

COMPANY REGISTRATION NUMBER SC077744

KSW ENGINEERING LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2020



KSW ENGINEERING LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

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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

Company secretary

C J M Denholm

Registered office

7 Stirling Road
Southfield Industrial Estate
Glenrothes
KY6 2ST

Independent auditor

Ernst & Young LLP
Statutory Auditor
Glasgow
United Kingdom

KSW ENGINEERING LIMITED
THE STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2020

Business review

The principal activity of the company for the year under review was the subcontracting of heavy machining and clad welding. 2020 started positively but was adversely affected by the impact of Covid-19 and the temporary fall in the oil price. Demand did not recover fully but the company's order book held up well and sustained the business through a difficult year.

The company's key performance indicators are turnover, operating profit and profit before taxation. Turnover for the year amounted to £7,651,349 (2019 - £6,952,097), operating profit amounted to £793,999 (2019 - £542,569) and profit before taxation amounted to £644,723 (2019 - profit of £380,389).

The company's year end balance sheet reported net assets of £3,221,183 (2019 - £2,683,893). 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 is expecting a slow and poor first half of 2021 as the consequences of Covid-19 slowly subside but expect to recover fully in the second half of the year. The company has retained its entire workforce, utilizing the Coronavirus Job Retention Scheme where appropriate and are in an excellent position to increase production with demand.

The directors are confident that the business is well positioned to meet the challenges of quarter one and two, with the company already beginning to see the increase in demand from our customers that should ensure a busier quarter three and four.

Approved on behalf of the Board on 21 May 2021



A S Wilson

Director

KSW ENGINEERING LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2020

The directors submit their report and the audited financial statements of the company (registration number SC077744) for the year ended 31 December 2020.

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 £537,290 (2019 - £811,790).

The directors have not declared a dividend during the year (2019 - £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 Ernst & Young LLP as auditor of the company.

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 2020

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

In response to the worldwide restrictions being introduced during 2020 to combat the Covid-19 pandemic, immediate steps were taken to protect the health and wellbeing of the Company's employees and stakeholders.

Having observed the outcome of actual events through 2020, and visibility improving over 2021 trading levels, the directors have prepared projections for the year ahead and to 31 May 2022 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 a period extending to at least twelve months from the signing of these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Approved on behalf of the Board on 21 May 2021



A S Wilson
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KSW ENGINEERING LIMITED
YEAR ENDED 31 DECEMBER 2020

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KSW Engineering Limited for the year ended 31 December 2020 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

KSW ENGINEERING LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2020

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and Companies Act 2006) and the relevant tax compliance regulations in the UK and Ireland;
- We understood how KSW Engineering Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of the board minutes and papers provided to the Audit Committee at a Group level, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business and a review of board minutes to identify any non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

KSW ENGINEERING LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2020

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept 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.

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.

Ernst & Young LLP.

Nicola McIntyre CA (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
Glasgow
United Kingdom

24 May 2021

KSW ENGINEERING LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
TURNOVER	2	7,651,349	6,952,097
Cost of sales		<u>(4,971,786)</u>	<u>(4,074,869)</u>
GROSS PROFIT		2,679,563	2,877,228
Distribution costs		(50,106)	(132,172)
Administrative expenses		(1,885,177)	(2,206,157)
Other operating income	3	49,719	3,670
OPERATING PROFIT	4	<u>793,999</u>	<u>542,569</u>
Interest payable and similar charges	7	<u>(149,276)</u>	<u>(162,180)</u>
PROFIT BEFORE TAXATION		644,723	380,389
Tax on profit	8	<u>(107,433)</u>	<u>431,401</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>537,290</u></u>	<u><u>811,790</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 £537,290 attributable to the shareholders for the year ended 31 December 2020 (2019 - £811,790). 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 2020

	Note	2020 £	2019 £
FIXED ASSETS			
Intangible assets	9	16,733	23,330
Tangible assets	10	3,977,047	3,849,985
		<u>3,993,780</u>	<u>3,873,315</u>
CURRENT ASSETS			
Stocks	11	99,084	1,098,310
Debtors due within one year	12	2,883,607	2,455,837
Cash at bank and in hand		65,308	76,732
		<u>3,047,999</u>	<u>3,630,879</u>
CREDITORS: Amounts falling due within one year	13	(3,231,519)	(4,366,100)
NET CURRENT LIABILITIES		<u>(183,520)</u>	<u>(735,221)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,810,260	3,138,094
CREDITORS: Amounts falling due after more than one year	14	(589,077)	(454,201)
NET ASSETS		<u>3,221,183</u>	<u>2,683,893</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		1,553,352	1,016,062
SHAREHOLDERS' FUNDS		<u>3,221,183</u>	<u>2,683,893</u>

These financial statements were approved by the Board on 21 May 2021



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 2020

	Called-up share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £	Total £
Balance at 1 January 2019	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	<u>10,942</u>	<u>1,498,358</u>	<u>4,831</u>	<u>153,700</u>	<u>1,016,062</u>	<u>2,683,893</u>
Total comprehensive profit	-	-	-	-	537,290	537,290
Balance at 31 December 2020	<u><u>10,942</u></u>	<u><u>1,498,358</u></u>	<u><u>4,831</u></u>	<u><u>153,700</u></u>	<u><u>1,553,352</u></u>	<u><u>3,221,183</u></u>

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

KSW ENGINEERING LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Operating profit for the financial year		793,999	542,569
Adjustments for:			
Amortisation of intangible fixed assets	9	10,829	19,347
Depreciation of tangible fixed assets	10	417,824	395,864
Loss on disposal of fixed assets		18,729	-
Increase in trade and other debtors		(535,203)	(437,519)
Decrease/(increase) in stocks		999,226	(498,288)
Decrease/(increase) in trade and other creditors		(475,861)	131,192
		<hr/>	<hr/>
Cash inflow from operations		1,229,543	153,165
Income taxes received		-	138,114
		<hr/>	<hr/>
Net cash inflow from operating activities		1,229,543	291,279
Cash flows from investing activities			
Purchases of intangible fixed assets	9	(4,232)	(2,487)
Purchases of tangible fixed assets	10	(597,288)	(185,783)
Proceeds from sale of tangible fixed assets		33,673	-
		<hr/>	<hr/>
Net cash outflow from investing activities		(567,847)	(188,270)
Cash flows from financing activities			
Increase in bank loans and overdrafts		(808,388)	387,306
Proceeds from finance leases		514,025	-
Repayments of finance leases		(229,481)	(296,624)
Interest paid	7	(149,276)	(162,180)
		<hr/>	<hr/>
Net cash outflow from financing activities		(673,120)	(71,498)
Net (decrease)/increase in cash and cash equivalents		(11,424)	31,511
Cash and cash equivalents at the beginning of the year		76,732	45,221
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		65,308	76,732
		<hr/> <hr/>	<hr/> <hr/>
Relating to			
Cash at bank and in hand		65,308	76,732

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 2020

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.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

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 2020

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.

Contract assets

Where revenue on a contract is recognised in advance of invoicing, the asset is presented as a contract asset.

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 2020

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:

	2020	2019
	£	£
United Kingdom	5,053,961	4,864,352
Overseas	2,597,388	2,087,745
	<u>7,651,349</u>	<u>6,952,097</u>

3 OTHER OPERATING INCOME

	2020	2019
	£	£
Commission received	164	3,670
Government grant income	49,555	-
	<u>49,719</u>	<u>3,670</u>

4 OPERATING PROFIT

Operating profit is stated after charging:

	2020	2019
	£	£
Amortisation of intangible assets	10,829	19,347
Depreciation of owned tangible fixed assets	270,834	300,196
Depreciation of tangible fixed assets held under finance leases	146,990	95,668
Auditor's remuneration - audit fees	18,000	15,397
Operating lease costs:		
Land and buildings	144,601	144,601
	<u>144,601</u>	<u>144,601</u>

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

5 PARTICULARS OF EMPLOYEES

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

	2020	2019
	Number	Number
Number of production staff	56	51
Number of administrative staff	9	9
Number of management staff	3	3
	<u>68</u>	<u>63</u>

The aggregate payroll costs of the above were:

	2020	2019
	£	£
Wages and salaries	2,646,000	2,818,405
Social security costs	335,049	304,917
Other pension costs (note 17)	118,448	116,605
	<u>3,099,497</u>	<u>3,239,927</u>

6 DIRECTORS' REMUNERATION

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

	2020	2019
	£	£
Remuneration receivable	377,885	350,770
Company pension contributions to defined contribution schemes	32,225	37,920
	<u>410,110</u>	<u>388,690</u>

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

	2020	2019
	£	£
Remuneration for qualifying services	<u>125,962</u>	<u>116,923</u>

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

6 DIRECTORS' REMUNERATION *(continued)*

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

	2020	2019
	Number	Number
Money purchase schemes	<u>3</u>	<u>3</u>

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

	2020	2019
	£	£
Bank interest payable	81,084	78,212
Interest on finance leases and hire purchase contracts	33,437	47,812
Interest on loans from shareholders (note 21)	34,755	36,156
	<u>149,276</u>	<u>162,180</u>

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

8 TAXATION ON PROFIT

(a) Analysis of tax charge/credit in the year

	2020	2019
	£	£
Current tax:		
Adjustments in respect of prior periods	-	(31,814)
Total current tax	-	(31,814)
Deferred tax:		
Origination and reversal of timing differences (note 16)	96,099	65,627
Adjustments in respect of prior periods (note 16)	11,334	(465,214)
Total deferred tax	107,433	(399,587)
Tax on profit	107,433	(431,401)

(b) Factors affecting current tax charge/credit for the year

Total tax for the year when expressed as a percentage of profit before taxation is lower at 16.7% (2019 - higher at 113%) than the standard rate of corporation tax in the UK of 19% (2019 - 19%)

	2020	2019
	£	£
Profit before tax	644,723	380,389
Profit multiplied at standard rate	122,497	72,274
Expenses not deductible for tax purposes	1,339	1,074
Difference in current tax rate and deferred tax rate	(27,737)	(7,720)
Adjustments in respect to prior periods	11,334	(497,029)
Total tax on profit	107,433	(431,401)

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

9 INTANGIBLE FIXED ASSETS

	Welding certificates £
Cost	
At 1 January 2020	343,422
Additions	4,232
At 31 December 2020	<u>347,654</u>
Amortisation	
At 1 January 2020	320,092
Amortisation charged for the year	10,829
At 31 December 2020	<u>330,921</u>
Net book value	
At 31 December 2020	<u>16,733</u>
At 1 January 2020	<u>23,330</u>

10 TANGIBLE FIXED ASSETS

	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 January 2020	46,948	7,713,079	344,966	14,329	8,119,322
Additions	7,762	559,102	18,785	11,639	597,288
Disposals	-	(71,836)	(34,240)	(14,329)	(120,405)
At 31 December 2020	<u>54,710</u>	<u>8,200,345</u>	<u>329,511</u>	<u>11,639</u>	<u>8,596,205</u>
Depreciation					
At 1 January 2020	11,539	4,025,941	219,328	12,529	4,269,337
Charge for the year	3,870	400,349	12,144	1,461	417,824
On disposals	-	(38,061)	(17,164)	(12,778)	(68,003)
At 31 December 2020	<u>15,409</u>	<u>4,388,229</u>	<u>214,308</u>	<u>1,212</u>	<u>4,619,158</u>
Net Book Value					
At 31 December 2020	<u>39,301</u>	<u>3,812,116</u>	<u>115,203</u>	<u>10,427</u>	<u>3,977,047</u>
At 1 January 2020	<u>35,409</u>	<u>3,687,138</u>	<u>125,638</u>	<u>1,800</u>	<u>3,849,985</u>

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 2020

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.

	2020	2019
	£	£
Plant and machinery	1,395,966	333,551
Motor Vehicles	10,427	-
	<u>1,406,393</u>	<u>333,551</u>
Depreciation charge for the year in respect of leased assets	145,778	95,668
	<u>145,778</u>	<u>95,668</u>

11 STOCKS

	2020	2019
	£	£
Raw materials	99,084	52,852
Work in progress	-	1,045,458
	<u>99,084</u>	<u>1,098,310</u>

12 DEBTORS

	2020	2019
	£	£
Amounts falling within one year:		
Trade debtors	1,924,219	2,028,090
Amounts due from related party (note 21)	-	1,362
Amounts recoverable on contracts	684,622	-
Other debtors	37,795	64,667
Prepayments and accrued income	97,305	114,619
Deferred taxation (note 16)	139,666	247,099
	<u>2,883,607</u>	<u>2,455,837</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 2020

13 CREDITORS: Amounts falling due within one year

	2020	2019
	£	£
Bank loans and overdrafts	615,825	1,424,213
Trade creditors	332,808	636,316
Amounts owed to related party (note 21)	6,199	11,637
Amounts owed to shareholders (note 21)	1,602,728	1,781,519
Other taxation and social security	202,160	176,202
Obligations under finance leases (note 15)	311,885	196,467
Other creditors	30,398	28,776
Accruals and deferred income	129,516	110,970
	<u>3,231,519</u>	<u>4,366,100</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 £2,728 (2019 - £55,519) 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

	2020	2019
	£	£
Obligations under finance leases (note 15)	529,966	360,840
Accruals and deferred income	59,111	93,361
	<u>589,077</u>	<u>454,201</u>

15 FINANCE LEASES

The following finance leases are included within creditors:

	2020	2019
	£	£
Within one year	311,885	196,467
Between two and five years	529,966	360,840
	<u>841,851</u>	<u>557,307</u>

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

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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16 DEFERRED TAXATION

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

	2020	2019
	£	£
Deferred tax asset	<u>139,666</u>	<u>247,099</u>

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

	2020	2019
	£	£
Asset/(provision) brought forward	247,099	(152,488)
Profit and loss account movement arising during the year (note 8)	(96,099)	(65,627)
Adjustments in respect to the prior period (note 8)	(11,334)	465,214
Asset carried forward	<u>139,666</u>	<u>247,099</u>

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

	2020	2019
	£	£
Accounting depreciation in excess of capital allowances	(220,689)	(139,205)
Interest on shareholder loan deductible in future periods	-	10,115
Losses	360,355	376,189
	<u>139,666</u>	<u>247,099</u>

17 PENSIONS

The company operates a defined contribution scheme for all qualifying employees. Contributions to the scheme for the year ended 31 December 2020 amounted to £118,448 (2019 - £116,605). 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 2020 the company had total future minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings	
	2020	2019
	£	£
Operating leases for which payment is due:		
Within one year	175,000	165,833
Within two to five years	499,583	564,583
In over five years	256,667	366,667
	<u>931,250</u>	<u>1,097,083</u>

KSW ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19 SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid:

	2020		2019	
	Number	£	Number	£
Ordinary shares of £1 each	10,942	10,942	10,942	10,942

There is one class of ordinary share in issue, with one voting right per share and no right to fixed income.

The share premium account of £1,498,358 (2019 - £1,498,358) records the amount above the nominal value received for shares sold, less transaction costs.

The revaluation reserve of £4,831 (2019 - £4,831) records the movement in valuation of assets in the company.

The capital redemption reserve of £153,700 (2019 - £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
YEAR ENDED 31 DECEMBER 2020

21 RELATED PARTY TRANSACTIONS

2020	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	-	6,199	-	-	17,377	801,364
A S Wilson	-	-	-	-	9,822	453,139
A S Wilson	-	-	-	-	4,029	185,725
P J Wilson	-	-	-	-	3,527	162,500
Denholm Engineering Ltd	53,830	-	-	-	-	-
	<u>53,830</u>	<u>6,199</u>	<u>-</u>	<u>-</u>	<u>34,755</u>	<u>1,602,728</u>
	<u><u>53,830</u></u>	<u><u>6,199</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>34,755</u></u>	<u><u>1,602,728</u></u>
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>
	<u><u>4,086</u></u>	<u><u>11,637</u></u>	<u><u>1,678</u></u>	<u><u>1,362</u></u>	<u><u>36,156</u></u>	<u><u>1,781,519</u></u>