

HSB Holdings Limited
Financial Statements
30 November 2017



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 2017

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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 The Capitol 431 Union Street Aberdeen Scotland AB11 6DA

HSB Holdings Limited

Strategic Report *(continued)*

Year ended 30 November 2017

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 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 were inline with their expectation during a period of continuing economic difficulties facing the construction industry. This has been minimised by focusing upon operational efficiencies and increasing turnover. The directors expect that 2019 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 significant decline in new capital expenditure projects which has resulted in a contraction in the local economy across all sectors of business. Although there have been some positive signs of recovery in recent months it will be some time before significant new capital expenditure projects come on stream. In addition, the impact of increasing labour and pension costs will continue to have a negative effect on the trading results of the company in the medium term.

Funding and Liquidity Risk

The company 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 company 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 company 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 2016 levels to around £17.3M. However, as a result of increasing competition and the resulting squeeze on profit margins, the group has made a small trading loss during 2017. The group has been able to minimise the impact of these adverse trading conditions 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 company 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 in line with expectations in the year, increasing its level of turnover to minimise the impact of reduced trading margins.

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 2017. 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.

HSB Holdings Limited

Strategic Report *(continued)*

Year ended 30 November 2017

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 company over the next 12 months.

This report was approved by the board of directors on 18 May 2018 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 2017

The directors present their report and the financial statements of the group for the year ended 30 November 2017.

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.

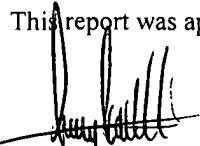
Auditor

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 18 May 2018 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 2017

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 2017

Opinion

We have audited the financial statements of HSB Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2017 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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's 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.

HSB Holdings Limited

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

Year ended 30 November 2017

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 or the directors' 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

HSB Holdings Limited

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

Year ended 30 November 2017

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

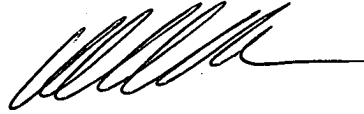
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

HSB Holdings Limited

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

Year ended 30 November 2017

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during 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

18 May 2018

HSB Holdings Limited
Consolidated Statement of Comprehensive Income
Year ended 30 November 2017

		2017	2016
	Note	£	£
Turnover	4	17,304,892	16,178,334
Cost of sales		(15,711,403)	(13,913,735)
Gross profit		1,593,489	2,264,599
Administrative expenses		(1,855,407)	(1,881,642)
Other operating income	5	297,460	220,773
Operating profit	6	35,542	603,730
Other interest receivable and similar income	10	2,589	6,959
Interest payable and similar expenses	11	(13,624)	(20,793)
Profit before taxation		24,507	589,896
Tax on profit	12	(26,299)	1,554
(Loss)/profit for the financial year and total comprehensive income		<u>(1,792)</u>	<u>591,450</u>
Loss for the financial year attributable to:			
The owners of the parent company		(347)	568,079
Non-controlling interests		(1,445)	23,371
		<u>(1,792)</u>	<u>591,450</u>

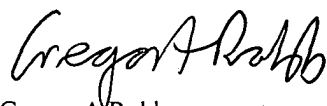
All the activities of the group are from continuing operations.

The notes on pages 16 to 28 form part of these financial statements.

HSB Holdings Limited
Consolidated Statement of Financial Position
30 November 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	14	292,495	409,495
Tangible assets	15	2,616,470	2,682,322
Investments	16	100,000	100,000
		<u>3,008,965</u>	<u>3,191,817</u>
Current assets			
Stocks	17	813,827	1,247,906
Debtors	18	1,851,193	1,159,748
Cash at bank and in hand		1,989,448	2,180,051
		<u>4,654,468</u>	<u>4,587,705</u>
Creditors: amounts falling due within one year	19	<u>3,975,464</u>	<u>3,944,002</u>
Net current assets		<u>679,004</u>	<u>643,703</u>
Total assets less current liabilities		<u>3,687,969</u>	<u>3,835,520</u>
Creditors: amounts falling due after more than one year	20	448,804	580,786
Provisions			
Taxation including deferred tax	22	57,621	71,398
Net assets		<u><u>3,181,544</u></u>	<u><u>3,183,336</u></u>
Capital and reserves			
Called up share capital	25	15,375	15,375
Share premium account	26	380,255	380,255
Capital redemption reserve	26	4,625	4,625
Profit and loss account	26	2,541,780	2,542,127
Equity attributable to the owners of the parent company		<u>2,942,035</u>	<u>2,942,382</u>
Non-controlling interests		<u>239,509</u>	<u>240,954</u>
		<u><u>3,181,544</u></u>	<u><u>3,183,336</u></u>

These financial statements were approved by the board of directors and authorised for issue on 18 May 2018, and are signed on behalf of the board by:



Gregor A Robb
Director

Company registration number: SC260511

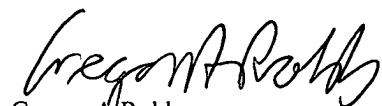
The notes on pages 16 to 28 form part of these financial statements.

HSB Holdings Limited
Company Statement of Financial Position
30 November 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	15	2,021,912	2,043,286
Investments	16	2,103,820	2,103,820
		<u>4,125,732</u>	<u>4,147,106</u>
Current assets			
Cash at bank and in hand		451,228	596,424
Creditors: amounts falling due within one year	19	<u>2,724,864</u>	<u>2,901,990</u>
Net current liabilities		<u>2,273,636</u>	<u>2,305,566</u>
Total assets less current liabilities		<u>1,852,096</u>	<u>1,841,540</u>
Creditors: amounts falling due after more than one year	20	407,139	527,594
Provisions			
Taxation including deferred tax	22	(1,773)	(3,125)
Net assets		<u>1,446,730</u>	<u>1,317,071</u>
Capital and reserves			
Called up share capital	25	15,375	15,375
Share premium account	26	380,255	380,255
Capital redemption reserve	26	4,625	4,625
Profit and loss account	26	1,046,475	916,816
Shareholders funds		<u>1,446,730</u>	<u>1,317,071</u>

The profit for the financial year of the parent company was £129,659 (2016: £449,746).

These financial statements were approved by the board of directors and authorised for issue on 18 May 2018, and are signed on behalf of the board by:



Gregor A Robb
Director

Company registration number: SC260511

The notes on pages 16 to 28 form part of these financial statements.

HSB Holdings Limited
Consolidated Statement of Changes in Equity
Year ended 30 November 2017

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non-control ling interests £	Total £
At 1 December 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
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	15,375	380,255	4,625	2,542,127	2,942,382	240,954	3,183,336
Loss for the year	—	—	—	(347)	(347)	(1,445)	(1,792)
Total comprehensive income for the year	—	—	—	(347)	(347)	(1,445)	(1,792)
At 30 November 2017	15,375	380,255	4,625	2,541,780	2,942,035	239,509	3,181,544

The notes on pages 16 to 28 form part of these financial statements.

HSB Holdings Limited
Company Statement of Changes in Equity
Year ended 30 November 2017

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 December 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 13	—	—	—	(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
Loss for the year	—	—	—	129,659	129,659
Total comprehensive income for the year	—	—	—	129,659	129,659
At 30 November 2017	15,375	380,255	4,625	1,046,475	1,446,730

The notes on pages 16 to 28 form part of these financial statements.

HSB Holdings Limited
Consolidated Statement of Cash Flows
Year ended 30 November 2017

	2017 £	2016 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(1,792)	591,450
<i>Adjustments for:</i>		
Depreciation of tangible assets	170,350	166,266
Amortisation of intangible assets	117,000	117,000
Other interest receivable and similar income	(2,589)	(6,959)
Interest payable and similar expenses	13,624	20,793
Loss/(gains) on disposal of tangible assets	13,688	(4,336)
Tax on profit	26,299	(1,554)
Accrued expenses/(income)	70,897	(159,350)
<i>Changes in:</i>		
Stocks	434,079	(703,450)
Trade and other debtors	(691,445)	106,406
Trade and other creditors	(66,216)	817,569
Cash generated from operations	83,895	943,835
Interest paid	(13,624)	(20,793)
Interest received	2,589	6,959
Tax paid	(2,124)	(238,198)
Net cash from operating activities	<u>70,736</u>	<u>691,803</u>
Cash flows from investing activities		
Purchase of tangible assets	(140,186)	(229,736)
Proceeds from sale of tangible assets	22,000	43,399
Purchases of other investments	–	(100,000)
Net cash used in investing activities	<u>(118,186)</u>	<u>(286,337)</u>
Cash flows from financing activities		
Purchase of own shares	–	(120,591)
Repayments of borrowings	(109,282)	(107,683)
(Payments)/receipts of/from finance lease liabilities	(33,871)	14,898
Dividends paid	–	(250,000)
Net cash used in financing activities	<u>(143,153)</u>	<u>(463,376)</u>
Net decrease in cash and cash equivalents	(190,603)	(57,910)
Cash and cash equivalents at beginning of year	<u>2,180,051</u>	<u>2,237,961</u>
Cash and cash equivalents at end of year	<u>1,989,448</u>	<u>2,180,051</u>

The notes on pages 16 to 28 form part of these financial statements.

HSB Holdings Limited
Notes to the Financial Statements
Year ended 30 November 2017

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.

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.

Non-controlling 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.

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.

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2017

3. Accounting policies *(continued)*

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

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

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 2017

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 2017

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:

	2017	2016
	£	£
Construction services	17,304,892	16,178,334

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 2017

5. Other operating income

	2017	2016
	£	£
Commission receivable	<u>297,460</u>	<u>220,773</u>

6. Operating profit

Operating profit or loss is stated after charging:

	2017	2016
	£	£
Amortisation of intangible assets	117,000	117,000
Depreciation of tangible assets	170,350	166,266
Loss/(gains) on disposal of tangible assets	13,688	(4,336)
Impairment of trade debtors	64	12,141
Operating lease expense	<u>19,098</u>	<u>12,077</u>

7. Auditor's remuneration

	2017	2016
	£	£
Fees payable for the audit of the financial statements	<u>17,400</u>	<u>17,200</u>
Fees payable to the company's auditor and its associates for other services:		
Audit-related assurance services	<u>—</u>	<u>1,800</u>

8. Staff costs

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

	2017	2016
	No.	No.
Production staff	175	159
Administrative staff	11	11
Management staff	5	6
	<u>191</u>	<u>176</u>

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

	2017	2016
	£	£
Wages and salaries	7,419,921	6,694,793
Social security costs	662,485	559,806
Other pension costs	173,548	162,202
	<u>8,255,954</u>	<u>7,416,801</u>

9. Directors' remuneration

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

	2017	2016
	£	£
Remuneration	444,988	446,419
Company contributions to defined contribution pension plans	57,099	61,839
	<u>502,087</u>	<u>508,258</u>

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2017

9. Directors' remuneration *(continued)*

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

	2017	2016
	No.	No.
Defined contribution plans	<u>5</u>	<u>5</u>

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

	2017	2016
	£	£
Aggregate remuneration	104,591	103,245
Company contributions to defined contribution pension plans	<u>8,743</u>	<u>13,821</u>
	<u>113,334</u>	<u>117,066</u>

10. Other interest receivable and similar income

	2017	2016
	£	£
Interest on cash and cash equivalents	<u>2,589</u>	<u>6,959</u>

11. Interest payable and similar expenses

	2017	2016
	£	£
Interest on banks loans and overdrafts	7,312	9,792
Interest on obligations under finance leases and hire purchase contracts	<u>6,312</u>	<u>11,001</u>
	<u>13,624</u>	<u>20,793</u>

12. Tax on profit

Major components of tax expense/(income)

	2017	2016
	£	£
Current tax:		
UK current tax expense	41,603	3,651
Adjustments in respect of prior periods	<u>(1,527)</u>	<u>—</u>
Total current tax	<u>40,076</u>	<u>3,651</u>
Deferred tax:		
Origination and reversal of timing differences	<u>(13,777)</u>	<u>(5,205)</u>
Tax on profit	<u>26,299</u>	<u>(1,554)</u>

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2017

12. Tax on profit *(continued)*

Reconciliation of tax expense/(income)

The tax assessed on the loss on ordinary activities for the year is higher than (2016: lower than) the standard rate of corporation tax in the UK of 19.33% (2016: 20%).

	2017	2016
	£	£
Profit on ordinary activities before taxation	24,507	589,896
Profit on ordinary activities by rate of tax	4,738	117,979
Adjustment to tax charge in respect of prior periods	(1,529)	–
Effect of expenses not deductible for tax purposes	4,877	12,428
Effect of capital allowances and depreciation	(4,405)	(15,361)
Utilisation of tax losses from fixed asset investment	–	(140,000)
Amortisation of goodwill	22,618	23,400
Tax on profit	26,299	(1,554)

13. Dividends

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

	2017	2016
	£	£
Equity dividends on ordinary shares	–	250,000

14. Intangible assets

Group	Goodwill on consolidation £
Cost	
At 1 December 2016 and 30 November 2017	1,169,994
Amortisation	
At 1 December 2016	760,499
Charge for the year	117,000
At 30 November 2017	877,499
Carrying amount	
At 30 November 2017	292,495
At 30 November 2016	409,495

The company has no intangible assets.

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2017

15. Tangible assets

Group	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 December 2016	1,977,887	398,906	834,884	854,322	4,065,999
Additions	–	32,457	31,635	76,094	140,186
Disposals	–	(18,174)	(17,966)	(100,728)	(136,868)
At 30 November 2017	1,977,887	413,189	848,553	829,688	4,069,317
Depreciation					
At 1 December 2016	12,789	284,176	724,694	362,018	1,383,677
Charge for the year	1,827	17,748	20,013	130,762	170,350
Disposals	–	(18,174)	(17,966)	(65,040)	(101,180)
At 30 November 2017	14,616	283,750	726,741	427,740	1,452,847
Carrying amount					
At 30 November 2017	1,963,271	129,439	121,812	401,948	2,616,470
At 30 November 2016	1,965,098	114,730	110,190	492,304	2,682,322
Company			Freehold property £	Motor vehicles £	Total £
Cost					
At 1 December 2016 and 30 November 2017			1,977,887	100,451	2,078,338
Depreciation					
At 1 December 2016			12,789	22,263	35,052
Charge for the year			1,827	19,547	21,374
At 30 November 2017			14,616	41,810	56,426
Carrying amount					
At 30 November 2017			1,963,271	58,641	2,021,912
At 30 November 2016			1,965,098	78,188	2,043,286

Included within the above is investment property as follows:

	Group £	Company £
At 1 December 2016 and 30 November 2017	–	1,886,532
At 1 December 2016	–	1,886,532

The company's investment property is held at cost less expenses of purchase. The directors do not believe that any valuation would be materially different at 30 November 2017.

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2017

15. 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 2017	307,473
At 30 November 2016	388,830
Company	Motor vehicles £
At 30 November 2017	42,797
At 30 November 2016	57,061

16. Investments

Group	Equity instruments £
Cost	
At 1 December 2016 and 30 November 2017	100,000
Impairment	
At 1 December 2016 and 30 November 2017	—
Carrying amount	
At 1 December 2016 and 30 November 2017	100,000
At 30 November 2016	100,000
Company	Shares in group undertakings £
Cost	
At 1 December 2016 and 30 November 2017	2,103,820
Impairment	
At 1 December 2016 and 30 November 2017	—
Carrying amount	
At 1 December 2016 and 30 November 2017	2,103,820
At 30 November 2016	2,103,820

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2017

16. 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	2017	2016
	£	£
Bourtree Investments Limited	1,151,055	1,151,055
Hutcheon Services Limited	2,395,084	2,409,535
Profit/(loss) for the year		
Bourtree Investments Limited	-	-
Hutcheon Services Limited	(14,451)	483,705

Subsidiaries, associates and other investments

Details of the investments in which the group and the parent company have an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Hutcheon Services Limited	Ordinary	90
Bourtree Investments Limited	Ordinary	100

The registered address for both subsidiaries is Bourtree House, Minto Drive, Altens Industrial Estate, Aberdeen AB12 3LW.

All of the above subsidiaries are included within the consolidation.

17. Stocks

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Raw materials	20,582	23,626	-	-
Work in progress	793,245	1,224,280	-	-
	<u>813,827</u>	<u>1,247,906</u>	<u>-</u>	<u>-</u>

18. Debtors

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	1,616,807	1,050,571	-	-
Prepayments and accrued income	234,386	109,177	-	-
	<u>1,851,193</u>	<u>1,159,748</u>	<u>-</u>	<u>-</u>

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2017

19. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans and overdrafts	110,918	109,283	110,918	109,283
Trade creditors	1,766,411	2,157,973	–	–
Amounts owed to group undertakings	–	–	2,551,626	2,753,937
Accruals and deferred income	1,311,797	1,240,900	11,029	10,931
Corporation tax	41,603	3,651	32,913	3,651
Social security and other taxes	683,656	358,310	8,840	9,410
Obligations under finance leases and hire purchase contracts	61,079	73,885	9,538	14,778
	<u>3,975,464</u>	<u>3,944,002</u>	<u>2,724,864</u>	<u>2,901,990</u>

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans and overdrafts	400,099	511,016	400,099	511,016
Obligations under finance leases and hire purchase contracts	48,705	69,770	7,040	16,578
	<u>448,804</u>	<u>580,786</u>	<u>407,139</u>	<u>527,594</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 £25,580 (2016: £112,249) for the group and £25,580 (2016: £112,249) 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.

21. Finance leases and hire purchase contracts

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Not later than 1 year	61,079	73,885	9,538	14,778
Later than 1 year and not later than 5 years	48,705	69,770	7,040	16,578
	<u>109,784</u>	<u>143,655</u>	<u>16,578</u>	<u>31,356</u>

22. Provisions

Group	Deferred tax (note 23) £
At 1 December 2016	71,398
Charge against provision	(13,777)
At 30 November 2017	<u>57,621</u>

HSB Holdings Limited
Notes to the Financial Statements *(continued)*
Year ended 30 November 2017

22. Provisions *(continued)*

Company	Deferred tax (note 23) £
At 1 December 2016	(3,125)
Charge against provision	<u>1,352</u>
At 30 November 2017	<u>(1,773)</u>

23. Deferred tax

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Included in provisions (note 22)	<u>57,621</u>	<u>71,398</u>	<u>(1,773)</u>	<u>(3,125)</u>

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Accelerated capital allowances	64,367	71,398	(1,773)	(3,125)
Provisions	(2,720)	–	–	–
Pension plan obligations	(4,026)	–	–	–
	<u>57,621</u>	<u>71,398</u>	<u>(1,773)</u>	<u>(3,125)</u>

24. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £116,449 (2016: £101,403).

25. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>15,375</u>	<u>15,375</u>	<u>15,375</u>	<u>15,375</u>

26. 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 2017

27. Operating leases

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Not later than 1 year	18,240	12,077	–	–
Later than 1 year and not later than 5 years	38,352	8,652	–	–
	<u>56,592</u>	<u>20,729</u>	<u>–</u>	<u>–</u>

28. 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.

29. Related party transactions

Company

During the year, total dividends of £nil (2016 - £250,000) were paid to the directors of the company.