

COMPANY REGISTRATION NUMBER SC077744

KSW ENGINEERING LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2019



KSW ENGINEERING LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

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KSW ENGINEERING LIMITED
OFFICERS AND PROFESSIONAL ADVISORS

Directors

M J Beveridge
P M Fisher
A S Wilson
A S Wilson
P J Wilson
M Clark (appointed 3 October 2019)

Company secretary

C J M Denholm

Registered office

7 Stirling Road
Southfield Industrial Estate
Glenrothes
KY6 2ST

Independent auditor

Deloitte LLP
Statutory Auditor
Glasgow
United Kingdom

KSW ENGINEERING LIMITED
THE STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2019

Business review

The principal activity of the company for the year under review was the subcontracting of heavy machining and clad welding. 2019 saw an significant uplift in activity along with a material increase in the order book.

The company's key performance indicators are turnover, operating profit and profit before taxation. Turnover for the year amounted to £6,952,097 (2018 - £4,789,717), operating profit amounted to £542,569 (2018 - loss of £380,432) and profit before taxation amounted to £380,389 (2018 - loss of £502,487).

The company's year end balance sheet reported net assets of £2,683,893 (2018 - £1,872,103). The operating profit for the year is considered satisfactory.

Financial risk management

The company's principal third party financial assets are trade debtors and the company's credit risk is primarily attributable to these assets. The company has implemented policies that require appropriate credit checks on potential customers before sales are made and it applied rigorous credit control procedures.

The company's principal financial liabilities are the amounts owed to the shareholders in respect of which interest is applied at a fixed rate and the amounts owed to the bank in respect of the invoice financing facility held, of which the bank hold a floating charge over the whole assets of the company.

The company's principal risks and uncertainties relate to the strength of the oil and gas market, together with the performance of customers and competitors.

Future developments

The company has a significant order book to fulfil for customer requirements therefore the impact of Covid-19 has been mainly on following government guidance on social distancing rules and implementing practical and safe working patterns and conditions in order to meet the customers needs whilst protecting the welfare of the staff throughout the pandemic.

The directors are confident that the business is well positioned to meet the challenges posed during 2020, due to the investment in new equipment and machinery in 2019 and quarter one 2020 and another satisfactory year is anticipated.

Approved on behalf of the Board on 22 May 2020



A S Wilson
Director

KSW ENGINEERING LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2019

The directors submit their report and the audited financial statements of the company (registration number SC077744) for the year ended 31 December 2019.

Principal activities

The principal activities of the company are the subcontract of heavy machining and clad welding. The majority of turnover originates from activities in the United Kingdom.

Results and dividends

The profit for the year after taxation was £811,790 (2018 - loss of £403,039).

The directors have not declared a dividend during the year (2018 - £nil).

Details of financial risk management and future developments are provided in the Strategic Report on page 2.

Directors

The directors who served the company during the year and to the date of this report are listed on page 1.

Appointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Group Annual General Meeting for the re-appointment of Deloitte LLP as auditor of the company.

Subsequent events

Following the worldwide restrictions imposed in the wake of the Covid-19 pandemic and the adverse impact expected on 2020 trading, the Board have carried out a detailed assessment of the potential impact on the company and are satisfied with the assessment.

Directors' responsibilities statement

The directors are responsible for preparing 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

KSW ENGINEERING LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2019

Directors' responsibilities statement *(continued)*

As at the date of this report, as far as each director is aware, there is no relevant audit information of which the company's auditor is unaware. Each of the directors have taken such steps as they should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The impact of Covid-19 is expected to have a noticeable impact on the health and wellbeing of the company's employees, customers and the supply chain, and may adversely impact the company's financial performance in the near to medium term. In addition, the current fall in the price of oil can be expected to have an impact on the financial performance of the company over the longer term. However, with a strong order book and indications from major customers that they expect fulfilment of their orders, the directors expect the disruption around Covid-19 to be temporary and unlikely to materially impact the results for the year, whilst recognising the longer term implications of the depressed oil price could have an adverse impact on future trading performance.

Following the introduction of Covid-19 restrictions and fall in the oil price, the directors have prepared updated projections for the year ahead and 2021 to assess the implications on the financial performance of the company. The directors, having considered these projections and cash resources have concluded that the company has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. The shareholders have indicated flexibility in repayment of shareholder loans and will not recall in the next twelve months. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Approved on behalf of the Board on 22 May 2020



A S Wilson
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KSW ENGINEERING LIMITED
YEAR ENDED 31 DECEMBER 2019

Opinion

In our opinion the financial statements of KSW Engineering Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 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.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

KSW ENGINEERING LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2019

Other information

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

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

We have nothing to report in respect of these matters.

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 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 company or to cease operations, or have no realistic alternative but to do so.

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 period 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

KSW ENGINEERING LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2019

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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.



Colin Gibson CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow
United Kingdom

22 May 2020

KSW ENGINEERING LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
TURNOVER	2	6,952,097	4,789,717
Cost of sales		<u>(4,074,869)</u>	<u>(2,992,424)</u>
GROSS PROFIT		2,877,228	1,797,293
Distribution costs		(132,172)	(96,733)
Administrative expenses		(2,206,157)	(2,106,942)
Other operating income	3	3,670	25,950
OPERATING PROFIT/(LOSS)	4	<u>542,569</u>	<u>(380,432)</u>
Interest payable and similar charges	7	<u>(162,180)</u>	<u>(122,055)</u>
PROFIT/(LOSS) BEFORE TAXATION		380,389	(502,487)
Tax on profit/(loss)	8	<u>431,401</u>	<u>99,448</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u><u>811,790</u></u>	<u><u>(403,039)</u></u>

All of the activities of the company are classed as continuing.

There are no items of other comprehensive income other than the profit of £811,790 attributable to the shareholders for the year ended 31 December 2019 (2018 - loss of £403,039). Accordingly, a separate statement of other comprehensive income is not presented.

The notes on pages 12 to 23 form part of these financial statements.

KSW ENGINEERING LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Intangible assets	9	23,330	40,190
Tangible assets	10	<u>3,849,985</u>	<u>4,060,066</u>
		<u>3,873,315</u>	<u>4,100,256</u>
CURRENT ASSETS			
Stocks	11	1,098,310	600,022
Debtors due within one year	12	2,455,837	1,877,519
Cash at bank and in hand		76,732	45,221
		<u>3,630,879</u>	<u>2,522,762</u>
CREDITORS: Amounts falling due within one year	13	<u>(4,366,100)</u>	<u>(3,988,154)</u>
NET CURRENT LIABILITIES		<u>(735,221)</u>	<u>(1,465,392)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,138,094</u>	<u>2,634,864</u>
CREDITORS: Amounts falling due after more than one year	14	(454,201)	(610,273)
PROVISIONS FOR LIABILITIES			
Deferred taxation	16	-	(152,488)
NET ASSETS		<u><u>2,683,893</u></u>	<u><u>1,872,103</u></u>
CAPITAL AND RESERVES			
Called-up share capital	19	10,942	10,942
Share premium account	19	1,498,358	1,498,358
Revaluation reserve	19	4,831	4,831
Capital redemption reserve	19	153,700	153,700
Profit and loss account		<u>1,016,062</u>	<u>204,272</u>
SHAREHOLDERS' FUNDS		<u><u>2,683,893</u></u>	<u><u>1,872,103</u></u>

These financial statements were approved by the Board on 22 May 2020



A S Wilson
Director

The notes on pages 12 to 23 form part of these financial statements.

KSW ENGINEERING LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2019

	Called-up share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £	Total £
Balance at 1 January 2018	10,942	1,498,358	4,831	153,700	607,311	2,275,142
Total comprehensive loss	-	-	-	-	(403,039)	(403,039)
Balance at 31 December 2018	10,942	1,498,358	4,831	153,700	204,272	1,872,103
Total comprehensive profit	-	-	-	-	811,790	811,790
Balance at 31 December 2019	10,942	1,498,358	4,831	153,700	1,016,062	2,683,893

The notes on pages 12 to 23 form part of these financial statements.

KSW ENGINEERING LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Operating profit/(loss) for the financial year		542,569	(380,432)
Adjustments for:			
Amortisation of intangible fixed assets	9	19,347	19,853
Depreciation of tangible fixed assets	10	395,864	409,546
Gain on disposal of fixed assets		-	(24,035)
Increase in trade and other debtors		(437,519)	(634,964)
Increase in stocks		(498,288)	(165,675)
Increase in trade and other creditors		131,192	317,857
		<hr/>	<hr/>
Cash inflow/(outflow) from operations		153,165	(457,850)
Income taxes received		138,114	45,176
		<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities		291,279	(412,674)
Cash flows from investing activities			
Purchases of intangible fixed assets	9	(2,487)	(12,514)
Purchases of tangible fixed assets	10	(185,783)	(275,147)
Proceeds from sale of tangible fixed assets		-	50,866
		<hr/>	<hr/>
Net cash outflow from investing activities		(188,270)	(236,795)
Cash flows from financing activities			
Increase in bank loans and overdrafts		387,306	340,830
Proceeds from finance leases		-	693,170
Repayment of finance leases		(296,624)	(319,865)
Interest paid	7	(162,180)	(122,055)
		<hr/>	<hr/>
Net cash (outflow)/inflow from financing activities		(71,498)	592,080
Net increase/(decrease) in cash and cash equivalents		31,511	(57,389)
Cash and cash equivalents at the beginning of the year		45,221	102,610
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		76,732	45,221
		<hr/> <hr/>	<hr/> <hr/>
Relating to			
Cash at bank and in hand		76,732	45,221

The notes on pages 12 to 23 form part of these financial statements.

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES

Basis of accounting

KSW Engineering Limited is a private company limited by shares incorporated in Scotland under the Companies Act. The address of the registered office is given on page 1. The nature of the company's principal activities are set out within the Directors' Report on page 3.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis. They have been prepared on the going concern basis as explained in the Directors' Report.

Functional and presentational currency

The directors have adopted the pound sterling as the company's functional and presentational currency, being the currency of the primary economic environment in which the company operates.

Turnover

Turnover is recognised at the fair value of consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred in respect of the transaction can be measured reliably.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Welding certificates	-	20% straight line
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If there is any indication that there has been a significant change in the amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation, and any provision for impairment. Depreciation is calculated on a straight line basis to write off the cost less estimated residual value of tangible fixed assets over their anticipated useful lives as follows:

Leasehold Property	-	10% reducing balance
Plant & Machinery	-	10% reducing balance
Fixtures & Fittings	-	10% reducing balance
Motor Vehicles	-	25% reducing balance

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value, using the FIFO or weighted average cost basis. Provision is made for obsolete, slow moving or defective items where appropriate.

Work in progress

Work in progress is valued on the basis of direct costs based on a normal level of activity. Provision is made for any foreseeable losses where appropriate.

Operating leases

Rentals in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

Pension costs arise in respect of a defined contribution scheme. Contributions are charged to the profit and loss account as incurred.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except otherwise indicated. Deferred tax assets are only 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 calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Foreign currencies

In preparing the financial statements, transactions in currencies other than the functional currency are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising are included as an exchange gain or loss in the profit and loss account.

Critical accounting 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 for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates. There were no critical accounting judgements made during the current year.

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

2 TURNOVER

Turnover stated exclusive of Value Added Tax is derived from the sale of goods. An analysis of turnover by destination is given below:

	2019	2018
	£	£
United Kingdom	4,864,352	4,316,569
Overseas	2,087,745	473,148
	<u>6,952,097</u>	<u>4,789,717</u>

3 OTHER OPERATING INCOME

	2019	2018
	£	£
Commission received	3,670	1,910
Profit on disposal of fixed assets	-	24,035
	<u>3,670</u>	<u>25,950</u>

4 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	2019	2018
	£	£
Amortisation of intangible assets	19,347	19,853
Depreciation of owned tangible fixed assets	300,196	272,354
Depreciation of tangible fixed assets held under finance leases	95,668	137,192
Auditor's remuneration - audit fees	15,397	15,397
Operating lease costs:		
Land and buildings	<u>144,601</u>	<u>144,601</u>

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

5 PARTICULARS OF EMPLOYEES

The monthly average number of staff employed by the company during the financial year amounted to:

	2019	2018
	Number	Number
Number of production staff	51	44
Number of administrative staff	9	8
Number of management staff	3	3
	<u>63</u>	<u>55</u>

The aggregate payroll costs of the above were:

	2019	2018
	£	£
Wages and salaries	2,818,406	2,209,510
Social security costs	304,917	231,260
Other pension costs (note 17)	116,605	116,473
	<u>3,239,927</u>	<u>2,557,243</u>

6 DIRECTORS' REMUNERATION

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

	2019	2018
	£	£
Remuneration receivable	350,770	295,385
Company pension contributions to defined contribution schemes	37,920	46,875
	<u>388,690</u>	<u>342,260</u>

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

	2019	2018
	£	£
Remuneration for qualifying services	<u>116,923</u>	<u>100,000</u>

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

6 DIRECTORS' REMUNERATION *(continued)*

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

	2019	2018
	Number	Number
Money purchase schemes	3	3

Some of the company's directors were paid by other companies during the current and prior year. The emoluments of these directors are shown in the financial statements of other companies and it is not practical to make an apportionment of remuneration in respect of services provided to this company.

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£	£
Bank interest payable	78,212	50,871
Interest on finance leases and hire purchase contracts	47,812	35,806
Interest on loans from shareholders (note 21)	36,156	35,378
	162,180	122,055

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

8 TAXATION ON PROFIT/(LOSS)

(a) Analysis of tax credit in the year

	2019	2018
	£	£
Current tax:		
UK Taxation in respect of the year:	-	(106,300)
Adjustments in respect of prior periods	(31,814)	-
	<hr/>	<hr/>
Total current tax	(31,814)	(106,300)
Deferred tax:		
Origination and reversal of timing differences (note 16)	65,627	6,852
Adjustments in respect of prior periods (note 16)	(465,214)	-
	<hr/>	<hr/>
Total deferred tax	(399,587)	6,852
	<hr/>	<hr/>
Tax on profit/(loss)	<u>(431,401)</u>	<u>(99,448)</u>

(b) Factors affecting current tax credit for the year

Total tax for the year when expressed as a percentage of profit/(loss) before taxation is higher at 113% (2018 - higher at 20%) than the standard rate of corporation tax in the UK of 19% (2018 - 19%)

	2019	2018
	£	£
Profit/(loss) before tax	380,389	(502,487)
Profit/(loss) multiplied at standard rate	72,274	(95,473)
Expenses not deductible for tax purposes	1,074	(3,169)
Difference in current tax rate and deferred tax rate	(7,720)	(806)
Adjustments in respect to prior periods	(497,029)	-
	<hr/>	<hr/>
Total tax on profit/(loss)	<u>(431,401)</u>	<u>(99,448)</u>

At 31 December 2019, it was enacted that a reduction in the UK corporation tax rate to 17% would be effective from 1 April 2020 which resulted in the deferred tax being calculated at 17%. During 2020, it was announced that the corporation tax rate would remain at 19%.

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

9 INTANGIBLE FIXED ASSETS

	Welding certificates £
Cost	
At 1 January 2019	340,935
Additions	2,487
	343,422
Amortisation	
At 1 January 2019	300,745
Amortisation charged for the year	19,347
	320,092
Net book value	
At 31 December 2019	23,330
At 1 January 2019	40,190

10 TANGIBLE FIXED ASSETS

	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 January 2019	15,000	7,564,526	339,684	14,329	7,933,539
Additions	31,948	148,553	5,282	-	185,783
	46,948	7,713,079	344,966	14,329	8,119,322
Depreciation					
At 1 January 2019	9,832	3,645,493	206,139	12,009	3,873,473
Charge for the year	1,707	380,448	13,189	520	395,864
	11,539	4,025,941	219,328	12,529	4,269,337
Net Book Value					
At 31 December 2019	35,409	3,687,138	125,638	1,800	3,849,985
At 1 January 2019	5,168	3,919,033	133,545	2,320	4,060,066

The leasehold property above relates to a lease with less than 50 years unexpired.

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

10 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 purchases contracts.

	2019	2018
	£	£
Plant and machinery	333,551	1,845,858
	<u> </u>	<u> </u>
Depreciation charge for the year in respect of leased assets	95,668	137,192
	<u> </u>	<u> </u>

11 STOCKS

	2019	2018
	£	£
Raw materials	52,852	43,820
Work in progress	1,045,458	556,202
	<u> </u>	<u> </u>
	1,098,310	600,022
	<u> </u>	<u> </u>

12 DEBTORS

	2019	2018
	£	£
Amounts falling within one year:		
Trade debtors	2,028,090	1,712,304
Amounts due from related party (note 21)	1,362	7,914
Corporation tax repayable	-	106,300
Other debtors	64,667	-
Prepayments and accrued income	114,619	51,001
Deferred taxation (note 16)	247,099	-
	<u> </u>	<u> </u>
	2,455,837	1,877,519
	<u> </u>	<u> </u>

The amounts due from related party are trading balances and are settled on normal trading terms.

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

13 CREDITORS: Amounts falling due within one year

	2019	2018
	£	£
Bank loans and overdrafts	1,424,213	1,036,907
Trade creditors	636,316	516,918
Amounts owed to related party (note 21)	11,637	15,697
Amounts owed to shareholders (note 21)	1,781,519	1,808,682
Other taxation and social security	176,202	153,084
Obligations under finance leases (note 15)	196,467	350,186
Other creditors	28,776	17,037
Accruals and deferred income	110,970	89,643
	<u>4,366,100</u>	<u>3,988,154</u>

HSBC Invoice Finance (UK) Limited hold a floating charge over the whole assets of the company.

The amount due to shareholders is in respect of loans from the shareholders of the company, which bear interest at a fixed rate of 2.5% and are repayable on demand. The accrued interest relating to the shareholders loans of £55,519 (2018 - £82,682) is included within the loan balance.

The amounts owed to related party are trading balances and are settled on normal trading terms.

14 CREDITORS: Amounts falling due after one year

	2019	2018
	£	£
Obligations under finance leases (note 15)	360,840	503,745
Accruals and deferred income	93,361	106,528
	<u>454,201</u>	<u>610,273</u>

15 FINANCE LEASES

The following finance leases are included within creditors:

	2019	2018
	£	£
Within one year	196,467	350,186
Between two and five years	360,840	503,745
	<u>557,307</u>	<u>853,931</u>

The finance lease contracts are secured upon the assets to which they relate.

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NOTES TO THE FINANCIAL STATEMENTS
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16 DEFERRED TAXATION

The deferred tax included in the balance sheet is as follows:

	2019	2018
	£	£
Included in debtors (note 12)	247,099	-
Included in provisions	-	(152,488)
	247,099	(152,488)
Deferred tax	247,099	(152,488)

The movement in the deferred taxation asset/(provision) during the year was:

	2019	2018
	£	£
Provision brought forward	(152,488)	(145,636)
Profit and loss account movement arising during the year (note 8)	(65,627)	(6,852)
Adjustments in respect to the prior period (note 8)	465,214	-
	247,099	(152,488)
Asset/(provision) carried forward	247,099	(152,488)

The deferred tax asset/(provision) consists of the tax effect of timing differences in respect of:

	2019	2018
	£	£
Accounting depreciation in excess of capital allowances	(139,205)	(167,112)
Interest on shareholder loan deductible in future periods	10,115	14,624
Losses	376,189	-
	247,099	(152,488)
	247,099	(152,488)

17 PENSIONS

The company operates a defined contribution scheme for all qualifying employees. Contributions to the scheme for the year ended 31 December 2019 amounted to £116,605 (2018 - £116,473) The assets of the scheme are held separately from those of the company in an independently administered fund.

18 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the company had total future minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings	
	2019	2018
	£	£
Operating leases for which payment is due:		
Within one year	165,833	175,000
Within two to five years	564,583	629,583
In over five years	366,667	476,667
	1,097,083	1,281,250
	1,097,083	1,281,250

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

19 SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid:

	2019		2018	
	Number	£	Number	£
Ordinary shares of £1 each	<u>10,942</u>	<u>10,942</u>	<u>10,942</u>	<u>10,942</u>

The share premium account of £1,498,358 (2018 - £1,498,358) records the amount above the nominal value received for shares sold, less transaction costs.

The revaluation reserve of £4,831 (2018 - £4,831) records the movement in valuation of assets in the company.

The capital redemption reserve of £153,700 (2018 - £153,700) contains the nominal value of shares repurchased by the company.

20 OWNERSHIP

The company is jointly owned and controlled by Denholm Energy Services Limited and the Wilson Family (who control as a single entity). The ultimate joint venture parent undertaking is Denholm Energy Services Limited. The registered address of each partner is shown below:

Joint venture parent undertaking
Denholm Energy Services Limited
Wilson Family

Registered address
12 Finsbury Square, London
7 Stirling Road, Glenrothes

Copies of the financial statements of Denholm Energy Services Limited, may be obtained from the Registrar of Companies, Crown Way, Cardiff, CF14 3UZ.

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21 RELATED PARTY TRANSACTIONS

2019	Sales to related party	Trading balances owed to related party	Purchases from related party	Trading balances owed from related party	Interest payable to related party	Loans owed to related party
Related Party	£	£	£	£	£	£
Denholm Energy Services Ltd	-	11,637	-	-	18,076	890,637
A S Wilson	-	-	-	-	10,211	503,129
A S Wilson	-	-	-	-	4,194	206,649
P J Wilson	-	-	-	-	3,675	181,104
Denholm Engineering Ltd	4,086	-	1,678	1,362	-	-
	<u>4,086</u>	<u>11,637</u>	<u>1,678</u>	<u>1,362</u>	<u>36,156</u>	<u>1,781,519</u>

2018	Sales to related party	Trading balances owed to related party	Purchases from related party	Trading balances owed from related party	Interest payable to related party	Loans owed to related party
Related Party	£	£	£	£	£	£
Denholm Energy Services Ltd	-	15,697	-	-	17,729	904,260
A S Wilson	-	-	-	-	9,967	510,775
A S Wilson	-	-	-	-	4,094	209,790
P J Wilson	-	-	-	-	3,588	183,857
Denholm Engineering Ltd	18,515	-	7,534	7,914	-	-
	<u>18,515</u>	<u>15,697</u>	<u>7,534</u>	<u>7,914</u>	<u>35,378</u>	<u>1,808,682</u>