

Company Registration No. SC373580

**LOMOND PROPERTY LETTINGS
LIMITED**

Annual Report and Financial Statements

For the year ended 31 December 2016



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LOMOND PROPERTY LETTINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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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 (appointed 14 October 2016, resigned 31 March 2017)

COMPANY SECRETARY

Robert Hamilton

REGISTERED OFFICE

32 Charlotte Square
Edinburgh
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 2016

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 Group”) for the year ended 31 December 2016.

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 group headed by the company and therefore only gives 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 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.

Business review

The strategic plan for the Group is a combination of acquisition, consolidation and organic growth within the residential asset management sector. In the current year the Group developed its existing presence within the Edinburgh and Birmingham residential property markets through corporate and trade acquisitions along with the development and growth of existing businesses. Details of the current year acquisitions can be found in note 11 to the financial statements.

The results for the current year are shown on page 8.

The profit of the current year of £1,164k (2015: loss of £255k) reflects a strong trading performance from the core residential asset management businesses of £1,588k (2015: £674k), offset by net interest costs of £498k (2015: £752k) and tax credit of £74k (2015: charge of £154k), 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 £4,377k (2015: £1,051k) has been recorded during the year to 31 December 2016.

The directors reviewed the goodwill on the balance sheet at 31 December 2016 and concluded that the assertion regarding a useful economic life of 20 years remains valid.

FINANCIAL PERFORMANCE

The Group’s financial performance is presented in the consolidated statement of comprehensive income on page 8. The directors confirm no dividends were proposed or paid in the year (2015: £nil) and that the profit of £1,164k (2015: loss of £255k) for the financial year has been transferred to reserves.

At the year end, net assets were £4,100k (2015: £2,406k).

PRINCIPAL RISKS AND UNCERTAINTIES

Market risk

The 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 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 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 Lomond Capital Limited group, headed by Lomond Capital Partnership LLP, of which the company is a subsidiary.

LOMOND PROPERTY LETTINGS LIMITED

STRATEGIC REPORT

For the year ended 31 December 2016

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit risk

The 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 management objectives and policies

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

The main KPIs monitored by the Board and stakeholders are:

- properties under management;
- management fee %;
- average rental value;
- level of vacant properties;
- lettings fee volume and price; and
- sales pipeline for estate sales.

GOING CONCERN

The company has net current liabilities of £18,588k (2015: £15,380k). 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.

The directors have a reasonable expectation that the company and 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 February 2017, the trade and assets of the Group's subsidiaries Click-Let Ltd and Lettingplaces Limited were hived into their parent entities and fellow Group subsidiaries, Bondsave Limited and John Shepherd Lettings Limited respectively. Subsequently Click-Let Ltd and Lettingplaces Limited ceased to trade.

On 29 March 2017, the LCL Group received mezzanine funding of £8,000k, £2,000k of which was used to replace existing debt instruments. The remainder will be used to support further acquisition activity by the business. Additional levels of funding were also agreed by the LCL Group with its existing funding providers, taking the total funding to £37,500k. On the same date, the company acquired 80% of the share capital of Cambridge Brand Vaughan Limited for cash consideration of £6,441k, of which consideration of £1,900k has been deferred to later periods subject to certain revenue performance criteria being met.

LOMOND PROPERTY LETTINGS LIMITED

STRATEGIC REPORT

For the year ended 31 December 2016

FUTURE DEVELOPMENTS

The 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 2017.

Approved by the Board and signed on its behalf by:



Stuart Pender
Director
27 April 2017

LOMOND PROPERTY LETTINGS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2016

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.

CHANGE OF REGISTERED OFFICE

On 8 August 2016, the registered office of the Group and company changed from 22 Charlotte Square, Edinburgh, EH2 4DF to 32 Charlotte Square, Edinburgh, EH2 4ET.

DIRECTORS

The names of the members of the Board of Directors are listed on page 1, all of whom served throughout the year and up to the date of this report unless otherwise stated.

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' RESPONSIBILITIES 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102.

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 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 Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 2016

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 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 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:



Stuart Pender
Director
27 April 2017

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

We have audited the financial statements of Lomond Property Lettings Limited for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, 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 Financial Reporting Council's (FRC'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 FRC'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 the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.



Alastair Rae (senior statutory auditor)
for and on behalf of BDO LLP, statutory auditor
Edinburgh
27 April 2017

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

LOMOND PROPERTY LETTINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

Continuing operations	Note	2016 £'000	2015 £'000
TURNOVER	3	18,500	17,211
Cost of sales		(2,306)	(2,284)
GROSS PROFIT		16,194	14,927
Administrative expenses		(14,606)	(14,311)
Other operating income		-	58
OPERATING PROFIT	5	1,588	674
Loss on disposal of subsidiaries		-	(23)
Interest receivable		86	91
Interest payable and similar charges	6	(584)	(843)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX		1,090	(101)
Tax on profit/(loss) on ordinary activities	7	74	(154)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>1,164</u>	<u>(255)</u>
Profit/(loss) and total comprehensive income/(loss) for the financial year attributable to:			
- Owners of the parent		712	(592)
- Non-controlling interests		452	337
		<u>1,164</u>	<u>(255)</u>

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

LOMOND PROPERTY LETTINGS LIMITED

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2016

		Group		Company	
	Note	2016 £'000	2015 £'000	2016 £'000	2015 £'000
FIXED ASSETS					
Intangible assets	8	21,540	18,285	-	-
Tangible assets	9	728	784	3	3
Investments	10	24	15	19,092	16,529
		<u>22,292</u>	<u>19,084</u>	<u>19,095</u>	<u>16,532</u>
CURRENT ASSETS					
Stock		11	7	-	-
Debtors	12	1,871	1,427	2,914	1,184
Investments - restricted	13	3,750	3,150	-	-
Cash at bank and in hand		654	839	44	321
Restricted client funds	14	4,972	5,007	-	-
		<u>11,258</u>	<u>10,430</u>	<u>2,958</u>	<u>1,505</u>
CREDITORS: amounts falling due within one year	15	<u>(28,968)</u>	<u>(26,964)</u>	<u>(21,546)</u>	<u>(16,885)</u>
NET CURRENT LIABILITIES		<u>(17,710)</u>	<u>(16,534)</u>	<u>(18,588)</u>	<u>(15,380)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,582	2,550	507	1,152
CREDITORS: amounts falling due after more than one year	16	(470)	(106)	-	(55)
PROVISIONS FOR LIABILITIES	17	<u>(12)</u>	<u>(38)</u>	<u>-</u>	<u>-</u>
NET ASSETS		<u>4,100</u>	<u>2,406</u>	<u>507</u>	<u>1,097</u>
CAPITAL AND RESERVES	18				
Called up share capital		6,109	6,109	6,109	6,109
Share premium account		41	41	41	41
Retained deficit		<u>(4,089)</u>	<u>(4,801)</u>	<u>(5,643)</u>	<u>(5,053)</u>
SHAREHOLDER'S FUNDS		2,061	1,349	507	1,097
Non-controlling interests		<u>2,039</u>	<u>1,057</u>	<u>-</u>	<u>-</u>
TOTAL CAPITAL EMPLOYED		<u>4,100</u>	<u>2,406</u>	<u>507</u>	<u>1,097</u>

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 profit and loss account. The loss of the company for the year was £590k (2015: £1,707k).

The financial statements of Lomond Property Lettings Limited, company registration number SC373580, were approved and authorised for issue by the Board of Directors on 27 April 2017 and signed on its behalf by:



Stuart Pender
Director

LOMOND PROPERTY LETTINGS LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

As at 31 December 2016

	Note	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'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		(4,801)	(4,289)	(5,053)	(3,346)
Profit/(loss) for the financial year		712	(592)	(590)	(1,707)
Non-controlling interests purchased		-	80	-	-
At 31 December		(4,089)	(4,801)	(5,643)	(5,053)
Shareholder's funds at 31 December		<u>2,061</u>	<u>1,349</u>	<u>507</u>	<u>1,097</u>
Non-controlling interests					
At 1 January		1,057	800	-	-
Additions		530	-	-	-
Disposals		-	(80)	-	-
Profit for the financial year		452	337	-	-
At 31 December		<u>2,039</u>	<u>1,057</u>	<u>-</u>	<u>-</u>
Total capital employed at 31 December		<u>4,100</u>	<u>2,406</u>	<u>507</u>	<u>1,097</u>

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 2016

	2016 £'000	2015 £'000
Profit/(loss) on ordinary activities before tax	1,090	(101)
Adjustments for:		
Depreciation of tangible assets	364	284
Amortisation of intangible assets	1,122	1,051
Loss on disposal of subsidiary	-	23
(Gain)/loss on sale of tangible assets	(1)	99
Net interest expense	498	752
(Utilisation)/charge to provisions	(28)	20
Working capital movements:		
- (Increase)/decrease in stock	(4)	10
- (Increase)/decrease in debtors	(271)	663
- Decrease in creditors	(155)	(1,846)
Cash flows generated from operating activities before tax	2,615	955
Income taxes paid	(41)	(88)
Net cash flows generated from operating activities	2,574	867
Cash flow from investing activities		
Purchase of intangible assets	(2,112)	(723)
Purchase of tangible assets	(62)	(196)
Proceeds from disposal of tangible assets	34	5
Purchase of subsidiary undertakings (net of cash acquired)	(12)	(132)
Disposal of subsidiary undertakings (net of cash disposed)	-	566
Interest received	86	91
Purchase of current asset investments	(600)	(900)
Net cash used in investing activities	(2,666)	(1,289)
Cash flow from financing activities		
Interest paid	(66)	(66)
Repayment of obligations under hire purchase agreements	(62)	(66)
Net cash used in financing activities	(128)	(132)
Net decrease in cash and cash equivalents	(220)	(554)
Cash and cash equivalents at 1 January	5,846	6,400
Cash and cash equivalents at 31 December	5,626	5,846
Cash and cash equivalents consist of:		
Cash at bank and in hand	654	839
Restricted client funds	4,972	5,007
	5,626	5,846

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 2016

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 is given on page 1. The nature of the Group and company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements are prepared under the historical cost convention and in accordance with FRS 102, issued by the Financial Reporting Council, and the Companies Act 2006.

The Group's financial statements are presented in Sterling which is the functional currency of the Group.

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. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as 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.

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 03296278), Shepherd Gilmour Properties Limited (company registration number SC296278), and Barlow Costley Limited (company registration number 06362081), 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), Marwood Homes Limited (company registration number 04988668), John Shepherd New Homes Limited (company registration number 03852134), Lettingplaces Limited (company registration number 03935233), Click-Let Ltd (company registration number SC245187 and HBJ 381 Limited (company registration number SC180420).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Going concern

The company has net liabilities of £18,588k (2015: £15,380k). 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 date of approval of these financial statements.

The directors have a reasonable expectation that the company and 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 company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 company'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	15% per annum (straight line basis)
Plant, equipment and vehicles	5% - 25% 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 fixed assets

At each balance sheet date fixed assets not carried at fair value 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 company'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 and landlords 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.

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 not carried at fair value 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 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.

No such indicators have been identified in the current or prior period. As these assets are amortised/depreciated (rather than having an indefinite useful life), there is no requirement to perform a full impairment review unless such indicators exist.

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 £503k (2015: £556k) in respect of unrelieved tax losses and £134k (2015: £nil) 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

	2016 £'000	2015 £'000
Management fees	11,268	11,347
Estate agency fees	4,015	2,597
Maintenance	2,888	2,613
Commissions	329	654
	<u>18,500</u>	<u>17,211</u>

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. EMPLOYEES AND DIRECTORS

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

	Group 2016 No	Company 2016 No	Group 2015 No	Company 2015 No
Lettings and estate agency	286	-	250	-
Maintenance	30	-	20	-
Administration	30	5	25	5
Directors	3	-	3	-
	<u>349</u>	<u>5</u>	<u>298</u>	<u>5</u>

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Their aggregate remuneration comprised:				
Wages and salaries	8,021	229	7,333	315
Social security costs	747	23	698	23
Pension costs	260	12	203	8
	<u>9,028</u>	<u>264</u>	<u>8,234</u>	<u>346</u>

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 £19k were outstanding at 31 December 2016 (2015: £17k).

Directors' remuneration

The directors of the company do not receive remuneration for specific services provided to the company (2015: £nil).

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. OPERATING PROFIT/(LOSS)

	2016 £'000	2015 £'000
Operating profit is arrived at after charging:		
Operating lease rentals	752	426
(Gain)/loss on sale of tangible assets	(1)	99
Depreciation	364	284
Loss on disposal of subsidiaries	-	23
Amortisation of intangible assets	1,122	1,051
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the parent company and the Group's annual financial statements	35	7
Audit of the company's subsidiaries	-	96
Total audit fees	35	103
Fees payable to the company's auditor and its associates for other services:		
- Tax compliance services	19	50
Total non-audit fees	19	50
Total amount payable to the Group's auditor	54	153

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Hire purchase interest	4	8
Intercompany interest	514	777
Other interest and similar charges	66	58
	584	843

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. TAXATION

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

	2016 £'000	2015 £'000
<i>Current tax</i>		
UK corporation tax at 20% (2015: 20.25%)	70	159
Adjustment in respect of prior periods	(139)	(2)
Total current tax (credit)/charge	(69)	157
<i>Deferred tax</i>		
Origination and reversal of timing differences	(6)	-
Adjustment in respect of prior periods	-	(1)
Effect of changes in tax rates	1	(2)
Total deferred tax	(5)	(3)
Total tax (credit)/charge on profit/(loss) for the year	(74)	154

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:

	2016 £'000	2015 £'000
Profit/(loss) on ordinary activities before tax	1,090	(101)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%)	218	(20)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	334	496
Income not taxable	(225)	(221)
Fixed asset timing differences	97	-
Movements in unrecognised deferred tax	(28)	145
Gains/rollover relief	-	16
Effect of change in tax rate	-	(3)
Utilisation of tax losses	-	(96)
Adjustments to tax charge in respect of prior years	(139)	(3)
Effects of group relief/other credits	(331)	(160)
Tax (credit)/charge for the year	(74)	154

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 19% when calculating its deferred tax assets and liabilities as at 31 December 2016.

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. INTANGIBLE ASSETS

Group	Management contracts £'000	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost				
At 1 January 2016	150	21,384	46	21,580
Additions	-	4,377	-	4,377
At 31 December 2016	150	25,761	46	25,957
Amortisation				
At 1 January 2016	119	3,161	15	3,295
Charge for the year	25	1,089	8	1,122
At 31 December 2016	144	4,250	23	4,417
Net book value				
At 31 December 2016	6	21,511	23	21,540
At 31 December 2015	31	18,223	31	18,285

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

Company

The company had no intangible assets at 31 December 2016 (2015: £nil).

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. TANGIBLE ASSETS

Group	Leasehold property improvements £'000	Plant, equipment & vehicles £'000	Total £'000
Cost			
At 1 January 2016	312	1,379	1,691
Additions	8	333	341
Disposals	-	(74)	(74)
At 31 December 2016	<u>320</u>	<u>1,638</u>	<u>1,958</u>
Depreciation			
At 1 January 2016	77	830	907
Charge for the year	35	329	364
Disposals	-	(41)	(41)
At 31 December 2016	<u>112</u>	<u>1,118</u>	<u>1,230</u>
Net book value			
At 31 December 2016	<u>208</u>	<u>520</u>	<u>728</u>
At 31 December 2015	<u>235</u>	<u>549</u>	<u>784</u>

The net book value of assets held under finance leases included in plant, equipment and vehicles is £183k (2015: £142k).

Company

Computer equipment	Total £'000
Cost	
At 1 January 2016	5
Additions	2
At 31 December 2016	<u>7</u>
Depreciation	
At 1 January 2016	2
Charge for the year	2
At 31 December 2016	<u>4</u>
Net book value	
At 31 December 2016	<u>3</u>
At 31 December 2015	<u>3</u>

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. INVESTMENTS

Group

The Group's investments of £24k (2015: £15k) represent loan note deposits held by the company's subsidiaries Thornley Groves Limited and John Shepherd Estate Agents Ltd.

Company

Investments in subsidiaries	Total £'000
Cost	
At 1 January 2016	17,273
Additions	2,563
At 31 December 2016	19,836
Accumulated impairment	
At 1 January and 31 December 2016	744
Net book value	
At 31 December 2016	19,092
At 31 December 2015	16,529

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. INVESTMENTS (continued)

Subsidiary undertakings

At 31 December 2016 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
Mountview Investments Limited^	Ordinary	90%	United Kingdom	Property management services
Managed Space Limited *^	Ordinary	90%	United Kingdom	Property maintenance
Mountview Property (Scotland) Limited*^	Ordinary	90%	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
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	90%	United Kingdom	Non-trading
Yvonne Moir Property Services Limited*^	Ordinary	90%	United Kingdom	Non-trading
K.W.A.D Property Managers Limited*^	Ordinary	90%	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
John Shepherd New Homes Limited* Ω	Ordinary	80%	United Kingdom	Non-trading

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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, EH2 4ET.

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

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

11. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

- (a) On 22 January 2016 the Group acquired 100% of the trade and assets of the John Shepherd Estate Agents partnership, for total consideration of £2,451k. Of the total consideration, £817k 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	129
Investments	9
	138
Current assets	
Prepayments	5
Total assets	143
Creditors	
Trade and other creditors	(250)
Total liabilities	(250)
Net liabilities	(107)
Goodwill	2,558
	2,451
Satisfied by:	
Cash consideration	1,236
Deferred consideration	817
Equity	398
	2,451

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

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

- (b) On 22 January 2016 the Group acquired 100% of the issued share capital of John Shepherd New Homes Limited, a company whose principal activity was estate agency, for total consideration of £442k.

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	32
Current assets	
Debtors	128
Total assets	160
Creditors	
Trade and other creditors	68
Corporation tax and VAT	11
Total liabilities	79
Net assets	81
Goodwill	361
	442
Satisfied by:	
Cash consideration	442

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

On 30 April 2016, 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 John Shepherd New Homes Limited. Subsequent to that date John Shepherd New Homes Limited ceased to trade.

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

- (c) On 14 October 2016 the Group acquired 100% of the issued share capital of Lettingplaces Limited, a company whose principal activity is property management services, for total consideration of £391k. Of the total consideration, £110k 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	3
Current assets	
Debtors	19
Cash	364
Total assets	<u>386</u>
Creditors	
Trade and other creditors	375
Corporation tax and VAT	13
Deferred tax	1
Total liabilities	<u>389</u>
Net liabilities	(3)
Goodwill	<u>394</u>
	<u>391</u>
Satisfied by:	
Cash consideration	246
Deferred consideration	110
Directly attributable costs	35
Total consideration	<u>391</u>

The useful life of goodwill is 20 years.

In the year ended 31 December 2016, turnover of £54k and profit after taxation of £14k was included in the consolidated profit and loss account of Lomond Property Lettings Limited in respect of Lettingplaces Limited since the acquisition date.

On 28 February 2017, John Shepherd Lettings Limited, a subsidiary of the Group, acquired by way of hive-up agreement the trade and assets of the property management service business of Lettingplaces Limited. Subsequent to that date Lettingplaces Limited ceased to trade.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

- (d) On 15 December 2016 the Group acquired 100% of the issued share capital of Click-Let Ltd, a company whose principal activity is property management services, for total consideration of £789k. Of the total consideration, £250k has been deferred to a later period.

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

	Book and provisional fair values £'000
Fixed assets	
Tangible assets	3
Current assets	
Debtors	20
Cash	357
Total assets	380
Creditors	
Trade and other creditors	248
Corporation tax and VAT	33
Total liabilities	281
Net assets	99
Goodwill	690
	789
Satisfied by:	
Cash consideration	505
Deferred consideration	250
Directly attributable costs	34
Total consideration	789

The useful life of goodwill is 20 years.

In the year ended 31 December 2016, turnover of £19k and profit after taxation of £1k was included in the consolidated profit and loss account of Lomond Property Lettings Limited in respect of Click-Let Ltd since the acquisition date.

On 14 February 2017, Bondsave Limited, a subsidiary of the Group, acquired by way of hive-up agreement the trade and assets relating to the property management services business of Click-Let Ltd. Subsequent to that date Click-Let Ltd ceased to trade.

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. DEBTORS

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Trade debtors	1,045	1	661	2
Amounts due from group undertakings	112	2,869	112	1,137
Other debtors	35	-	60	34
Prepayments	335	-	283	-
Deferred consideration	300	-	300	-
VAT recoverable	44	44	11	11
	<u>1,871</u>	<u>2,914</u>	<u>1,427</u>	<u>1,184</u>

Trade debtors are stated after provisions for impairment of £7k (2015: £93k).

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

13. INVESTMENTS

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Fixed term cash deposits of client funds (restricted)	<u>3,750</u>	<u>-</u>	<u>3,150</u>	<u>-</u>

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 company's business cash. The fixed term cash deposits have an original maturity of 12 months. The interest rate on average was 2.5%.

14. RESTRICTED CLIENT FUNDS

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Restricted client funds	<u>4,972</u>	<u>-</u>	<u>5,007</u>	<u>-</u>

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 company'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 once registered 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 and landlords in respect of rents paid by tenants and monies paid by landlords in advance of maintenance work being completed on their property.

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Hire purchase liability (note 20)	85	-	74	-
Amounts owed to clients	8,722	-	8,157	-
Trade creditors	670	61	452	77
Amounts due to group undertakings	17,323	21,409	16,648	16,719
Corporation tax	79	-	137	-
Other taxes and social security	853	7	700	3
Other creditors	26	-	105	44
Accruals and deferred income	354	14	399	42
Deferred consideration	856	55	1,838	-
	<u>28,968</u>	<u>21,546</u>	<u>26,964</u>	<u>16,885</u>

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

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

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Amounts falling due between one and five years:				
Hire purchase liability (note 20)	94	-	51	-
Deferred consideration	376	-	55	55
	<u>470</u>	<u>-</u>	<u>106</u>	<u>55</u>

17. PROVISIONS FOR LIABILITIES

Group	Onerous leases £'000	Deferred tax £'000	Total £'000
At 1 January 2016	21	17	38
Deferred tax charged to income statement	-	(5)	(5)
Released to the statement of comprehensive income	(21)	-	(21)
At 31 December 2016	<u>-</u>	<u>12</u>	<u>12</u>

Onerous lease provisions

Where leasehold properties become vacant, the Group provides for all costs, net of anticipated income, to the end of the lease or the anticipated date of the disposal of the sublease. This provision related to the estimated time to effect disposal on 5 Carden Terrace, 70 Rosemount Place and 60 Rosemount Place, leases held by the Group's subsidiary Mountview Investments Limited in the prior year.

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. PROVISIONS FOR LIABILITIES (CONTINUED)

Deferred tax

Deferred tax is provided as follows:

Group	2016 £'000	2015 £'000
Accelerated capital allowances	20	27
Other timing differences	(7)	(6)
Tax losses available	(1)	(4)
	<u>12</u>	<u>17</u>
Deferred tax (assets)		
Recoverable within 12 months	(8)	(10)
	<u></u>	<u></u>
Deferred tax liabilities		
Payable within 12 months	20	27
	<u></u>	<u></u>

The Group has an unrecognised deferred tax asset of £503k (2015: £556k) in respect of unrelieved tax losses and £134k (2015: £nil) 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 2016 (2015: £nil).

18. CAPITAL AND RESERVES

Called up share capital - Group and company	2016 £'000	2015 £'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
	<u>6,109</u>	<u>6,109</u>

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.

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.

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. FINANCIAL INSTRUMENTS

	Note	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Financial assets measured at amortised cost:					
- Trade debtors	12	1,045	1	661	2
- Amounts owed by group undertakings	12	112	2,869	112	1,137
- Other debtors	12	35	-	60	34
- Deferred consideration	12	300	-	300	-
- Cash at bank and in hand		654	44	839	321
- Restricted client funds	14	4,972	-	5,007	-
- Investments in fixed term deposits	13	3,750	-	3,150	-
		<u>10,868</u>	<u>2,914</u>	<u>10,129</u>	<u>1,494</u>
Financial liabilities measured at amortised cost:					
- Finance leases	20	179	-	125	-
- Amounts owed to clients	15	8,722	-	8,157	-
- Trade creditors	15	670	61	452	77
- Other creditors	15	29	-	105	44
- Deferred consideration	15,16	1,232	55	1,893	55
- Amounts due to group undertakings	15	17,323	21,409	16,648	16,719
		<u>28,155</u>	<u>21,525</u>	<u>27,380</u>	<u>16,895</u>

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 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Payments due:				
Not later than one year	1,119	-	737	-
Later than one year and not later than five years	2,878	-	1,251	-
Later than five years	310	-	306	-
	<u>4,307</u>	<u>-</u>	<u>2,294</u>	<u>-</u>

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. FINANCIAL COMMITMENTS (continued)

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

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Not later than one year	94	-	78	-
Later than one year and not later than five years	105	-	54	-
Total gross payments	199	-	132	-
Less: finance charges	(20)	-	(7)	-
Carrying amount of liability	179	-	125	-

The hire purchase contracts relate to motor vehicles. 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.

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 2016 were £9,320k (2015: £6,750k).

22. RELATED PARTY TRANSACTIONS

The Group paid rent of £90k for two offices in the current year to a company in which a director of the Group owns in the ratio of 60/40 respectively (2015: £90k). No amounts were outstanding at 31 December 2016 in relation to this transaction (2015: £nil).

The Group paid rent of £57k (2015: £nil) an entity partially owned by a Group director. At the year end £16k was outstanding (2015: £nil).

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

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.

LOMOND PROPERTY LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

24. POST BALANCE SHEET EVENTS

In February 2017, the trade and assets of the Group's subsidiaries Click-Let Ltd and Lettingplaces Limited were hived into their parent entities and fellow Group subsidiaries, Bondsave Limited and John Shepherd Lettings Limited respectively. Subsequently Click-Let Ltd and Lettingplaces Limited ceased to trade.

On 29 March 2017, the LCL Group received mezzanine funding of £8,000k, £2,000k of which was used to replace existing debt instruments. The remainder will be used to support further acquisition activity by the business. Additional levels of funding were also agreed by the LCL Group with its existing funding providers, taking the total funding to £37,500k. On the same date, the company acquired 80% of the share capital of Cambridge Brand Vaughan Limited for cash consideration of £6,441k, of which consideration of £1,900k has been deferred to later periods subject to certain revenue performance criteria being met.