

**HIGHLAND COLOUR COATERS
LIMITED**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019



HIGHLAND COLOUR COATERS LIMITED

COMPANY INFORMATION

Directors	G S Crowley R Sheils L Reed R G Steel G Bulloch I Boyle J Macintosh
Secretary	R G Steel
Company number	SC212755
Registered office	Pinefield Industrial Estate ELGIN IV30 6FG
Auditor	Johnston Carmichael LLP Commerce House South Street ELGIN IV30 1JE

HIGHLAND COLOUR COATERS LIMITED

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HIGHLAND COLOUR COATERS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present the strategic report for the year ended 31 March 2019.

Fair review of the business

The directors are satisfied with the improvement in turnover (+3.7%), gross profit (+3.4%) and profit before taxation (+6.3%) for the year ended 31 March 2019, representing a positive outcome in a year where certain direct costs (energy, distribution costs) increased considerably.

The directors are pleased with the overall results for the year with an improvement in profit before taxation and in the net assets of the company to £3.5m.

Principal risks and uncertainties

Brexit remains a source of uncertainty in the economy in general, the potential impacts being mainly regarding supply of materials (principally zinc) and restrictions on movement of labour. These aspects are the subject of regular review and action is taken accordingly to minimise any negative effect on the business.

Volatility of commodity costs represents a risk to the business, however this too is closely monitored to enable appropriate action to be taken to ensure that revenue and costs maintain an acceptable balance.

Key performance indicators

The directors manage the main areas of the business using a broad range of key financial performance indicators designed to ensure regular, tight monitoring and control of all operational activity. These financial indicators focus mainly on revenue growth and operating margin and, with regard to the latter, specific ratios to measure the effectiveness of labour and raw material consumption are analysed in detail, allowing real time management and control of key aspects of operational performance.

There are also non-financial key performance indicators used to ensure continuous improvement in Health & safety, Quality and Environmental performance.

Future developments

The directors are continuing the strategy to grow and develop both the galvanizing and the powder coating business and are confident that the company will strengthen its position over the forthcoming financial year and beyond.

On behalf of the board



R G Steel

Director

09/12/2019

HIGHLAND COLOUR COATERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of the company is that of the supply of galvanizing, powder coating and the duplex service combining these processes, "Colourgalt".

Directors

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

G S Crowley
R Sheils
L Reed
R G Steel
G Bulloch
I Boyle
J Macintosh

Results and dividends

The results for the year are set out on page 7.

The directors do not recommend payment of an ordinary dividend.

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company 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;
- 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.

HIGHLAND COLOUR COATERS LIMITED

DIRECTORS' REPORT (CONTINUED)

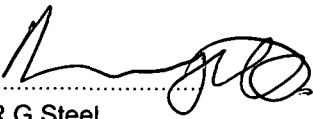
FOR THE YEAR ENDED 31 MARCH 2019

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 company's auditor 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 company's auditor is aware of that information.

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company'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. It has done so in respect of future developments.

On behalf of the board



R G Steel

Director

Date: 09/12/2019.

HIGHLAND COLOUR COATERS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HIGHLAND COLOUR COATERS LIMITED

Opinion

We have audited the financial statements of Highland Colour Coaters Limited (the 'company') for the year ended 31 March 2019 which comprise of the profit and loss account, balance sheet, statement of changes in equity and notes to the financial statements, 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 Financial Reporting Standard 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 state of the company's affairs as at 31 March 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

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 this regard.

Opinions on other matters 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.

HIGHLAND COLOUR COATERS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HIGHLAND COLOUR COATERS LIMITED

Matters on which we are required to report by exception

In the light of our 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 and the directors' report.

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, set out within the Directors' Report on page 2, 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.

HIGHLAND COLOUR COATERS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HIGHLAND COLOUR COATERS LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

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.

Johnston Carmichael LLP

Fiona Munro (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

11-12-19

Chartered Accountants
Statutory Auditor

Commerce House
South Street
ELGIN
IV30 1JE

HIGHLAND COLOUR COATERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	3	6,887,863	6,645,326
Cost of sales		(4,228,778)	(4,074,093)
Gross profit		2,659,085	2,571,233
Distribution costs		(674,837)	(599,137)
Administrative expenses		(1,295,536)	(1,324,458)
Other operating income		30,840	30,840
Operating profit	4	719,552	678,478
Interest receivable and similar income	7	7	7
Interest payable and similar expenses	8	(30,000)	(30,000)
Profit before taxation		689,559	648,485
Taxation	9	(159,048)	(148,133)
Profit for the financial year		530,511	500,352
Total comprehensive income for the year		530,511	500,352

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

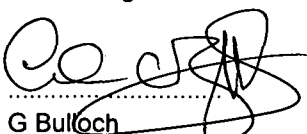
HIGHLAND COLOUR COATERS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	10	3,580,297		3,746,231	
Investments	11	98		98	
		<u>3,580,395</u>		<u>3,746,329</u>	
Current assets					
Stocks	12	520,453		799,778	
Debtors	13	1,560,787		1,407,064	
Cash at bank and in hand		1,290,047		405,147	
		<u>3,371,287</u>		<u>2,611,989</u>	
Creditors: amounts falling due within one year	14	(3,017,558)		(2,929,344)	
Net current assets/(liabilities)		<u>353,729</u>		<u>(317,355)</u>	
Total assets less current liabilities		<u>3,934,124</u>		<u>3,428,974</u>	
Creditors: amounts falling due after more than one year	15	(338,715)		(369,555)	
Provisions for liabilities	17	(119,496)		(114,017)	
Net assets		<u><u>3,475,913</u></u>		<u><u>2,945,402</u></u>	
Capital and reserves					
Called up share capital	20	1,000,000		1,000,000	
Profit and loss reserves	21	2,475,913		1,945,402	
Total equity		<u><u>3,475,913</u></u>		<u><u>2,945,402</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 09/12/2019 and are signed on its behalf by:


G Bulloch
Director

Company Registration No. SC212755

HIGHLAND COLOUR COATERS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2017	1,000,000	1,445,050	2,445,050
Year ended 31 March 2018:			
Profit and total comprehensive income for the year	-	500,352	500,352
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	1,000,000	1,945,402	2,945,402
Year ended 31 March 2019:			
Profit and total comprehensive income for the year	-	530,511	530,511
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	<u>1,000,000</u>	<u>2,475,913</u>	<u>3,475,913</u>

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

Highland Colour Coaters Limited is a private company limited by shares incorporated in Scotland. The registered office is Pinefield Industrial Estate, ELGIN, IV30 6FG.

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.

The company has taken advantage of the reduced disclosure framework of FRS 102 available to certain qualifying subsidiaries; namely:

- The requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the financial period;
- The requirement to present a Statement of Cash Flows;
- The disclosure requirements in relation to financial instruments;
- The disclosure requirements in relation to certain share-based payment arrangements; and
- The requirement to disclose key management personnel compensation in total.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Highland Colour Coaters Limited is a wholly owned subsidiary of Highland Metals Limited and the results of Highland Colour Coaters Limited are included in the consolidated financial statements of Highland Metal Developments Limited which is the ultimate parent company.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable for galvanizing and powder coating services net of VAT and trade discounts. Turnover is recognised at the point of despatch.

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 despatch of the 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 or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

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

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

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

Freehold land and buildings	- Straight line over 25 years
Plant and machinery	- Straight line over 4 to 10 years
Fixtures, fittings & equipment	- Straight line over 4 to 10 years

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 credited or charged to the profit and loss account.

Land is not depreciated.

1.5 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible 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).

1.7 Stocks

Stocks and work in progress are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises the invoiced price of goods and materials on a first in first out basis. The cost of work in progress comprises materials, direct labour and attributable production overheads.

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 the profit and loss account. Reversals of impairment losses are also recognised in the profit and loss account.

1.8 Cash at bank and in hand

Cash and cash equivalents include cash in hand.

1.9 Financial instruments

The company 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.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs.

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets 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. The impairment loss is recognised in the profit and loss account.

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 company 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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors and loans from fellow group companies, 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 receipts discounted at a market rate of interest.

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. Accounts payable are classified as current liabilities if payment is due within one year or less.

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Taxation

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

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

1.12 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.

1.13 Retirement benefits

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

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company'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.

Critical estimates

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock

The calculation of the value of the zinc held in the kettle is based on the total quantity held, which remains relatively constant and which in turn is made up of the estimated tonnage of zinc itself (valued at cost) and the estimated tonnage of residues (valued at estimated realisable value).

3 Turnover and other revenue

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

	2019 £	2018 £
Turnover analysed by class of business		
Galvanizing services	5,330,337	5,022,611
Powder coating services	1,557,526	1,622,715
	<u>6,887,863</u>	<u>6,645,326</u>
	2019 £	2018 £
Other significant revenue		
Interest income	7	7
Grants received	30,840	30,840
	<u>30,847</u>	<u>30,847</u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	<u>6,887,863</u>	<u>6,645,326</u>

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(30,840)	(30,840)
Fees payable to the company's auditor for the audit of the company's financial statements	8,700	8,400
Depreciation of owned tangible fixed assets	306,699	295,915
Profit on disposal of tangible fixed assets	-	(3,750)
Cost of stocks recognised as an expense	1,477,513	1,433,470

The company has taken advantage of the exemption from the disclosure of remuneration paid to its auditors for non-audit services. This exemption is available to the company as it prepares consolidated accounts which are required to include such disclosures in those accounts.

5 Employees

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

	2019 Number	2018 Number
Office	9	8
Factory	64	62
	73	70

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	2,374,160	2,313,841
Social security costs	241,495	228,987
Pension costs	53,041	44,645
	2,668,696	2,587,473

6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	219,923	213,422
Company pension contributions to defined contribution schemes	5,430	4,566
	225,353	217,988

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

6 Directors' remuneration

(Continued)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

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

	2019 £	2018 £
Remuneration for qualifying services	63,260	58,858

Qualifying services are invoiced and paid to the directors management services company and included in remuneration for qualifying services. Directors fees amounted to £102,206 (2018 - £101,420) during the year.

7 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Other interest income	7	7

8 Interest payable and similar expenses

	2019 £	2018 £
Other interest	30,000	30,000

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

9 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	153,700	125,497
Adjustments in respect of prior periods	(131)	-
Total current tax	153,569	125,497
Deferred tax		
Origination and reversal of timing differences	4,878	22,636
Adjustment in respect of prior periods	601	-
Total deferred tax	5,479	22,636
Total tax charge	159,048	148,133

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

	2019 £	2018 £
Profit before taxation	689,559	648,485
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	131,016	123,212
Tax effect of expenses that are not deductible in determining taxable profit	2	1
Adjustments in respect of prior years	(131)	-
Deferred tax adjustments in respect of prior years	601	-
Deferred tax adjusted to the closing rate	(573)	(2,663)
Ineligible depreciation	28,133	27,583
Taxation charge for the year	159,048	148,133

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

10 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 April 2018	4,611,020	2,866,602	41,516	7,519,138
Additions	15,132	125,288	345	140,765
Disposals	-	(121,706)	(823)	(122,529)
At 31 March 2019	4,626,152	2,870,184	41,038	7,537,374
Depreciation and impairment				
At 1 April 2018	1,762,202	1,981,533	29,172	3,772,907
Depreciation charged in the year	177,822	125,428	3,449	306,699
Eliminated in respect of disposals	-	(121,706)	(823)	(122,529)
At 31 March 2019	1,940,024	1,985,255	31,798	3,957,077
Carrying amount				
At 31 March 2019	2,686,128	884,929	9,240	3,580,297
At 31 March 2018	2,848,818	885,069	12,344	3,746,231

Freehold land with a cost of £178,398 (2018 - £178,398) has not been depreciated.

11 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	24	98	98

Movements in fixed asset investments

	Shares in group undertakings £
Cost	
At 1 April 2018 & 31 March 2019	98
Carrying amount	
At 31 March 2019	98
At 31 March 2018	98

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

12 Stocks

	2019 £	2018 £
Raw materials and consumables	506,192	786,116
Work in progress	14,261	13,662
	<u>520,453</u>	<u>799,778</u>

The replacement cost of stock is £71,509 more than the value of stock in the financial statements.

Stock and work in progress is measured at the lower of cost and estimated selling price less costs to complete and sell. Stock is stated after provisions for impairment of £nil (2018 - £5,940).

13 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	1,494,999	1,377,427
Other debtors	65,788	29,637
	<u>1,560,787</u>	<u>1,407,064</u>

14 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	471,141	513,702
Amounts owed to group undertakings	1,967,410	1,951,960
Corporation tax	153,693	125,490
Other taxation and social security	238,677	154,849
Accruals and deferred income	186,637	183,343
	<u>3,017,558</u>	<u>2,929,344</u>

15 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Government grants	16	<u>338,715</u>	<u>369,555</u>

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

16 Government grants

	2019 £	2018 £
Arising from government grants	338,715	369,555
	<u>338,715</u>	<u>369,555</u>

The company received an initial government grant in 2003 of £480,000, which is amortised over 25 years, with a balance of £210,992 included in the total above at the year end. The conditions of the grant have been satisfied.

A further grant was received in 2012 of £187,500, which has also been amortised over 25 years, with a balance of £127,723 included in the total above at the year end.

17 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	18	119,496	114,017
		<u>119,496</u>	<u>114,017</u>

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	120,972	114,618
Other timing differences	(1,476)	(601)
	<u>119,496</u>	<u>114,017</u>
Movements in the year:		2019 £
Liability at 1 April 2018		114,017
Charge to profit or loss		5,479
Liability at 31 March 2019		<u>119,496</u>

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

19 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	53,041	44,645

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
120,000 Ordinary shares of £1 each	120,000	120,000
	120,000	120,000
Preference share capital		
Issued and fully paid		
880,000 Redeemable convertible preference shares of £1 each	880,000	880,000
	880,000	880,000

The 10% non voting redeemable convertible preference shares can be redeemed at the earliest of 31 December 2002 and at the latest 31 December 2020. These are redeemable at the option of the company and there is no premium on redemption.

21 Profit and loss reserves

	2019 £	2018 £
At the beginning of the year	1,945,402	1,445,050
Profit for the year	530,511	500,352
At the end of the year	2,475,913	1,945,402

The profit and loss reserves represents accumulated profits less distributions.

22 Related party transactions

Transactions with related parties

HIGHLAND COLOUR COATERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

22 Related party transactions

(Continued)

The company has taken advantage of the exemption available within FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

23 Controlling party

The company is a subsidiary of Highland Metals Limited. The ultimate parent company is Highland Metal Developments Limited, which heads the only group for which consolidated financial statements have been prepared. Copies of these results are publicly available and can be obtained from the Registrar of Companies at Companies House, Edinburgh.

24 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Highland Galvanizers Limited	Scotland	Dormant	Ordinary	98	

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Highland Galvanizers Limited	-	100