Parent A/c
05976165

Company Registration No. SC373580

LOMOND PROPERTY LETTINGS LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2017

LOMOND PROPERTY LETTINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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LOMOND PROPERTY LETTINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Stuart Pender
Kirsty Pender
Robert Hamilton
Roger Lane-Smith
Ivor Dickinson
Michael Groves
Hazel McIntyre (Resigned 20 April 2017)
Peter Flockhart (Appointed 27 November 2017)
Bruce Evans (Appointed 9 February 2018)

COMPANY SECRETARY

Robert Hamilton

REGISTERED OFFICE

32 Charlotte Square
Edinburgh
Scotland
EH2 4ET

BANKERS

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

SOLICITORS

Dickson Minto W.S.
16 Charlotte Square
Edinburgh
EH2 4DF

INDEPENDENT AUDITOR

BDO LLP
Citypoint
65 Haymarket Terrace
Edinburgh
EH12 5HD

LOMOND PROPERTY LETTINGS LIMITED

STRATEGIC REPORT

For the year ended 31 December 2017

The directors of Lomond Property Lettings Limited ("the Company") present the annual report and the audited financial statements of the Company and its subsidiaries (together "the LPLL Group") for the year ended 31 December 2017.

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006. This strategic report has been prepared for the LPLL Group headed by the Company and seeks to give emphasis to those matters which are significant to that Group.

ACTIVITIES AND BUSINESS REVIEW

Principal activity

The Company's principal activity is that of an intermediate holding company within the wider overall Group headed by Lomond Capital Partnership LLP. The Group's principal activity is property letting and estate agency, including the provision of property management services. The Group operates throughout the UK as parent of a number of subsidiaries, operating property businesses include the following brands:

- Stonehouse Lettings
- Braemore Property Management
- John Shepherd Lettings
- John Shepherd Estate Agents
- Thornley Groves
- Cambridge Brand Vaughan

Business review

The Group continued to build the property management capability with acquisitions across the country during the year. Six transactions were completed acquiring the share capital or trade and assets of:

- Cambridge Brand Vaughan Limited
- Wolf's Limited
- Wolf's Property Sales Limited
- Tanat Jones Limited
- Raeburn Christie Clark & Wallace
- Hallmark Residential Sales & Lettings Limited

The acquisitions were financed through drawings under existing facilities from Clydesdale Bank plc and through a new mezzanine loan of up to £12,000k from Tosca Debt Capital Fund. Both of the facilities are held in Lomond Capital No.1 Limited and are therefore included in consolidations higher up in the wider overall LCL Group. The business now operates in five regions across the United Kingdom managing over 10,900 properties.

The loss of the current year is £466k (2016: profit of £1,164k). EBITDA (calculated by taking the operating profit and adding back interest, depreciation, amortisation, impairment of goodwill and tax) has increased to £3,667k (2016: £3,074k) with growth reflecting the new acquisitions and increase in core properties under management in the year. The increase in net interest costs of £1,291k (2016: £498k) reflects the increased borrowing. The performance of core residential management business was offset by a reduction in deferred consideration of £229k (2016: £Nil), a fair value reserve adjustment of £52k (2016: £Nil) and tax charge of £9k (2016: credit of £74k), which are necessary to create and operate the acquisition and integration framework for growth.

As a result of acquisition activity in the current year, additional goodwill of £9,717k (2016: £4,377k) has been recorded during the year to 31 December 2017.

Key performance indicators (KPIs)

The LPLL Group monitors performance of each of its regional businesses weekly against a number of key performance indicators and meets with the regional executive teams on a quarterly basis. Regional KPIs include properties under management, occupied managed estate, average rental levels, sales pipeline and sales completions.

The directors reviewed the goodwill on the balance sheet at 31 December 2017 and concluded that the assertion regarding a useful economic life of 20 years remains valid.

LOMOND PROPERTY LETTINGS LIMITED

STRATEGIC REPORT

For the year ended 31 December 2017

FINANCIAL PERFORMANCE

The LPLL Group's financial performance is presented in the consolidated statement of comprehensive income on page 9. The directors confirm no dividends were proposed or paid in the year (2016: £nil) and that the loss of £466k (2016: profit of £1,164k) for the financial year has been transferred to reserves.

At the year end, net assets were £3,120k (2016: £4,100k).

PRINCIPAL RISKS AND UNCERTAINTIES

Market risk

The LPLL Group operates in the Private Rental Sector ("PRS") and, therefore, responds to developments in that sector. The PRS is significant and is a market that has grown strongly over recent years and is forecast to continue to grow with the United Kingdom housing gap and fall in owner occupation supporting growth in the sector.

The current residential asset management market is highly fragmented both in terms of the number of agents and businesses offering a professional and comprehensive proposition to private and institutional investors. The LPLL Group's ability to continue to consolidate in that market is reliant on having developed a professional acquisition and integration model to consolidate in the sector and to professionalise the service and broaden the offering to both private and institutional landlords.

Liquidity and cash flow risk

The LPLL Group manages liquidity and cash flow risk by generating funds from its core activities and by having access to funding enabled by the banking facilities and inter-company loans provided by the wider overall Group, headed by Lomond Capital Partnership LLP, of which the Company is a subsidiary. The wider overall Group continues to develop and invest in its central finance function to ensure control over its liquidity and cash flow risk.

Credit risk

The LPLL Group manages the risk of loss owing to failure of customers or counterparties to meet payment obligations by effective monitoring and review against agreed credit limits. A credit risk assessment of the customer or counterparty is undertaken prior to approval of credit risk exposure.

Financial risk

Financial risk is managed through a monthly cycle of local and central reporting using appropriate financial and operational key performance indicators.

At an LPLL Group level the Board monitors performance against its turnover and EBITDA whilst operationally the key performance metric is properties under management:

- Turnover increased to £21,596k from £18,500 in 2016
- EBITDA increased to £3,667k from £3,074k in 2016
- Properties under management increased to 10,900 from 7,600 in 2016

GOING CONCERN

The LPLL Group has net current liabilities of £25,437k (2016: £17,710k). The Group and Company are subsidiaries of Lomond Capital Limited ("the LCL Group") which in turn is a subsidiary of Lomond Capital Partnership LLP ("the LLP").

In December 2017 and March 2018, the wider overall Group breached some of its bank covenants. As a result of this the loans from the lenders have been re-classified as current liabilities in Lomond Capital No.1 Ltd. The lenders remain supportive and have confirmed that they do not intend to recall the loans. The breaches have been subsequently been remedied and the wider overall Group is again operating in line with the terms of the facilities.

The Group and Company's trading forecasts and projections are aggregated within an overall LCL Group set of projections for the purposes of supporting the directors' going concern assertion. Certain directors are common to all entities within the LCL Group, in addition to being members of the LLP, and consequently have appropriate oversight of the LCL Group and LLP position. The LCL Group forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level and terms of its current debt facilities and cash generated from trading operations for a period extending to at least twelve months from the date of approval of these financial statements.

LOMOND PROPERTY LETTINGS LIMITED

STRATEGIC REPORT

For the year ended 31 December 2017

The directors have a reasonable expectation that the Company and LPLL Group have 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 financial statements.

POST BALANCE SHEET EVENTS

In March 2018, the trade and assets of the LPLL Group's subsidiary, Hallmark Residential Sales & Lettings Limited, was hived up into its parent entity, Thornley Groves Limited. Subsequently Hallmark Residential Sales & Lettings Limited ceased to trade.

On 27 March 2018, the LPLL Group acquired 100% of the share capital of Bonetts Estate Agents Limited for a cash consideration of £300k, of which consideration of £90k has been deferred to later periods, subject to certain performance criteria being met.

On the same date the LPLL Group also completed the book purchase of a Birmingham based portfolio from CP Bigwood Limited for a total cash consideration of £300k, of which £25k has been deferred, subject to certain performance criteria being met.

The shareholders injected new loans of £1.1m on 27 April 2018 to make acquisitions.

FUTURE DEVELOPMENTS

The wider overall Group intends to continue its strategy to expand its current area of operations and to target further key businesses within the private rental sector in the forthcoming year. The directors therefore expect the general level of activity to increase in the year ended 31 December 2018.

Approved by the Board and signed on its behalf by:

Robert Hamilton
Director and Company Secretary
29 June 2018

LOMOND PROPERTY LETTINGS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2017

The strategic report includes the activities and business review, financial performance, principal risks and uncertainties, going concern, post balance sheet events and future developments report.

DIRECTORS

The names of the members of the Board of Directors who served through the year and up to the date of this report are listed on page 1.

DIRECTORS' INDEMNITIES

In terms of section 236 of the Companies Act 2006, all directors have been granted qualifying third-party indemnity provisions by the Group.

EMPLOYMENT OF DISABLED PERSONS

The Group's policy is that disabled persons are considered for employment and subsequent training, career development and promotion based on merit. If members of staff become disabled, it is the Group's policy, wherever possible, to retain them in their existing jobs or to re-deploy them in suitable alternative duties.

EMPLOYEE CONSULTATION

The Group values the input of its employees and actively seeks opportunities to engage with staff at all levels, inviting them to contribute to on-going dialogue and activities to improve the Group for the benefit of its staff and the business as a whole.

DIRECTORS' RESPONSIBILITES STATEMENT

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 the directors have elected to prepare the Group and Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (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 Group and Company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LOMOND PROPERTY LETTINGS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2017

DISCLOSURE OF INFORMATION TO AUDITOR

In the case of the individuals who are directors of the Company at the date when this report is approved:

- so far as the director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Group and Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

INDEPENDENT AUDITOR

BDO LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

Robert Hamilton
Director and Company Secretary
29 June 2018

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LOMOND PROPERTY LETTINGS LIMITED

For the year ended 31 December 2017

Opinion

We have audited the financial statements of Lomond Property Lettings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, consolidated and Company balance sheets, consolidated and Company statement of changes in equity, consolidated statement of cash flows 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 Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss 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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- 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; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LOMOND PROPERTY LETTINGS LIMITED

For the year ended 31 December 2017

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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 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.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh
29 June 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

LOMOND PROPERTY LETTINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

Continuing operations	Note	2017 £'000	2016 £'000
TURNOVER	3	21,596	18,500
Cost of sales		(1,957)	(2,306)
GROSS PROFIT		19,639	16,194
Administrative expenses		(18,524)	(14,606)
OPERATING PROFIT	5	1,115	1,588
Reduction in deferred consideration	12	(229)	-
Fair value adjustment		(52)	-
Interest receivable and similar income		65	86
Interest payable and similar charges	6	(1,356)	(584)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		(457)	1,090
Tax on (loss)/profit on ordinary activities	7	(9)	74
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(466)	1,164
(Loss)/profit and total comprehensive (loss)/income for the financial year attributable to:			
- Owners of the parent		(776)	712
- Non-controlling interests		310	452
		(466)	1,164

The accompanying notes form an integral part of these financial statements.

LOMOND PROPERTY LETTINGS LIMITED

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2017

	Note	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
FIXED ASSETS					
Intangible assets	8	28,939	21,540	-	-
Tangible assets	9	885	728	5	3
Investments	10	27	24	22,718	19,092
		29,851	22,292	22,723	19,095
CURRENT ASSETS					
Stock		4	11	-	-
Debtors	12	2,053	1,871	5,582	2,914
Investments - restricted	13	4,435	3,750	-	-
Cash at bank and in hand		841	654	130	44
Restricted client funds	14	7,330	4,972	-	-
		14,663	11,258	5,712	2,958
CREDITORS: amounts falling due within one year	15	(40,100)	(28,968)	(28,087)	(21,546)
NET CURRENT LIABILITIES		(25,437)	(17,710)	(22,375)	(18,588)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,414	4,582	348	507
CREDITORS: amounts falling due after more than one year	16	(1,264)	(470)	(950)	-
PROVISIONS FOR LIABILITIES	17	(30)	(12)	-	-
NET ASSETS/(LIABILITIES)		3,120	4,100	(602)	507
CAPITAL AND RESERVES					
Called up share capital	18	6,109	6,109	6,109	6,109
Share premium account		41	41	41	41
Retained deficit		(4,784)	(4,089)	(6,752)	(5,643)
SHAREHOLDER'S FUNDS		1,366	2,061	(602)	507
Non-controlling interests		1,754	2,039	-	-
TOTAL CAPITAL EMPLOYED		3,120	4,100	(602)	507

The accompanying notes form an integral part of these financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company statement of comprehensive income. The loss of the Company for the year was £1,109k (2016: £590k).

The financial statements of Lomond Property Lettings Limited, company registration number SC373580, were approved and authorised for issue by the Board of Directors on 29 June 2018 and signed on its behalf by:

Robert Hamilton
Director and Company Secretary

LOMOND PROPERTY LETTINGS LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

As at 31 December 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Called up share capital					
At 1 January and 31 December	18	6,109	6,109	6,109	6,109
Share premium account	18				
At 1 January and 31 December		41	41	41	41
Retained deficit	18				
At 1 January		(4,089)	(4,801)	(5,643)	(5,053)
(Loss)/profit for the financial year		(776)	712	(1,109)	(590)
Transfer from minority interest		81	-	-	-
At 31 December		(4,784)	(4,089)	(6,752)	(5,643)
Shareholder's funds/(deficit) at 31 December		1,366	2,061	(602)	507
Non-controlling interests					
At 1 January		2,039	1,057	-	-
Additions		(514)	530	-	-
Transfer to retained earnings		(81)	-	-	-
Profit for the financial year		310	452	-	-
At 31 December		1,754	2,039	-	-
Total capital employed at 31 December		3,120	4,100	(602)	507

The accompanying notes form an integral part of these financial statements.

LOMOND PROPERTY LETTINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 £'000	2016 £'000
(Loss)/profit on ordinary activities after tax	(466)	1,164
Adjustments for:		
Depreciation of tangible assets	234	364
Amortisation of intangible assets	1,640	1,122
Gain on sale of tangible assets	-	(1)
Impairment of goodwill	678	-
Reduction in deferred consideration	229	-
Fair value adjustment	52	-
Net interest expense	1,291	498
Utilisation of provisions	18	(28)
Working capital movements:		
- Decrease/(increase) in stock	7	(4)
- Decrease/(increase) in debtors	461	(271)
- Increase/(decrease) in creditors	5,036	(155)
Cash flows generated from operating activities before tax	9,180	2,689
Income taxes paid	(60)	(115)
Net cash flows generated from operating activities	9,120	2,574
Cash flow from investing activities		
Purchase of subsidiary undertakings, trade and assets of companies (net of cash acquired)	(5,689)	(2,124)
Purchase of tangible assets	(385)	(62)
Proceeds from disposal of tangible assets	18	34
Interest received	65	86
Purchase of current asset investments	(685)	(600)
Net cash used in investing activities	(6,676)	(2,666)
Cash flow from financing activities		
Interest paid	(111)	(66)
New hire purchase agreements	318	-
Repayment of obligations under hire purchase agreements	(106)	(62)
Net cash used in financing activities	101	(128)
Net increase/(decrease) in cash and cash equivalents	2,545	(220)
Cash and cash equivalents at 1 January	5,626	5,846
Cash and cash equivalents at 31 December	8,171	5,626
Cash and cash equivalents consist of:		
Cash at bank and in hand	841	654
Restricted client funds	7,330	4,972
	8,171	5,626

The accompanying notes form an integral part of these financial statements.

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. **SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the current and preceding financial year, unless otherwise stated.

a) General information and basis of accounting

The Company is a private company limited by shares and is incorporated in Scotland, UK. The address of the registered office of the Group and Company and the Company's registration number are given on page 1. The nature of the Group and Company's operations and their principal activities are set out in the strategic report on page 2.

The financial statements are prepared in accordance with the provisions of FRS 102 and the Companies Act 2006. There have been no material departures from the standard.

The Group's financial statements are presented in Sterling which is the functional currency of the Group. The level of rounding is to the nearest £1,000 sterling.

b) Basis of consolidation

The Group consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2017. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity in order to obtain benefits from its activities. The results of subsidiaries sold or acquired are consolidated for the periods from or to the date on which control passed. When control of a subsidiary is lost, the gain or loss is recognised in the consolidated statement of comprehensive income.

Business combinations are accounted for under the acquisition method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed in exchange for control of the acquiree plus costs directly attributable to the business combination. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Any minority interests are recognised on acquisition as the percentage share of share capital not purchased by the Group. At each year end the minority interests receive a share of the profit or loss based on their percentage shareholding.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Prestige Property Management Limited (company registration number SC145324), Alba Residential Ltd (company registration number SC212098), Bon Accord Leasing Limited (company registration number SC249409), K.W.A.D Property Managers Limited (company registration number SC213624), Thornley Groves (Sale) Limited (company registration number 03010497), Thornley Groves (NW) Ltd (company registration number 03462809), Yvonne Moir Property Services Limited (company registration number SC246541), Vitalspace Manchester Limited (company registration number 08067491), Shepherd Gilmour Properties Limited (company registration number 03296278), Marwood Homes Limited (company registration number 04988668), John Shepherd New Homes Limited (company registration number 03852134), Barlow Costley Limited (company registration number 06362081), Greenfend Limited (company registration number 05117752) and Brand Vaughan Limited (company registration number 05976765), all subsidiaries of the Group, have taken advantage of the exemption from the requirement to prepare individual financial statements in relation to dormant subsidiary companies contained in section 394A of the Companies Act 2006.

The Company has provided a parent company guarantee and therefore the following subsidiaries have taken advantage of the exemption from the requirement to be audited relating to subsidiary companies contained in section 479A of the Companies Act 2006: Lomond Mortgages Limited (company registration number SC390469), Mountview Investments Limited (company registration number SC151792), Mountview Property (Scotland) Limited (company registration number SC476925), Managed Space Limited (company registration number SC250257), Bondsave Limited (company registration number SC138755), Lomond Maintenance Limited (company registration number SC428376), Thornley Groves Limited (company registration number 02674298), John Shepherd Lettings Limited (company registration number 06841027), John Shepherd Estate Agents Ltd (company registration number 09704507), Lettingplaces Limited (company registration number 03935233), Wolf's Limited (company registration number 04365152), Wolf's Property Sales Limited (company registration number 08109738) Thornley Groves Estate Agents Limited, (company registration number 07072190), Hallmark Residential Sales & Lettings Limited (company registration number 06163378), Click-

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Let Limited (company registration number SC245187), HBJ 381 Limited (company registration number SC180420) and Cambridge Brand Vaughan Limited (company registration number 09467584).

c) Going concern

The Group has net current liabilities of £25,437k (2016: £17,710k). The Group and Company are subsidiaries of Lomond Capital Limited ("the LCL Group") which in turn is a subsidiary of Lomond Capital Partnership LLP ("the LLP").

The LCL Group re-financed its funding arrangements with Clydesdale Bank plc in October 2016, to which the Company is subject to a cross guarantee arrangement as detailed in note 21. Furthermore in March 2017 additional levels of funding were agreed by the LCL Group with its existing funding providers. The Group is principally funded by the cash flow generated from its trading activities and the inter-group loans enabled by the LCL Group banking facility.

The Group and Company's trading forecasts and projections are aggregated within an overall LCL Group set of projections for the purposes of supporting the directors' going concern assertion. Certain directors are common to all entities within the LCL Group, in addition to being members of the LLP, and consequently have appropriate oversight of the LCL Group and LLP position. The LCL Group forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level and terms of its current debt facilities and cash generated from trading operations for a period extending to at least twelve months from the date of approval of these financial statements.

In December 2017 and March 2018, the wider overall Group breached some of its bank covenants. As a result of this the loans from the lenders have been re-classified as current liabilities in Lomond Capital No.1 Ltd. The lenders remain supportive and have confirmed that they do not intend to recall the loans. The breaches have been subsequently been remedied and the wider overall Group is again operating in line with the terms of the facilities.

The directors have a reasonable expectation that the company and LPLL Group have 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 financial statements.

d) Turnover

Turnover, which arises in the United Kingdom, is attributable to the Group's principal activities and is stated net of VAT and trade discounts. Revenue from fees and commission is recognised after the rent is received from tenants for onwards remittance to landlords.

Estate agency revenue is recognised when there is a legally binding contract.

Other operating income represents rental income receivable during the year and is recognised over the period in respect of which the rent is due.

e) Employee benefits

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

Defined contribution pension schemes

The Group makes contributions to defined contribution pension schemes for eligible employees. Contributions payable are charged to profit or loss in the period they are payable. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

f) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

f) Taxation (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and that are expected to apply to the reversal of the timing difference.

g) Intangible assets

Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Management contracts

Management contracts are included at cost and depreciated in equal annual instalments over a period of 6 years which is their estimated useful economic life. Provision is made for any impairment.

Website and rebranding costs

The external costs incurred in relation to the rebrand and website build is capitalised and written off on a straight line basis over its useful economic life, which is 5 years. Provision is made for any impairment.

h) Investments

Investments in Group undertakings are held at cost less provision for impairment.

i) Tangible assets

Tangible assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold property improvements	10%-15% per annum (straight line basis)
Plant, equipment and vehicles	5% - 33% per annum (straight line basis)

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life.

j) Impairment of intangible and tangible fixed assets

At each balance sheet date fixed assets are reviewed to determine whether there is any indication that the asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

k) Financial instruments

Basic financial instruments, including trade and other debtors, investments in loan note deposits, trade and other payables and cash and bank balances are initially recognised at transaction price and are subsequently measured at amortised cost using the effective interest method less any impairment.

l) Impairment of financial assets

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

m) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and reward of ownership of the asset are transferred to another party or control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

n) Leases

Assets obtained under hire purchase contracts are capitalised as tangible fixed assets and depreciated over their estimated useful lives. The capital elements of future hire purchase obligations are recorded as liabilities, while interest elements are charged to profit or loss over the period of the contracts to produce a periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged to profit or loss on a straight line basis over the lease term.

Incentives received to enter into an operating lease are credited to profit or loss, to reduce the lease expense, on a straight line basis over the period of the lease.

o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

p) 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 represented by restricted client funds.

q) Restricted client funds

In Scotland, cash balances, including monies received from tenants and landlords in respect of rents paid by tenants and monies paid by landlords in advance of maintenance work being completed on their property, are held in separate bank accounts and are restricted from the Group's business cash.

Deposits received on behalf of landlords from tenants under property management contracts are held in separate client bank accounts and are restricted from the Group's business cash. The deposits are then registered with a tenant deposit scheme. Once registered the monies are passed across to the deposit scheme and are not held on the Group's balance sheet.

In England, cash balances, including deposits received on behalf of landlords from tenants under property management contracts and other monies received from tenants for rents paid by tenants and monies paid by landlords in advance of maintenance work being completed on their property, are held in separate bank accounts and are restricted from the Group's business cash.

Restricted current asset investments consist of client monies placed on deposit for a term of less than 12 months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of fixed assets

At each balance sheet date fixed assets, being tangible and intangible fixed assets, are reviewed to determine whether there is any indication that the asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

During the year an indicator was identified in relation to the value of John Shepherd Estate Agents Limited. As a result, a full impairment review was carried out and an adjustment recognised in the statement of comprehensive income. Further details can be found in note 8.

Amortisation rates

The directors review the useful economic life annually to determine if the rate used is appropriate by considering key factors such as changes in the Group's operating market and environment, Group strategy and future market demand, with any necessary amendments made as appropriate.

Impairment of financial assets

At the end of each reporting period financial assets measured at amortised cost, such as trade debtors, are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

Deferred tax

The Group has an unrecognised deferred tax asset of £292k (2016: £503k) in respect of unrelieved tax losses and £2k (2016: £134k) in respect of other timing differences which have not been recognised in the financial statements on the basis that there is insufficient evidence to suggest there will be suitable taxable profits to enable the deferred tax asset to be realised in the foreseeable future.

3. TURNOVER

Group	2017 £'000	2016 £'000
Management fees	13,368	11,268
Estate agency fees	5,372	4,015
Maintenance	2,503	2,888
Commissions	353	329
	21,596	18,500

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. EMPLOYEES AND DIRECTORS

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

	Group 2017 No	Company 2017 No	Group 2016 No	Company 2016 No
Lettings and estate agency	342	-	286	-
Maintenance	17	-	30	-
Administration	28	8	30	5
Directors of subsidiaries	7	-	3	-
Directors	-	6	-	6
	394	14	349	11

Their aggregate remuneration comprised:	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Wages and salaries	9,466	415	8,021	229
Social security costs	842	47	747	23
Pension costs	279	13	260	12
	10,587	475	9,028	264

The Group makes contributions to defined contribution pension schemes for eligible employees. The pension charge represents contributions payable by the Group to these schemes. Contributions of £24k were outstanding at 31 December 2017 (2016: £19k).

Directors' remuneration

The directors of the Company do not receive remuneration for specific services provided to the Company (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. OPERATING (LOSS)/PROFIT

	2017 £'000	2016 £'000
Operating (loss)/profit is arrived at after charging:		
Operating lease rentals	1,130	752
Loss/(gain) on sale of tangible assets	18	(1)
Depreciation	234	364
Amortisation of intangible assets	1,640	1,122
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the parent company and the Group's annual financial statements	61	35
Total audit fees	61	35
Fees payable to the Company's auditor and its associates for other services:		
- Tax compliance services	37	19
Total non-audit fees	37	19
Total amount payable to the Group's auditor	98	54

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
Hire purchase interest	23	4
Intercompany interest	1,245	514
Other interest and similar charges	88	66
	1,356	584

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

7. TAXATION

The tax charge on the profit/(loss) on ordinary activities for the year was as follows:

	2017 £'000	2016 £'000
Current tax		
UK corporation tax at 19.25% (2016: 20%)	48	70
Adjustment in respect of prior periods	(57)	(139)
Total current tax (credit)	(9)	(69)
Deferred tax		
Origination and reversal of timing differences	18	(6)
Effect of changes in tax rates	-	1
Total deferred tax	18	(5)
Total tax charge/(credit) on (loss)/profit for the year	9	(74)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2017 £'000	2016 £'000
(Loss)/profit on ordinary activities before tax	(457)	1,090
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20%)	(88)	218
Effects of:		
Expenses not deductible for tax purposes	240	334
Income not taxable	13	(225)
Fixed asset timing differences	204	97
Movements in unrecognised deferred tax	(243)	(28)
Transfers	9	-
Effect of change in tax rate	33	-
Adjustments to tax charge in respect of prior years	44	(139)
Effects of Group relief/other credits	(203)	(331)
Tax charge/(credit) for the year	9	(74)

Finance Act (No.2) 2015 provided for a corporation tax rate of 19% from 1 April 2017, and Finance Act 2016 provided for a further reduction in the corporation tax rate to 17% from 1 April 2020. FRS 102 requires the Company to measure deferred tax using the tax rates that are expected to apply to the reversal of the timing differences, and the Company has applied a corporation tax rate of 17 % when calculating its deferred tax assets and liabilities as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

8. INTANGIBLE ASSETS

Group	Management contracts £'000	Goodwill £'000	Website and rebranding costs £'000	Total £'000
Cost				
At 1 January 2017	150	25,761	46	25,957
Additions	7	512	-	519
Additions arising on business combinations	-	9,198	-	9,198
At 31 December 2017	157	35,471	46	35,674
Amortisation				
At 1 January 2017	144	4,250	23	4,417
Charge for the year	13	1,619	8	1,640
Impairment	-	678	-	678
At 31 December 2017	157	6,547	31	6,735
Net book value				
At 31 December 2017	-	28,924	15	28,939
At 31 December 2016	6	21,511	23	21,540

Other intangible assets include websites for both Edinburgh lettings and estate agency and rebranding of the Edinburgh and Aberdeen based businesses undertaken in 2014.

The impairment of goodwill relates to the reduction in the original deferred consideration agreed for the purchase of John Shepherd Estate Agents Limited.

An impairment review was carried out which resulted in a further impairment to the goodwill of John Shepherd Estate Agents Limited.

Company

The Company had no intangible assets at 31 December 2017 (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

9. TANGIBLE ASSETS

Group	Leasehold property improvements £'000	Plant, equipment & vehicles £'000	Total £'000
Cost			
At 1 January 2017	320	1,638	1,958
Additions	194	142	336
Additions arising on business combinations	-	91	91
Disposals	-	(112)	(112)
At 31 December 2017	514	1,759	2,273
Depreciation			
At 1 January 2017	112	1,118	1,230
Charge for the year	29	205	234
Disposals	-	(76)	(76)
At 31 December 2017	141	1,247	1,388
Net book value			
At 31 December 2017	373	512	885
At 31 December 2016	208	520	728

The net book value of assets held under finance leases included in leasehold property improvements and plant, equipment and vehicles is £361k (2016: £183k). The depreciation charge for the year for assets held under finance leases is £45k (2016: £6k).

Company

Computer equipment	Total £'000
Cost	
At 1 January 2017	7
Additions	6
At 31 December 2017	13
Depreciation	
At 1 January 2017	4
Charge for the year	4
At 31 December 2017	8
Net book value	
At 31 December 2017	5
At 31 December 2016	3

10. INVESTMENTS

Group

The Group's investments of £27k (2016: £24k) represent loan note deposits held by the Company's subsidiaries Thornley Groves Limited, Cambridge Brand Vaughan Limited and John Shepherd Estate Agents Limited.

Company

Investments in subsidiaries	Total £'000
Cost	
At 1 January 2017	19,836
Additions	3,626
At 31 December 2017	23,462
Accumulated impairment	
At 1 January and 31 December 2017	744
Net book value	
At 31 December 2017	22,718
At 31 December 2016	19,092

Subsidiary undertakings

At 31 December 2017 the Company had interests in the following subsidiaries:

Subsidiaries	Type of shares held	Proportion held (%)	Country of incorporation	Nature of business
Lomond Maintenance Limited*^	Ordinary	100%	United Kingdom	Property maintenance
Prestige Property Management Limited*^	Ordinary	100%	United Kingdom	Non-trading
Alba Residential Ltd*^	Ordinary	100%	United Kingdom	Non-trading
Bondsave Limited^	Ordinary	100%	United Kingdom	Property management services
Thornley Groves Limited * β	Ordinary	75%	United Kingdom	Property management services
Hallmark Residential Sales & Lettings Limited* β	Ordinary	75%	United Kingdom	Property management services

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Subsidiaries	Type of shares held	Proportion held (%)	Country of incorporation	Nature of business
Mountview Investments Limited^	Ordinary	93%	United Kingdom	Property management services
Managed Space Limited *^	Ordinary	93%	United Kingdom	Property maintenance
Mountview Property (Scotland) Limited*^	Ordinary	93%	United Kingdom	Property management services
John Shepherd Lettings Limited Ω	Ordinary	80%	United Kingdom	Property management services
Marwood Homes Limited* Ω	Ordinary	80%	United Kingdom	Non-trading
Wolf's Limited* Ω	Ordinary	80%	United Kingdom	Non-trading
Shepherd Gilmour Properties Limited* β	Ordinary	75%	United Kingdom	Non-trading
Barlow Costley Limited* β	Ordinary	75%	United Kingdom	Non-trading
Lomond Mortgages Limited^	Ordinary	100%	United Kingdom	Mortgage advice services
Vitalspace Manchester Limited* β	Ordinary	75%	United Kingdom	Non-trading
Thornley Groves Estate Agents Limited β	Ordinary	75%	United Kingdom	Intermediate holding company
Thornley Groves (Sale) Limited* β	Ordinary	75%	United Kingdom	Non-trading
Thornley Groves (NW) Ltd* β	Ordinary	75%	United Kingdom	Non-trading
HBJ 381 Limited^	Ordinary	100%	United Kingdom	Intermediate holding company
Bon Accord Leasing Limited*^	Ordinary	93%	United Kingdom	Non-trading
Yvonne Moir Property Services Limited*^	Ordinary	93%	United Kingdom	Non-trading
K.W.A.D Property Managers Limited*^	Ordinary	93%	United Kingdom	Non-trading
John Shepherd Estate Agents Ltd Ω	Ordinary	80%	United Kingdom	Estate agency
Lettingplaces Limited* Ω	Ordinary	80%	United Kingdom	Property management services
Click-Let Ltd*^	Ordinary	100%	United Kingdom	Property management services
Wolf's Property Sales Limited* Ω	Ordinary	80%	United Kingdom	Non-trading
John Shepherd New Homes Limited* Ω	Ordinary	80%	United Kingdom	Non-trading
Cambridge Brand Vaughan Limited ~	Ordinary	80%	United Kingdom	Property management services
Brand Vaughan Limited*~	Ordinary	80%	United Kingdom	Non-trading
Greenfend Limited*~	Ordinary	80%	United Kingdom	Non-trading

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

10. INVESTMENTS (continued)

*Investments in these companies are held indirectly through subsidiary undertakings incorporated in the United Kingdom.

^ The registered address of the company is 32 Charlotte Square, Edinburgh, Scotland, EH2 4ET.

β The registered address of the company is 16-18 Lloyd Street, Altrincham, England, WA14 2DE.

Ω The registered address of the company is 14 Beeches Walk, Sutton Coldfield, England, B73 6HN.

~ The registered address of the company is 117-118 Western Road, Hove, England, BN3 1DB

11. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

(a) On 15 May 2017 the Group acquired 80% of the issued share capital of the Wolf's Limited, for total consideration of £2,747k. Of the total consideration, £100k has been deferred to later periods.

The acquisition has been accounted for under the acquisition method of accounting. The following table sets out the book and fair values of the identifiable assets and liabilities acquired:

	Book and provisional fair values £'000
Fixed assets	
Tangible assets	9
	9
Current assets	
Debtors	775
Cash	65
Total assets	849
Creditors	
Trade and other creditors	(76)
Total liabilities	(76)
Net assets	773
Goodwill arising on acquisition	1,974
	2,747
Satisfied by:	
Cash consideration	2,580
Directly attributable costs	67
Deferred consideration	100
	2,747

The useful life of goodwill is 20 years (see note 8).

11. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

On 31 July 2017, John Shepherd Lettings Limited, a subsidiary of the Group, acquired by way of hive-up agreement the trade and assets relating to the property management business of Wolf's Limited. Subsequent to that date Wolf's Limited ceased to trade.

In the year ended 31 December 2017, turnover of £172k and profit after taxation of £62k was included in the consolidated statement of comprehensive income of Lomond Property Lettings Limited in respect of Wolf's Limited since the acquisition date.

(b) On 15 May 2017 the Group acquired 80% of the issued share capital of Wolf's Property Sales Limited, a company whose principal activity was estate agency, for total consideration of £74k.

The acquisition has been accounted for under the acquisition method of accounting. The following table sets out the book and fair values of the identifiable assets and liabilities acquired:

	Book and provisional fair values £'000
Fixed assets	
Tangible assets	1
	1
Current assets	
Cash	42
Total assets	43
Creditors	
Trade and other creditors	(12)
Total liabilities	(12)
Net assets	31
Goodwill arising on acquisition	43
	74
Satisfied by:	
Cash consideration	72
Directly attributable costs	2
	74

The useful life of goodwill is 20 years (see note 8).

On 31 July 2017, John Shepherd Estate Agents Ltd, a subsidiary of the Group, acquired by way of hive-up agreement the trade and assets relating to the estate agency business of Wolf's Property Sales Limited. Subsequent to that date Wolf's Property Sales Limited ceased to trade.

In the year ended 31 December 2017, turnover of £33k and profit after taxation of £3k was included in the consolidated statement of comprehensive income of Lomond Property Lettings Limited in respect of Wolf's Property Sales Limited since the acquisition date.

11. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

(c) On 29 March 2017 the Group acquired 80% of the issued share capital of Cambridge Brand Vaughan Limited, a company whose principal activity is property management services, for total consideration of £3,895k. Of the total consideration, £1,900k has been deferred to a later period.

The acquisition has been accounted for under the acquisition method of accounting. The following table sets out the book and fair values of the identifiable assets and liabilities acquired:

	Book and provisional fair values £'000
Fixed assets	
Tangible assets	79
Current assets	
Debtors	156
Cash	229
Total assets	464
Creditors	
Trade and other creditors	179
Corporation tax and VAT	214
Total liabilities	393
Total assets less current liabilities	71
Long-term liabilities	(2,638)
Minority interest	(332)
Net liabilities	(2,899)
Goodwill arising on acquisition	6,794
	3,895
Satisfied by:	
Cash consideration	1,902
Deferred consideration	1,900
Directly attributable costs	93
Total consideration	3,895

The useful life of goodwill is 20 years.

In the year ended 31 December 2017, turnover of £2,325k and profit after taxation of £497k was included in the consolidated statement of comprehensive income of Lomond Property Lettings Limited in respect of Cambridge Brand Vaughan Limited since the acquisition date.

11. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

(d) On 30 November 2017 the Group acquired 75% of the issued share capital of Hallmark Residential Sales & Lettings Limited, a company whose principal activity is property management services, for total consideration of £387k. Of the total consideration, £114k has been deferred to a later period.

The acquisition has been accounted for under the acquisition method of accounting. The following table sets out the book and fair values of the identifiable assets and liabilities acquired:

	Book and provisional fair values £'000
Fixed assets	
Tangible assets	2
Current assets	
Debtors	6
Cash	28
Total assets	36
Creditors	
Trade and other creditors	6
Corporation tax and VAT	12
Total liabilities	18
Net assets	18
Goodwill arising on acquisition	369
	387
Satisfied by:	
Cash consideration	273
Deferred consideration	114
	387

In the year ended 31 December 2017, turnover of £14k and loss after taxation of £3k was included in the consolidated statement of comprehensive income of Lomond Property Lettings Limited in respect of Hallmark Residential Sales & Lettings Limited since the acquisition date.

12. DEBTORS

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade debtors	1,182	13	1,045	1
Amounts due from Group undertakings	113	5,567	112	2,869
Other debtors	256	-	35	-
Prepayments	482	2	335	-
Deferred consideration	20	-	300	-
VAT recoverable	-	-	44	44
	2,053	5,582	1,871	2,914

Trade debtors are stated after provisions for impairment throughout the Group of £37k (2016: £7k).

The amounts due from Group undertakings earn interest at 6% per annum.

The directors consider a reduction in the deferred consideration receivable is appropriate as they do not believe the full amount will be received in relation to the Group's prior investment in the company Lomond MacDonald Limited.

13. INVESTMENTS

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Fixed term cash deposits of client funds (restricted)	4,435	-	3,750	-

Fixed term cash deposits are measured at amortised cost and relate to deposits received on behalf of landlords from tenants under property management contracts for the Group's lettings business based in England. Such monies are held in separate client bank accounts and are restricted from the Group's business cash. The fixed term cash deposits have an original maturity of less than 12 months. The interest rate on average was 1.6%.

14. RESTRICTED CLIENT FUNDS

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Restricted client funds	7,330	-	4,972	-

Included within restricted client cash balances are deposits received on behalf of landlords from tenants under property management contracts. Such monies are held in separate client bank accounts and are restricted from the Group's business cash. The deposits are then registered with tenant deposit schemes. In relation to Scotland, once registered the monies are passed across to the deposit scheme and are not held on the balance sheet.

In England, the monies are retained on the balance sheet once they are registered with a deposit scheme.

Also held within the restricted cash balances, in separate client bank accounts, are other monies received from tenants in respect of rents paid by tenants and monies paid by landlords in advance of maintenance work being completed on their property.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Hire purchase (note 16)	177	-	85	-
Amounts owed to clients	11,765	-	8,722	-
Trade creditors	739	22	670	61
Amounts due to Group undertakings	23,646	26,961	17,323	21,409
Corporation tax	209	-	79	-
Other taxes and social security	1,079	37	853	7
Other creditors	40	27	26	-
Accruals and deferred income	710	86	354	14
Deferred consideration	1,735	954	856	55
	40,100	28,087	28,968	21,546

The amounts due to Group undertakings accrues interest of 6% per annum.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Amounts falling due between one and five years:				
Hire purchase liability	214	-	94	-
Deferred consideration	1,050	950	376	-
	1,264	950	470	-

The Group had the following future minimum lease payments under non-cancellable hire purchase contracts for each of the following periods:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Not later than one year	192	-	94	-
Later than one year and not later than five years	229	-	105	-
Total gross payments	421	-	199	-
Less: finance charges	(30)	-	(20)	-
Carrying amount of liability	391	-	179	-

The hire purchase contracts relate to motor vehicles and property improvements. Hire purchase liabilities are secured by the related assets held under hire purchase contracts (see note 9). The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

17. PROVISIONS FOR LIABILITIES

Group	Deferred tax £'000
At 1 January 2017	12
Deferred tax charged to statement of comprehensive income	18
At 31 December 2017	30

Deferred tax

Deferred tax is provided as follows:

Group	2017 £'000	2016 £'000
Accelerated capital allowances	14	20
Other timing differences	(4)	(7)
Tax losses available	-	(1)
Capital gains	20	-
	30	12
Deferred tax (assets)		
Recoverable within 12 months	(4)	(8)
Deferred tax liabilities		
Payable within 12 months	34	20

The Group has an unrecognised deferred tax asset of £332k (2016: £503k) in respect of unrelieved tax losses and £2k (2016: £134k) in respect of other timing differences which have not been recognised in the financial statements on the basis that there is insufficient evidence to suggest there will be suitable taxable profits to enable the deferred tax asset to be realised in the foreseeable future.

Company
The Company had no provisions at 31 December 2017 (2016: £nil).

18. CAPITAL AND RESERVES

Called up share capital - Group and Company	2017 £'000	2016 £'000
Called up allotted and fully paid		
108,598 'A' Ordinary shares of £1 each	109	109
Called up allotted and unpaid		
6,000,000 'Z' Ordinary shares of £1 each	6,000	6,000
	6,109	6,109

The 'A' and 'Z' Ordinary shares have no right to fixed income. The 'A' Ordinary shares have restricted right to capital, based on the thresholds in the Company's articles. There are no voting rights attached to the 'A' Ordinary shares.

18. CAPITAL AND RESERVES (continued)

Reserves

Retained deficit

The retained deficit represents cumulative profits and losses, net of dividends paid and other adjustments.

Share capital

Called up share capital represents the nominal value of the shares issued.

Share premium

The share premium account represents the premium on issue of equity shares, net of any issue costs.

19. FINANCIAL INSTRUMENTS

	Note	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Financial assets measured at amortised cost:					
- Investments	10	27	22,718	24	19,092
- Trade debtors	12	1,182	13	1,045	1
- Amounts owed by Group undertakings	12	113	5,567	112	2,869
- Other debtors	12	256	-	35	-
- Deferred consideration	12	20	-	300	-
- Cash at bank and in hand		841	130	654	44
- Restricted client funds	14	7,330	-	4,972	-
- Investments in fixed term deposits	13	4,435	-	3,750	-
		14,204	28,428	10,892	22,006
Financial liabilities measured at amortised cost:					
- Hire purchase	15,16	391	-	179	-
- Amounts owed to clients	15	11,765	-	8,722	-
- Trade creditors	15	739	22	670	61
- Other creditors	15	40	27	29	-
- Accruals	15	710	86	354	14
- Deferred consideration	15,16	2,785	1,904	1,232	55
- Amounts due to Group undertakings	15	23,646	26,961	17,323	21,409
		40,076	29,000	28,509	21,539

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

20. FINANCIAL COMMITMENTS

The Group and Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Payments due:				
Not later than one year	752	-	1,119	-
Later than one year and not later than five years	2,259	-	2,878	-
Later than five years	472	-	310	-
	3,483	-	4,307	-

21. CONTINGENT LIABILITIES

The Company is a party to a cross guarantee arrangement with certain other Group companies in respect of bank borrowings. Total bank borrowings of the Lomond Capital Limited Group as at 31 December 2017 were £19,023k (2016: £9,320k).

22. RELATED PARTY TRANSACTIONS

The Group paid rent of £97k for two offices in the current year to a company partially owned by a director of the Group (2016: £90k). No amounts were outstanding at 31 December 2017 in relation to this transaction (2016: £nil).

The key management personnel of the Group is considered to be the directors (see note 4 for details of directors' remuneration including social security and pensions).

Other than the transaction disclosed above, the Group and Company's other related party transactions in the current and prior year were with other companies wholly owned within the Group, from which the Group and Company are exempt from disclosing.

23. ULTIMATE CONTROLLING PARTY

The Company's immediate parent undertaking is Lomond Capital No. 2 Limited, a Company incorporated in the UK and registered in Scotland, and the ultimate controlling party is considered to be Lomond Capital Partnership LLP.

The results of the Group and Company are consolidated in the financial statements of Lomond Capital Limited and Lomond Capital Partnership LLP which are the smallest and largest entities respectively consolidating the results of the Group and Company. Copies of the consolidated financial statements may be obtained from Companies House, 4th Floor, Edinburgh Quay, 139 Fountainbridge, Edinburgh, EH3 9FF.

24. POST BALANCE SHEET EVENTS

In March 2018, the trade and assets of the Group's subsidiary Hallmark Residential Sales & Lettings Limited were hived up into their parent entity, Thornley Groves Limited. Subsequently Hallmark Residential Sales & Lettings Limited ceased to trade.

On 27 March 2018, the Group acquired 100% of the share capital of Bonetts Estate Agents Limited for a cash consideration of £300k, of which consideration of £90k has been deferred to later periods subject to certain performance criteria being met.

On the same date the Group also completed the book purchase of a Birmingham based portfolio from CP Bigwood Limited for a total cash consideration of £300k, of which £25k has been deferred subject to certain performance criteria being met.