

HSB Holdings Limited
Financial Statements
30 November 2016



FOURM LIMITED
Chartered Accountants & Statutory Auditor
Stannergate House
41 Dundee Road West
Broughty Ferry
Dundee
DD5 1NB

HSB Holdings Limited
Financial Statements
Year ended 30 November 2016

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HSB Holdings Limited
Officers and Professional Advisers

The board of directors	Gary D Campbell Gregor A Robb Martin Leiper
Company secretary	Gregor A Robb
Registered office	Bourtree House Minto Drive Altens Industrial Estate Aberdeen AB12 3LW
Auditor	FourM Limited Chartered Accountants & Statutory Auditor Stannergate House 41 Dundee Road West Broughty Ferry Dundee DD5 1NB
Bankers	The Royal Bank of Scotland plc 78 Union Street Aberdeen AB10 1HH
Solicitors	Maclay Murray & Spens LLP 66 Queen's Road Aberdeen AB15 4YE

HSB Holdings Limited

Strategic Report

Year ended 30 November 2016

Principal activities and review of the business

The principal activity of the company is that of a holding company providing management services to its subsidiary Hutcheon Services Limited. The principal activities of the subsidiary company are that of general electrical, mechanical and plumbing contractors and sheet metal fabricators.

The directors of the company are satisfied with the group results for the year given that they represent another year of profitability during a period of continuing economic difficulties facing the construction industry. This has been achieved focusing upon operational efficiencies. The directors expect that 2017 will be another year in which the group will be faced with difficult economic conditions but they are confident that the group is well placed to meet the challenges and will continue to trade profitably.

Principal risks and uncertainties

Market and economic risk

The majority of the group's trade occurs locally in the UK. As a result the group has limited exposure to exchange rate and associated risks.

Economic Factors affecting the Industry

The construction industry has been subject to the same economic factors as the rest of the UK economy. However the dramatic fall in the price of crude oil has had a significant effect on the economy in the North East of Scotland. As a result there has been a decline in new capital expenditure projects which has resulted in a contraction in the local economy across all sectors of business. The downturn is projected to continue during 2017 and will have a negative impact on the trading results of the group for these years.

Funding and Liquidity Risk

The group is not affected by any funding or liquidity risks.

Financial Risk

The principal financial assets are cash balances and trade receivables. Our customers are subject to credit checks and credit limits. The trade debtors figure is stated net of any bad debt provision, which provision we do not consider to be material. The group strives to ensure that it maintains a broad client base and undertakes a diverse range of commercial, industrial and private sector works. In addition, the fact that the group provides a multi-service facility ensures that it is less exposed to fluctuations in one specific market area.

Results for the year

Sales for the year have increased from the 2015 levels to around £16.1M and the group has continued to perform profitably during 2016 which is in line with previous years. The group has achieved continued profitability through a combination of efficiencies in its tendering, buying and operational processes as well as reducing its administrative overheads.

Development and performance of the group's business over the year

The group continued with its principal activities based around the construction industry. However, the directors are aware that the group needs to continually review its core business activities and to invest in training to ensure that its services meet the ever-changing requirements of the market place in which it operates.

Position at the year end

The group performed well in the year, maintaining profitability and increasing its level of turnover.

Key performance indicators

The group used a number of appropriate key performance measures to monitor the performance of the business during the year to 30 November 2016. The directors review management accounts for all of the operating divisions each month with particular reference to turnover and project profitability. These results are reviewed in conjunction with projections of future works accepted for and those as yet to be awarded.

Future developments

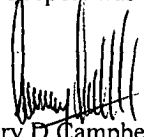
The group intends to continue to focus on its core activities in the construction industry and does not envisage any significant changes to the operations of the group over the next 12 months.

HSB Holdings Limited

Strategic Report *(continued)*

Year ended 30 November 2016

This report was approved by the board of directors on 19 May 2017 and signed on behalf of the board by:



Gary D Campbell
Director

Registered office:
Bourtree House
Minto Drive
Altens Industrial Estate
Aberdeen
AB12 3LW

HSB Holdings Limited
Directors' Report
Year ended 30 November 2016

The directors present their report and the financial statements of the group for the year ended 30 November 2016.

Directors

The directors who served the company during the year were as follows:

Gary D Campbell
Gregor A Robb
Martin Leiper

Dividends

Particulars of dividends paid and proposed are detailed in note 13 to the financial statements.

Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006, the company has set out its strategic report at page two of these accounts.

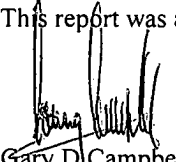
Auditor

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

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 19 May 2017 and signed on behalf of the board by:



Gary D Campbell
Director

Registered office:
Bourtree House
Minto Drive
Altens Industrial Estate
Aberdeen
AB12 3LW

HSB Holdings Limited
Directors' Responsibilities Statement
Year ended 30 November 2016

The directors are responsible for preparing the strategic report, 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 group and the company and the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

HSB Holdings Limited

Independent Auditor's Report to the Members of HSB Holdings Limited

Year ended 30 November 2016

We have audited the financial statements of HSB Holdings Limited for the year ended 30 November 2016, on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 30 November 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

HSB Holdings Limited

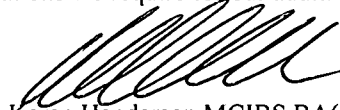
Independent Auditor's Report to the Members of HSB Holdings Limited *(continued)*

Year ended 30 November 2016

Matters on which we are required to report by exception

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

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



Karen Henderson MCIBS BA(Hons) CA (Senior Statutory Auditor)

For and on behalf of
FourM Limited
Chartered Accountants & Statutory Auditor

Stannergate House
41 Dundee Road West
Broughty Ferry
Dundee
DD5 1NB

19 May 2017

HSB Holdings Limited
Consolidated Statement of Comprehensive Income
Year ended 30 November 2016

		2016	2015
	Note	£	£
Turnover	4	16,178,334	14,303,305
Cost of sales		(13,913,735)	(11,692,997)
Gross profit		<u>2,264,599</u>	<u>2,610,308</u>
Administrative expenses		(1,881,642)	(1,744,720)
Other operating income	5	<u>220,773</u>	<u>213,759</u>
Operating profit	6	<u>603,730</u>	<u>1,079,347</u>
Other interest receivable and similar income	10	6,959	5,136
Interest payable and similar charges	11	<u>(20,793)</u>	<u>(23,846)</u>
Profit on ordinary activities before taxation		<u>589,896</u>	<u>1,060,637</u>
Tax on profit on ordinary activities	12	<u>1,554</u>	<u>(230,082)</u>
Profit for the financial year and total comprehensive income		<u><u>591,450</u></u>	<u><u>830,555</u></u>
Profit for the financial year attributable to:			
The owners of the parent company		568,079	812,443
Minority interests		<u>23,371</u>	<u>18,112</u>
		<u><u>591,450</u></u>	<u><u>830,555</u></u>

All the activities of the group are from continuing operations.

The notes on pages 15 to 27 form part of these financial statements.

HSB Holdings Limited
Consolidated Statement of Financial Position
30 November 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	15	409,495	526,495
Tangible assets	16	2,682,322	2,657,915
Investments	17	100,000	–
		<u>3,191,817</u>	<u>3,184,410</u>
Current assets			
Stocks	18	1,247,906	544,456
Debtors	19	1,159,748	1,266,154
Cash at bank and in hand		2,180,051	2,237,961
		<u>4,587,705</u>	<u>4,048,571</u>
Creditors: amounts falling due within one year	20	<u>3,944,002</u>	<u>3,532,559</u>
Net current assets		<u>643,703</u>	<u>516,012</u>
Total assets less current liabilities		<u>3,835,520</u>	<u>3,700,422</u>
Creditors: amounts falling due after more than one year	21	580,786	661,342
Provisions			
Taxation including deferred tax	23	71,398	76,603
Net assets		<u><u>3,183,336</u></u>	<u><u>2,962,477</u></u>
Capital and reserves			
Called up share capital	26	15,375	16,366
Share premium account	27	380,255	380,255
Capital redemption reserve	27	4,625	3,634
Profit and loss account	27	2,542,127	2,344,639
Equity attributable to the owners of the parent company		<u>2,942,382</u>	<u>2,744,894</u>
Minority interests		<u>240,954</u>	<u>217,583</u>
		<u><u>3,183,336</u></u>	<u><u>2,962,477</u></u>

These financial statements were approved by the board of directors and authorised for issue on 19 May 2017, and are signed on behalf of the board by:



Gregor A Robb
Director

Company registration number: SC260511

The notes on pages 15 to 27 form part of these financial statements.

HSB Holdings Limited
Company Statement of Financial Position
30 November 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	16	2,043,286	2,035,847
Investments	17	2,103,820	2,103,820
		<u>4,147,106</u>	<u>4,139,667</u>
Current assets			
Cash at bank and in hand		596,424	502,228
Creditors: amounts falling due within one year	20	<u>2,901,990</u>	<u>2,800,021</u>
Net current liabilities		<u>2,305,566</u>	<u>2,297,793</u>
Total assets less current liabilities		<u>1,841,540</u>	<u>1,841,874</u>
Creditors: amounts falling due after more than one year	21	527,594	631,235
Provisions			
Taxation including deferred tax	23	(3,125)	(2,277)
Net assets		<u>1,317,071</u>	<u>1,212,916</u>
Capital and reserves			
Called up share capital	26	15,375	16,366
Share premium account	27	380,255	380,255
Capital redemption reserve	27	4,625	3,634
Profit and loss account	27	916,816	812,661
Members funds		<u>1,317,071</u>	<u>1,212,916</u>

These financial statements were approved by the board of directors and authorised for issue on 19 May 2017, and are signed on behalf of the board by:



Gregor A Robb
Director

Company registration number: SC260511

The notes on pages 15 to 27 form part of these financial statements.

HSB Holdings Limited
Consolidated Statement of Changes in Equity
Year ended 30 November 2016

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Equity attributable to the owners of the parent company £	Minority interests £	Total £
At 1 December 2014	17,357	380,255	2,643	2,002,787	2,403,042	199,471	2,602,513
Profit for the year	—	—	—	812,443	812,443	18,112	830,555
Total comprehensive income for the year	—	—	—	812,443	812,443	18,112	830,555
Dividends paid and payable	14	—	—	(350,000)	(350,000)	—	(350,000)
Cancellation of subscribed capital	(991)	—	991	(120,591)	(120,591)	—	(120,591)
Total investments by and distributions to owners	(991)	—	991	(470,591)	(470,591)	—	(470,591)
At 30 November 2015	16,366	380,255	3,634	2,344,639	2,744,894	217,583	2,962,477
Profit for the year	—	—	—	568,079	568,079	23,371	591,450
Total comprehensive income for the year	—	—	—	568,079	568,079	23,371	591,450

The consolidated statement of changes in equity
continues on the following page.

The notes on pages 15 to 27 form part of these financial statements.

HSB Holdings Limited
Consolidated Statement of Changes in Equity *(continued)*
Year ended 30 November 2016

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Equity attributable to the owners of the parent company £	Minority interests £	Total £
14							
Dividends paid and payable	—	—	—	(250,000)	(250,000)	—	(250,000)
Cancellation of subscribed capital	(991)	—	991	(120,591)	(120,591)	—	(120,591)
Total investments by and distributions to owners	(991)	—	991	(370,591)	(370,591)	—	(370,591)
At 30 November 2016	<u>15,375</u>	<u>380,255</u>	<u>4,625</u>	<u>2,542,127</u>	<u>2,942,382</u>	<u>240,954</u>	<u>3,183,336</u>

The notes on pages 15 to 27 form part of these financial statements.

HSB Holdings Limited
Company Statement of Changes in Equity
Year ended 30 November 2016

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 December 2014	17,357	380,255	2,643	575,316	975,571
Profit for the year	—	—	—	672,937	672,937
Total comprehensive income for the year	—	—	—	672,937	672,937
Dividends paid and payable 14	—	—	—	(315,000)	(315,000)
Cancellation of subscribed capital	(991)	—	991	(120,592)	(120,592)
Total investments by and distributions to owners	(991)	—	991	(435,592)	(435,592)
At 30 November 2015	16,366	380,255	3,634	812,661	1,212,916
Profit for the year	—	—	—	449,746	449,746
Total comprehensive income for the year	—	—	—	449,746	449,746
Dividends paid and payable 14	—	—	—	(225,000)	(225,000)
Cancellation of subscribed capital	(991)	—	991	(120,591)	(120,591)
Total investments by and distributions to owners	(991)	—	991	(345,591)	(345,591)
At 30 November 2016	15,375	380,255	4,625	916,816	1,317,071

The notes on pages 15 to 27 form part of these financial statements.

HSB Holdings Limited
Consolidated Statement of Cash Flows
Year ended 30 November 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	591,450	830,555
<i>Adjustments for:</i>		
Depreciation of tangible assets	166,266	170,074
Amortisation of intangible assets	117,000	58,500
Other interest receivable and similar income	(6,959)	(5,136)
Interest payable and similar charges	20,793	23,846
Gains on disposal of tangible assets	(4,336)	(4,937)
Tax on profit on ordinary activities	(1,554)	230,082
Accrued income	(159,350)	(20,060)
<i>Changes in:</i>		
Stocks	(703,450)	197,454
Trade and other debtors	106,406	402,688
Trade and other creditors	817,569	(194,779)
Cash generated from operations	943,835	1,688,287
Interest paid	(20,793)	(23,846)
Interest received	6,959	5,136
Tax paid	(238,198)	(200,681)
Net cash from operating activities	<u>691,803</u>	<u>1,468,896</u>
Cash flows from investing activities		
Purchase of tangible assets	(229,736)	(170,999)
Proceeds from sale of tangible assets	43,399	60,450
Purchases of other investments	(100,000)	–
Net cash used in investing activities	<u>(286,337)</u>	<u>(110,549)</u>
Cash flows from financing activities		
Purchase of own shares	(120,591)	(120,591)
Proceeds from borrowings	(107,683)	(206,102)
Payments of finance lease liabilities	14,898	(93,432)
Dividends paid	(250,000)	(350,000)
Net cash used in financing activities	<u>(463,376)</u>	<u>(770,125)</u>
Net (decrease)/increase in cash and cash equivalents	(57,910)	588,222
Cash and cash equivalents at beginning of year	<u>2,237,961</u>	<u>1,649,739</u>
Cash and cash equivalents at end of year	<u>2,180,051</u>	<u>2,237,961</u>

The notes on pages 15 to 27 form part of these financial statements.

HSB Holdings Limited
Notes to the Financial Statements
Year ended 30 November 2016

1. General information

The company is a private company limited by shares, registered in Scotland. The address of the registered office is Bourtrees House, Minto Drive, Altens Industrial Estate, Aberdeen, AB12 3LW.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The directors confirm that, after making appropriate enquiries, they have reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these Financial Statements.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 December 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 31.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Goodwill on consolidation is capitalised and written off over 10 years from the date of acquisition. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Minority interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2016

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

The turnover shown in the statement of comprehensive income represents the value of work done, including estimates of amounts not invoiced, based on the stage of completion of services provided during the year, exclusive of Value Added Tax.

Corporation tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - 10 years Straight line

Under FRS102, goodwill is required to be written off over 10 years as a maximum. The group has taken the exemption under paragraph 35.10 not to restate comparatives, but has charged amortisation of 10% of the original cost of the goodwill in the current year.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2016

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	- 2% straight line
Plant and machinery	- 15% reducing balance
Fixtures and fittings	- between 15% - 20% reducing balance
Motor vehicles	- 25% reducing balance

Investment property

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure.

Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property, it shall be transferred to tangible assets and treated as such until it is expected that fair value will be reliably measurable on an on-going basis.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity, less amounts invoiced to account. Provision is made for any foreseeable losses where appropriate.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2016

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset held as an equity instrument is recognised initially at the transaction price (including transaction costs).

At the end of each reporting period, unlisted equity investments are recorded at fair value, where appropriate, or at cost less impairment if their fair value cannot be reliably measured. Objective evidence of the impairment of financial assets is assessed at each period end and any impairment loss recognised in the profit or loss immediately. Impairment loss is calculated as the difference between the carrying amount of the instrument and the best estimate of the cash flows expected to be derived from the asset (including sales proceeds if sold) at the balance sheet date.

Investment income is recognised in the financial statements when the company becomes entitled to its share of profits from the financial instrument.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2016	2015
	£	£
Construction services	16,178,334	14,303,305

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2016

5. Other operating income

	2016 £	2015 £
Commission receivable	220,773	213,759

6. Operating profit

Operating profit or loss is stated after charging:

	2016 £	2015 £
Amortisation of intangible assets	117,000	58,500
Depreciation of tangible assets	166,266	170,074
Gains on disposal of tangible assets	(4,336)	(4,937)
Impairment of trade debtors	12,141	(33,055)
Operating lease expense	12,077	12,077

7. Auditor's remuneration

	2016 £	2015 £
Fees payable for the audit of the financial statements	17,200	14,600
Fees payable to the company's auditor and its associates for other services: Audit-related assurance services	1,800	1,800

8. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2016 No.	2015 No.
Production staff	159	156
Administrative staff	11	11
Management staff	6	6
	176	173

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016 £	2015 £
Wages and salaries	6,694,793	5,727,149
Social security costs	559,806	541,980
Other pension costs	162,202	214,055
	7,416,801	6,483,184

9. Directors' remuneration

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

	2016 £	2015 £
Remuneration	446,419	392,358
Company contributions to defined contribution pension plans	61,839	112,624
	508,258	504,982

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2016

9. Directors' remuneration *(continued)*

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

	2016	2015
	No.	No.
Defined contribution plans	<u>5</u>	<u>5</u>

Remuneration of the highest paid director in respect of qualifying services:

	2016	2015
	£	£
Aggregate remuneration	103,245	87,658
Company contributions to defined contribution pension plans	<u>13,821</u>	<u>41,418</u>
	<u>117,066</u>	<u>129,076</u>

10. Other interest receivable and similar income

	2016	2015
	£	£
Interest on cash and cash equivalents	<u>6,959</u>	<u>5,136</u>

11. Interest payable and similar charges

	2016	2015
	£	£
Interest on banks loans and overdrafts	9,792	13,377
Interest on obligations under finance leases and hire purchase contracts	<u>11,001</u>	<u>10,469</u>
	<u>20,793</u>	<u>23,846</u>

12. Tax on profit on ordinary activities

Major components of tax (income)/expense

	2016	2015
	£	£
Current tax:		
UK current tax expense	3,651	241,479
Deferred tax:		
Origination and reversal of timing differences	<u>(5,205)</u>	<u>(11,397)</u>
Tax on profit on ordinary activities	<u>(1,554)</u>	<u>230,082</u>

HSB Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 November 2016

12. Tax on profit on ordinary activities *(continued)*

Reconciliation of tax (income)/expense

The tax assessed on the profit on ordinary activities for the year is lower than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20%).

	2016 £	2015 £
Profit on ordinary activities before taxation	589,896	1,060,637
Profit on ordinary activities by rate of tax	117,979	212,128
Effect of expenses not deductible for tax purposes	12,428	4,738
Effect of capital allowances and depreciation	(15,361)	(2,167)
Effect of different UK tax rates on some earnings	–	(258)
Tax chargeable at higher rates	–	3,941
Utilisation of tax losses from fixed asset investment	(140,000)	–
Amortisation of goodwill	23,400	11,700
Tax on profit on ordinary activities	(1,554)	230,082

13. Profit for the year of the parent company

The profit for the financial year of the parent company was £449,746 (2015: £672,937).

14. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2016 £	2015 £
Equity dividends on ordinary shares	250,000	350,000

15. Intangible assets

Group	Goodwill on consolidation £
Cost	
At 1 Dec 2015 and 30 Nov 2016	1,169,994
Amortisation	
At 1 December 2015	643,499
Charge for the year	117,000
At 30 November 2016	760,499
Carrying amount	
At 30 November 2016	409,495
At 30 November 2015	526,495

The company has no intangible assets.

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2016

16. Tangible assets

Group	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 December 2015	1,977,887	384,022	826,225	801,711	3,989,845
Additions	–	14,884	8,659	206,193	229,736
Disposals	–	–	–	(153,582)	(153,582)
At 30 November 2016	1,977,887	398,906	834,884	854,322	4,065,999
Depreciation					
At 1 December 2015	10,962	266,860	706,250	347,858	1,331,930
Charge for the year	1,827	17,316	18,444	128,679	166,266
Disposals	–	–	–	(114,519)	(114,519)
At 30 November 2016	12,789	284,176	724,694	362,018	1,383,677
Carrying amount					
At 30 November 2016	1,965,098	114,730	110,190	492,304	2,682,322
At 30 November 2015	1,966,925	117,162	119,975	453,853	2,657,915
Company			Freehold property £	Motor vehicles £	Total £
Cost					
At 1 December 2015			1,977,887	91,914	2,069,801
Additions			–	36,779	36,779
Disposals			–	(28,242)	(28,242)
At 30 November 2016			1,977,887	100,451	2,078,338
Depreciation					
At 1 December 2015			10,962	22,992	33,954
Charge for the year			1,827	18,277	20,104
Disposals			–	(19,006)	(19,006)
At 30 November 2016			12,789	22,263	35,052
Carrying amount					
At 30 November 2016			1,965,098	78,188	2,043,286
At 30 November 2015			1,966,925	68,922	2,035,847

Included within the above is investment property as follows:

	Group £	Company £
At 1 December 2015 and 30 November 2016	–	1,886,532
At 1 December 2015	–	1,886,532

The company's Investment property are held at cost less expenses of purchase. The directors do not believe that any valuation would be materially different at 30 November 2016.

HSB Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 November 2016

16. Tangible assets *(continued)*

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

Group	Motor vehicles £
At 30 November 2016	388,830
At 30 November 2015	352,487
Company	Motor vehicles £
At 30 November 2016	57,061
At 30 November 2015	40,753

17. Investments

Group	Equity instruments £
Cost	
Additions	100,000
At 30 November 2016	100,000
Impairment	
At 1 Dec 2015 and 30 Nov 2016	—
Carrying amount	
At 30 November 2016	100,000
At 30 November 2015	—
Company	Shares in group undertakings £
Cost	
At 1 December 2015	2,103,820
At 30 November 2016	2,103,820
Impairment	
At 1 Dec 2015 and 30 Nov 2016	—
Carrying amount	
At 30 November 2016	2,103,820
At 30 November 2015	2,103,820

HSB Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 November 2016

17. Investments *(continued)*

The company owns 100% of the issued ordinary share capital of Bourtree Investments Limited and 90% of the issued ordinary share capital of Hutcheon Services Limited. Both companies are registered in Scotland.

Aggregate capital and reserves	2016 £	2015 £
Bourtree Investments Limited	1,151,055	1,151,055
Hutcheon Services Limited	2,409,535	2,175,830
Profit for the year		
Bourtree Investments Limited	-	-
Hutcheon Services Limited	483,705	531,119

All the above subsidiaries are included in the consolidation.

18. Stocks

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Raw materials	23,626	17,202	-	-
Work in progress	1,224,280	527,254	-	-
	<u>1,247,906</u>	<u>544,456</u>	<u>-</u>	<u>-</u>

19. Debtors

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Trade debtors	1,050,571	1,155,920	-	-
Prepayments and accrued income	109,177	105,546	-	-
Directors loan account	-	3,750	-	-
Other debtors	-	938	-	-
	<u>1,159,748</u>	<u>1,266,154</u>	<u>-</u>	<u>-</u>

HSB Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 November 2016

20. Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans and overdrafts	109,283	107,683	109,283	107,683
Trade creditors	2,157,973	997,179	–	–
Amounts owed to group undertakings	–	–	2,753,937	2,568,938
Accruals and deferred income	1,240,900	1,400,250	10,931	10,648
Corporation tax	3,651	238,198	3,651	89,038
Social security and other taxes	358,310	650,421	9,410	15,512
Obligations under finance leases and hire purchase contracts	73,885	87,714	14,778	8,202
Other creditors	–	51,114	–	–
	<u>3,944,002</u>	<u>3,532,559</u>	<u>2,901,990</u>	<u>2,800,021</u>

21. Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans and overdrafts	511,016	620,299	511,016	620,299
Obligations under finance leases and hire purchase contracts	69,770	41,043	16,578	10,936
	<u>580,786</u>	<u>661,342</u>	<u>527,594</u>	<u>631,235</u>

The bank borrowing is secured by a bond and floating charge over the assets of the companies within the group together with a standard security over the heritable property owned by the company.

Included within creditors: amounts falling due after more than one year is an amount of £112,249 (2015: £186,910) for the group and £112,249 (2015: £186,910) for the company in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

22. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Not later than 1 year	73,885	87,714	14,778	8,202
Later than 1 year and not later than 5 years	69,770	41,043	16,578	10,936
	<u>143,655</u>	<u>128,757</u>	<u>31,356</u>	<u>19,138</u>

23. Provisions

Group	Deferred tax (note 24) £
At 1 December 2015	76,603
Charge against provision	(5,205)
At 30 November 2016	<u>71,398</u>

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2016

23. Provisions *(continued)*

Company	Deferred tax (note 24) £
At 1 December 2015	(2,277)
Charge against provision	<u>(848)</u>
At 30 November 2016	<u>(3,125)</u>

24. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Included in provisions (note 23)	<u>71,398</u>	<u>76,603</u>	<u>(3,125)</u>	<u>(2,277)</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Accelerated capital allowances	<u>74,523</u>	<u>76,603</u>	<u>–</u>	<u>(2,277)</u>

25. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £162,202 (2015: £214,055).

26. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>15,375</u>	<u>15,375</u>	<u>16,366</u>	<u>16,366</u>

27. Reserves

Share premium account: - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve: - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account: - This reserve records retained earnings and accumulated losses.

HSB Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 November 2016

28. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Not later than 1 year	12,077	12,077	–	–
Later than 1 year and not later than 5 years	8,652	19,260	–	–
	<u>20,729</u>	<u>31,337</u>	<u>–</u>	<u>–</u>

29. Directors' advances, credits and guarantees

The group was under the control of its managing director, Gary D Campbell throughout the year by virtue of his controlling shareholding in the company.

During the year, the group received repayments from certain directors, and at the year end, the group was due to receive £nil (2015 - £3,750) from the directors. This amount is disclosed within the note on debtors.

30. Related party transactions

Company

During the year, total dividends of £250,000 (2015 - £350,000) were paid to the directors of the company.

31. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The group and the company transitioned to FRS 102 on 1 December 2014.

No transitional adjustments were required in equity or profit or loss for the year.