

Registration number: SC057720

A & J Stephen (Builders) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2016



COMPANIES HOUSE
23 DEC 2016
EDINBURGH FRONT DESK

Morris & Young, Statutory Auditor
Chartered Accountants
6 Atholl Crescent
PERTH
PH1 5JN

A & J Stephen (Builders) Limited

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A & J Stephen (Builders) Limited

Company Information

Directors John W Stephen
Brian Finlay
Dale Stephen
John Webster
Bruce Strachan

Company secretary John Webster

Registered office Stephen House
Edinburgh Road
PERTH
PH2 8BS

Solicitors Blackadders Solicitors
2 Tay Street
PERTH
PH1 5LJ

Auditors Morris & Young, Statutory Auditor
Chartered Accountants
6 Atholl Crescent
PERTH
PH1 5JN

A & J Stephen (Builders) Limited

Strategic Report for the Year Ended 31 March 2016

The Directors present their strategic report for the year ended 31 March 2016.

Principal activity

The principal activity of the company is general building construction, principally in the field of private house building.

Fair review of the business

The Company performed well in the year with positive growth and increased profitability. Turnover increased to £20.7 million, 40% up on the previous year. This rise being reflective of a recovering market sector and a general rise in customer confidence. We sold 99 houses in the year over 8 housing developments. This rise of 30% was in line with settlement targets.

The Gross margin at 16% is only slightly down on the previous year. This is a good result given that many suppliers and subcontractors have been applying price increases as demand for their products and services grow. Our commercial team continue to implement our better buying strategy and should be congratulated for this performance.

The Statement of Financial Position remains strong with Equity in excess of £10 million.

Outlook

Post year end the macro-economic climate has changed significantly with Britain's decision to leave the European Union. The post Brexit shock to the UK economy and the subsequent devaluing of sterling and forecast return of inflationary pressures has undermined customer confidence. Buying a new home is a big financial undertaking and with that requires confidence. In the months following the referendum we experienced a drop in visitors to our show homes and a fall in reservations.

We are also experiencing challenging trading conditions in the North East of Scotland following the dramatic fall in the price of Crude Oil. Our Chapelton site in Aberdeenshire performed well in the year to March 2016 contributing more than 25% of our revenue. However with the oil price remaining low the sector continues to cut costs and it is widely reported that job losses are anticipated to reach 120,000 by the end of the year. Unsurprisingly such difficulties are feeding through to the local housing market. Anticipated revenue from our Chapelton development has been considerably revised down in the current year forecast.

The government sponsored Help to Buy (Scotland) Scheme has been a significant help to the sector in recent years. Over the next two years the maximum value of a property that can be purchased with the help of the scheme will reduce to £175,000. This change will inevitably lessen the support afforded by this initiative.

A & J Stephen (Builders) Limited

Strategic Report for the Year Ended 31 March 2016

The Land and Buildings Transaction Tax (LBTT), introduced in 2015 to replace Stamp Duty Land Tax (SDLT) has had a negative effect on sales volumes of higher value properties. The new tax is a progressive tax with the most expensive properties paying up to 12%. This change has proved to be a disincentive to sales and we have lost reservations because of it. Similarly the introduction of Additional Dwelling Supplement (ADS) by the Scottish Government in 2016 has negatively impacted our volumes. Introduced to further increase the opportunities for first time buyers, ADS requires buyers of second homes to pay an additional 3% tax on the full purchase price as well as LBTT. This new tax has stifled Buy to Let investments as well as the holiday home market.

The Group continues to invest in strategic land acquisitions and to capitalise on our expertise of promoting developments through the planning process. However, it is clear that the time it takes to bring new sites forward is now more protracted. Within Perthshire our proposed developments at North Scone and Luncarty are slowly making progress. Due to the extensive information now required for major planning applications the length of time this is taking will directly affect turnover and employment opportunities in Perthshire.

We have further increased our investment in the North of Scotland becoming involved in the first phase of the new town at Tornagrain on the outskirts of Inverness. Similar to our Chapelton development, working closely with the landowners, we have developed new house designs and streetscapes that will help drive the development of Scotland's newest towns.

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2016	2015
Turnover	£	20,736,743	14,850,067
Gross Margin	%	16	17
Profit/(loss) on ordinary activities before tax	£	1,113,897	620,409
Total Equity	£	10,340,352	9,449,492

We continually monitor turnover, profitability and working capital to ensure continuing returns and sustainable growth. We recognise that our results are a reflection of the quality and commitment of our people. There are currently 85 employees in the group across our sites and head office and we enjoy a strong employee retention rate. We are committed to developing the next generation of housebuilders and remain keenly aware of the potential skills gap the industry could face if investment is not made in nurturing young talent. To this end we recruited 4 new apprentices in the year. One of whom, Jordan Telfar, won the award for construction student of the year at Perth College, and went on to achieve fourth place at a national level.

Operating in the construction industry, health and safety is of paramount importance. We invest greatly in health and safety awareness training and development. We employ our own health and safety manager who sits on the Scottish Housebuilders Health and Safety Steering Committee as well as calling on the services of NHBC to audit our development sites. We continuously monitor and modify our working practices to improve the behavioural safety culture within the organisation.

The group have always focused on delivering high quality homes with best customer service. This commitment to quality was again recognised by NHBC Pride in the Job Quality Awards. Alan Robertson, our Site Manager on our Scone development, won a Seal of Excellence award in the medium builder category. This is the fifth consecutive year the quality of our developments have been recognised by NHBC.

A & J Stephen (Builders) Limited

Strategic Report for the Year Ended 31 March 2016

Principal risks and uncertainties

The Board recognise that the management of risk is fundamental to the success of our business. Within the Stephen group of companies all tiers of management are involved in managing, monitoring and mitigating risk where possible.

Uncertainties outwith the control of the group remain our principal risks:

- **Market**

The reduction in sales volumes remains our principal risk. Macro-economic uncertainty over the nature and timing of Brexit along with the possibility of a second independence referendum all undermine customer confidence. The ongoing difficulties in the Aberdeen economy, the reduced support afforded through the Help to Buy (Scotland) Scheme as well as higher transaction taxes will all lead to a drop in turnover in 2017.

- **Costs**

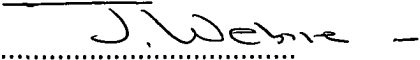
Cost management is a key feature of any successful business. However, recent changes to Building Standards related to the Scottish Governments carbon reduction agenda and the increasing application of "roof taxes" by Local Authorities are all measures out with our control that will inevitably lead to a poorer financial performance than seen in recent years.

- **Regulation**

The housebuilding industry is subject to extensive and complex regulations and an increasingly stringent regulatory environment. To meet this challenge we employ an in-house design team with over 175 years of experience in all technical aspects of the design and build process.

Our main market continues to be development sites in Perth & Kinross. Perth City and the wider catchment have been earmarked for significant growth in the Local Development Plan and we believe we are well placed to deliver this. However the increasingly cumbersome and complex nature of the approval process remains a constraint to our business aspirations.

Approved by the Board on 15 December 2016 and signed on its behalf by:


.....
John Webster
Company secretary and director

A & J Stephen (Builders) Limited

Directors' Report for the Year Ended 31 March 2016

The Directors present their report and the financial statements for the year ended 31 March 2016.

Directors of the Company

The directors who held office during the year were as follows:

John W Stephen

Brian Finlay

Dale Stephen

John Webster - Company secretary and director

Bruce Strachan

Financial instruments

Objectives and policies

In terms of the financial risk in the present economic climate, the company seeks to finance any development through bank funding where the funding term is matched to the life of the development.

Price risk, credit risk, liquidity risk and cash flow risk

The company does not trade in financial instruments.

At the time of writing the company's operational bank account remains within it's facility and current forecasts show that this will continue to be the case in the medium term.

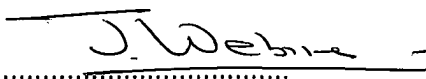
Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors Morris & Young, Statutory Auditor are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 15 December 2016 and signed on its behalf by:



.....
John Webster
Company secretary and director

A & J Stephen (Builders) Limited

Statement of Directors' Responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

A & J Stephen (Builders) Limited

Independent Auditor's Report to the Members of A & J Stephen (Builders) Limited

We have audited the financial statements of A & J Stephen (Builders) Limited for the year ended 31 March 2016, set out on pages 9 to 28. 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) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 6), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

A & J Stephen (Builders) Limited

Independent Auditor's Report to the Members of A & J Stephen (Builders) Limited

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

.....
Mr Peter Young B.A., C.A. (Senior Statutory Auditor)
For and on behalf of Morris & Young, Statutory Auditor

Chartered Accountants
6 Atholl Crescent
PERTH
PH1 5JN

15 December 2016

A & J Stephen (Builders) Limited

Income Statement for the Year Ended 31 March 2016

	Note	2016 £	2015 £
Revenue	3	20,736,743	14,850,067
Cost of sales		<u>(17,416,884)</u>	<u>(12,294,568)</u>
Gross profit		3,319,859	2,555,499
Administrative expenses		(2,648,417)	(2,336,038)
Other operating income	4	<u>458,173</u>	<u>414,434</u>
Operating profit	5	<u>1,129,615</u>	<u>633,895</u>
Other interest receivable and similar income	6	2	-
Interest payable and similar charges	7	<u>(15,720)</u>	<u>(13,486)</u>
		<u>(15,718)</u>	<u>(13,486)</u>
Profit before tax		1,113,897	620,409
Taxation	11	<u>(223,037)</u>	<u>(33,082)</u>
Profit for the financial year		<u><u>890,860</u></u>	<u><u>587,327</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 14 to 28 form an integral part of these financial statements.

A & J Stephen (Builders) Limited

Statement of Comprehensive Income for the Year Ended 31 March 2016

	Note	2016 £	2015 £
Profit for the year		<u>890,860</u>	<u>587,327</u>
Total comprehensive income for the year		<u>890,860</u>	<u>587,327</u>

The notes on pages 14 to 28 form an integral part of these financial statements.

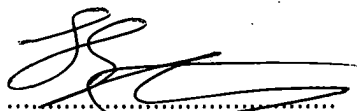
A & J Stephen (Builders) Limited

(Registration number: SC057720)

Statement of Financial Position as at 31 March 2016

	Note	2016 £	2015 £
Non Current assets			
Property, Plant and Equipment	12	642,192	433,749
Current assets			
Inventories	13	15,970,115	14,598,730
Receivables	14	1,553,944	260,880
Cash at bank and in hand		<u>501,809</u>	<u>1,060,917</u>
		18,025,868	15,920,527
Payables: Amounts falling due within one year	16	<u>(8,009,675)</u>	<u>(6,726,486)</u>
Net current assets		<u>10,016,193</u>	<u>9,194,041</u>
Total assets less current liabilities		10,658,385	9,627,790
Payables: Amounts falling due after more than one year	16	(189,709)	(145,216)
Provisions for liabilities	17	<u>(128,324)</u>	<u>(33,082)</u>
Net assets		<u>10,340,352</u>	<u>9,449,492</u>
Equity			
Called up share capital	19	25,000	25,000
Profit and loss account	20	<u>10,315,352</u>	<u>9,424,492</u>
Total equity		<u>10,340,352</u>	<u>9,449,492</u>

Approved and authorised by the Board on 15 December 2016 and signed on its behalf by:



John W Stephen
Director

The notes on pages 14 to 28 form an integral part of these financial statements.

A & J Stephen (Builders) Limited

Statement of Changes in Equity for the Year Ended 31 March 2016

	Share capital £	Profit and loss account £	Total £
At 1 April 2015	25,000	9,424,492	9,449,492
Profit for the year	-	890,860	890,860
Total comprehensive income	-	890,860	890,860
At 31 March 2016	25,000	10,315,352	10,340,352
	Share capital £	Profit and loss account £	Total £
At 1 April 2014	25,000	8,837,165	8,862,165
Profit for the year	-	587,327	587,327
Total comprehensive income	-	587,327	587,327
At 31 March 2015	25,000	9,424,492	9,449,492

The notes on pages 14 to 28 form an integral part of these financial statements.

A & J Stephen (Builders) Limited

Statement of Cash Flows for the Year Ended 31 March 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Profit for the year		890,860	587,327
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	146,871	94,537
Profit on disposal of property, plant and equipment		(82,292)	(20,120)
Finance income	6	(2)	-
Finance costs	7	15,720	13,486
Income tax expense	11	223,037	33,082
		1,194,194	708,312
Working capital adjustments			
Increase in inventories	13	(1,371,385)	(1,264,873)
(Increase)/decrease in receivables	14	(1,113,189)	40,499
Increase in payables	16	1,260,971	1,727,153
Cash generated from operations		(29,409)	1,211,091
Income taxes paid	11	(312,722)	-
Net cash flow from operating activities		(342,131)	1,211,091
Cash flows from investing activities			
Interest received	6	2	-
Acquisitions of property, plant and equipment		(190,153)	(127,352)
Proceeds from sale of property, plant and equipment		82,292	20,120
Net cash flows from investing activities		(107,859)	(107,232)
Cash flows from financing activities			
Interest paid	7	-	(155)
Payments to finance lease liabilities		(109,118)	(69,960)
Net cash flows from financing activities		(109,118)	(70,115)
Net (decrease)/increase in cash and cash equivalents		(559,108)	1,033,744
Cash and cash equivalents at 1 April		1,060,917	27,173
Cash and cash equivalents at 31 March		501,809	1,060,917

The notes on pages 14 to 28 form an integral part of these financial statements.

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

1 General information

The company is a private company limited by share capital incorporated in Scotland.

The address of its registered office is:

Stephen House
Edinburgh Road
PERTH
PH2 8BS

These financial statements were authorised for issue by the Board on 15 December 2016.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS102 are disclosed in note 26.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Name of parent of group

These financial statements are consolidated in the financial statements of A & J Stephen (Holdings) Limited.

The financial statements of A & J Stephen (Holdings) Limited may be obtained from Companies House, 139 Fountainbridge, Edinburgh, EH3 9FF.

Going concern

A & J Stephen (Builders) Limited is a wholly owned subsidiary of A & J Stephen (Holdings) Limited. The company also is a borrower and guarantor under the group's borrowing facilities as set out in the contingent liability note. These accounts have been prepared having regard to the group's trading forecasts for the next twelve months. These forecasts include detailed cashflow projections. Notwithstanding the above, given the current economic environment, there remains a risk that the external trading environment may be worse than currently envisaged, and as a result, the directors of A & J Stephen (Holdings) Limited have also reviewed forecasts which include sensitivities that make allowance for that risk. Should such a scenario arise, the directors of A & J Stephen (Holdings) Limited have confidence that they have adequate liquidity and covenant headroom to ensure that the group can meet its liabilities as they fall due for the foreseeable future. After taking this in to account the directors of A & J Stephen (Builders) Limited consider that it is appropriate to prepare these accounts on a going concern basis.

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

The Company recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the Company's activities.

Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Tax

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, Plant and Equipment

Property, Plant and Equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class

Plant & machinery
Fixtures, fittings & equipment
Motor vehicles

Depreciation method and rate

20% Straight line
20% & 50% Straight line
25% Straight line

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the transaction price. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the latest price.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the payable for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Income Statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2016	2015
	£	£
Sale of goods	20,709,231	14,438,018
Rendering of services	<u>27,512</u>	<u>412,049</u>
	<u>20,736,743</u>	<u>14,850,067</u>

The analysis of the company's turnover for the year by class of business is as follows:

	2016	2015
	£	£
Housebuilders	<u>20,736,743</u>	<u>14,850,067</u>

The analysis of the company's turnover for the year by market is as follows:

	2016	2015
	£	£
UK	<u>20,736,743</u>	<u>14,850,067</u>

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2016 £	2015 £
Miscellaneous other operating income	<u>458,173</u>	<u>414,434</u>

5 Operating profit

Arrived at after charging/(crediting)

	2016 £	2015 £
Depreciation expense	146,871	94,537
Operating lease expense - plant and machinery	93,887	85,061
Profit on disposal of property, plant and equipment	<u>(82,292)</u>	<u>(20,120)</u>

6 Other interest receivable and similar income

	2016 £
Other finance income	<u>2</u>

7 Interest payable and similar charges

	2016 £	2015 £
Interest on obligations under finance leases and hire purchase contracts	15,720	13,331
Interest expense on other finance liabilities	-	155
	<u>15,720</u>	<u>13,486</u>

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016	2015
	£	£
Wages and salaries	2,576,857	2,146,290
Social security costs	279,519	250,297
Pension costs, defined contribution scheme	205,891	150,029
Other employee expense	20,204	20,357
	<u>3,082,471</u>	<u>2,566,973</u>

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

	2016	2015
	No.	No.
Production	45	36
Administration and support	39	39
	<u>84</u>	<u>75</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016	2015
	£	£
Remuneration	267,007	179,838
Contributions paid to money purchase schemes	73,877	22,646
	<u>340,884</u>	<u>202,484</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2016	2015
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2016	2015
	£	£
Remuneration	136,120	92,793
Company contributions to money purchase pension schemes	<u>41,579</u>	<u>13,919</u>

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

10 Auditors' remuneration

	2016 £	2015 £
Audit of the financial statements	<u>5,825</u>	<u>5,650</u>
Other fees to auditors		
All other non-audit services	<u>14,180</u>	<u>9,400</u>

11 Taxation

Tax charged/(credited) in the income statement

	2016 £	2015 £
Current taxation		
UK corporation tax	127,795	-
Deferred taxation		
Arising from origination and reversal of timing differences	<u>95,242</u>	<u>33,082</u>
Tax expense in the income statement	<u>223,037</u>	<u>33,082</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2015 - the same as the standard rate of corporation tax in the UK) of 20% (2015 - 21%).

The differences are reconciled below:

	2016 £	2015 £
Profit before tax	<u>1,113,897</u>	<u>620,409</u>
Corporation tax at standard rate	222,779	130,286
Effect of expense not deductible in determining taxable profit (tax loss)	240	262
Effect of tax losses	(42,629)	(83,037)
Tax increase (decrease) from effect of capital allowances and depreciation	(52,595)	(47,511)
Tax increase (decrease) from other short-term timing differences	<u>95,242</u>	<u>33,082</u>
Total tax charge	<u>223,037</u>	<u>33,082</u>

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

Deferred tax

Deferred tax assets and liabilities

		Liability £
2016		
Arising from origination and reversal of timing differences		128,324
Tax losses available		-
		<u>128,324</u>
	Asset £	Liability £
2015		
Arising from origination and reversal of timing differences	-	75,729
Tax losses available	42,647	-
	<u>42,647</u>	<u>75,729</u>

The company has estimated losses of £nil (2015 - £213,239) available to carry forward against future trading profits.

12 Property, Plant and Equipment

	Furniture, fittings and equipment £	Motor vehicles £	Other property, plant and equipment £	Total £
Cost or valuation				
At 1 April 2015	379,046	369,667	1,177,789	1,926,502
Additions	-	110,275	245,039	355,314
Disposals	<u>-</u>	<u>(106,219)</u>	<u>(198,600)</u>	<u>(304,819)</u>
At 31 March 2016	<u>379,046</u>	<u>373,723</u>	<u>1,224,228</u>	<u>1,976,997</u>
Depreciation				
At 1 April 2015	374,038	244,333	874,382	1,492,753
Charge for the year	2,899	39,459	104,513	146,871
Eliminated on disposal	<u>-</u>	<u>(106,219)</u>	<u>(198,600)</u>	<u>(304,819)</u>
At 31 March 2016	<u>376,937</u>	<u>177,573</u>	<u>780,295</u>	<u>1,334,805</u>
Carrying amount				
At 31 March 2016	<u>2,109</u>	<u>196,150</u>	<u>443,933</u>	<u>642,192</u>
At 31 March 2015	<u>5,008</u>	<u>125,334</u>	<u>303,407</u>	<u>433,749</u>

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

Assets held under finance leases and hire purchase contracts

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2016 £	2015 £
Motor vehicles	161,163	86,397
Plant & machinery	281,963	202,028
	<u>443,126</u>	<u>288,425</u>

13 Inventories

	2016 £	2015 £
Work in progress	15,780,702	14,217,088
Other inventories	189,413	381,642
	<u>15,970,115</u>	<u>14,598,730</u>

The cost of inventories recognised as an expense in the year amounted to £7,154,871 (2015 - £5,412,359).

Impairment of inventories

The amount of impairment loss included in profit or loss is £102,350 (2015 - £Nil).

14 Receivables

	Note	2016 £	2015 £
Receivables		78,087	84,657
Amounts owed by related parties	24	1,137,428	-
Other receivables		139,820	161,831
Prepayments		18,734	14,392
Income tax asset	11	179,875	-
Total current trade and other receivables		<u>1,553,944</u>	<u>260,880</u>

15 Cash and cash equivalents

	2016 £	2015 £
Cash on hand	300	319
Cash at bank	501,509	1,060,598
	<u>501,809</u>	<u>1,060,917</u>

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

16 Payables

	Note	2016 £	2015 £
Due within one year			
Loans and borrowings	21	110,076	82,806
Trade payables		1,246,073	848,147
Amounts due to related parties	24	5,333,860	4,686,750
Social security and other taxes		140,465	129,785
Other payables		53,293	46,214
Accrued expenses		1,125,908	927,732
Income tax liability	11	-	5,052
		<u>8,009,675</u>	<u>6,726,486</u>
Due after one year			
Loans and borrowings	21	<u>189,709</u>	<u>145,216</u>

17 Deferred tax and other provisions

	Deferred tax £
At 1 April 2015	33,082
Increase (decrease) in existing provisions	<u>95,242</u>
At 31 March 2016	<u>128,324</u>

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £205,891 (2015 - £150,029).

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

19 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

There is a single class of ordinary shares. There are no restrictions on the distributions of dividends and the repayment of capital.

20 Reserves

Called up share capital

Represents the nominal value of shares that have been issued.

Profit and loss account

Includes current and prior period retained profits and losses.

21 Loans and borrowings

	2016 £	2015 £
Non-current loans and borrowings		
Finance lease liabilities	<u>189,709</u>	<u>145,216</u>
	2016 £	2015 £
Current loans and borrowings		
Finance lease liabilities	<u>110,076</u>	<u>82,806</u>

22 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2016 £	2015 £
Not later than one year	110,076	82,806
Later than one year and not later than five years	<u>189,709</u>	<u>145,216</u>
	<u>299,785</u>	<u>228,022</u>

The finance leases relate to motor vehicles and plant purchased under hire purchase agreements. The agreements generally include fixed lease payments over a fixed period with an option to purchase fee at the end of the lease term. The contracts are secured over the assets to which they relate.

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

Operating leases

The total of future minimum lease payments is as follows:

	2016	2015
	£	£
Not later than one year	5,004	20,580
Later than one year and not later than five years	<u>116,266</u>	<u>36,280</u>
	<u><u>121,270</u></u>	<u><u>56,860</u></u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £170,554 (2015 - £160,060).

23 Contingent liabilities

There is a contingent liability relating to the guarantee given by the company to Santander in respect of cross corporate guarantee including offset provisions incorporating all group companies.

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

24 Related party transactions

Key management personnel

Directors

Key management compensation

	2016	2015
	£	£
Salaries and other short term employee benefits	267,007	179,838
Post-employment benefits	<u>73,877</u>	<u>22,646</u>
	<u>340,884</u>	<u>202,484</u>

Summary of transactions with key management

During the year a number of the directors and their families purchased consumable items, which are immaterial to the individuals concerned and the company, from A & J Stephen (Builders) Limited at market value.

During this year and the previous year the company paid rent to one of the directors.

During the year the company provided services to one of the directors.

Summary of transactions with subsidiaries

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

Summary of transactions with associates

Associated company

There has been no transactions during the current or previous year.

Summary of transactions with other related parties

Family, associated companies & directors pension scheme

During the year and prior year the company provided goods and services to family members and associated companies. During the year the company was charged rent for the yard, office and an industrial unit which is considered to be a fair market rent by the director's pension scheme.

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

Income and receivables from related parties

	Associates £	Key management £	Other related parties £
2016			
Sale of goods and services	-	21,397	17,505
Amounts receivable from related party	<u>87</u>	<u>7,997</u>	<u>10,198</u>
	Associates £	Key management £	Other related parties £
2015			
Sale of goods	-	129,000	157,304
Amounts receivable from related party	<u>87</u>	<u>1,886</u>	<u>170</u>

Expenditure with and payables to related parties

	Key management £	Other related parties £
2016		
Leases	<u>14,400</u>	<u>75,000</u>
	Key management £	Other related parties £
2015		
Leases	<u>1,200</u>	<u>75,000</u>

Loans to related parties

	Other related parties £
2016	
At start of period	15,709
Advanced	<u>7,020</u>
At end of period	<u>22,729</u>
	Other related parties £
2015	
At start of period	15,367
Advanced	<u>342</u>
At end of period	<u>15,709</u>

A & J Stephen (Builders) Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

25 Parent and ultimate parent undertaking

The company's immediate parent is A & J Stephen (Holdings) Limited, incorporated in Scotland.

These financial statements are available upon request from Companies House, 139 Fountainbridge, Edinburgh, EH3 9FF.

The ultimate controlling party is not known as there is no majority shareholder.

26 Transition to FRS 102

There was no restatement of comparative figures required for the adoption of FRS102.