

LUDDON CONSTRUCTION LIMITED

Company registration number SC057943

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

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LUDDON CONSTRUCTION LIMITED

COMPANY INFORMATION

Directors	T B Dougall S Lafferty S Langan A Randall A Morrison I Barclay A Waddell
Registered number	SC057943
Registered office	Balmore House 1497 Balmore Road Glasgow G23 5HD
Auditor	Azets Audit Services Chartered Accountants Titanium 1 King's Inch Place Glasgow PA4 8WF

LUDDON CONSTRUCTION LIMITED

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LUDDON CONSTRUCTION LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2020

The directors present the strategic report and the financial statements of the company for the year ended 31 August 2020.

Business review and future developments

The principal activity of the company is civil engineering.

The results for the year are shown on the Statement of Comprehensive Income on page 11.

The directors are pleased to report in a year dominated by the Coronavirus pandemic, the company remained profitable, generating a net return of £185,151 on a reduced turnover of £53,615,798. The figures, added to strong trading results from previous years, enabled the company to end the year in a good financial position with significant cash reserves and negligible debt.

As can be seen from the reduction in turnover, the company's activities were adversely impacted by the Coronavirus Pandemic, particularly when the industry entered lockdown during the Spring and Summer of 2020.

Based on the company's healthy financial situation at the beginning of the year, the directors were confident in the company's ability to successfully negotiate the problems and challenges caused by the Pandemic, and end the year in profit with an enhanced cash position. Ultimately this proved to be the case, and has been confirmed in the results.

The profit for the year was reduced further by the decision taken by the company to pay employees their full pay regardless if this were in excess of those monies recoverable through the Government's Coronavirus Job Retention Scheme. The rationale behind this decision was that the company entered the year with strong financial fundamentals due to the ongoing hard work, effort and commitment of our employees. The company is proud of its employees and their efforts; they are the backbone of our success.

The business has remained fully focussed on its strategy of investing in business development and employee training whilst also maintaining a strong emphasis on customer satisfaction.

The relationships enjoyed with all stakeholders including clients, employees, funders and suppliers are still viewed as the basis for future success. The success of this strategy can be demonstrated by the quality of tenders and opportunities currently in house that will guarantee sufficiency of work well into the future.

Looking ahead, the Board are forecasting an increased turnover and net profit in the year to 31 August 2021, although trading conditions will remain challenging.

To date the company has experienced an increase in both tenders received and contract awards. This will ensure that target turnovers and net returns will be as forecast and sustain the success achieved in previous years.

Principal risks and uncertainties

Due to the COVID-19 pandemic, there is a significant impact on national economic output which ultimately impacts upon the company. The directors have given due consideration to the impact of the pandemic and have taken appropriate steps to mitigate against the risks that may subsequently arise. This has included regular dialogue with all customers, suppliers and other stakeholders all with a view to ensure revenues and payments continue to flow.

The other main potential risk in the year ahead continues to be the effect of decisions made in the political arena and their potential to increase uncertainty that in the short term could have a negative impact on the economy and the construction industry.

LUDDON CONSTRUCTION LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

Financial key performance indicators

The key financial performance indicators monitored by the Board and the company's management team are: contribution from contracts; overheads; net profit margin and liquidity ratios.

Other key performance indicators

The directors believe that non-financial performance indicators are just as important as financial ones. These are but are not limited to: the retention of a skilled workforce; maintaining a good reputation with clients through the company's commitment to providing quality work; and achieving the highest possible standards in Health and Safety.

Directors' statement of compliance with duty to promote the success of the company

Section 172 (1) of the Companies Act 2006 imposes an obligation on the company's Board of Directors to promote the success of the company as a whole for the benefit of all stakeholders.

The following disclosure describes how the directors have responded to the requirements of Section 172 (1) and details the actions and procedures now in place to ensure compliance.

The company is headed by an experienced and effective Board, which controls and leads the company.

Board members present the annual business plan to shareholders for discussion and approval. Thereafter the board meets with shareholders on a monthly basis to report progress. Shareholders are provided with the management information and reports used by the Directors.

The board then meets on a weekly basis reviewing all current and future contracts as well as tender opportunities in the short to medium term.

The company's employees are also involved in this process where the information considered by the shareholders and directors is communicated to them in a series of meetings and events.

The company promotes an Annual Review to which all staff and other operatives are invited, the purpose of which is to report on the results for the previous year, and present the forecast and business plan for the year ahead.

The review encompasses health & safety, training, community and environment issues together with other topics of relevance to the employees and the business.

The company also has a variety of employee engagement processes in place to provide employee voice and feedback on a number of issues; these include regular performance appraisals, e-mail communication, site / line manager briefings, safety observation reporting and regular workforce representative meetings. Due to the impact of the Covid-19 pandemic we have made increased use of digital technology such as mobile apps and video conferencing to maintain engagement levels with all sections of our workforce.

The company is committed to ensuring that we have a positive impact on the local environment and communities in which we operate. We proactively engage with community groups, local authorities and other relevant organisations. In addition, we have provided a variety of financial and non financial contributions to charities and social enterprises, including work experience and employment opportunities and the delivery of community projects.

The company continues to foster close relationships with both suppliers and customers. Communication with all customers is key to the success of the business. In particular during the year under review, it was vital to share the company's plans in terms of its response to the pandemic. Customers have to be confident that the company is following all health & safety rules in relation to protecting our employees and their own.

The increased emphasis on the health & safety of all persons on our sites was in addition to the usual methods of client contact such as regular telephone calls, customer satisfaction surveys and monthly meetings.

LUDDON CONSTRUCTION LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020**

In tandem with this we have also developed strong relationships with our suppliers and sub-contractors. Supplier and sub-contractor interface is crucial and happens in estimating, buying and operations on a daily basis.

In summary, the Board recognises that it must understand the views and needs of the company's stakeholders including shareholders, employees, customers and suppliers, and the effect on these interested parties of the principal decisions taken by the company during the financial year.

This report was approved by the board on 12 March 2021 and signed on its behalf by:



T B Dougall
Director

LUDDON CONSTRUCTION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2020

The directors present their report and the financial statements for the year ended 31 August 2020.

The information regarding the business review and future developments, principal risks and uncertainties, financial key performance indicators and other key performance indicators is included in the Strategic Report and not the Directors Report.

Directors' responsibilities statement

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 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

Directors

The directors who served during the year were:

T B Dougall
S Lafferty
S Langan
A Randall
A Morrison
I Barclay
A Waddell

Fixed assets

In the opinion of the directors, the value of the company's freehold land and buildings is not materially in excess of that shown in the financial statements when considered in relation to its use in the company's trade.

LUDDON CONSTRUCTION LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

Engagement with employees

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

Disabled employees

It is company policy to give full and fair consideration to applications from disabled persons and to continue, wherever possible, the employment of persons who may become disabled.

Charitable contributions

Various charitable contributions were made during the year totaling £8,200 (2019: £10,258).

Greenhouse gas emissions, energy consumption and energy efficiency action

Reasons for change in emissions

Our reported emissions have fallen this year in comparison to our base year; this is as a result of implementing some of the energy saving opportunities identified within our ESOS Audit report for the year 2014-2015, details are identified below:

Speed Limiters: Continued with the programme of new vehicles purchased with speed limiters thus increasing the fuel economy of each vehicle and therefore reducing the emissions.

Employee behaviours: With the tracking systems installed in our company vehicles and some items of large plant initially for insurance purposes, the tracking system allows the company to speed of the vehicle, braking behaviours, driving behaviours such as cornering, idling times etc. This then allows the company to coach employees to drive more efficiently and therefore reduce emissions from vehicles and construction plant.

Quantification and reporting methodology

The company have followed the 2019 UK Government environmental reporting guidance. We also used the ESOS guidance.

The company have used the 2019 UK Government GHG Conversion Factors for Company Reporting.

Organisational boundary

The company have used the operational control approach.

Operational Scopes

The company have measured our Scope 1, 2 and certain Scope 3 emissions (mandatory only) and is detailed in the following table.

LUDDON CONSTRUCTION LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020**

Scope 1 In metric tonnes CO₂e	2019 - 2020	Specific exclusions, % this represents for relevant scope	% of activity data that is estimated	2018 – 2019	2014 – 2015
Gas consumption	31.62	None	0	Not applicable, 2019 – 2020 first year of reporting	27.54
Own Transport (Diesel)	1,467	None	0		1,714
Own Transport (Petrol)	77.78	None	0		32.26
Operating Construction Plant and Equipment (Gas Oil)	2,862	None	0		2,842
Fugitive emissions		Emissions from air conditioning units in office buildings excluded, these are estimated to account for less than 0.2% of total scope 1 emissions.			
Total Scope 1	4,438.4	Not applicable			4,615.8
Scope 2 In metric tonnes CO₂e	2019 - 2020	Exclusions	% of activity data that is estimated	2018 – 2019	2014 – 2015
Electricity	104.8	None	0	Not applicable, 2019 – 2020 first year of reporting	189.29
Scope 3 In metric tonnes CO₂e	2019 - 2020	Exclusions	% of activity data that is estimated	2018 – 2019	2014 – 2015
Business travel from employee owned vehicles (Diesel)	130.83	None	5	Not applicable, 2019 – 2020 first year of reporting	152.93
Business travel from employee owned vehicles (Petrol)	2.04	None	5		0.85
Total Scope 3	132.07				153.78
Company's chosen Intensity measurement in tonnes CO ₂ e per employee	11.69	None	Not applicable	Not applicable, 2019 – 2020 first year of reporting	12.71
Total Gross Emissions	4,675.27	Not applicable	Not applicable	Not applicable	4,958.84

Base Year

The company have a fixed base year of 2014/15. We chose this year as it was the first year for which we required to comply with the Energy Savings Opportunities Scheme Regulations and therefore the required information to compile the detail above was available and accurate and was typical in respect of our operations.

LUDDON CONSTRUCTION LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

Our base year recalculation policy is to recalculate our base year and prior year emissions for relevant significant changes, which meet our significant threshold of 15% of base year emissions.

Targets

Our emissions reduction target is to reduce our gross emissions in tonnes of CO₂e per employee by 5% for 2014-15 to 2020-2021. Allan Randall, Alex Morrison, Joint Managing Directors and Ian Barclay, Director, are responsible for the achievement of the target.

Intensity measurement

We have chosen the metric gross emissions in tonnes of CO₂e per employee as this is the most likely to be a common business metric for our industry and also the most likely to constant.

Electricity

The company have purchased for our own use and consumption a total of 410.15 MWh for the year 2019-2020, this compares with a total of 409.55 MWh for the year 2014-2015.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

On 7 September 2020, Group Audit Services Limited trading as Scott Moncrieff Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

The auditor, Azets Audit Services, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 12 March 2021 and signed on its behalf by:



T B Dougall
Director

LUDDON CONSTRUCTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUDDON CONSTRUCTION LIMITED

Opinion

We have audited the financial statements of Luddon Construction Limited for the year ended 31 August 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the 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 August 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 audit 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.

LUDDON CONSTRUCTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUDDON CONSTRUCTION LIMITED (CONTINUED)

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.

Opinion 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 the 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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.

LUDDON CONSTRUCTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUDDON CONSTRUCTION LIMITED (CONTINUED)

Responsibilities of the directors

As explained more fully in the Directors' Responsibilities Statement on page 4, 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.

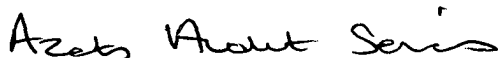
Auditor's responsibilities for the audit of the financial statements

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 Auditors' 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 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: www.frc.org.uk/auditorsresponsibilities. The 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, as a body, those matters we are required to state to them in an Auditors' 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.



Bernadette Higgins (Senior Statutory Auditor)
for and on behalf of
Azets Audit Services, Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Glasgow
PA4 8WF

12 March 2021

LUDDON CONSTRUCTION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2020**

	Note	2020 £	2019 £
Turnover	4	53,615,798	80,648,526
Cost of sales		(49,191,561)	(68,642,790)
Gross profit		4,424,237	12,005,736
Administrative expenses		(6,453,490)	(11,347,783)
Other operating income	5	2,236,578	-
Operating profit	6	207,325	657,953
Interest receivable and similar income		61,297	17,613
Interest payable and expenses		(15,281)	(6,976)
Profit before tax		253,341	668,590
Tax on profit	9	(68,190)	(103,211)
Profit for the financial year		185,151	565,379
Other comprehensive income		-	-
Total comprehensive income for the year		185,151	565,379

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 14 to 30 form part of these financial statements.

LUDDON CONSTRUCTION LIMITED
REGISTERED NUMBER:SC057943

BALANCE SHEET
AS AT 31 AUGUST 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	10	4,570,543	4,324,347
Investments	11	101	101
		<u>4,570,644</u>	<u>4,324,448</u>
Current assets			
Stocks	12	76,698	35,057
Debtors: amounts falling due within one year	13	11,684,096	13,463,226
Cash at bank and in hand	14	12,509,287	11,934,238
		<u>24,270,081</u>	<u>25,432,521</u>
Creditors: amounts falling due within one year	15	(17,824,608)	(19,144,459)
Net current assets		<u>6,445,473</u>	<u>6,288,062</u>
Total assets less current liabilities		<u>11,016,117</u>	<u>10,612,510</u>
Creditors: amounts falling due after more than one year	16	(1,830,668)	(1,700,000)
Provisions for liabilities			
Deferred tax	18	(87,788)	-
Net assets		<u><u>9,097,661</u></u>	<u><u>8,912,510</u></u>
Capital and reserves			
Called up share capital	19	90,000	90,000
Capital redemption reserve	20	10,000	10,000
Profit and loss account	20	8,997,661	8,812,510
		<u><u>9,097,661</u></u>	<u><u>8,912,510</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 March 2021 by:



T B Dougall
Director

The notes on pages 14 to 30 form part of these financial statements.

LUDDON CONSTRUCTION LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2020**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2019	90,000	10,000	8,812,510	8,912,510
Comprehensive income for the year				
Profit for the year	-	-	185,151	185,151
At 31 August 2020	90,000	10,000	8,997,661	9,097,661

The notes on pages 14 to 30 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2019**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2018	90,000	10,000	8,247,131	8,347,131
Comprehensive income for the year				
Profit for the year	-	-	565,379	565,379
At 31 August 2019	90,000	10,000	8,812,510	8,912,510

The notes on pages 14 to 30 form part of these financial statements.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the company's transactions are denominated. They comprise the financial statements of the company drawn up for the year ended 31 August 2020.

The continuing activities of Luddon Construction Limited ('the company') is that of civil engineering.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in Scotland. Details of the registered office can be found on the company information page of these financial statements. The company's registered number is SC057943.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with 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).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Dougall Holdings Limited as at 31 August 2020 and these financial statements may be obtained from 1497 Balmore Road, Glasgow, G23 5HD.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

2. Accounting policies (continued)

2.3 Going concern

The company has a satisfactory level of financial resources together with a solid base of existing customers, and expertise in its field of operations. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and so continue to adopt the going concern basis of accounting in preparing the annual financial statements.

After investigation the directors have concluded that the Covid 19 situation will not adversely affect the ability of the company to continue trading and fulfil the requirements of the going concern accounting policy.

2.4 Consolidation

The company and its subsidiaries comprise a large-sized group. Exemption has been taken from preparing group accounts on the grounds that consolidated financial statements are prepared within the financial statements of Dougall Holdings Limited.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Construction contracts

When the outcome of a construction contract can be estimated reliably, the company shall recognise contract revenue and contract costs associated with the construction contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

The company shall determine the stage of completion of a transaction or contract through performing surveys of the work performed to date.

When the outcome of a construction contract cannot be estimated reliably:

- the company shall recognise revenue only to the extent of contract costs incurred that it is probable will be recoverable; and
- the company shall recognise contract costs as an expense in the period in which are incurred.

The company will recognise as an expense immediately any costs whose recovery is not probable. When it is probable that total contract costs will exceed total contract revenue on a construction contract, the expected loss shall be recognised as an expense immediately.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 1-10% on cost
Plant and machinery	- 20-50% on cost
Motor vehicles	- 25-33% on cost
Office equipment	- 12.5-25% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

An entity is treated as a joint venture where the company is a party to a contractual agreement with one or more parties from outside the company to undertake an economic activity that is subject to joint control.

2.8 Stocks

Stock and work in progress is valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete or slow moving items.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.14 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Leased assets: the company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.16 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

2. Accounting policies (continued)

2.17 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of Comprehensive Income on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate.

2.18 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The directors are satisfied that accounting policies are appropriate and applied consistently. Key sources of accounting estimation have been applied to the depreciation rates which are deemed to be appropriate for the class of assets, the provision of bad debts based on the directors' expectations of likely receipts after the year end, the calculation of the provision required for remedials and the valuation of work in progress based on surveyors' valuations of work performed at the end of each accounting period.

The directors are satisfied that accounting policies are appropriate and applied consistently.

4. Turnover

The whole of the turnover is attributable to the one principal activity of the company.

	2020 £	2019 £
United Kingdom	53,615,798	80,648,526
	<u>53,615,798</u>	<u>80,648,526</u>

LUDDON CONSTRUCTION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020****5. Other operating income**

	2020 £	2019 £
Government grants receivable	2,236,578	-
	<u>2,236,578</u>	<u>-</u>

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of owned assets	1,261,286	1,331,286
Depreciation of assets under finance leases and HP	244,107	122,390
Auditor's remuneration - audit fee	32,000	31,000
Auditor's remuneration - taxation compliance services	12,768	10,471
	<u>1,550,161</u>	<u>1,495,147</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	17,333,593	20,632,254
Social security costs	2,162,304	2,489,265
Company contributions to defined contribution schemes	734,613	606,873
	<u>20,230,510</u>	<u>23,728,392</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Office and management	153	144
Technical	277	268
	<u>430</u>	<u>412</u>

LUDDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	876,445	5,332,056
Company contributions to defined contribution pension schemes	59,865	71,326
	<u>936,310</u>	<u>5,403,382</u>

During the year retirement benefits were accruing to 4 directors (2019 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £145,033 (2019 - £2,236,993).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,267 (2019 - £NIL).

9. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	-	103,211
Adjustments in respect of prior periods	(19,598)	-
Total current tax	<u>(19,598)</u>	<u>103,211</u>
Deferred tax		
Origination and reversal of timing differences	87,788	-
Total deferred tax	<u>87,788</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>68,190</u>	<u>103,211</u>

LUDDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	253,341	668,590
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	48,135	127,032
Effects of:		
Expenses not deductible for tax purposes	23,120	25,586
Fixed asset differences	1,758	1,719
Utilisation of tax losses	19,598	-
Adjustments to tax charge in respect of prior periods	(19,598)	-
Other permanent differences	1,235	-
Adjust closing deferred tax to average rate of 19.00%	-	42
Adjust opening deferred tax to average rate of 19.00%	-	(5,386)
Deferred tax not recognised	(5,420)	(45,782)
Remeasurement of deferred tax for changes in tax rates	(638)	-
Total tax charge for the year	68,190	103,211

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

LUDDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

10. Tangible fixed assets

	Leasehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 September 2019	1,014,337	4,193,767	5,228,801	468,398	10,905,303
Additions	17,172	371,103	1,339,692	83,900	1,811,867
Disposals	-	(507,424)	(397,584)	-	(905,008)
At 31 August 2020	1,031,509	4,057,446	6,170,909	552,298	11,812,162
Depreciation					
At 1 September 2019	164,633	2,702,687	3,338,609	375,027	6,580,956
Charge for the year	9,250	495,405	940,354	60,384	1,505,393
Disposals	-	(474,778)	(369,952)	-	(844,730)
At 31 August 2020	173,883	2,723,314	3,909,011	435,411	7,241,619
Net book value					
At 31 August 2020	857,626	1,334,132	2,261,898	116,887	4,570,543
At 31 August 2019	849,704	1,491,080	1,890,192	93,371	4,324,347

The net book value of land and buildings may be further analysed as follows:

	2020 £	2019 £
Leasehold	857,626	849,704
	<u>857,626</u>	<u>849,704</u>

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

10. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020 £	2019 £
Plant and machinery	288,699	319,238
Motor vehicles	643,017	243,274
	<u>931,716</u>	<u>562,512</u>

The depreciation for the year includes £244,107 (2019: £122,390) in respect of assets leased under finance leases or under hire purchase contracts.

11. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 September 2019	101
At 31 August 2020	<u>101</u>

Shares held in group undertakings includes £100, which represents 100% of the ordinary share capital of Luddon Estates Limited, a company incorporated in Scotland. Luddon Estates Limited is a non-trading company and its capital and reserves are £nil.

Shares held in group undertakings includes £1, which represents 50% of the ordinary share capital of Lochhead Energy Limited, a company incorporated in Scotland. The principal activity of Lochhead Energy Limited is that of a building contractor. The company made a loss after taxation of £358 in the year ended 31 August 2020 (2019 - £838) and has net liabilities of £11,435 (2019 - £11,077). Following the year end, and following settlement of final outstanding liabilities, Lochhead Energy Limited has been wound up.

LUDDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

12. Stocks

	2020 £	2019 £
Raw materials and consumables	76,698	35,057
	<u>76,698</u>	<u>35,057</u>

13. Debtors

	2020 £	2019 £
Trade debtors	10,966,516	12,689,678
Amounts owed by group undertakings	247,633	247,633
Amounts owed by joint ventures and associated undertakings	39,065	59,149
Other debtors	74,262	61,536
Prepayments and accrued income	356,620	405,230
	<u>11,684,096</u>	<u>13,463,226</u>

Trade debtors includes an allowance for over invoiced amounts of £1,750,359 (2019: £1,470,865).

The allowances for estimated irrecoverable amounts have been determined by reference to past experience and information on specific contracts and balances and is calculated by reference to the present value of anticipated future proceeds. Trade terms are determined on a contract by contract basis.

14. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	12,509,287	11,934,238
	<u>12,509,287</u>	<u>11,934,238</u>

LUDDON CONSTRUCTION LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020****15. Creditors: Amounts falling due within one year**

	2020 £	2019 £
Trade creditors	3,964,373	4,083,268
Payments in advance	1,821,057	-
Amounts owed to other participating interests	1,104,117	190,607
Corporation tax	-	13,211
Other taxation and social security	4,512,709	1,099,587
Obligations under finance lease and hire purchase contracts	495,495	515,773
Accruals and deferred income	5,926,857	13,242,013
	<u>17,824,608</u>	<u>19,144,459</u>

The company has a bank overdraft facility which is secured by a counter indemnity and two floating charges over the assets and undertakings of the company.

16. Creditors: Amounts falling due after more than one year

	2020 £	2019 £
Obligations under finance leases and hire purchase contracts	130,668	-
Amounts owed to group undertakings	1,700,000	1,700,000
	<u>1,830,668</u>	<u>1,700,000</u>

Amounts owed to group and related undertakings are repayable in between one and two years.

17. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Within one year	495,495	515,773
Between 1-5 years	130,668	-
	<u>626,163</u>	<u>515,773</u>

Hire purchases are secured over the assets which they are in relation to.

LUDDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

18. Deferred taxation

	2020 £
At beginning of year	-
Charged to profit or loss	(87,788)
At end of year	(87,788)

The deferred taxation balance is made up as follows:

	2020 £	2019 £
Timing differences	(87,788)	-
	<u>(87,788)</u>	<u>-</u>

19. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
90,000 (2019 - 90,000) ordinary shares of £1.00 each	<u>90,000</u>	<u>90,000</u>

The ordinary shareholders are entitled to dividends and shares rank equally for voting purposes.

20. Reserves

Capital redemption reserve

The capital redemption reserve relates to the equity component of shares bought back by the company in prior years.

Profit and loss account

The profit and loss account includes all current and prior year retained profits or losses.

21. Contingent liabilities

At 31 August 2020 there were performance bonds outstanding of £3,720,132 (2019 - £4,045,395).

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

22. Capital commitments

At 31 August 2020 the company had capital commitments as follows:

	2020 £	2019 £
Contracted for but not provided in these financial statements	-	203,124
	<u>-</u>	<u>203,124</u>

23. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £734,613 (2019 - £606,873). Contributions totalling £nil (2019 - £nil) were payable to the fund at the balance sheet date.

24. Transactions with directors

Included within amounts owed to related undertakings is a loan from a director. The loan is interest free and is repayable on demand. The principal loan amount was £1,000,000. At the year end the loan balance is £1,000,000 (2019 - £nil).

25. Related party transactions

Exemption has been taken from disclosing transactions with group companies on the basis that consolidated financial statements are publicly available.

T B Dougall was also a director of James Strang Limited, R Lindsay & Company (Contractors) Limited, Legge Steel (Fabrications) Limited, Lednathie Estate Limited, Craighall Developments Limited, Barclay Dougall (Holdings) Limited and Craighall Energy Limited during the year. During the year to 31 August 2020 the company was involved in the following transactions.

James Strang Limited

During the year the company made purchases of £4,507 (2019 - £2,495) and £674,245 (2019 - £803,610) of subcontracting services from James Strang Limited. Sales to James Strang Limited amounted to £17,162 (2019 - £24,762).

At the year end amounts due from James Strang Limited to the company were £11,075 (2019 - £135) and £405,963 (2019 - £111,090) was included within accruals in respect of subcontracting services from James Strang Limited.

R Lindsay & Company (Contractors) Limited

During the year the company made purchases of £nil (2019 - £61,058) and £4,160 (2019 - £nil) of subcontracting services from R Lindsay & Company (Contractors) Limited. Sales to R Lindsay & Company (Contractors) Limited amounted to £1,200 (2019 - £8,289).

At the year end amounts due to the company from R Lindsay & Company (Contractors) Limited were £1,440 (2019 - £4,200 due from the company).

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

25. Related party transactions (continued)

Legge Steel (Fabrications) Limited

During the year the company made purchases of £28,053 (2019 - £68,021) and £142,470 (2019 - £501,843) of subcontracting services from Legge Steel (Fabrications) Limited. Sales to Legge Steel (Fabrications) Limited amounted to £2,992 (2019 - £1,403).

At the year end, amounts due to Legge Steel (Fabrications) Limited by the company were £3,935 (2019 - £21,726) and £29,657 (2019 - £123,247) was included within accruals in respect of subcontracting services from Legge Steel (Fabrications) Limited.

Craighall Developments Limited

During the year the company made purchases of £10,500 (2019 - £18,000) from Craighall Developments Limited. Sales to Craighall Developments Limited amounted to £9,600 (2019 - £16,339).

At the year end there is Work in Progress totalling £269,154 (2019 - £266,970) for works carried out by the company on behalf of Craighall Developments Limited.

Craighall Energy Limited

During the year, sales to Craighall Energy Limited amounted to £26,550 (2019 - *Nil*).

At the year end amounts due to the company by Craighall Energy Limited were £26,550 (2019 - £50,206).

Lednathie Estate Limited

During the year the company made purchases of £83,485 (2019 - £143,734) from Lednathie Estate Limited.

At the year end amounts due by the company to Lednathie Estate Limited were £100,182 (2019 - £164,681).

26. Ultimate parent company

The ultimate parent company is Dougall Holdings Limited, a company incorporated in Scotland. There is no ultimate controlling party.