

Registration number: SC057720

# A & J Stephen (Builders) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020



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 Webster  
Brian Finlay  
Bruce Strachan  
John W Stephen  
Dale Stephen

**Company secretary** John Webster

**Registered office** Stephen House  
Edinburgh Road  
PERTH  
PH2 8BS

**Solicitors** Blackadders Solicitors  
30-34 Reform Street  
Dundee  
DD1 1RJ

**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 2020**

The directors present their strategic report for the year ended 31 March 2020.

#### **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 performance of the company improved in the year with turnover increasing by 67% on the previous year to £14.2m. The gross margin also improved from (3%) in 2019 to 7% in the current year. Much of the turnover derived from our site at Tornagrain, just outside Inverness, and our Perth site, West Woodlands. Both sites have proved very popular and have sold well. We have secured land for the next phase at Tornagrain and are hopeful of realising further units at West Woodlands. Despite this improvement the company returned a pre-tax loss of £964k.

Despite this poor trading result the company continues to operate from a position of financial strength with total equity of £6m.

#### **Outlook**

In the year to March 2021 the country has been in lockdown as a result of the Covid -19 pandemic for much of the time and for many months our construction sites and showhouses have been closed. In conjunction with Homes for Scotland we have developed Safe Operating Procedures across all aspects of our business. These are kept under constant review to ensure we comply with Government guidelines and that our staff, contractors and clients are kept safe. These industry wide measures allowed construction to recommence in late June.

The pandemic has had a significant impact on all aspects of our business both operationally and financially. We had forecast a return to profitability in the year to March 2021 but this will no longer be the case. Our new development at Scone, Mansfield Park, which had just started before lockdown will now not realise its first sales until March 2021. Similarly, our Guildtown development was delayed and will not contribute until the year end March 2022. Despite this slippage, our business plan remains sound and we have the full support of our bank to successfully return the business to a sustainable level of operations and a return to profitability. The board recognise the exceptional response of our staff, subcontractors and suppliers who have embraced the new working practices under Covid -19 and supported the business at this challenging time.

The economic stimulus provided through various government support initiatives has helped maintain customer confidence in the residential market and the demand for new houses remains strong. Our order book is very healthy with our new Scone development proving particularly popular.

## **A & J Stephen (Builders) Limited**

### **Strategic Report for the Year Ended 31 March 2020**

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

	<b>Unit</b>	<b>2020</b>	<b>2019</b>
Turnover	£	14,288,623	8,533,436
Gross Margin	%	7	(3)
Profit/(loss) on ordinary activities before tax	£	(963,885)	(2,190,897)
Total Equity	£	6,445,374	7,409,259

Turnover, profitability and return on capital are carefully forecast and monitored. Opening up new development sites brings with it high demands on working capital. In such times of economic and political uncertainty, the management of cash and the prudent use of banking facilities are of prime importance. The group had no net borrowings during the year and met all of its banking covenants.

The core of any business is its people and the Board recognise that the dedication and hard work of its long serving and enthusiastic workforce are fundamental to the success of the business. There are currently 69 talented employees in the group across development sites and head office. The group continues to make significant investment in health and safety and skills training across all sectors of the workforce.

The company continues to enjoy an enviable reputation in the industry, and this is founded on the excellence and quality of a Stephen Home. We were delighted to be once again awarded 5 star builder status by Homes for Scotland, an award which is based on customer satisfaction.

## **A & J Stephen (Builders) Limited**

### **Strategic Report for the Year Ended 31 March 2020**

#### **Principal risks and uncertainties**

The Board recognise that the management of risk is fundamental to the success of the business. Within the company all tiers of management are involved in managing risk down to an acceptable level and mitigating it where possible.

Uncertainties out with the control of the company remains our principle risks:

#### **Covid – 19 Pandemic**

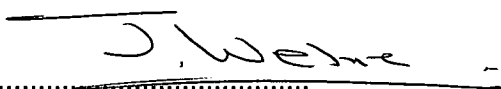
The over riding uncertainty facing the business at this time is the worldwide Covid 19 pandemic. As noted above, the pandemic has had a significant impact on the business. Government support to all sectors of the economy, through various initiatives, the furlough scheme in particular, has helped secure jobs and support the wider economy. Only time will tell the of the success of the vaccination programme in easing our way out of lockdown. Government borrowing is at an all time high and the economic fallout of the pandemic will be with us for decades to come. It would be foolhardy to think the housing market will not take its share of the challenging economic landscape going forward.

#### **Material and Labour resources**

Post year end the UK has left the European Single Market but the impact of this has yet to be fully realised. We are currently experiencing material shortages and long lead times on various products, but it is unclear if this stems from Brexit or the more general economic impact of Covid across Europe. We work closely with our supply chain partners to manage this risk but such constraints on supply inevitably drive up prices and impact our margins.

The industry is facing a skills shortage and it can be very challenging to source labour, particularly in sites in the north of Scotland. Once again shortage of supply puts pressure on budgets. The company is keen to support the development of young people in the industry and works closely with colleges and local training bodies. We continue to promote apprenticeships in order to ensure we have a well-trained workforce to support the business going forward and help play our part in maintaining the appropriate skills within the construction industry.

Approved by the Board on 29 March 2021 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 2020**

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

#### **Directors of the company**

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

John Webster - Company secretary and director

Brian Finlay

Bruce Strachan

John W Stephen

Dale Stephen

#### **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 its facility and current forecasts show that this will continue to be the case in the medium term.

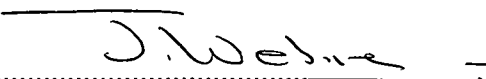
#### **Disclosure of information to the auditors**

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 29 March 2021 and signed on its behalf by:



John Webster  
Company secretary and director

## **A & J Stephen (Builders) Limited**

### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **Opinion**

We have audited the financial statements of A & J Stephen (Builders) Limited (the 'company') for the year ended 31 March 2020, which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

#### **Other information**

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

## **A & J Stephen (Builders) Limited**

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

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

We have nothing to report in this regard.

#### **Opinion on other matter 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 the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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, 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.

#### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **A & J Stephen (Builders) Limited**

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

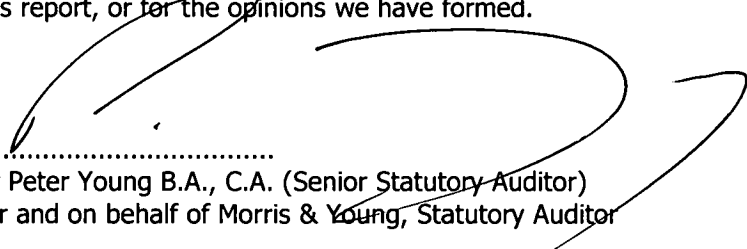
#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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



.....  
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

31 March 2021

## A & J Stephen (Builders) Limited

### Income Statement for the Year Ended 31 March 2020

	Note	2020 £	2019 £
Revenue	3	14,288,623	8,533,436
Cost of sales		<u>(13,273,236)</u>	<u>(8,765,984)</u>
Gross profit/(loss)		1,015,387	(232,548)
Administrative expenses		(2,547,207)	(2,548,116)
Other operating income	4	<u>578,628</u>	<u>586,798</u>
Operating loss	5	<u>(953,192)</u>	<u>(2,193,866)</u>
Other interest receivable and similar income	6	4,824	6,954
Interest payable and similar expenses	7	<u>(15,517)</u>	<u>(3,985)</u>
		<u>(10,693)</u>	<u>2,969</u>
Loss before tax		(963,885)	(2,190,897)
Taxation	11	<u>-</u>	<u>85,598</u>
Loss for the financial year		<u><u>(963,885)</u></u>	<u><u>(2,105,299)</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.

## **A & J Stephen (Builders) Limited**

### **Statement of Comprehensive Income for the Year Ended 31 March 2020**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Loss for the year	<u>(963,885)</u>	<u>(2,105,299)</u>
Total comprehensive income for the year	<u><u>(963,885)</u></u>	<u><u>(2,105,299)</u></u>

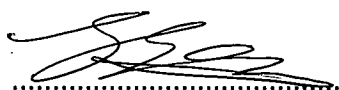
# A & J Stephen (Builders) Limited

(Registration number: SC057720)

## Statement of Financial Position as at 31 March 2020

	Note	2020 £	2019 £
<b>Non Current assets</b>			
Property, Plant and Equipment	12	709,439	719,509
<b>Current assets</b>			
Inventories	13	18,249,180	16,131,469
Receivables	14	348,360	1,446,609
Cash at bank and in hand		<u>2,105,724</u>	<u>166,200</u>
		20,703,264	17,744,278
<b>Payables:</b> Amounts falling due within one year	16	<u>(14,905,835)</u>	<u>(10,986,335)</u>
<b>Net current assets</b>		<u>5,797,429</u>	<u>6,757,943</u>
<b>Total assets less current liabilities</b>		6,506,868	7,477,452
<b>Payables:</b> Amounts falling due after more than one year	16	<u>(61,494)</u>	<u>(68,193)</u>
<b>Net assets</b>		<u>6,445,374</u>	<u>7,409,259</u>
<b>Equity</b>			
Called up share capital	18	25,000	25,000
Profit and loss account	19	<u>6,420,374</u>	<u>7,384,259</u>
Total equity		<u>6,445,374</u>	<u>7,409,259</u>

Approved and authorised by the Board on 29 March 2021 and signed on its behalf by:



John W Stephen  
Director

The notes on pages 15 to 29 form an integral part of these financial statements.

## A & J Stephen (Builders) Limited

### Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £	Profit and loss account £	Total £
At 1 April 2019	25,000	7,384,259	7,409,259
Loss for the year	<u>-</u>	<u>(963,885)</u>	<u>(963,885)</u>
Total comprehensive income	<u>-</u>	<u>(963,885)</u>	<u>(963,885)</u>
At 31 March 2020	<u>25,000</u>	<u>6,420,374</u>	<u>6,445,374</u>
	Share capital £	Profit and loss account £	Total £
At 1 April 2018	25,000	9,489,558	9,514,558
Loss for the year	<u>-</u>	<u>(2,105,299)</u>	<u>(2,105,299)</u>
Total comprehensive income	<u>-</u>	<u>(2,105,299)</u>	<u>(2,105,299)</u>
At 31 March 2019	<u>25,000</u>	<u>7,384,259</u>	<u>7,409,259</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

## A & J Stephen (Builders) Limited

### Statement of Cash Flows for the Year Ended 31 March 2020

	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Loss for the year		(963,885)	(2,105,299)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	169,340	125,196
Profit on disposal of property, plant and equipment		(3,750)	-
Finance income	6	(4,824)	(6,954)
Finance costs	7	15,517	3,985
Income tax expense	11	-	(85,598)
		(787,602)	(2,068,670)
Working capital adjustments			
Increase in inventories	13	(2,117,711)	(2,749,939)
Decrease in receivables	14	1,098,249	511,211
Increase in payables	16	3,873,682	1,192,471
Cash generated from operations		2,066,618	(3,114,927)
Income taxes received	11	-	1
Net cash flow from operating activities		2,066,618	(3,114,926)
<b>Cash flows from investing activities</b>			
Interest received	6	4,824	6,954
Acquisitions of property, plant and equipment		(65,387)	(247,320)
Proceeds from sale of property, plant and equipment		3,750	-
Net cash flows from investing activities		(56,813)	(240,366)
<b>Cash flows from financing activities</b>			
Interest paid	7	(15,517)	(3,985)
Receipts from finance lease debtors		78,597	-
Payments to finance lease creditors		(133,361)	(47,100)
Net cash flows from financing activities		(70,281)	(51,085)
Net increase/(decrease) in cash and cash equivalents		1,939,524	(3,406,377)
Cash and cash equivalents at 1 April		166,200	3,572,577
Cash and cash equivalents at 31 March		2,105,724	166,200

The notes on pages 15 to 29 form an integral part of these financial statements.



# **A & J Stephen (Builders) Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2020**

### **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 29 March 2021.

### **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.

#### **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.

#### **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.

The directors have considered the impact of the Covid-19 pandemic on the going concern of the company. The group was closed for a short period during lockdown but has re-opened. Due to the financial support of CBILS, grants, furlough and the trading since re-opening in the group, the directors consider the preparation of the accounts on a going concern basis to be appropriate.

## **A & J Stephen (Builders) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2020**

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of residential property 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.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are 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 reporting date and that are expected to apply to the reversal of the timing difference.

#### **Property, Plant and Equipment**

Property, Plant and Equipment are 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% Reducing balance

20% & 50% Straight line

25% Reducing balance

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and bank deposits.

## **A & J Stephen (Builders) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2020**

#### **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 2020**

#### **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:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Sale of goods	14,278,441	8,521,952
Rendering of services	<u>10,182</u>	<u>11,484</u>
	<u>14,288,623</u>	<u>8,533,436</u>

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Housebuilders	<u>14,288,623</u>	<u>8,533,436</u>

## A & J Stephen (Builders) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
UK	<u>14,288,623</u>	<u>8,533,436</u>

#### 4 Other operating income

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Miscellaneous other operating income	<u>578,628</u>	<u>586,798</u>

#### 5 Operating loss

Arrived at after charging/(crediting)

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Depreciation expense	169,340	125,196
Operating lease expense - plant and machinery	96,796	95,741
Profit on disposal of property, plant and equipment	<u>(3,750)</u>	<u>-</u>

#### 6 Other interest receivable and similar income

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Interest income on bank deposits	<u>4,824</u>	<u>6,954</u>

#### 7 Interest payable and similar expenses

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Interest on obligations under finance leases and hire purchase contracts	<u>15,517</u>	<u>3,985</u>

## A & J Stephen (Builders) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020

#### 8 Staff costs

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Wages and salaries	2,330,052	2,245,447
Social security costs	259,920	249,971
Pension costs, defined contribution scheme	129,703	127,725
Redundancy costs	-	6,096
Other employee expense	35,559	25,701
	<u>2,755,234</u>	<u>2,654,940</u>

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

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Production	39	34
Administration and support	32	36
	<u>71</u>	<u>70</u>

#### 9 Directors' remuneration

The directors' remuneration for the year was as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Remuneration	335,793	327,410
Contributions paid to money purchase schemes	24,732	26,021
	<u>360,525</u>	<u>353,431</u>

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

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Remuneration	<u>138,658</u>	<u>136,863</u>

## **A & J Stephen (Builders) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2020**

#### **10 Auditors' remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Audit of the financial statements	<u>6,570</u>	<u>6,375</u>
<b>Other fees to auditors</b>		
All other non-audit services	<u>10,850</u>	<u>12,540</u>

## A & J Stephen (Builders) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020

#### 11 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>-</u>	<u>(85,598)</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019 - the same as the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Loss before tax	<u>(963,885)</u>	<u>(2,190,897)</u>
Corporation tax at standard rate	(183,138)	(416,270)
Effect of expense not deductible in determining taxable profit (tax loss)	534	735
Effect of tax losses	184,645	447,923
Tax decrease from effect of capital allowances and depreciation	(2,041)	(32,388)
Tax decrease from other short-term timing differences	<u>-</u>	<u>(85,598)</u>
Total tax credit	<u>-</u>	<u>(85,598)</u>



## A & J Stephen (Builders) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020

#### Deferred tax

Deferred tax assets and liabilities

	<b>Asset £</b>	<b>Liability £</b>
<b>2020</b>		
Arising from origination and reversal of timing differences	-	120,026
Tax losses	<u>120,026</u>	<u>-</u>
	<u>120,026</u>	<u>120,026</u>
<b>2019</b>		
Arising from origination and reversal of timing differences	-	117,986
Tax losses	<u>117,986</u>	<u>-</u>
	<u>117,986</u>	<u>117,986</u>

There are £2,883,923 of unused tax losses (2019 - £2,251,050) for which no deferred tax asset is recognised in the Statement of Financial Position.

The company has estimated tax losses of £2,883,923 (2019 - £2,251,050) available to carry forward against future trading profits.

## A & J Stephen (Builders) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020

#### 12 Property, Plant and Equipment

	Furniture, fittings and equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>			
At 1 April 2019	1,901,872	422,039	2,323,911
Additions	159,270	-	159,270
Disposals	-	(53,522)	(53,522)
At 31 March 2020	<u>2,061,142</u>	<u>368,517</u>	<u>2,429,659</u>
<b>Depreciation</b>			
At 1 April 2019	1,302,941	301,461	1,604,402
Charge for the year	139,196	30,144	169,340
Eliminated on disposal	-	(53,522)	(53,522)
At 31 March 2020	<u>1,442,137</u>	<u>278,083</u>	<u>1,720,220</u>
<b>Carrying amount</b>			
At 31 March 2020	<u>619,005</u>	<u>90,434</u>	<u>709,439</u>
At 31 March 2019	<u>598,931</u>	<u>120,578</u>	<u>719,509</u>

#### 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:

	2020 £	2019 £
Motor vehicles	59,949	77,461
Plant & machinery	<u>253,244</u>	<u>110,715</u>
	<u>313,193</u>	<u>188,176</u>

#### 13 Inventories

	2020 £	2019 £
Work in progress	16,032,365	13,891,216
Other inventories	<u>2,216,815</u>	<u>2,240,253</u>
	<u>18,249,180</u>	<u>16,131,469</u>

The cost of inventories recognised as an expense in the year amounted to £5,122,948 (2019 - £2,841,358).

## A & J Stephen (Builders) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020

#### 14 Receivables

	Note	2020 £	2019 £
Receivables		80,218	135,258
Amounts owed by related parties	23	-	1,151,361
Other receivables		254,771	142,335
Prepayments		13,371	17,655
		<u>348,360</u>	<u>1,446,609</u>

#### 15 Cash and cash equivalents

	2020 £	2019 £
Cash on hand	482	367
Cash at bank	2,105,242	165,833
	<u>2,105,724</u>	<u>166,200</u>

#### 16 Payables

	Note	2020 £	2019 £
<b>Due within one year</b>			
Loans and borrowings	20	167,749	121,931
Trade payables		364,626	344,354
Amounts due to related parties	23	12,636,844	8,150,680
Social security and other taxes		92,137	111,596
Other payables		608,644	592,317
Accrued expenses		1,030,783	1,660,405
Income tax liability	11	5,052	5,052
		<u>14,905,835</u>	<u>10,986,335</u>
<b>Due after one year</b>			
Loans and borrowings	20	61,494	68,193

## **A & J Stephen (Builders) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2020**

#### **17 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 £129,703 (2019 - £127,725).

#### **18 Share capital**

##### **Allotted, called up and fully paid shares**

	<b>2020</b>		<b>2019</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
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.

#### **19 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.

#### **20 Loans and borrowings**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Non-current loans and borrowings</b>		
Hire purchase contracts	<u>61,494</u>	<u>68,193</u>

## A & J Stephen (Builders) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020

	2020 £	2019 £
<b>Current loans and borrowings</b>		
Hire purchase contracts	<u>167,749</u>	<u>121,931</u>

#### 21 Obligations under leases and hire purchase contracts

##### Finance leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	167,749	121,931
Later than one year and not later than five years	<u>61,494</u>	<u>68,193</u>
	<u>229,243</u>	<u>190,124</u>

##### Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	24,070	58,688
Later than one year and not later than five years	<u>24,451</u>	<u>9,383</u>
	<u>48,521</u>	<u>68,071</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £196,797 (2019 - £183,335).

#### 22 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.

There are two standard securities over land at Spoutwells Scone in favour of Stormont Trading. There is a standard security over land at Tornagrain in favour of Tornagrain Limited. There is also a standard security over land at West Woodlands in favour of The Trustees of A & J Stephen Limited Retirement and Death benefit scheme.

## A & J Stephen (Builders) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020

#### 23 Related party transactions

##### Key management compensation

	2020 £	2019 £
Salaries and other short term employee benefits	335,792	327,410
Post-employment benefits	24,732	26,022
	<u>360,524</u>	<u>353,432</u>

##### 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 all associates

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.

##### Income and receivables from related parties

	Key management £	Other related parties £
<b>2020</b>		
Sale of goods and services	8,366	16,365
Amounts receivable from related party	<u>1,913</u>	<u>194</u>
	Key management £	Other related parties £
<b>2019</b>		
Sale of goods	8,897	11,584
Amounts receivable from related party	<u>8,873</u>	<u>2,161</u>

##### Expenditure with and payables to related parties

	Other related parties £
<b>2020</b>	
Leases	<u>100,000</u>

## A & J Stephen (Builders) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2020

<b>2019</b>	<b>Other related parties</b>
Leases	<b>£</b>
	<u>87,500</u>

#### Loans to related parties

	<b>Associates</b>	<b>Other related parties</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>2020</b>			
At start of period	87	18,825	18,912
Advanced	<u>-</u>	<u>1,770</u>	<u>1,770</u>
At end of period	<u>87</u>	<u>20,595</u>	<u>20,682</u>
	<b>Associates</b>	<b>Other related parties</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>2019</b>			
At start of period	87	17,109	17,196
Advanced	<u>-</u>	<u>1,716</u>	<u>1,716</u>
At end of period	<u>87</u>	<u>18,825</u>	<u>18,912</u>

#### 24 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.