I & H Brown Limited

Registered No. SC 040891

Report and Financial Statements

2 September 2018

Directors
J H Brown
J S Brown
R M Brown
D H Brown
A Miller
D A Brown
N Taylor
A S Kenwell
R M Entwistle

Secretary
L M Campbell

Independent Auditors
Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne NE1 4JD

Bankers
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Perth Chief Office
12 Dunkeld Road
Perth PH1 5RB

Solicitors
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Fife KY12 7LG

Shepherd and Wedderburn
155 St Vincent Street
Glasgow G2 5NR

Registered Office
Dunkeld Road
Perth PH1 3YD

Strategic report

The directors present their strategic report and the financial statements for the 53 weeks ended 2 September 2018.

Principal activities and review of the business

The principal activities of the group consist of Civil Engineering and Remediation, Energy, Property, Development, Plant Hire, Farming and Estate Management.

The directors monitor turnover, gross margin and working capital as their key performance indicators, as well as other measures to assess progress on contracts and developments. Turnover has decreased in the year reflecting a reduction in on-shore wind energy projects and a reduction in workload, particularly in the first half of the year to February 2018. Many projects are being delayed as clients experience planning and funding issues.

A number of contracts managed from our Warrington base performed badly in the period. Provision for anticipated losses relating to these jobs has been made in these accounts and since the year-end, a number of management changes have been implemented. As a result, we expect improved margins from this region going forward. Strong management and an excellent reporting and control environment remain essential.

The group continues to engage in property development. Projects in Fife, Dundee and Falkirk have progressed and we are pleased to see the housing market showing continued growth. Construction work has continued at our Dunfermline site where we hope to complete a second sale of land in 2019. In Dundee, we have been engaged in infrastructure works ahead of sales to various parties including a food retailer and our housing site at Bathgate is almost complete.

The group's Slievenahanaghan wind farm has performed well.

The property business, Breckenridge Estates Rental Limited, had an acceptable year although a downward valuation adjustment was made against property values at the year-end. Breckenridge Lettings Limited is making its presence felt in the Ascot, Sunningdale and Virginia Water area with its client base growing.

The group's working capital position is satisfactory.

In conclusion, we expect our market place to continue to be challenging. Our volume of civil engineering work is expected to increase and we anticipate making further progress across our property developments.

Principal risks and uncertainties

The group's principal financial instruments comprise cash, cash equivalents and loans. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the group's operating activities.

The main risks associated with the group's financial assets and liabilities are set out below.

Interest rate risk

The group invests surplus cash in a floating rate interest yielding bank deposit account and has access to a floating rate interest bearing overdraft facility. Term loans are entered into at floating interest rates. The group's interest income and expenses are therefore affected by movements in interest rates.

Credit risk

The group has external debtors; however, the group undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

Liquidity risk

The group aims to mitigate liquidity risk by managing cash generated by its operations.

Strategic report

Principal risks and uncertainties (continued)

Cash Flow Risk

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. The group manages this risk, where significant, by use of cash flow forecasting and negotiating regular stage payment arrangements with customers.

Foreign currency risk

The group does not have any foreign currency transactions and therefore is not exposed to any foreign currency risk.

On behalf of the Board

J S Brown
Director

25 April 2019

Registered No. SC 040891

Directors' report

The directors present their report and financial statements for the 53 weeks ended 2 September 2018.

Certain information, including principal activities, review of business and financial risks is not shown in the Directors' Report because it is shown in the strategic report instead under S414 C (11).

Results and dividends

The group profit for the period after taxation amounted to £350,742 (52 weeks ended 27 August 2017 – profit of £2,124,794). The directors do not recommend a final dividend (52 weeks ended 27 August 2017 – £nil). Interim dividends amounting to £288,800 (2017: £505,400) were paid during the period.

Going concern

The directors have performed an assessment of the company's ability to continue trading as a going concern, by reference to trading forecasts and financing requirements for a period of 12 months from the approval of these financial statements. The directors are satisfied that the going concern basis of preparation for these financial statements is appropriate.

Directors

The directors who served the company during the period and up to the date of signing these financial statements were as follows:

J H Brown (Chairman)
J S Brown (Managing Director)
R M Brown
D H Brown
A Miller
D A Brown
N Taylor (Resigned 1 March 2019)
A S Kenwell
R M Entwistle

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

J S Brown
Director

25 April 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of I & H Brown Limited

Opinion

We have audited the financial statements of I & H Brown Limited ('the parent company') and its subsidiaries (the 'group') for the 53 weeks ended 2 September 2018 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company statement of financial position, the Group Statement of Cash Flows and the related notes 1 to 25, 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 group's and of the parent company's affairs as at 2 September 2018 and of the group's 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 below. We are independent of the group and parent 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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

Independent auditors' report

to the members of I & H Brown Limited

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report

to the members of I & H Brown Limited

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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Sandra Thompson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

26 April 2019

Registered No. SC 040891

Group income statement

for the period ended 2 September 2018

	Notes	*53 weeks ended 2 September 2018* £	*52 weeks ended 27 August 2017* £
Turnover	2	39,529,594	54,603,953
Cost of sales		(38,383,399)	(51,607,430)
Gross profit		1,146,195	2,996,523
Administrative expenses		(1,966,263)	(2,050,376)
Other operating income	3	238,241	105,725
Operating (loss)/profit	3	(581,827)	1,051,872
Profit on disposal of land and buildings		-	1,025,876
Profit on disposal of investments		2,211	-
Unrealised gain/(loss) on revaluation of investment properties	8	524,220	(200,000)
Unrealised gain on revaluation of investments	9	391,553	359,702
Income from investments		41,100	82,243
Profit before interest and tax		377,257	2,319,693
Finance income		277	3,813
Finance costs	6	(100,971)	(20,292)
Profit before tax		276,563	2,303,214
Tax credit/(charge) on profit	7	74,179	(178,420)
Profit for the financial period		350,742	2,124,794

All amounts relate to continuing activities.

Group statement of comprehensive income

for the period ended 2 September 2018

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £350,742 in the 53 weeks ended 2 September 2018 (52 weeks ended 27 August 2017 – profit of £2,124,794).

Statement of changes in equity

for the period ended 2 September 2018

Group	*Called up share capital*	*Share premium account*	*Non-distributable reserve*	*Capital redemption reserve*	*Profit and loss account*	*Total*
	£	£	£	£	£	£
At 28 August 2016	72,200	147,349	9,820,992	2,000	35,055,736	45,098,277
Profit retained for the period	-	-	(200,000)	-	2,324,794	2,124,794
Realised on disposals	-	-	(2,397,035)	-	2,397,035	-
Dividends	-	-	-	-	(505,400)	(505,400)
At 27 August 2017	72,200	147,349	7,223,957	2,000	39,272,165	46,717,671
Realised on prior period disposals	-	-	(4,843,296)	-	4,843,296	-
Profit retained for the period	-	-	524,220	-	(173,478)	350,742
Dividends (note 22)	-	-	-	-	(288,800)	(288,800)
At 2 September 2018	72,200	147,349	2,904,881	2,000	43,653,183	46,779,613

Company	*Called up share capital*	*Share premium account*	*Non-distributable reserve*	*Capital redemption reserve*	*Profit and loss account*	*Total*
	£	£	£	£	£	£
At 28 August 2016	72,200	147,349	8,962,235	2,000	34,858,099	44,041,883
Profit retained for the period	-	-	-	-	2,515,596	2,515,596
Realised on disposals	-	-	(2,397,035)	-	2,397,035	-
Dividends	-	-	-	-	(505,400)	(505,400)
At 27 August 2017	72,200	147,349	6,565,200	2,000	39,265,330	46,052,079
Realised on prior period disposals	-	-	(4,843,296)	-	4,843,296	-
Profit retained for the period	-	-	785,000	-	(651,216)	133,784
Dividends (note 22)	-	-	-	-	(288,800)	(288,800)
At 2 September 2018	72,200	147,349	2,506,904	2,000	43,168,610	45,897,063

A freehold investment property, which had been subject to revaluations of £2,397,035 and £4,843,296, was sold in the period ended 27 August 2017, but the second revaluation was not released from the non-distributable reserve. An amount of £4,843,296 has consequently been released from the non-distributable reserve, in respect of this prior period disposal, in the period ended 2 September 2018.

Registered No. SC 040891

Group statement of financial position

at 2 September 2018

	Notes	2 September 2018 £	27 August 2017 £
Fixed assets			
Tangible assets	8	34,124,587	31,739,184
Current assets			
Stocks	10	21,308,697	17,968,914
Debtors	11	13,774,699	14,037,415
Investments	9	1,233,180	1,077,998
Cash at bank and in hand		123,798	2,949,961
		36,440,374	36,034,288
Creditors: amounts falling due within one year	12	20,741,120	19,145,513
Net current assets		15,699,254	16,888,775
Total assets less current liabilities		49,823,841	48,627,959
Creditors: amounts falling due after more than one year	13	1,538,162	134,995
Provisions for liabilities	16	1,506,066	1,775,293
		3,044,228	1,910,288
Net assets		46,779,613	46,717,671
Capital and reserves			
Called up share capital	17	72,200	72,200
Share premium account	23	147,349	147,349
Non-distributable reserve	23	2,904,881	7,223,957
Capital redemption reserve	23	2,000	2,000
Profit and loss account		43,653,183	39,272,165
Shareholders' funds		46,779,613	46,717,671

These financial statements were approved by the Board of Directors on 25 April 2019 and signed on their behalf by:

J S Brown

Director

Parent company statement of financial position

at 2 September 2018

	Notes	*2 September 2018* £	*27 August 2017* £
Fixed assets			
Tangible assets	8	21,209,484	20,310,039
Investments	9	1,322,443	1,322,543
		22,531,927	21,632,582
Current assets			
Stocks	10	21,555,167	18,336,806
Debtors	11	22,768,965	22,995,786
Investments	9	1,233,180	1,077,998
Cash at bank and in hand		462	2,846,558
		45,557,774	45,257,148
Creditors: amounts falling due within one year	12	20,575,066	18,998,395
Net current assets		24,982,708	26,258,753
Total assets less current liabilities		47,514,635	47,891,335
Creditors: amounts falling due after more than one year	13	109,239	129,613
Provisions for liabilities	16	1,508,333	1,709,643
		1,617,572	1,839,256
Net assets		45,897,063	46,052,079
Capital and reserves			
Called up share capital	17	72,200	72,200
Share premium account	23	147,349	147,349
Non-distributable reserve	23	2,506,904	6,565,200
Capital redemption reserve	23	2,000	2,000
Profit and loss account		43,168,610	39,265,330
Shareholders' funds		45,897,063	46,052,079

The company's profit for the period attributable to the shareholders is £133,784 (52 weeks ended 27 August 2017 – £2,515,596)

These financial statements were approved by the Board of Directors on 25 April 2019 and signed on their behalf by:

J S Brown

Director

Group statement of cash flows

for the period ended 2 September 2018

	Notes	*53 weeks ended 2 September 2018* £	*52 weeks ended 27 August 2017* £
Net cash (out)/inflow from operating activities	18(a)	(4,289,336)	2,777,094
Investing activities			
Interest received		277	3,813
Payments to acquire tangible fixed assets and unlisted investments		(2,965,157)	(4,403,579)
Receipts from sales of tangible fixed assets		308,312	9,639,443
Purchase of investments held as liquid resources		(56,029)	(334,646)
Receipts from sales of investments held as liquid resources		394,611	99,618
Income from investments		41,100	12,700
Net cash flow from investing activities		(2,276,886)	5,017,349
Financing activities			
Repayments of capital element of finance leases		(302,301)	(314,862)
Equity dividends paid		(288,800)	(505,400)
Interest paid		(96,370)	(13,800)
Interest element of finance lease repayments		(4,601)	(6,492)
Net movement in long-term borrowings		3,431,862	(660,000)
Net cash flow from financing activities		2,739,790	(1,500,554)
(Decrease)/increase in cash		(3,826,432)	6,293,889
Cash and cash equivalents at start of the period	18(b)	2,863,520	(3,430,369)
Cash and cash equivalents at end of the period	18(b)	(962,912)	2,863,520

Notes to the financial statements

at 2 September 2018

1. Accounting policies

Statement of compliance

I & H Brown Limited is a private limited liability company, limited by shares, incorporated in Scotland. The Registered Office is Dunkeld Road, Perth, PH1 3YD.

The group's financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', as it applies to the financial statements of the Group for the period ended 2 September 2018.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. Accounting policies are consistent across all subsidiaries within the group and all entities have coterminous financials years.

Period of financial statements

These financial statements cover a 53 week period from 27 August 2017 to 2 September 2018. The normal accounting year comprises 52 weeks ending on the Sunday nearest 31 August. Periodically a 53 week period is necessary to realign the accounting year with the calendar.

Group financial statements

The group financial statements group the financial statements of the company and its subsidiary undertakings for the 53 weeks ended 2 September 2018. The company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 and has presented no income statement.

The gains and losses arising in I&H Brown Limited was a profit of £133,784 (2017: £2,515,596)

In the parent company financial statements, investments in subsidiaries are accounted for at cost less impairment.

Judgements and key sources of estimation uncertainty

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the statement of financial position date, and the amounts reported for revenues and expenses during the period.

However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have had the most significant effect on the financial statements:

Revenue recognition

The Group's activities include long term contracts. These contracts require estimates to be made for contract costs and revenues, of which the expected outcome of long term contractual obligations can span more than one period. Management bases its judgements of contract costs and revenues on the latest available information which included contract valuations. The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. This stage of completion method places importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of service required for fulfilling the contractual obligation. These significant estimates include total contract costs, total contract revenues, contract risks and other judgements, such changes in estimates, may lead to an increase or decrease in revenues. Full provision is made for all known or expected losses on individual contracts once such losses are foreseen.

Taxation

Judgement is required when determining the provision for taxes. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is possible that a liability will arise. The company reviews each significant tax liability or benefit to assess the appropriate accounting treatment. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future profits.

Notes to the financial statements

at 2 September 2018

1. Accounting policies (continued)

Development land

Judgement is required when determining the cost that is attributed to income realised on a sale of development land in the period. Costs attributed to a development land sale consist of both attributable costs incurred to the date of sale (work in progress) and a reasonable provision for future costs yet to be incurred in relation to the area of land sold, most notably Section 75 planning obligations.

Other significant accounting policies

Going concern

The directors have performed an assessment of the company's ability to continue trading as a going concern, by reference to trading forecasts and financing requirements for a period of 12 months from the approval of these financial statements. The directors are satisfied that the going concern basis of preparation for these financial statements is appropriate.

Investment properties

Certain of the group's properties are held for long term investment. Investment properties are recognised on the basis of Fair Value of the owner's interest as determined by a professionally qualified, independent valuer, based on market value. The surplus or deficit on revaluation is recognised in the income statement account accumulated in a non-distributable reserve. Where the deficit is below original cost, or its reversal on an individual investment property is expected to be permanent, it is recognised in the profit and loss reserve.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	–	50 years
Plant and machinery	–	3-5 years
Motor vehicles	–	5 years
Wind turbines	–	20 years

Certain of the group's freehold properties are not depreciated. In the opinion of the directors, given that residual values on freehold buildings are expected to be at least equal to their original cost any annual depreciation charge would not materially impact the results for the period.

Any premium paid over and above agricultural value for land and associated buildings with mineral extraction or wind farming potential, is written off where the necessary consents to exploit this potential have not been secured.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are stated at cost unless, in the opinion of the directors, there has been an impairment, in which case an appropriate adjustment is made.

Listed current investments are stated at market value, determined by their quoted share prices and the volume of shares held by the group.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Development land	–	purchase cost plus attributable expenses and development costs.
Spares and fuel	–	purchase cost on a first-in, first-out basis.

Notes to the financial statements

at 2 September 2018

1. Accounting policies (continued)

Stocks (continued)

Farm stock – cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Costs incurred in relation to development activities are included in the statement of financial position in work in progress in so far as there is reasonable certainty over the outcome of the project. Otherwise, a provision is made against the recoverability of these costs.

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in return for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when substantially all of the risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the good, 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.

Rendering of services

Revenue from civil engineering division is recognised by reference to stage completion. Stage completion is measured by reference to costs incurred to date as a percentage of total expected costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses that are recoverable.

In respect of speculative house building, revenue and profit is recognised on the sale of houses when, subject to the stage of completion of the development, the sales have been legally completed and after allocating total foreseen construction and site development costs to each unit.

Taxation

Tax is recognised in the income statements and represents the aggregate amount of current and deferred tax in the reporting period.

Current tax

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured as the amounts of tax expected to pay or recover using tax rates and law that have been enacted in the UK.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Notes to the financial statements

at 2 September 2018

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the statement of financial position and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

Pensions

The group operates two defined contribution pension schemes. Contributions are charged to the income statement as they become payable in accordance with the rules of the schemes.

Restoration and aftercare provisions

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision is made for the restoration and aftercare obligations in respect of a landfill site and a wind farm site.

2. Turnover

Turnover comprises the invoiced value of goods and services supplied by the group exclusive of VAT and intra-group transactions. In respect of long-term contracts turnover comprises the sales value of work done, after appropriate measurement provisions, in the period. All turnover arises from activities in the United Kingdom.

The amount of group turnover attributable to each of the classes of continuing activity (unless otherwise stated) of the group is as follows:

	53 weeks ended 2 September 2018	*52 weeks ended 27 August 2017*
	£	*£*
Plant hire, civil engineering and waste disposal	34,515,839	49,306,795
Farming and estate management	912,755	941,688
Rental income from investment property	1,146,832	974,031
Property development	2,954,168	3,381,439
	39,529,594	54,603,953

Within the above, revenue of £32,795,016 (2017: £47,814,087) was recognised from long term contracts.

Notes to the financial statements

at 2 September 2018

3. Operating (loss)/profit

This is stated after charging/(crediting):

			53 weeks ended 2 September 2018	52 weeks ended 27 August 2017
			£	£
Auditors' remuneration	–	audit	52,980	40,500
	–	non-audit (accountancy)	2,883	-
	–	non-audit (taxation advisory)	9,250	13,640
	–	non-audit (taxation compliance)	21,350	21,900
Depreciation of owned tangible fixed assets			1,319,570	1,279,043
Depreciation of assets held under finance leases and hire purchase contracts			97,390	178,696
Profit on disposal of plant and machinery			(230,248)	(52,799)
Sundry income			(7,993)	(52,926)
Operating lease rentals	–	plant and machinery	103,820	130,696
	–	land and buildings	90,747	42,642

Other operating income of £238,241 (2017: £105,725) is comprised of Profit on disposal of plant and machinery and Sundry income.

4. Directors' remuneration

	53 weeks ended 2 September 2018	52 weeks ended 27 August 2017
	£	£
Remuneration	883,118	1,083,679
Contributions paid to money purchase pension schemes	55,445	87,965

The amounts in respect of the highest paid director are as follows:

	53 weeks ended 2 September 2018	52 weeks ended 27 August 2017
	£	£
Remuneration	163,941	202,636
Contributions paid to money purchase pension schemes	7,744	29,018

Notes to the financial statements

at 2 September 2018

4. Directors' remuneration (continued)

The number of directors to whom retirement benefits are accruing in respect of qualifying services under:

	53 weeks ended 2 September 2018	*52 weeks ended 27 August 2017*
	No.	*No.*
Money purchase schemes	4	5

5. Staff costs

	53 weeks ended 2 September 2018	*52 weeks ended 27 August 2017*
	£	*£*
Wages and salaries	9,438,584	10,147,049
Social security costs	1,004,347	1,099,534
Other pension costs	305,545	335,774
	10,748,476	11,582,357

The average monthly number of employees during the period was made up as follows:

	No.	*No.*
Management and administration	102	106
Drivers and operators	107	111
	209	217

6. Finance costs

	53 weeks ended 2 September 2018	*52 weeks ended 27 August 2017*
	£	*£*
Bank interest	49,513	8,462
Finance charges payable under finance leases and hire purchase contracts	4,601	6,492
Loan interest	46,857	5,338
	100,971	20,292

Notes to the financial statements

at 2 September 2018

7. Tax

(a) Tax on profit

The (credit)/charge is made up as follows:

	53 weeks ended 2 September 2018	*52 weeks ended 27 August 2017*
	£	*£*
Current tax:		
UK corporation tax on the profit for the period	8,897	406,458
Adjustments in respect of previous periods	(23,829)	-
Total current tax	(14,932)	406,458
Deferred tax:		
Origination and reversal of timing differences	(77,618)	(219,601)
Adjustments in respect of previous periods	17,351	-
Effects of changes in the rate of tax	1,020	(8,437)
Total deferred tax (note 7(c))	(59,247)	(228,038)
Total tax on profit (note 7(b))	(74,179)	178,420

(b) Factors affecting total tax (credit)/charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19% (52 weeks ended 27 August 2017 – 19.58%). The differences are explained below:

	53 weeks ended 2 September 2018	*52 weeks ended 27 August 2017*
	£	*£*
Profit before tax	276,563	2,303,214
Profit multiplied by standard rate of corporation tax in the UK of 19% (52 weeks ended 27 August 2017 – 19.58%)	52,547	450,988
Effects of:		
Expenses not deductible	107,055	118,495
Income not taxable	(391,928)	(305,022)
Adjustments in respect of previous periods	(6.478)	-
Chargeable gains	-	(11,741)
Current and deferred tax rate differential	-	19,993
Revaluations	163,605	(85,856)
Effects of changes in the rate of tax	1,020	(8,437)
Total tax for the period (note 7(a))	(74,179)	178,420

Notes to the financial statements

at 2 September 2018

7. Tax (continued)

(c) Deferred tax

Group

Deferred taxation provided in the financial statements is made up as follows:

	53 weeks ended 2 September 2018	*52 weeks ended 27 August 2017*
	£	*£*
Capital allowances in advance of depreciation	482,383	344,208
Tax losses	(358,227)	-
Short-term timing differences	(106,028)	(266,833)
Deferred tax liability (note 16)	18,128	77,375

	£
At 27 August 2017	77,375
Movement during the period (note 7(a))	(59,247)
At 2 September 2018	18,128

Company

Deferred taxation provided in the financial statements is made up as follows:

	53 weeks ended 2 September 2018	*52 weeks ended 27 August 2017*
	£	*£*
Capital allowances in advance of depreciation	437,036	278,557
Tax losses	(310,613)	-
Short-term timing differences	(106,028)	(266,832)
Deferred tax liability (note 16)	20,395	11,725

	£
At 27 August 2017	11,725
Movement during the period	8,670
At 2 September 2018	20,395

Notes to the financial statements

at 2 September 2018

7. Tax (continued)

(d) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% was substantively enacted on 26 October 2015 and was effective from 1 April 2017. A rate of 19% therefore applies to current year tax (52 weeks ended 27 August 2017 – 19.58%).

A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. A rate of 17% has therefore been applied to the deferred tax liability at the statement of financial position date.

8. Tangible fixed assets

Group	*Freehold investment property*	*Leasehold Improvements*	*Freehold land and buildings*	*Wind turbines*	*Motor vehicles*	*Plant and machinery*	*Total*
	£	£	£	£	£	£	£
Cost or valuation:							
At 27 August 2017	18,816,045	18,797	7,446,914	1,770,420	2,619,510	14,915,888	45,587,574
Revaluation included in income statement	524,220	-	-	-	-	-	524,220
Additions	1,724,735	-	356,600	120,586	202,865	701,241	3,106,207
Transfers from current assets	250,000	-	-	-	-	-	250,000
Disposals		-	-	-	(354,842)	(597,050)	(951,892)
Transfers	(190,000)	-	190,000	-	-	-	-
At 2 September 2018	21,125,000	18,797	7,993,514	1,891,006	2,467,533	15,020,259	48,516,109
Depreciation:							
At 27 August 2017		1,931	1,103,214	2,674	1,508,109	11,232,462	13,848,390
Provided during the period		1,928	6,000	87,736	365,507	955,789	1,416,960
Disposals		-	-	-	(335,080)	(538,748)	(873,828)
At 2 September 2018		3,859	1,109,214	90,410	1,538,536	11,649,503	14,391,522
Net book value:							
At 2 September 2018	21,125,000	14,938	6,884,300	1,800,596	928,997	3,370,756	34,124,587
At 27 August 2017	18,816,045	16,866	6,343,700	1,767,746	1,111,401	3,683,426	31,739,184

Notes to the financial statements

at 2 September 2018

8. Tangible fixed assets (continued)

Company	*Freehold investment property*	*Freehold land and buildings*	*Wind turbines*	*Motor vehicles*	*Plant and machinery*	*Total*
	£	£	£	£	£	£
Cost or valuation:						
At 27 August 2017	7,505,000	7,446,914	1,770,420	2,610,552	14,728,333	34,061,219
Revaluation included in income statement	785,000		-	-	-	785,000
Additions	-	356,600	120,586	202,865	641,115	1,321,166
Transfers from current assets	250,000		-	-	-	250,000
Disposals	-		-	(354,842)	(597,050)	(951,892)
Transfers	(190,000)	190,000	-	-	-	-
At 2 September 2018	8,350,000	7,993,514	1,891,006	2,458,575	14,772,398	35,465,493
Depreciation:						
At 27 August 2017	-	1,103,214	2,674	1,503,936	11,141,356	13,751,180
Provided during the period	-	6,000	87,736	363,711	921,210	1,378,657
Disposals	-		-	(335,080)	(538,748)	(873,828)
At 2 September 2018	-	1,109,214	90,410	1,532,567	11,523,818	14,256,009
Net book value:						
At 2 September 2018	8,350,000	6,884,300	1,800,596	926,008	3,248,580	21,209,484
At 27 August 2017	7,505,000	6,343,700	1,767,746	1,106,616	3,586,977	20,310,039

The group net book value of plant and machinery and motor vehicles above includes an amount of £515,234 (27 August 2017 – £880,583) in respect of assets held under finance leases and hire purchase contracts.

A revaluation of freehold farm land and buildings at 30 August 1996 was undertaken by the directors and incorporated into the financial statements to reflect the appreciation in the value of land in Scotland in previous periods.

The historical cost of freehold land and buildings included at valuation is as follows:

	Group	*Company*
	£	£
Cost:		
At 27 August 2017 and 2 September 2018	6,695,761	6,695,761

The freehold investment properties were professionally valued as at 28 August 2018 by an independent valuer, Smart & Co Surveyors, in accordance with the RICS Valuation - Global standards (July 2017) on the basis of Fair Value of the owner's interest. The valuation methodology used was that of sale prices of similar properties and local market evidence, adjusting for location, size and condition of the properties.

Notes to the financial statements

at 2 September 2018

8. Tangible fixed assets (continued)

The historical cost of investment properties included at valuation is as follows:

	Group	*Company*
	£	*£*
Cost:		
At 2 September 2018	16,747,051	6,529,441
At 27 August 2017	14,962,316	6,469,441

9. Investments

(a) Fixed asset investments

Company	*Subsidiary undertakings*
	£
At 2 September 2018	1,322,443
At 27 August 2017	1,322,543

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	*Country of incorporation or registration*	*Nature of business*	*Proportion of ordinary shares held*
I & H Brown NC Limited	Scotland	Wind farm developer	100%
Breckenridge Estates Limited	Scotland	Holding company	100%
Breckenridge Estates Rental Limited*	England	Investment property	100%
Breckenridge Lettings Limited	England	Property management services	100%

* held by a subsidiary undertaking.

The registered office of the entities registered in Scotland is Dunkeld Road, Perth, PH1 3YD. The registered office of the entities registered in England is Knoll House, Knoll Road, Camberley, Surrey, GU15 3SY.

Notes to the financial statements

at 2 September 2018

9. Investments (continued)

(b) Current asset investments

Group and company	*Listed on the London stock exchange*	*Unlisted*	*Total*
	£	£	£
Market value:			
At 27 August 2017	819,475	258,523	1,077,998
Additions	56,029	100,000	156,029
Disposals	(392,400)	-	(392,400)
Unrealised gain on revaluation	391,553	-	391,553
At 2 September 2018	874,657	358,523	1,233,180

Listed investments comprise ordinary shares in Impax Asset Management Group plc, Serco Group plc and Springfield Properties plc. Unlisted investments comprise debenture holdings and shareholdings in Murrayfield and Hampden & Co plc respectively.

10. Stocks

		Group		*Company*
	2 September 2018	*27 August 2017*	*2 September 2018*	*27 August 2017*
	£	£	£	£
Development land in progress	20,734,872	17,500,476	20,981,342	17,868,368
Spares and fuels	139,720	73,737	139,720	73,737
Farm stock	434,105	394,701	434,105	394,701
	21,308,697	17,968,914	21,555,167	18,336,806

During the year £1,906,862 (2017: £2,730,057) was recognised as an expense through cost of sales.

11. Debtors

		Group		*Company*
	2 September 2018	*27 August 2017*	*2 September 2018*	*27 August 2017*
	£	£	£	£
Trade debtors	1,093,100	1,558,661	1,057,926	1,525,279
Amounts recoverable on contracts	6,910,202	8,326,073	6,910,202	8,326,073
Due from related companies (note 22)	15,003	114,848	15,003	114,848
Due from subsidiary undertakings	-	-	9,059,467	9,003,716
Other debtors	5,683,872	3,880,673	5,675,707	3,885,720
Prepayments	72,522	157,160	50,660	140,150
	13,774,699	14,037,415	22,768,965	22,995,786

Retentions of £3,136,957 (27 August 2017 – £4,137,486), which are due in more than one year, are included within amounts recoverable on contracts.

Notes to the financial statements

at 2 September 2018

12. Creditors: amounts falling due within one year

		Group		Company
	2 September 2018	27 August 2017	2 September 2018	27 August 2017
	£	£	£	£
Bank overdraft	1,086,710	86,441	1,086,710	86,441
Bank loan (note 14)	59,139	-	-	-
Other loans (notes 14 and 22)	1,943,800	-	1,943,800	-
Trade creditors	7,410,482	3,187,211	7,415,809	3,183,322
Other taxes and social security costs	657,543	1,834,278	642,129	1,821,641
Accruals and deferred income	9,483,778	13,088,806	9,405,092	13,056,740
Other creditors	108,059	601,434	106,635	601,434
Corporation tax	(199,761)	120,478	(208,659)	23,171
Obligations under finance leases and hire purchase agreements (note 15)	191,370	226,865	183,550	225,646
	20,741,120	19,145,513	20,575,066	18,998,395

The bank overdraft and loan are secured against certain freehold investment properties. The bank loan is secured against investment properties with a carrying value of £3,275,000 and is repayable within five years. The other loans are unsecured and repayable on demand.

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

		Group		Company
	2 September 2018	27 August 2017	2 September 2018	27 August 2017
	£	£	£	£
Obligations under finance leases and hire purchase agreements (note 15)	109,239	134,995	109,239	129,613
Bank loan (note 14)	1,428,923	-	-	-
	1,538,162	134,995	109,239	129,613

14. Loans

		Group		Company
	2 September 2018	27 August 2017	2 September 2018	27 August 2017
	£	£	£	£
Amounts falling due:				
Within one year or on demand	2,002,939	-	1,943,800	-
In two to five years	1,428,923	-	-	-
	3,431,862	-	1,943,800	-
Less: included in Creditors: amounts falling due within one year (note 12)	(2,002,939)	-	(1,943,800)	-
	1,428,923	-	-	-

Notes to the financial statements

at 2 September 2018

14. Loans (continued)

The bank loan is secured against certain freehold investment properties and repayable within five years. The other loans are unsecured and repayable on demand.

15. Obligations under finance leases and hire purchase contracts

Finance leases and hire purchase contracts are analysed as follows:

		Group		*Company*
	2 September 2018	*27 August 2017*	*2 September 2018*	*27 August 2017*
	£	£	£	£
Within one year (note 12)	191,370	226,865	183,550	225,646
In two to five years (note 13)	109,239	134,995	109,239	129,613
	300,609	361,860	292,789	355,259

The finance lease and hire purchase contracts at 2 September 2018 attract variable interest which is payable separately on the balance of capital outstanding. As such, the amounts payable at 2 September 2018 do not include a liability for finance charges.

16. Provisions for liabilities

		Group		*Company*
	2 September 2018	*27 August 2017*	*2 September 2018*	*27 August 2017*
	£	£	£	£
Deferred taxation (note 7(c))	18,128	77,375	20,395	11,725
Restoration and aftercare provisions	1,487,938	1,697,918	1,487,938	1,697,918
	1,506,066	1,775,293	1,508,333	1,709,643

Provision is made for the restoration and aftercare obligations in respect of a landfill site and a wind farm site.

The movement in the period in restoration and aftercare provision can be summarised as follows:

	Group & Company
	£
At 27 August 2017	1,697,918
Unwinding of landfill restoration and aftercare provision	(24,009)
Reversal of unused landfill restoration and aftercare provision	(306,557)
Wind farm restoration and aftercare costs provided in the period	120,586
At 2 September 2018	1,487,938

The landfill provision covers the ongoing costs of restoration and aftercare of a landfill site that requires to be maintained until 2046. The wind farm provision covers the projected cost of dismantling the turbine and making good the site upon de-commissioning of the turbine in 2037.

Notes to the financial statements

at 2 September 2018

17. Issued share capital

Allotted, called up and fully paid	*No.*	*2 September 2018* *£*	*No.*	*27 August 2017* *£*
Ordinary shares of £1 each	72,200	72,200	72,200	72,200

18. Notes to the statement of cash flows

(a) Reconciliation of group profit to net cash flow from operating activities

	53 weeks ended 2 September 2018 *£*	*52 weeks ended 27 August 2017* *£*
Group profit for the period	276,563	2,303,214
Depreciation	1,416,960	1,457,739
Profit on disposal of tangible fixed assets	(230,248)	(1,078,675)
Profit on disposal of investments	(2,211)	(69,543)
Unrealised gain on revaluation of investments	(391,553)	(359,702)
Unrealised (gain)/loss on revaluation of investment properties	(524,220)	200,000
Net finance costs	100,694	16,479
Income from investments	(41,100)	(12,700)
Decrease in debtors	215,102	7,292,601
Increase in stocks and work in progress	(3,589,783)	(3,711,256)
Decrease in creditors	(1,051,867)	(2,871,130)
Decrease in provisions	(209,980)	(35,021)
Taxation	(257,693)	(354,912)
Net cash (out)/inflow from operating activities	(4,289,336)	2,777,094

(b) Cash and cash equivalents

		Group		*Company*
	2 September 2018	*27 August 2017*	*2 September 2018*	*27 August 2017*
	£	*£*	*£*	*£*
Cash at bank	123,798	2,949,961	462	2,846,558
Bank overdraft	(1,086,710)	(86,441)	(1,086,710)	(86,441)
	(962,912)	2,863,520	(1,086,248)	2,760,117

Notes to the financial statements

at 2 September 2018

19. Pensions

The company operates two defined contribution pension schemes for its employees. The assets of the schemes are held separately from those of the company in independently administered funds. The unpaid contributions outstanding at the period end, included in other creditors are £42,881 (27 August 2017 – £98,610).

20. Other financial commitments

The group had annual commitments under non-cancellable operating leases as set out below:

		2 September 2018		*27 August 2017*
	Land and buildings	*Plant and machinery*	*Land and buildings*	*Plant and machinery*
	£	*£*	*£*	*£*
Future minimum rentals payable under non-cancellable operating leases are as follows:				
Within one year	69,541	79,596	57,920	97,484
In two to five years	242,387	74,004	143,190	119,410
Over five years	77,500	-	-	-
	389,428	153,600	201,110	216,894

21. Contingent liabilities

(a) The group bankers hold a bond and floating charge for all monies of the group as security over the group overdraft facilities in support of a cross-guarantee between group companies.

(b) At the period end, the company's bankers provided, with recourse to the company, guarantees under performance bonds amounting to £355,611 (27 August 2017 – £355,611).

(c) At the period end, the company's insurers provided, with recourse to the company, guarantees under performance bonds amounting to £5,660,036 (27 August 2017 – £4,187,340).

22. Related party transactions

An amount of £9,741 (27 August 2017 – £9,691) was due from Ian Brown and Sons, a business connected to D H Brown and R M Brown by virtue of a close family relationship and an amount of £5,262 (27 August 2017 – £105,157) was due from Fordoun Estates Limited, a company under common control.

An amount of £1,943,800 (27 August 2017 – £nil) was due payable in respect of loans received from the directors' FURBS trusts. The loans are extended on standard commercial terms, are unsecured and repayable on demand. Interest amounting to £37,764 (27 August 2017 – £nil) was paid in respect of these loan in the period. Additionally during the period, £86,779 (27 August 2017 – £92,577) of rental payments were made to the directors' FURBS trusts.

£300,000 is invested in Hampden & Co., an independent bank of which Ray Entwistle, director of I&H Brown Limited, is chairman.

Key management personnel

Key management personnel are considered to be the members of the Board, who have authority and responsibility for planning, directing and controlling the activities of the group. The national insurance contributions paid on behalf of Directors, in addition to their remuneration disclosed in note 4, was £109,120 (27 August 2017 – £134,825).

Notes to the financial statements

at 2 September 2018

22. Related party transactions (continued)

Dividends paid during the period relating to directors of the company were as follows:

	£
J S Brown	139,120
D H Brown	40,000
R M Brown	40,000
Trustees of Scott Brown's Children's Trust	14,840
Trustees of Hardie Brown's Grandchildren's Trust	14,840

An ordinary dividend of £288,800 (2017 - £505,400) was paid during the period. In addition to the above amounts, a dividend of £40,000 (2017: £70,000) was paid to a non-director shareholder of the company.

23. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Non-distributable reserve

This reserve records market value revaluations over cost of certain tangible fixed assets and investments.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

24. Financial instruments

		Group		*Company*
	2 September 2018	*27 August 2017*	*2 September 2018*	*27 August 2017*
	£	£	£	£
Financial assets measured at fair value through the income statement:				
Investments	1,233,180	1,077,998	1,233,180	1,077,998
Financial assets measured at amortised cost:				
Debtors	13,774,699	14,037,415	22,768,965	22,995,786
Financial liabilities measured at amortised cost:				
Bank overdraft	(1,086,710)	(86,441)	(1,086,710)	(86,441)
Bank loan	(1,488,062)	-	-	-
Other Loans	(1,943,800)	-	(1,943,800)	-
Finance leases and hire purchase contracts	(300,609)	(361,860)	(292,789)	(355,259)
Creditors and accruals	(17,659,862)	(18,711,729)	(17,569,665)	(18,663,137)

25. Ultimate parent undertaking and controlling party

In the opinion of the directors no individual stakeholder has outright control of the company.