

# SPRINGFORDS

CHARTERED ACCOUNTANTS



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ZENITH (EDINBURGH) HOLDINGS LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2016  
Company Number: SC327713

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# ZENITH (EDINBURGH) HOLDINGS LIMITED

## COMPANY INFORMATION

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|--------------------------|---------------------------------------------------------------------------------------|
| <b>Directors</b>         | C McCurdy<br>D Kelly<br>D Smith<br>J Simpson                                          |
| <b>Secretary</b>         | C McCurdy                                                                             |
| <b>Company number</b>    | SC327713                                                                              |
| <b>Registered office</b> | 38 Dryden Road<br>Bilston Glen<br>Loanhead<br>Midlothian<br>EH20 9LZ                  |
| <b>Auditor</b>           | Springfords LLP<br>Dundas House<br>Westfield Park<br>Eskbank<br>Edinburgh<br>EH22 3FB |
| <b>Bankers</b>           | HSBC<br>76 Hanover Street<br>Edinburgh<br>EH20 9LZ                                    |
| <b>Business address</b>  | 38 Dryden Road<br>Bilston Glen<br>Loanhead<br>Midlothian<br>EH20 9LZ                  |

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# **ZENITH (EDINBURGH) HOLDINGS LIMITED**

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# ZENITH (EDINBURGH) HOLDINGS LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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The directors present the strategic report for the year ended 30 September 2016.

### **Fair review of the business**

We forecast last year that there would be a reduction in turnover. The turnover fell from £11.9m to £10.3m, a reduction of 14%. Gross margin of 28% is an increase compared to the 2015 result of 21%. The group produced a net trading loss because of a series of costs that have subsequently been removed from the business, which means that the group has been successfully restructured and is fit for the future. We are forecasting for 2017 an increase in turnover over the current year with improved margins, which is a result of the actions taken by the management in 2016.

The order book and pipeline remain positive, with long-term private sector clients and multi-year framework contracts in both the private and public sector having been won or renewed. This has been achieved whilst still maintaining the traditional high levels of service to the company's loyal base of existing customers.

The year ahead will see Zenith focusing on the development of all of its divisions along with an improvement in margin by utilizing its core skills.

The biggest risk to the business remains the state of the economic recovery, skills shortages and the impending large size of infrastructure contracts. Zenith is seeing an increased level of business opportunities, but the continued high levels of competition result in continued pressure on margins. The current shortage within the construction industry of trained, experienced people across the board is being addressed through Zenith's increased take up of young people in apprenticeships and graduate training programs.

Whilst the risks around a significant health & safety related incident are higher in a construction company, we believe that our structured safety management system augmented with the regular use of our own safety team result in Zenith being one of the safest companies in the industry.

Most companies carry a risk of incurring a major bad debt. However we believe that through the use of ongoing credit checking of potential and current customers, together with a customer base including blue chip companies and local councils, Zenith have taken all reasonable steps to minimise this risk.

On behalf of the board

C McCurdy  
Director

27 June 2017

# **ZENITH (EDINBURGH) HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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The directors present their annual report and financial statements for the year ended 30 September 2016.

### **Principal activities**

The principal activities of the group continued to be that of the provision of steeplejack services and property conservation works.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

C McCurdy  
D Kelly  
D Smith  
J Simpson

### **Results and dividends**

The results for the year are set out on page 6.

Ordinary dividends were declared amounting to £360,000. The directors do not recommend payment of a further dividend.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 company, and of 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Strategic report**

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

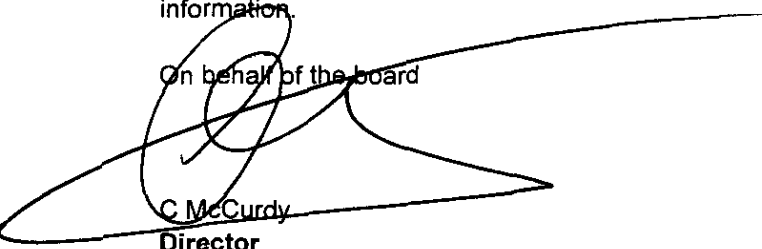
FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company and group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company and group is aware of that information.

On behalf of the board



C. McCurdy

Director

27 June 2017

# **ZENITH (EDINBURGH) HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF ZENITH (EDINBURGH) HOLDINGS LIMITED**

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We have audited the financial statements of Zenith (Edinburgh) Holdings Limited for the year ended 30 September 2016 set out on pages 6 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 set out on pages 2 - 3, 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 annual 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 the parent company's affairs as at 30 September 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our 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.

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF ZENITH (EDINBURGH) HOLDINGS LIMITED

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#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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



**J Fergus Kerr ACA (Senior Statutory Auditor)**  
for and on behalf of Springfords LLP

30 June 2017

**Chartered Accountants**  
**Statutory Auditor**

Dundas House  
Westfield Park  
Eskbank  
Edinburgh  
EH22 3FB

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## GROUP STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 30 SEPTEMBER 2016

|                                               | Notes     | 2016<br>£        | 2015<br>£        |
|-----------------------------------------------|-----------|------------------|------------------|
| Turnover                                      | 3         | 10,361,450       | 11,912,328       |
| Cost of sales                                 |           | (7,434,973)      | (9,388,742)      |
| <b>Gross profit</b>                           |           | <b>2,926,477</b> | <b>2,523,586</b> |
| Administrative expenses                       |           | (3,253,895)      | (2,194,485)      |
| <b>Operating (loss)/profit</b>                | <b>4</b>  | <b>(327,418)</b> | <b>329,101</b>   |
| Interest receivable and similar income        | 8         | 387              | 560              |
| Interest payable and similar charges          | 9         | (20,876)         | (4,661)          |
| <b>(Loss)/profit before taxation</b>          |           | <b>(347,907)</b> | <b>325,000</b>   |
| Taxation                                      | 10        | (174,737)        | (388,793)        |
| <b>Loss for the financial year</b>            | <b>24</b> | <b>(522,644)</b> | <b>(63,793)</b>  |
| Retained earnings at 1 October 2015           |           | 1,397,295        | 1,461,088        |
| Dividends                                     |           | (360,000)        | -                |
| <b>Retained earnings at 30 September 2016</b> |           | <b>514,651</b>   | <b>1,397,295</b> |

Total comprehensive income for the year is all attributable to the owners of the parent company.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

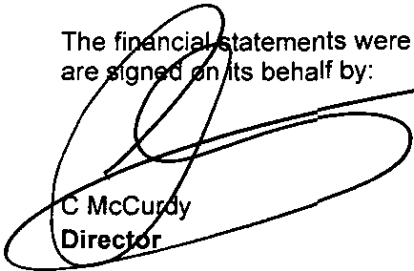
# ZENITH (EDINBURGH) HOLDINGS LIMITED

## GROUP BALANCE SHEET

AS AT 30 SEPTEMBER 2016

|                                                                | Notes | 2016<br>£          | £              | 2015<br>£          | £                |
|----------------------------------------------------------------|-------|--------------------|----------------|--------------------|------------------|
| <b>Fixed assets</b>                                            |       |                    |                |                    |                  |
| Tangible assets                                                | 12    |                    | 440,318        |                    | 572,281          |
| <b>Current assets</b>                                          |       |                    |                |                    |                  |
| Stocks                                                         | 15    | 10,051             |                | 16,852             |                  |
| Debtors                                                        | 16    | 2,207,326          |                | 2,640,309          |                  |
| Cash at bank and in hand                                       |       | 178,502            |                | 86,959             |                  |
|                                                                |       | <u>2,395,879</u>   |                | <u>2,744,120</u>   |                  |
| <b>Creditors: amounts falling due within one year</b>          | 17    | <u>(2,274,575)</u> |                | <u>(1,892,106)</u> |                  |
| Net current assets                                             |       |                    | 121,304        |                    | 852,014          |
| <b>Total assets less current liabilities</b>                   |       |                    | 561,622        |                    | 1,424,295        |
| <b>Creditors: amounts falling due after more than one year</b> | 18    |                    | (19,971)       |                    | -                |
| <b>Net assets</b>                                              |       |                    | <u>541,651</u> |                    | <u>1,424,295</u> |
| <b>Capital and reserves</b>                                    |       |                    |                |                    |                  |
| Called up share capital                                        | 23    |                    | 27,000         |                    | 27,000           |
| Profit and loss reserves                                       | 24    |                    | 514,651        |                    | 1,397,295        |
| <b>Equity attributable to owners of the parent company</b>     |       |                    | <u>541,651</u> |                    | <u>1,424,295</u> |

The financial statements were approved by the board of directors and authorised for issue on 27 June 2017 and are signed on its behalf by:

  
C McCurdy  
Director

Company Registration No. SC327713

# ZENITH (EDINBURGH) HOLDINGS LIMITED

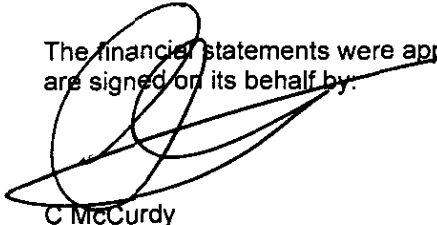
## COMPANY BALANCE SHEET

AS AT 30 SEPTEMBER 2016

|                                                                | Notes | 2016<br>£                 | £ | 2015<br>£            | £ |
|----------------------------------------------------------------|-------|---------------------------|---|----------------------|---|
| <b>Fixed assets</b>                                            |       |                           |   |                      |   |
| Tangible assets                                                | 12    | 413,790                   |   | 482,656              |   |
| Investments                                                    | 13    | 27,100                    |   | 27,100               |   |
|                                                                |       | <u>440,890</u>            |   | <u>509,756</u>       |   |
| <b>Current assets</b>                                          |       |                           |   |                      |   |
| Debtors                                                        | 16    | -                         |   | 857,222              |   |
| Cash at bank and in hand                                       |       | 1,767                     |   | 834                  |   |
|                                                                |       | <u>1,767</u>              |   | <u>858,056</u>       |   |
| <b>Creditors: amounts falling due within one year</b>          | 17    | <u>(2,048,053)</u>        |   | <u>(1,333,394)</u>   |   |
| <b>Net current liabilities</b>                                 |       | <u>(2,046,286)</u>        |   | <u>(475,338)</u>     |   |
| <b>Total assets less current liabilities</b>                   |       | <u>(1,605,396)</u>        |   | <u>34,418</u>        |   |
| <b>Creditors: amounts falling due after more than one year</b> | 18    | (19,971)                  |   | -                    |   |
| <b>Net (liabilities)/assets</b>                                |       | <u><u>(1,625,367)</u></u> |   | <u><u>34,418</u></u> |   |
| <b>Capital and reserves</b>                                    |       |                           |   |                      |   |
| Called up share capital                                        | 23    | 27,000                    |   | 27,000               |   |
| Profit and loss reserves                                       | 24    | (1,652,367)               |   | 7,418                |   |
| <b>Total equity</b>                                            |       | <u><u>(1,625,367)</u></u> |   | <u><u>34,418</u></u> |   |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,299,785 (2015 - £2,005 profit).

The financial statements were approved by the board of directors and authorised for issue on 27 June 2017 and are signed on its behalf by:

  
C McCurdy  
Director

Company Registration No. SC327713

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2016

|                                                               | Notes | 2016<br>£ | £ | 2015<br>£ | £ |
|---------------------------------------------------------------|-------|-----------|---|-----------|---|
| <b>Cash flows from operating activities</b>                   |       |           |   |           |   |
| Cash generated from operations                                | 27    | 332,479   |   | 128,110   |   |
| Interest paid                                                 |       | (20,876)  |   | (4,661)   |   |
| Income taxes paid                                             |       | (175,124) |   | (466,660) |   |
|                                                               |       |           |   |           |   |
| <b>Net cash inflow/(outflow) from operating activities</b>    |       | 136,479   |   | (343,211) |   |
| <b>Investing activities</b>                                   |       |           |   |           |   |
| Purchase of tangible fixed assets                             |       | (86,186)  |   | (304,734) |   |
| Proceeds on disposal of tangible fixed assets                 |       | -         |   | 2,700     |   |
| Proceeds from other investments and loans                     |       | 62,563    |   | (62,563)  |   |
| Interest received                                             |       | 387       |   | 560       |   |
|                                                               |       |           |   |           |   |
| <b>Net cash used in investing activities</b>                  |       | (23,236)  |   | (364,037) |   |
| <b>Financing activities</b>                                   |       |           |   |           |   |
| Payment of finance leases obligations                         |       | (5,625)   |   | -         |   |
| Dividends paid to equity shareholders                         |       | (360,000) |   | -         |   |
|                                                               |       |           |   |           |   |
| <b>Net cash used in financing activities</b>                  |       | (365,625) |   | -         |   |
| <b>Net decrease in cash and cash equivalents</b>              |       | (252,382) |   | (707,248) |   |
| Cash and cash equivalents at beginning of year                |       | (411,275) |   | 295,973   |   |
| <b>Cash and cash equivalents at end of year</b>               |       | (663,657) |   | (411,275) |   |
| <b>Relating to:</b>                                           |       |           |   |           |   |
| Cash at bank and in hand                                      |       | 178,502   |   | 86,959    |   |
| Bank overdrafts included in creditors payable within one year |       | (842,159) |   | (498,234) |   |
|                                                               |       | (663,657) |   | (411,275) |   |

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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### **1 Accounting policies**

#### **Company information**

Zenith (Edinburgh) Holdings Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is 38 Dryden Road, Bilston Glen, Loanhead, Midlothian, EH20 9LZ.

The group consists of Zenith (Edinburgh) Holdings Limited and all of its subsidiaries.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These group and company financial statements for the year ended 30 September 2016 are the first financial statements of Zenith (Edinburgh) Holdings Limited and the group prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements for the preceding period were prepared in accordance with previous UK GAAP. The date of transition to FRS 102 was 1 October 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

#### **1.2 Basis of consolidation**

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Zenith (Edinburgh) Holdings Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 September 2016. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2016

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#### 1 Accounting policies

(Continued)

##### 1.3 Going concern

The group has sustained a loss for the year which has caused some pressure on working capital. This has been financed primarily by a bank overdraft, however the group has traded within its available facility which has recently been renewed. Projections for the following 12 months trading show a profitable trading position. Based on these projections and existing bank facilities, the directors consider that the group has sufficient cash resources available to finance its operations and they consider that the group will continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

##### 1.4 Turnover

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

Turnover on construction contracts is recognised according to the stage reached in the contract by reference to value of work done, as detailed below.

##### 1.5 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

Gross amounts due from contract customers are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

##### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

|                                |                                                 |
|--------------------------------|-------------------------------------------------|
| Tenants improvements           | 25% straight line (2015 reducing balance)       |
| Plant and machinery            | 25% - 50% straight line (2015 reducing balance) |
| Fixtures, fittings & equipment | 25% straight line (2015 reducing balance)       |
| Designs                        | 10% straight line (2015 reducing balance)       |
| Motor vehicles                 | 25% straight line (2015 reducing balance)       |

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

#### 1.7 Fixed asset investments

In the parent company financial statements investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

#### 1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### 1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 1 Accounting policies

(Continued)

#### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### ***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

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### 1 Accounting policies

(Continued)

#### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### 1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors consider there are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities.

### 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

|                                  | 2016<br>£         | 2015<br>£         |
|----------------------------------|-------------------|-------------------|
| <b>Turnover</b>                  |                   |                   |
| Steeplejack services             | 5,503,507         | 8,223,100         |
| Property conservation works      | 4,857,943         | 3,689,228         |
|                                  | <u>10,361,450</u> | <u>11,912,328</u> |
| <b>Other significant revenue</b> |                   |                   |
| Interest income                  | <u>387</u>        | <u>560</u>        |

#### Turnover analysed by geographical market

|          | 2016<br>£         | 2015<br>£         |
|----------|-------------------|-------------------|
| UK       | 8,282,711         | 7,651,443         |
| Overseas | 2,078,739         | 4,260,885         |
|          | <u>10,361,450</u> | <u>11,912,328</u> |

### 4 Operating (loss)/profit

|                                                                            | 2016<br>£      | 2015<br>£      |
|----------------------------------------------------------------------------|----------------|----------------|
| Operating (loss)/profit for the year is stated after charging/(crediting): |                |                |
| Exchange losses                                                            | 4,712          | 10,862         |
| Depreciation of owned tangible fixed assets                                | 250,324        | 190,870        |
| Depreciation of tangible fixed assets held under finance leases            | 5,625          | -              |
| (Profit)/loss on disposal of tangible fixed assets                         | -              | 10,117         |
| Operating lease charges                                                    | <u>220,219</u> | <u>180,272</u> |

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 5 Auditor's remuneration

|                                                            | 2016<br>£     | 2015<br>£     |
|------------------------------------------------------------|---------------|---------------|
| Fees payable to the company's auditor and associates:      |               |               |
| <b>For audit services</b>                                  |               |               |
| Audit of the financial statements of the group and company | 3,000         | 3,000         |
| Audit of the company's subsidiaries                        | 10,500        | 10,500        |
|                                                            | <u>13,500</u> | <u>13,500</u> |

### 6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

|            | Group<br>2016<br>Number | 2015<br>Number | Company<br>2016<br>Number | 2015<br>Number |
|------------|-------------------------|----------------|---------------------------|----------------|
| Site based | 111                     | 113            | -                         | -              |
| Admin      | 22                      | 22             | -                         | -              |
|            | <u>133</u>              | <u>135</u>     | <u>-</u>                  | <u>-</u>       |

Their aggregate remuneration comprised:

|                       | Group<br>2016<br>£ | 2015<br>£        | Company<br>2016<br>£ | 2015<br>£ |
|-----------------------|--------------------|------------------|----------------------|-----------|
| Wages and salaries    | 5,628,402          | 5,195,696        | -                    | -         |
| Social security costs | 515,071            | 543,747          | -                    | -         |
| Pension costs         | 225,398            | 138,420          | -                    | -         |
|                       | <u>6,368,871</u>   | <u>5,877,863</u> | <u>-</u>             | <u>-</u>  |

### 7 Directors' remuneration

|                                                               | 2016<br>£      | 2015<br>£      |
|---------------------------------------------------------------|----------------|----------------|
| Remuneration for qualifying services                          | 503,716        | 452,857        |
| Company pension contributions to defined contribution schemes | 121,247        | 88,008         |
|                                                               | <u>624,963</u> | <u>540,865</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2015 - 4).

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 7 Directors' remuneration (Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

|                                                               |         |         |
|---------------------------------------------------------------|---------|---------|
| Remuneration for qualifying services                          | 134,711 | 144,131 |
| Company pension contributions to defined contribution schemes | 71,200  | 27,000  |

### 8 Interest receivable and similar income

|                       | 2016<br>£ | 2015<br>£ |
|-----------------------|-----------|-----------|
| Interest income       |           |           |
| Other interest income | 387       | 560       |

### 9 Interest payable and similar charges

|                                                                      | 2016<br>£ | 2015<br>£ |
|----------------------------------------------------------------------|-----------|-----------|
| <b>Interest on financial liabilities measured at amortised cost:</b> |           |           |
| Interest on bank overdrafts and loans                                | 20,541    | 4,485     |
| Interest on finance leases and hire purchase contracts               | 335       | -         |
|                                                                      | 20,876    | 4,485     |
| <b>Other finance costs:</b>                                          |           |           |
| Other interest                                                       | -         | 176       |
| Total finance costs                                                  | 20,876    | 4,661     |

### 10 Taxation

|                                                       | 2016<br>£ | 2015<br>£ |
|-------------------------------------------------------|-----------|-----------|
| <b>Current tax</b>                                    |           |           |
| UK corporation tax on profits for the current period  | -         | 146,868   |
| Adjustments in respect of prior periods               | -         | (33,408)  |
| Double tax relief                                     | -         | (146,868) |
| Total UK current tax                                  | -         | (33,408)  |
| Foreign current tax on profits for the current period | 174,737   | 428,539   |
| Total current tax                                     | 174,737   | 395,131   |
| <b>Deferred tax</b>                                   |           |           |
| Origination and reversal of timing differences        | -         | (6,338)   |
| Total tax charge                                      | 174,737   | 388,793   |

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

|                                                                                                      | 2016<br>£ | 2015<br>£ |
|------------------------------------------------------------------------------------------------------|-----------|-----------|
| (Loss)/profit before taxation                                                                        | (347,907) | 325,000   |
| Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%) | (69,581)  | 65,000    |
| Tax effect of expenses that are not deductible in determining taxable profit                         | 60        | 10,498    |
| Change in unrecognised deferred tax assets                                                           | 68,274    | 17,744    |
| Adjustments in respect of prior years                                                                | -         | (33,408)  |
| Effect of change in corporation tax rate                                                             | 27,454    | 1,987     |
| Depreciation on assets not qualifying for tax allowances                                             | 9,519     | 12,272    |
| Foreign tax paid                                                                                     | 174,737   | 428,539   |
| Tax losses carried back                                                                              | -         | 33,029    |
| Foreign tax treated as an expense                                                                    | (35,726)  | -         |
| Double tax relief                                                                                    | -         | (146,868) |
| Tax expense for the year                                                                             | 174,737   | 388,793   |

The group has tax losses available of approximately £689,000. The deferred tax asset arising from these losses of approximately £117,000 has not been recognised on the grounds that it may take some time for the tax losses to be relieved and as such the recoverability of the asset is considered relatively uncertain. If these tax losses are relieved in the future then the asset will be recovered.

### 11 Dividends

|              | 2016<br>£ | 2015<br>£ |
|--------------|-----------|-----------|
| Interim paid | 360,000   | -         |

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 12 Tangible fixed assets

| Group                              | Tenants<br>improvements | Plant and<br>machinery | Fixtures, fittings &<br>equipment | Motor vehicles | Total     |
|------------------------------------|-------------------------|------------------------|-----------------------------------|----------------|-----------|
|                                    | £                       | £                      | £                                 | £              | £         |
| <b>Cost</b>                        |                         |                        |                                   |                |           |
| At 1 October 2015                  | 252,386                 | 1,064,124              | 283,557                           | 248,319        | 1,848,386 |
| Additions                          | -                       | 57,413                 | 2,294                             | 64,279         | 123,986   |
| Disposals                          | -                       | (32,996)               | -                                 | (31,567)       | (64,563)  |
| At 30 September 2016               | 252,386                 | 1,088,541              | 285,851                           | 281,031        | 1,907,809 |
| <b>Depreciation and impairment</b> |                         |                        |                                   |                |           |
| At 1 October 2015                  | 162,761                 | 734,825                | 193,801                           | 184,718        | 1,276,105 |
| Depreciation charged in the year   | 63,097                  | 125,913                | 37,227                            | 29,712         | 255,949   |
| Eliminated in respect of disposals | -                       | (32,996)               | -                                 | (31,567)       | (64,563)  |
| At 30 September 2016               | 225,858                 | 827,742                | 231,028                           | 182,863        | 1,467,491 |
| <b>Carrying amount</b>             |                         |                        |                                   |                |           |
| At 30 September 2016               | 26,528                  | 260,799                | 54,823                            | 98,168         | 440,318   |
| At 30 September 2015               | 89,625                  | 329,299                | 89,756                            | 63,601         | 572,281   |

During the year, the group changed from using the reducing balance method of calculating depreciation to straight line (with the same % rates applied). The impact of this change was to increase the depreciation charged for the year by £94,774.

| Company                            | Plant and<br>machinery | Fixtures, fittings &<br>equipment | Motor vehicles | Total   |
|------------------------------------|------------------------|-----------------------------------|----------------|---------|
|                                    | £                      | £                                 | £              | £       |
| <b>Cost</b>                        |                        |                                   |                |         |
| At 1 October 2015                  | 439,136                | 119,706                           | 84,806         | 643,648 |
| Additions                          | 57,413                 | 2,294                             | 64,279         | 123,986 |
| At 30 September 2016               | 496,549                | 122,000                           | 149,085        | 767,634 |
| <b>Depreciation and impairment</b> |                        |                                   |                |         |
| At 1 October 2015                  | 109,837                | 29,950                            | 21,205         | 160,992 |
| Depreciation charged in the year   | 125,913                | 37,227                            | 29,712         | 192,852 |
| At 30 September 2016               | 235,750                | 67,177                            | 50,917         | 353,844 |
| <b>Carrying amount</b>             |                        |                                   |                |         |
| At 30 September 2016               | 260,799                | 54,823                            | 98,168         | 413,790 |
| At 30 September 2015               | 329,299                | 89,756                            | 63,601         | 482,656 |

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 12 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

|                                                              | Group<br>2016<br>£ | 2015<br>£ | Company<br>2016<br>£ | 2015<br>£ |
|--------------------------------------------------------------|--------------------|-----------|----------------------|-----------|
| Motor vehicles                                               | 43,375             | -         | 43,375               | -         |
| Depreciation charge for the year in respect of leased assets | 5,625              | -         | 5,625                | -         |

During the year, the company changed from using the reducing balance method of calculating depreciation to straight line (with the same % rates applied). The impact of this change was to increase the depreciation charged for the year by £54,083.

### 13 Fixed asset investments

|                             | Notes | Group<br>2016<br>£ | 2015<br>£ | Company<br>2016<br>£ | 2015<br>£ |
|-----------------------------|-------|--------------------|-----------|----------------------|-----------|
| Investments in subsidiaries | 14    | -                  | -         | 27,100               | 27,100    |

#### Movements in fixed asset investments

| Company                                 | Shares in group undertakings<br>£ |
|-----------------------------------------|-----------------------------------|
| <b>Cost</b>                             |                                   |
| At 1 October 2015 and 30 September 2016 | 27,100                            |
| <b>Carrying amount</b>                  |                                   |
| At 30 September 2016                    | 27,100                            |
| At 30 September 2015                    | 27,100                            |

### 14 Subsidiaries

Details of the company's subsidiaries at 30 September 2016 are as follows:

| Name of undertaking                  | Country of incorporation | Nature of business          | Class of shares held | % Held<br>Direct Indirect |
|--------------------------------------|--------------------------|-----------------------------|----------------------|---------------------------|
| Zenith SAS limited                   | Scotland                 | Steeplejack services        | Ordinary             | 100.00                    |
| Zenith Property Conservation Limited | Scotland                 | Property conservation works | Ordinary             | 100.00                    |

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 15 Stocks

|                               | Group<br>2016<br>£ | 2015<br>£ | Company<br>2016<br>£ | 2015<br>£ |
|-------------------------------|--------------------|-----------|----------------------|-----------|
| Raw materials and consumables | 10,051             | 16,852    | -                    | -         |

### 16 Debtors

|                                             | Group<br>2016<br>£ | 2015<br>£ | Company<br>2016<br>£ | 2015<br>£ |
|---------------------------------------------|--------------------|-----------|----------------------|-----------|
| <b>Amounts falling due within one year:</b> |                    |           |                      |           |
| Trade debtors                               | 1,529,628          | 2,151,438 | -                    | -         |
| Gross amounts due from contract customers   | 618,529            | 232,884   | -                    | -         |
| Corporation tax recoverable                 | 33,794             | 33,407    | -                    | -         |
| Amounts due from subsidiary undertakings    | -                  | -         | -                    | 857,222   |
| Other debtors                               | 8,832              | 88,268    | -                    | -         |
| Prepayments and accrued income              | 16,543             | 134,312   | -                    | -         |
|                                             | 2,207,326          | 2,640,309 | -                    | 857,222   |

### 17 Creditors: amounts falling due within one year

|                                    | Notes | Group<br>2016<br>£ | 2015<br>£ | Company<br>2016<br>£ | 2015<br>£ |
|------------------------------------|-------|--------------------|-----------|----------------------|-----------|
| Bank loans and overdrafts          | 19    | 842,159            | 498,234   | -                    | -         |
| Obligations under finance leases   | 20    | 12,204             | -         | 12,204               | -         |
| Trade creditors                    |       | 639,993            | 755,463   | -                    | 10,929    |
| Amounts due to group undertakings  |       | -                  | -         | 2,031,026            | 1,319,027 |
| Other taxation and social security |       | 473,091            | 392,163   | -                    | -         |
| Other creditors                    |       | 283,013            | 203,565   | -                    | -         |
| Accruals and deferred income       |       | 24,115             | 42,681    | 4,823                | 3,438     |
|                                    |       | 2,274,575          | 1,892,106 | 2,048,053            | 1,333,394 |

Finance lease obligations are secured over the assets to which they relate.

### 18 Creditors: amounts falling due after more than one year

|                                  | Notes | Group<br>2016<br>£ | 2015<br>£ | Company<br>2016<br>£ | 2015<br>£ |
|----------------------------------|-------|--------------------|-----------|----------------------|-----------|
| Obligations under finance leases | 20    | 19,971             | -         | 19,971               | -         |

Finance lease obligations are secured over the assets to which they relate.

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 19 Loans and overdrafts

|                         | Group<br>2016<br>£ | 2015<br>£ | Company<br>2016<br>£ | 2015<br>£ |
|-------------------------|--------------------|-----------|----------------------|-----------|
| Bank overdrafts         | 842,159            | 498,234   | -                    | -         |
| Payable within one year | 842,159            | 498,234   | -                    | -         |

The bank overdraft is secured by a bond and floating charge over the assets of the group. Interest is payable at 3% over base rates.

### 20 Finance lease obligations

|                                                         | Group<br>2016<br>£ | 2015<br>£ | Company<br>2016<br>£ | 2015<br>£ |
|---------------------------------------------------------|--------------------|-----------|----------------------|-----------|
| Future minimum lease payments due under finance leases: |                    |           |                      |           |
| Within one year                                         | 12,204             | -         | 12,204               | -         |
| In two to five years                                    | 19,971             | -         | 19,971               | -         |
|                                                         | 32,175             | -         | 32,175               | -         |

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### 21 Financial instruments

|                                                     | Group<br>2016<br>£ | 2015<br>£ | Company<br>2016<br>£ | 2015<br>£ |
|-----------------------------------------------------|--------------------|-----------|----------------------|-----------|
| <b>Carrying amount of financial assets</b>          |                    |           |                      |           |
| Debt instruments measured at amortised cost         | 1,538,460          | 2,219,323 | -                    | 857,222   |
| Equity instruments measured at cost less impairment | -                  | -         | 27,100               | 27,100    |
| <b>Carrying amount of financial liabilities</b>     |                    |           |                      |           |
| Measured at amortised cost                          | 1,797,340          | 1,457,262 | 2,063,201            | 1,329,956 |

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 22 Retirement benefit schemes

|                                                                     | 2016    | 2015    |
|---------------------------------------------------------------------|---------|---------|
| Defined contribution schemes                                        | £       | £       |
| Charge to profit or loss in respect of defined contribution schemes | 225,398 | 138,420 |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 23 Share capital

|                                    | Group and company |        |
|------------------------------------|-------------------|--------|
|                                    | 2016              | 2015   |
| Ordinary share capital             | £                 | £      |
| Issued and fully paid              |                   |        |
| Ordinary of £1 each                | -                 | 27,000 |
| 20,000 Ordinary Class A of £1 each | 20,000            | -      |
| 5,000 Ordinary Class B of £1 each  | 5,000             | -      |
| 2,000 Ordinary Class C of £1 each  | 2,000             | -      |
|                                    | 27,000            | 27,000 |

One employee had options over 1,000 shares in total at an exercise price of £32.30 per share. The options were exercisable at any time over the exercise period and lapse on the tenth anniversary of the date of the grant or if the employee ceases employment with the company. The holder of these options renounced their rights in respect of the options subsequent to the year end on 1 March 2017.

During the year, the company redesignated its 27,000 ordinary shares into 20,000 Ordinary Class A, 5,000 Ordinary Class B and 2,000 Ordinary Class C.

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 24 Profit and loss reserves

|                              | Group<br>2016<br>£ | 2015<br>£        | Company<br>2016<br>£ | 2015<br>£    |
|------------------------------|--------------------|------------------|----------------------|--------------|
| At the beginning of the year | 1,397,295          | 1,461,088        | 7,418                | 5,413        |
| Profit/(loss) for the year   | (522,644)          | (63,793)         | (1,299,785)          | 2,005        |
| Dividends                    | (360,000)          | -                | (360,000)            | -            |
| At the end of the year       | <u>514,651</u>     | <u>1,397,295</u> | <u>(1,652,367)</u>   | <u>7,418</u> |

### 25 Operating lease commitments

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                            | Group<br>2016<br>£ | 2015<br>£      | Company<br>2016<br>£ | 2015<br>£ |
|----------------------------|--------------------|----------------|----------------------|-----------|
| Within one year            | 169,634            | 154,304        | -                    | -         |
| Between two and five years | 208,171            | 218,361        | -                    | -         |
|                            | <u>377,805</u>     | <u>372,665</u> | <u>-</u>             | <u>-</u>  |

### 26 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

|                        | 2016<br>£      | 2015<br>£      |
|------------------------|----------------|----------------|
| Aggregate compensation | <u>624,963</u> | <u>540,865</u> |

#### Other related party transactions

During the year, rent of £55,000 (2015: £55,000) was paid to the directors' pension schemes.

As at the year end, the group was due £120,000 to its directors (2015: due £62,563 from its directors). The loans have no fixed repayment terms and interest is payable at 3% on any outstanding balance due to the company.

Dividends totalling £360,000 (2015 - £nil) were paid in the year in respect of shares held by the company's directors.

# ZENITH (EDINBURGH) HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 27 Cash generated from group operations

|                                                      | 2016<br>£      | 2015<br>£      |
|------------------------------------------------------|----------------|----------------|
| Loss for the year after tax                          | (522,644)      | (63,793)       |
| Adjustments for:                                     |                |                |
| Taxation charged                                     | 174,737        | 388,793        |
| Finance costs                                        | 20,876         | 4,661          |
| Investment income                                    | (387)          | (560)          |
| (Gain)/loss on disposal of tangible fixed assets     | -              | 10,117         |
| Depreciation and impairment of tangible fixed assets | 255,949        | 190,870        |
| Movements in working capital:                        |                |                |
| Decrease/(increase) in stocks                        | 6,801          | (3,538)        |
| Decrease/(increase) in debtors                       | 350,424        | (436,848)      |
| Increase in creditors                                | 46,723         | 38,408         |
| <b>Cash generated from operations</b>                | <b>332,479</b> | <b>128,110</b> |