

Cruden Holdings (West) Limited

**Annual Report and consolidated
financial statements**

Registered number SC150493

31 March 2017

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Directors and advisors

Directors KD Reid (Chairman)
J Gallacher (Resigned 31 March 2017)
AJ Callaghan

Company Secretary P Dimond

Registered office 5 Clydesmill Road
Cambuslang
Glasgow
G32 8RE

Auditors KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Bankers Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Strategic report

The directors present their strategic report together with the financial statements for the year ended 31 March 2017.

Principal activity

The Group's principal activities consist of new build construction and refurbishment of residential housing for clients in the public sector together with construction services to clients involved in the provision of medical and educational services. The Group also develops residential housing for sale both under its own brand and within a number of Joint Venture relationships. There have been no changes in this core business activity during the year.

Results

The consolidated profit for the year and the group and company's financial position at the end of the year are shown in the attached financial statements.

Operating review and key performance indicators

The key performance indicators measured by the Group include the following:

- As shown in the Group's consolidated profit and loss account on page 7, turnover (excluding joint ventures) has increased during the year to £82.9 million (2016: £75.9 million). Profit before tax has held at £1.9 million (2016: £1.9 million).
- The turnover figure consists of the value of construction services for external clients, combined with the value of homes (73 in number) (2016: 10) settled in the period.
- The Group's forward order book in construction for external clients is encouraging and will allow for similar levels of activity in the future. The Group continues to be selective in its residential development programme, and good progress has been achieved in ensuring that activity in this sector can take place at a pace which is commensurate with developing market conditions.
- Following a further year of solid trading, the Group's net asset value has increased to £14.0 million (2016: £13.2 million) which provides a stable platform for future growth.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group arise from its participation in the construction and house building sectors and comprise:

Construction

- general economic conditions;
- an increasingly complex regulatory environment;
- competitive market environment.

House building

- economic factors affecting demand in the housing market;
- planning and other statutory consent process;
- impact of the UK's exit from the European Union.

The board regularly considers these main risks and plans future strategy with a view to mitigating their potential impact. It is recognised that the result of the recent European Referendum has heightened uncertainty in the areas listed, but the board believes that the Group's balance sheet solidity serves to mitigate the impact of any resulting market volatility.

Strategic report *(continued)*

The performance of all ongoing construction projects is regularly discussed at management level as is the pipeline of future projects and the Group's resultant resourcing requirements. The Group's future development programme based on consented land is regularly reviewed as is the ongoing housing market, along with the economic environment and medium term economic outlook.

Through its experienced workforce, the Group is extremely well placed to manage the risks identified above. Retention and recruitment of high quality staff remains one of the Group's top priorities and investment continues to be made in this crucial area.

By order of the board



P Dimond
Secretary

5 Clydesmill Road
Cambuslang
Glasgow
G32 8RE

29 June 2017

Directors' report

Directors

The directors who served the company during the year and to the date of this report were as follows:

J Gallacher (Resigned 31 March 2017)

KD Reid

AJ Callaghan

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

Dividends

An interim dividend was paid for the year ended 31 March 2017 of £639,000 (2016: £862,000). The directors do not propose the payment of a final dividend (2016: £nil).

Statement of employees' involvement in the group

The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the company. This is achieved through a variety of formal and informal meetings. At these meetings, employees are consulted on a wide range of matters affecting their future and current interests.

Disabled persons policy

The group gives every consideration to applications for employment from disabled persons or to employees who become disabled where the requirements of the job may be adequately covered by a handicapped or disabled person.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

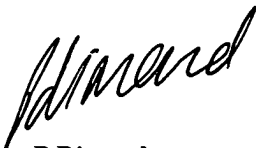
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



P Dimond
Secretary

5 Clydesmill Road
Cambuslang
Glasgow
G32 8RE

29 June 2017

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditor's report to the members of Cruden Holdings (West) Limited

We have audited the financial statements of Cruden Holdings (West) Limited for the year ended 31 March 2017 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, 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.

Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

5 July 2017

Consolidated profit and loss account
for the year ended 31 March 2017

	<i>Note</i>	2017 £000	2016 £000
Gross Turnover		90,596	93,405
Less intra group turnover		(7,514)	(7,714)
Turnover: group and share of joint ventures		83,082	85,691
Less: share of joint ventures' turnover		(148)	(9,777)
Group turnover	2	82,934	75,914
Cost of sales		(75,231)	(68,990)
Gross profit		7,703	6,924
Other operating income	3	25	52
Administrative expenses		(5,856)	(5,714)
Group operating profit		1,872	1,262
Group's share of profit in Joint Ventures		58	626
Total operating profit		1,930	1,888
Interest receivable and similar income	7	71	166
Interest payable and similar charges	7	(146)	(185)
Profit on ordinary activities before taxation	4	1,855	1,869
Tax on profit on ordinary activities	8	(439)	(372)
Profit for the financial year		1,416	1,497

The Group has no Other Comprehensive Income other than the profit for the current year and the previous year.

The result for the year has been derived from continuing activities.

The notes on pages 13 to 24 form an integral part of these financial statements.

Consolidated Balance sheet
at 31 March 2017

	<i>Note</i>	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Tangible assets	9	879			869
Investments in Joint Ventures	10	109			261
			988		1,130
Current assets					
Land and residential work in progress		4,040		5,469	
Debtors: due within one year	11	36,470		36,838	
Debtors: due after more than one year	11	1,117		1,375	
Cash at bank and in hand		1,152		974	
		42,779		44,656	
Creditors: amounts falling due within one year	12	(29,781)		(32,572)	
Net current assets			12,998		12,084
Total assets less current liabilities			13,986		13,214
Provisions for liabilities and charges					
Deferred tax liability	13		(14)		(19)
Net assets			13,972		13,195
Capital and reserves					
Called up share capital	14		100		100
Profit and loss account			13,872		13,095
Shareholder's funds			13,972		13,195

These financial statements were approved by the board of directors on 29 June 2017 and signed on its behalf by:



KD Reid
Director



AJ Callaghan
Director

Company registered number: SC150493

The notes on pages 13 to 24 form an integral part of these financial statements.

Company Balance sheet
at 31 March 2017

	<i>Note</i>	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Investments	10		133		133
			<u>133</u>		<u>133</u>
Current assets					
Debtors: due within one year	11	1		2	
		<u>1</u>		<u>2</u>	
Creditors: amounts falling due within one year	12	(1)		(1)	
		<u>(1)</u>		<u>(1)</u>	
Net current assets			-		1
			<u>133</u>		<u>134</u>
Net assets			<u>133</u>		<u>134</u>
Capital and reserves					
Called up share capital	14		100		100
Profit and loss account			33		34
			<u>133</u>		<u>134</u>
Shareholder's funds			<u>133</u>		<u>134</u>

These financial statements were approved by the board of directors on 29 June 2017 and signed on its behalf by:



KD Reid
Director



AJ Callaghan
Director

Company registered number: SC150493

The notes on pages 13 to 24 form an integral part of these financial statements.

Statement of Changes in Equity

Group	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2015	100	12,460	12,560
Total comprehensive income for the period			
Profit for the year	-	1,497	1,497
Total comprehensive income for the period	-	1,497	1,497
Transactions with owners, recorded directly in equity			
Dividends	-	(862)	(862)
Total contributions by and distributions to owners	-	(862)	(862)
Balance at 31 March 2016	100	13,095	13,195
Balance at 1 April 2016	100	13,095	13,195
Total comprehensive income for the period			
Profit for the year	-	1,416	1,416
Total comprehensive income for the period	-	1,416	1,416
Transactions with owners, recorded directly in equity			
Dividends	-	(639)	(639)
Total contributions by and distributions to owners	-	(639)	(639)
Balance at 31 March 2017	100	13,872	13,972

The notes on pages 13 to 24 form an integral part of these financial statements.

Statement of Changes in Equity

Company	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2015	100	35	135
Total comprehensive income for the period			
Profit for the year	-	861	861
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	861	861
	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Dividends	-	(862)	(862)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(862)	(862)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	100	34	134
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 1 April 2016	100	34	134
Total comprehensive income for the period			
Profit for the year	-	638	638
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	638	638
	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Dividends	-	(639)	(639)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(639)	(639)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	100	33	133
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 24 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for year ended 31 March 2017

	<i>Note</i>	2017 £000	2016 £000
Cash flows from operating activities			
Operating profit for the year		1,872	1,262
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		297	305
Decrease/(increase) in trade and other debtors		625	(2,664)
Decrease/(increase) in stocks		1,429	(1,355)
(Decrease)/increase in trade and other creditors		(2,832)	4,646
		1,391	2,194
Tax paid		(292)	(582)
Net cash from operating activities		1,099	1,612
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		34	113
Interest received		71	166
Acquisition of tangible fixed assets	9	(341)	(370)
Dividend received from joint venture		100	500
Net cash from investing activities		(136)	409
Cash flows from financing activities			
Interest paid		(146)	(185)
Dividends paid		(639)	(862)
Net cash from financing activities		(785)	(1,047)
Net increase in cash and cash equivalents		178	974
Cash and cash equivalents at 1 April		974	-
Cash and cash equivalents at 31 March		1,152	974

The notes on pages 13 to 24 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Cruden Holdings (West) Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

1.1 *Measurement convention*

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss, and investments in associates and joint ventures measured at fair value.

1.2 *Going concern*

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2. The Group has considerable financial resources together with long-term partnering arrangements with a number of customers. In addition, the Group has visibility in its forward workload for the next twelve months with a significant proportion of its construction activity already under contract. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Where a group company is party to a joint venture which is not an entity that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated residual value on a straight line basis over the useful economic life of that asset as follows:

Motor vehicles	25%
Fixtures and fittings	12 ¹ / ₂ %

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the turnover accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the entity's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

1.7 Land and property development

Land and property development costs are included in the financial statements at the lower of cost and net realisable value. No profit is taken in respect of properties sold until settlement has been achieved.

1.8 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.8 Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Group Plans

The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the Company which is legally responsible for the plan, which is Cruden Investments Limited. The Company then recognises a cost equal to its contribution payable for the period.

1.10 Turnover

Turnover comprises settlement income from residential properties and other income derived from property development activities, including turnover on long term contracts as noted above, and management fees.

Where houses are sold with the use of shared equity, a loan is made available to the customer up to but not exceeding 25% of the sales value. This interest free loan plus the pro-rata uplift in value of the property is repayable within 10 years of the house purchase. In recognising the initial sale of houses under shared equity, the company includes the fair value of the loan in turnover and the loan balance in debtors.

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Notes (continued)

1 Accounting policies (continued)

1.11 Expenses (continued)

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.12 Investments

Investments in subsidiary undertakings are stated at cost.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2017 £000	2016 £000
Sale of houses	9,338	1,478
Construction contract revenue	73,596	74,436
	<hr/>	<hr/>
Total turnover	82,934	75,914
	<hr/>	<hr/>

Turnover comprises house sales, and other income derived from housing activities. All turnover is derived from activities in the United Kingdom.

3 Other operating income

	2017 £000	2016 £000
Net gain on disposal of tangible fixed assets	25	52
	<hr/>	<hr/>

Notes (continued)

4 Expenses and auditor's remuneration

Included in profit are the following:

	2017 £000	2016 £000
Depreciation	297	305
Hire of plant	2,253	1,834
	<u>2,550</u>	<u>2,139</u>

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	1	1
Audit of financial statements of subsidiaries of the company	22	21
	<u>23</u>	<u>22</u>

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Production staff	302	318
Administrative staff	49	49
Management	2	3
	<u>353</u>	<u>370</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	11,187	10,991
Social security costs	1,113	1,049
Contributions to defined contribution plans	451	523
Expenses related to defined benefit plans	207	207
	<u>12,958</u>	<u>12,770</u>

6 Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	423	349
Payment in lieu of historic pension contributions	86	-
Company contributions to money purchase pension plans	-	83
	<u>509</u>	<u>432</u>

Notes (continued)

6 Directors' remuneration (continued)

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £307,253 (2016: £249,629), and payments in lieu of historic pension contributions £86,134 (2016: Nil) were made and company pension contributions of £372 (2016: £82,708) were made to a money purchase scheme on his behalf. He is a member of a defined benefit scheme, under which his accrued pension at the year end was £14,571 (2016: £14,238).

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined benefit schemes	-	1

7 Interest payable and receivable

	2017 £000	2016 £000
<i>Interest payable and similar charges</i>		
On group borrowings	146	185
<i>Interest receivable and similar income</i>		
From joint ventures	-	63
From group	71	103
Total interest receivable	71	166

8 Taxation

Total tax expense recognised in the profit and loss account

	2017 £000	2016 £000
<i>Current tax</i>		
Current tax on income for the period	445	339
Adjustments in respect of prior periods	-	(5)
Total current tax	445	334
<i>Deferred tax (see note 13)</i>		
Origination and reversal of timing differences	(6)	38
Total deferred tax	(6)	38
Total tax	439	372

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	1,416	1,497
Total tax expense	439	372
Profit excluding taxation	1,855	1,869
Tax using the UK corporation tax rate of 20% (2016: 20%)	371	374
Non-deductible expenses	(46)	(45)
Origination and reversal of timing differences	(5)	48
Under/(over) provided in prior years	119	(5)
Total tax expense included in profit or loss	439	372

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

9 Tangible assets

Group	Motor vehicles £000	Fixtures & fittings £000	Total £000
Cost			
At 1 April 2016	841	1,466	2,307
Additions	234	107	341
Disposals	(228)	-	(228)
At 31 March 2017	847	1,573	2,420
Depreciation			
At 1 April 2016	402	1,036	1,438
Charge for year	180	117	297
Disposals	(194)	-	(194)
At 31 March 2017	388	1,153	1,541
Net book value			
At 1 April 2016	439	430	869
At 31 March 2017	459	420	879

Notes (continued)

10 Investments

Fixed asset investments - Group

	Shares	Shares of results	Total
Group	£000	£000	£000
Joint Ventures			
<i>Cost</i>			
At beginning and end of year	25	-	25
	<hr/>	<hr/>	<hr/>
<i>Share of reserves</i>			
At beginning of year	-	236	236
Retained profits less losses	-	(152)	(152)
	<hr/>	<hr/>	<hr/>
At end of year	-	84	84
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2017	25	84	109
	<hr/>	<hr/>	<hr/>
At 31 March 2016	25	236	261
	<hr/>	<hr/>	<hr/>

Fixed asset investments – Company

Company	Shares in group undertakings £000
<i>Cost and net book value</i>	
At beginning and end of year	133
	<hr/>

The Company has the following investments in subsidiaries:

		Country of incorporation	Class of shares held	Ownership 2017 %	Ownership 2016 %
Cruden Building & Renewals Ltd	2	Scotland	Ordinary	100	100
Cruden Estates Ltd	1	Scotland	Ordinary	100	100
Cruden Homes (West) Ltd	1	Scotland	Ordinary	100	100
City Legacy Ltd	3	Scotland	Ordinary	25	25

Registered offices (Note reference above):

- 1 Baberton House, Edinburgh, EH14 3HN
- 2 5 Clydesmill Road, Cambuslang, Glasgow, G32 8RE
- 3 3rd Floor, George House, 50 George Square, Glasgow, G2 1EH

Notes (continued)

11 Debtors

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Due within one year				
Trade debtors	7,170	5,884	-	-
Amounts recoverable on contracts	9,026	8,951	-	-
Amounts due from fellow subsidiary undertakings	19,198	21,197	1	2
Other debtors	1,076	806	-	-
	<u>36,470</u>	<u>36,838</u>	<u>1</u>	<u>2</u>
Due after more than one year				
Shared equity debtors	1,086	1,324	-	-
Interest free loans to customers	31	51	-	-
	<u>1,117</u>	<u>1,375</u>	<u>-</u>	<u>-</u>

The group operates a shared equity scheme to assist prospective homeowners with their house purchase. The terms of the scheme are such that the group provides a loan of a maximum of 25% of the house price, to the customer which is required to be repaid within 10 years of the house purchase. The loan to the customer is secured via a second ranking security over the property.

12 Creditors: amounts falling due within one year

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Payments in advance	2,978	2,961	-	-
Trade creditors	21,747	21,868	-	-
Amounts due to fellow subsidiary undertakings	2,471	5,552	-	-
Corporation tax	197	155	-	-
Other taxes	394	397	-	-
Accruals and other creditors	1,994	1,639	1	1
	<u>29,781</u>	<u>32,572</u>	<u>1</u>	<u>1</u>

13 Deferred taxation

Deferred tax liabilities are attributable to the following:

	Group	
	2017 £000	2016 £000
Capital allowances less than depreciation	<u>14</u>	<u>19</u>

Notes (continued)

14 Called up share capital

	2017 £000	2016 £000
<i>Issued and fully paid:</i>		
100,000 Ordinary shares of £1 each	100	100

15 Employee benefits

Group Plans

The Group participates in a group scheme which is operated by Cruden Investments Limited providing benefits based on final pensionable pay. The scheme is set up under trust and the assets of the scheme are, therefore, held separately from those of the employers. The scheme was closed to future accrual with effect from 31 March 2005 and the company has agreed a funding profile with the scheme's actuaries and trustees to meet the residual deficit. Because the Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 102 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. The latest full actuarial valuation was carried out at 31 March 2016 and was updated for FRS 102 purposes to 31 March 2017 by a qualified independent actuary. The contribution for the year was £207,600 (2016: £207,600).

Full disclosure details relating to the scheme are contained in the financial statements of Cruden Investments Limited.

Defined contribution plans

The Group also contributes to defined contribution schemes and the amount paid during the year was £451,447 (2016: £522,729).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

16 Related party transactions

Identity of related parties with which the Company has transacted

As a member of Cruden Holdings Group, the company is exempt from the requirements of FRS102.33 to disclose transactions with other members of the group headed by Cruden Holdings Limited. Transactions with other related parties are summarised below:

The group has made a car loan to John Gallacher, a director of the group. The loan is interest free and is repayable monthly. At 31 March 2017 £4,500 (2016: £16,500) is outstanding and included in loans due greater than one year.

Interest received during the year from City Legacy Limited, amounted to £nil (2016: £63,027).

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £1,166,000 (2016: £1,049,000).

17 Contingent liabilities

There are contingent liabilities in respect of guarantees under contracting arrangements entered into by the company in the normal course of business.

The bank holds a bond and floating charge over the assets of the company for the obligations of Cruden Investments Limited.

Notes (continued)

18 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2017 £000	2016 £000
Assets measured at amortised cost		
- Trade and other receivables	37,587	38,213
- Cash and cash equivalents	1,152	974
Liabilities measured at amortised cost		
- Trade and other creditors	(29,781)	(32,572)

19 Immediate and ultimate parent company

The immediate parent company is Cruden Investments Limited and the ultimate parent company is Cruden Holdings Limited. Both companies are incorporated in Scotland.

The largest group in which the results of the company are consolidated is that headed by Cruden Holdings Limited. The smallest group in which they are consolidated is that headed by Cruden Investments Limited. The consolidated accounts of this group are available to the public and may be obtained from Baberton House, Juniper Green, Edinburgh, EH14 3HN.

20 Accounting estimates and judgements

Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting estimate will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Carrying value of WIP

Inventories of land and development work in progress are stated at the lower of cost or net realisable value. The company allocates site wide development costs such as infrastructure between units being built and/ or completed in the current year and those in future years. This estimate is reflected in the margin recognised on developments and in the carrying value of land and work in progress. Whilst there is a degree of uncertainty in making this estimate, reviews are carried out monthly on the carrying value of stock.

Carrying value of shared equity

The company operates a shared equity scheme to assist prospective homeowners with their house purchase. The loans are held at the present value of expected future cash flows taking into account the a number of factors, including the expected market value of the property at the time of the loan repayment, the likely date of repayments and the default rates. Accordingly there are a number of uncertainties which could impact the carrying value.

Construction Contracts

Revenue and cost of sales in relation to long term contract are estimated based on the stage of completion. The company allocates site wide development costs such as infrastructure between different stages of contracts completed in the current year and those in future years. This estimate is reflected in the margin recognised on developments and in the amounts recoverable on long term contracts. Amounts recoverable on contracts are kept under constant review.