

A&L King (Builders) Limited

Annual report and financial statements

Registered number SC062886

30 June 2018



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Strategic Report

The directors present their strategic report and financial statements for the year ended 30 June 2018.

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 £15.1m (2017: £8.6m) with a profit before tax of £3.6m (2017: £0.8m). The increase in profit before tax in the current year is mainly due to the £1.8m dividend income received from Freedom Homes (Stirling) Limited, a joint venture that the company held a 50% interest in. This interest was disposed of during the period.

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:

	2018	2017	Movement
Turnover (£000)	15,111	8,555	77%
Gross Profit Margin	17%	12%	5%
Operating Profit (£000)	1,079	183	490%

Future developments

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

By order of the board



SA MacGregor
Director

Peregrine House
Mosscroft Avenue
Westhill Business Park
Westhill
Aberdeenshire
AB32 6JQ

27 November 2018

Directors' report

The directors present their directors' report and financial statements for the year ended 30 June 2018.

Dividends

No dividends were paid during the year (2017: £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

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

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



SA MacGregor
Director

Peregrine House
Mosscroft Avenue
Westhill Business Park
Westhill
Aberdeen
AB32 6JQ

27 November 2018

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 in 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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



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

Opinion

We have audited the financial statements of A&L King (Builders) Limited ("the company") for the year ended 30 June 2018 which comprise the Profit and loss account and other comprehensive income, the Balance sheet and the Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic Report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.



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

Directors' responsibilities

As explained more fully in their statements 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

David Derbyshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
27 November 2018

Profit and Loss Account and Other Comprehensive Income
for the year ended 30 June 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	15,111	8,555
Cost of sales		(12,600)	(7,489)
		<hr/>	<hr/>
Gross profit		2,511	1,066
Administrative expenses		(1,432)	(883)
		<hr/>	<hr/>
Operating profit		1,079	183
Income from other fixed asset investments	6	1,800	-
Interest receivable and similar income	7	674	625
		<hr/>	<hr/>
Profit before taxation	3-5	3,553	808
Tax on profit	8	(195)	(136)
		<hr/>	<hr/>
Profit for the financial year		3,358	672
		<hr/> <hr/>	<hr/> <hr/>

Balance Sheet
at 30 June 2018

	<i>Note</i>	2018	2017
		£000	£000
Fixed assets			
Investments	9	-	-
Current assets			
Stocks	10	16,052	16,483
Debtors	11	24,242	12,329
		<u>40,294</u>	<u>28,812</u>
Creditors: amounts falling due within one year	12	<u>(12,801)</u>	<u>(4,677)</u>
Net current assets		<u>27,493</u>	<u>24,135</u>
Net assets		<u>27,493</u>	<u>24,135</u>
Capital and reserves			
Called up share capital	13	379	379
Profit and loss account	13	27,114	23,756
Shareholders' funds		<u>27,493</u>	<u>24,135</u>

These financial statements were approved by the board of directors on 27 November 2018 and were signed on its behalf by:



SA MacGregor
Director

SC062886

Statement of Changes in Equity

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 July 2016	379	23,084	23,463
Total comprehensive income for the year			
Profit for the year	-	672	672
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	672	672
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2017	379	23,756	24,135
	<hr/>	<hr/>	<hr/>
Balance at 1 July 2017	379	23,756	24,135
Total comprehensive income for the year			
Profit for the year	-	3,358	3,358
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	3,358	3,358
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2018	379	27,114	27,493
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

A&L King (Builders) Limited (“the company”) is a private company incorporated, domiciled and registered in the UK. The registered number is SC062886 and the registered address is Peregrine House, Mosscroft Avenue, Westhill Business Park, Westhill, Aberdeen, AB32 6JQ.

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”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company’s ultimate parent undertaking, Stewart Milne Group Holdings Limited includes the company in its consolidated financial statements. The consolidated financial statements of Stewart Milne Group Holdings 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 Holdings Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The directors, in the application of these accounting policies, have not made any judgments that would have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going Concern

The financial statements have been prepared on a going concern basis.

As set out in note 14, the company is party to a cross guarantee arrangement given in respect of certain bank borrowings and guarantee facilities of Stewart Milne Group Limited (“the Group”). The Group extended its funding facility with Bank of Scotland in December 2017 and increased the facility available in October 2018. The facility term now extends to June 2020. After taking into account these changes, together with up to date financial forecasts, the directors of the Group have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Based on their enquiries of the Group’s directors, the directors of this company have a reasonable expectation that the cross guarantee arrangement to which the company is party will not result in a financial liability in the foreseeable future.

On this basis, and taking into account the company’s own forecast financial performance, the directors consider that it is appropriate to continue to prepare the Company’s financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

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.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

1 Accounting policies (continued)

1.7 Interest receivable

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

2 Turnover

	2018	2017
	£000	£000
Sale of goods in the United Kingdom:		
Housebuilding	15,111	8,555
	<u>15,111</u>	<u>8,555</u>

3 Note to the profit and loss account

Auditor's remuneration

The company's audit fee of £1,000 (2017: £1,000) was borne by a fellow group undertaking.

4 Remuneration of directors

The directors received no remuneration for services provided to the company during the year (2017: *£nil*).

5 Staff numbers and costs

The company had no employees during the year (2017: *none*).

6 Income from other fixed asset investments

	2018	2017
	£000	£000
Dividend income	1,800	-
	<u>1,800</u>	<u>-</u>

Dividend income was received during the year from Freedom Homes (Stirling) Limited.

7 Interest receivable and similar income

	2018	2017
	£000	£000
On loan stock	674	625
	<u>674</u>	<u>625</u>

Notes (continued)

8 Taxation

Analysis of charge in year

	£000	2018	£000	2017	£000
<i>UK corporation tax</i>					
Current tax on income for the year	195			136	
			195		136
Total tax on profit			195		136

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 (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.75%). The differences are explained below.

	2018	2017
	£000	£000
<i>Total tax reconciliation</i>		
Profit for the year	3,358	672
Total tax expense	(195)	(136)
Profit before tax	3,553	808
Total tax at 19% (2017: 19.75%)	675	160
<i>Effects of:</i>		
Transfer pricing adjustment	(64)	(24)
Adjustment in respect of prior years	(74)	-
Dividend income not taxable	(342)	-
Total tax charge (see above)	195	136

Factors affecting the future tax charge

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015. A further reduction to 18% (effective from 1 April 2020) was also substantively enacted on 26 October 2015 with an additional reduction to 17% (effective 1 April 2020) substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

Notes *(continued)*

9 Fixed asset investments

	Interest in joint ventures £000	Total £000
<i>Cost and net book value</i>		
At beginning and end of year	-	-
	<u> </u>	<u> </u>

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 held a 50% shareholding. This shareholding was disposed of during the year.

10 Stocks

	2018 £000	2017 £000
Work in progress	16,052	16,483
	<u> </u>	<u> </u>

Work in progress recognised as cost of sales in the year amounted to £12.600m (2017: £7.489m).

11 Debtors

	2018 £000	2017 £000
Trade debtors	160	679
Amounts owed by joint ventures	-	48
Amounts owed by group undertakings	24,075	11,596
Corporation tax	2	2
Other debtors	5	4
	<u> </u>	<u> </u>
	24,242	12,329
	<u> </u>	<u> </u>

12 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Payments received on account	-	88
Amount owed to group undertakings	10,878	2,792
Group relief payable	1,614	1,471
Other creditors	35	34
Accruals and deferred income	274	292
	<u> </u>	<u> </u>
	12,801	4,677
	<u> </u>	<u> </u>

Notes *(continued)*

13 Called up share capital

	2018	2017
	£000	£000
<i>Allotted, called up and fully paid</i>		
378,840 Ordinary shares of £1 each	379	379
	<u> </u>	<u> </u>

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.

14 Contingencies

The company, its ultimate parent company, its intermediate 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 2018 the total value of such facilities utilised across the group for which the company is jointly and severally liable was £158,544,000 (2017: £161,377,000).

15 Related party transactions

At the 30 June 2018, £nil (2017: £48,000) was owed by Freedom Homes (Stirling) Limited, a joint venture undertaking. During the year, Stewart Milne Group Limited disposed of its share in this joint venture.

16 Ultimate parent undertaking

The company is a subsidiary undertaking of Stewart Milne Group Limited. The ultimate controlling party is Stewart Milne Group Holdings Limited.

The largest group in which the results of the Company are consolidated is that headed by Stewart Milne Group Holdings Limited, Peregrine House, Mosscroft Avenue, Westhill Business Park, Westhill, Aberdeen, Scotland, AB32 6JQ. The smallest group in which they are consolidated is that headed by Stewart Milne Group Limited, Peregrine House, Mosscroft Avenue, Westhill Business Park, Westhill, Aberdeen, Scotland, AB32 6JQ.

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.