.

	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Financial Assets				
Financial assets measured at amortised cost	6,645	893	3,618	2
Financial liabilities				
Financial liabilities measured at amortised cost	4,622	2,125	7,351	6,181