A&L King (Builders) Limited

Annual report and financial statements

Registered number SC062886

30 June 2016

Strategic Report

The directors present their strategic report and financial statements for the year ended 30 June 2016.

Principal activity

The principal activities of the company during the year were building contracting and housebuilding.

The financial statements have been prepared on a going concern basis, as set out in Note 1.2 in the financial statements.

Business review

Turnover for the year was £11.3m *(2015: £11.4m)* with a profit before tax of £1.2m *(2016: £2.2m)*. The decrease in profit before tax in the current year is due to the company generating lower margins in house sales in the current year.

Principal risks and uncertainties

The principal risk to the house building business is a reduction in sales volumes, primarily driven by the lack of availability of mortgages to potential buyers. The company has in place a number of measures to manage this risk, including strong sales teams and a range of sales incentives tools.

Key Performance Indicators

The directors believe the following to be the company's key performance indicators for the financial year:

	2016	2015	Movement
Turnover	11,294	11,408	-1%
Gross Profit Margin	15%	21%	-6%
Operating Profit	644	1,618	-60%

Future developments

The company is a wholly owned subsidiary of Stewart Milne Group and will continue to develop its existing developments.

By order of the board

S. MacGregor

SA MacGregor
Director

Peregrine House
Westhill Business Park
Westhill
Aberdeen
AB32 6JQ

29th March 2017

Directors' report

The directors present their directors' report and financial statements for the year ended 30 June 2016.

Dividends

No dividends were paid during the year *(2015: £nil)*. The directors do not recommend the payment of a final dividend.

Directors

The directors who held office during the period are as follows:

S Milne CBE
GFW Allison CA
SA MacGregor FCA
J Slater-Fearn

Disclosure of information to auditor

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

Auditor

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

By order of the board

S MacGregor

SA MacGregor
Director

Peregrine House
Westhill Business Park
Westhill
Aberdeen
AB32 6JQ

29th March 2017

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable is the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of A&L King (Builders) Limited

We have audited the financial statements of A&L King (Builders) Limited for the year ended 30 June 2016 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

Respective responsibilities of directors and auditor

As explained more fully in the Director's Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site 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 company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Director's 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:

- 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 Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Derbyshire

David Derbyshire (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

29 March 2017

Profit and Loss Account and Other Comprehensive Income
for the year ended 30 June 2016

	Note	2016 £000	2015 £000
Turnover	*1*	11,294	11,408
Cost of sales		(9,596)	(9,020)
Gross profit		1,698	2,388
Administrative expenses		(1,054)	(770)
Operating profit		644	1,618
Interest receivable	*5*	566	581
Profit on ordinary activities before taxation	*2-4*	1,210	2,199
Tax on profit on ordinary activities	*6*	(162)	(337)
Profit for the financial year		1,048	1,862

All of the above was derived from continuing activities.

Balance Sheet
at 30 June 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Investments	7		1,313		5,300
Current assets					
Stocks	8	16,964		17,526	
Debtors	9	8,851		2,263	
		25,815		19,789	
Creditors: amounts falling due within one year	10	(3,665)		(2,674)	
Net current assets			22,150		17,115
Net assets			23,463		22,415
Capital and reserves					
Called up share capital	11		379		379
Profit and loss account			23,084		22,036
Shareholders' funds			23,463		22,415

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

S MacGregor

SA MacGregor
Director

SC062886

Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 July 2014	379	20,174	20,553
Total comprehensive income for the year			
Profit for the year	-	1,862	1,862
Total comprehensive income for the year	-	1,862	1,862
Balance at 30 June 2015	**379**	**22,036**	**22,415**
Balance at 1 July 2015	379	22,036	22,415
Total comprehensive income for the year			
Profit for the year	-	1,048	1,048
Total comprehensive income for the year	-	1,048	1,048
Balance at 30 June 2016	**379**	**23,084**	**23,463**

Notes
(forming part of the financial statements)

1 Accounting policies

A&L King (Builders) Limited ("the company") is a company limited by shares and incorporated and domiciled in the UK.

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

In the transition to FRS 102 from old UK GAAP, the company has made no measurement and recognition adjustments.

The company's ultimate parent undertaking, Stewart Milne Group Limited includes the company in its consolidated financial statements. The consolidated financial statements of Stewart Milne Group Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Registrar of Companies, 4th Floor Edinburgh Quay 2, 139 Fountainbridge, Edinburgh. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Stewart Milne Group Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going Concern

As set out in note 12, the company is party to a cross guarantee arrangement given in respect of the certain bank borrowings and guarantee facilities of Stewart Milne Group Limited ('the Group').

The Group has recently entered into a three year funding facility with Bank of Scotland which is due to expire on 31 December 2019. This facility currently assumes that the existing debt level will be reduced in line with agreed step-downs by the end of the facility term.

After making enquiries and considering the uncertainties described above, the directors of the parent company, Stewart Milne Group have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for these reasons, the directors of this company have a reasonable expectation that the contingent liabilities in the company will not crystallise in the foreseeable future and so have prepared the accounts on a going concern basis.

1.3 Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies (continued)

1.4 *Stocks*

Stocks, including land, are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.5 *Turnover*

Turnover represents sales of residential properties. Turnover excludes value added tax and the proceeds from sales of houses taken in part exchange.

Turnover and profits in respect of residential property sales are recognised on legal completion.

1.6 *Taxation*

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

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

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

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

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

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

1.7 *Interest receivable*

Interest receivable includes interest earned on inter-company balances. Interest receivable is recognised as it accrues.

2 Note to the profit and loss account

Auditor's remuneration

The company's audit fee of £1,000 (2015: £1,000) was borne by a fellow group undertaking.

3 Remuneration of directors

The directors received no remuneration for services provided to the company during the year *(2015: £nil)*.

4 Staff numbers and costs

The company had no employees during the year *(2015: none)*.

Notes *(continued)*

5 Interest receivable

	2016 £000	2015 £000
On loan stock	566	581

6 Taxation

Analysis of charge in year

	2016 £000	2016 £000	2015 £000	2015 £000
UK corporation tax				
Current tax on income for the year	243		427	
Adjustments in respect of prior year	(81)		(90)	
		162		337
Total tax on profit on ordinary activities		162		337

The total tax charge has been recognised in the profit and loss account in the current and prior year.

Factors affecting the tax charge for the current year

The total tax charge for the year is lower (*2015: lower)* than the standard rate of corporation tax in the UK of 20% *(2015: 20.75%)*. The differences are explained below.

	2016 £000	2015 £000
Total tax reconciliation		
Profit for the year	1,048	1,862
Total tax expense	(162)	(337)
Profit on ordinary activities before tax	1,210	2,199
Total tax at 20% *(2015: 20.75%)*	242	456
Effects of:		
Transfer pricing adjustment	-	(27)
Other non-deductible / (deductible) items	1	(2)
Adjustments in respect of prior years	(81)	(90)
Total tax charge (see above)	162	337

Factors affecting the future tax charge

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

Notes *(continued)*

7 Fixed asset investments

	Interest in joint ventures £000	Total £000
Cost and net book value		
At beginning of year	5,300	5,300
Loan repayment	(3,987)	(3,987)
At end of year	1,313	1,313

The company's interest in joint ventures represents loans advanced to Freedom Homes (Stirling) Limited, a company registered in Scotland which is involved in residential and commercial property development in which the company holds a 50% shareholding.

8 Stocks

	2016 £000	2015 £000
Work in progress	16,964	17,526

Work in progress recognised as cost of sales in the year amounted to £9.596m (2015: £9.020m).

9 Debtors

	2016 £000	2015 £000
Trade debtors	1,996	826
Amounts owed by joint ventures	1,169	409
Amounts owed by group undertakings	5,672	1,022
Corporation tax	7	2
Other debtors	7	4
	8,851	2,263

10 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Payments received on account	88	35
Amount owed to group undertakings	1,943	823
Corporation tax	-	427
Group relief payable	1,336	1,091
Other creditors	31	19
Accruals and deferred income	267	279
	3,665	2,674

Notes *(continued)*

11 Called up share capital

	2016	2015
	£000	£000
Allotted, called up and fully paid		
378,840 Ordinary shares of £1 each	379	379

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. Retained earnings comprise cumulative undistributed earnings of the company.

12 Contingent liabilities

The company, its ultimate parent company and certain fellow subsidiaries are parties to a cross guarantee given in respect of their bank borrowings and guarantee facilities. At 30 June 2016 the total value of such facilities utilised across the group for which the company is jointly and severally liable was £170,814,000 *(2015: £201,017,000)*.

13 Ultimate parent undertaking

The company is a subsidiary undertaking of Stewart Milne Group Limited, incorporated in Scotland, which is the ultimate parent company.

The only group in which the results of the company are consolidated is that headed by Stewart Milne Group Limited. The consolidated accounts of this company are available to the public and may be obtained from the Registrar of Companies, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.