

Company Registration No. SC118706 (Scotland)

BANCON HOMES LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

BANCON HOMES LIMITED

COMPANY INFORMATION

Directors	K J McColgan A H Tweedie J D Tosh J Adamson J Skinner
------------------	---

Company number	SC118706
-----------------------	----------

Registered office	Burnett House Burn O'Bennie Road Banchory Aberdeenshire AB31 5ZU
--------------------------	--

Auditor	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL
----------------	---

BANCON HOMES LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Directors' responsibilities statement	6
Independent auditor's report	7 – 10
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14 - 23

BANCON HOMES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report and financial statements for the year ended 31 March 2023. The company is part of the Bancon Developments Holdings Limited group ("the group").

Fair review of the business

The principal activities of the company are developing and selling private residential homes and delivering land led, internally designed, affordable housing.

The company performed strongly in the year and has traded well in what has been an unpredictable market in the period since the post-lockdown recovery. Private homes sales were marginally below the previous year's record levels and this has been supplemented by the delivery of a major affordable housing development in Aberdeen.

The results for the company show Turnover of £64.6m (2022: £50.6m) and an Operating Profit of £4.1m (2022: £4.5m) as the business continues to generate strong returns.

Gross margin performance was in line with expectation, despite being impacted by significant raw materials price increases, particularly as market conditions have not allowed for revenue price increases to offset cost inflation. Gross Profit was maintained in line with the prior year at £7.1m.

Administrative expenses continue to be well controlled and were in line with the prior year level. Operating Profit for the year of £4.1m was broadly in line with the previous period (2022: £4.5m) which had also benefited from a business interruption insurance receipt.

Interest costs were marginally higher than the previous year and reflect the increase in base rates over the period. Profit before tax of £3.2m (2022: 3.8m), represents another strong year for the business and the continuation of robust, and sustainable, profit generation.

The positive trading result led to net assets increasing to £7.3m (2022: £6.7m) after the payment of a dividend of £2.0m (2022: £2.0m) to the parent company in the year.

The business is well positioned moving into the 2023/24 year and beyond, having successfully commenced two new developments in the Central Belt region in the year along with bringing forward further phases of our strategic developments in the Grampian region. Planning was secured on highly desirable site on the outskirts of Aberdeen as part of positive progress in securing opportunities for the medium and longer term and underpinning the forward growth agenda.

Forward sales coming into the new financial year were at a satisfactory level and in line with expectations. All sites have been secured to deliver the coming year's plans, giving confidence that another positive year's trading will be delivered in 2023/24.

BANCON HOMES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

Key business risks and uncertainties affecting the company are considered to relate to the planning process, housing market confidence, the availability of funds to house purchasers, and potential business disruption due to the likes of a pandemic.

Delays in the planning process could impact on the timing of new developments with a subsequent impact on profits and cash-flows. To mitigate this risk we have our own in-house planning team with the requisite experience and skills to manage our planning requirements.

Housing market confidence could impact overall activity levels and profitability and the business constantly assesses the latest market and economic data to ensure our product and service offerings reflect the current market conditions and remain competitive in mitigation of this risk.

A lack of available funds for purchasers could affect sales rates which would impact profits and cash-flows. The company provides the support of independent financial advisers to help prospective house purchasers in mitigation of this risk.

Regarding the risk of a further pandemic or similar disruption, the business has contingency plans in place to mitigate against potential disruptions to activities.

Key performance indicators

The directors of Bancon Homes Limited review detailed management reports on a weekly and monthly basis and consider the key performance indicators as reservations, gross profit, operating profit, net assets, customer satisfaction and health and safety scores.

Streamlined energy and carbon reporting

Streamlined energy and carbon reporting requirements have been disclosed on a group basis within the financial statements of the company's ultimate parent, Bancon Developments Holdings Limited, which includes the relevant energy and carbon information for the company. As such, the company is not obliged and has not reported their energy and carbon information here. The financial statements of Bancon Developments Holdings Limited are accessible via UK Companies House.

Section 172 (1) Statement

As directors of the company we have acted, and continue to act, in a way that we consider to be most likely to promote the continuing success of the company for the benefit of its members. In doing so we have had regard, amongst other matters, to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers, and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the company.

BANCON HOMES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Section 172 (1) Statement (continued)

The following are some examples as to how the directors have had regard to the matters set out above when discharging our section 172 duties:

The key strategic objective is to build a sustainable business for the benefit of current and future stakeholders. This involves us taking decisions both for the present and future benefit of the business. The executive directors work within the business on a daily basis, ensuring that key internal and external relationships are maintained directly and employees, suppliers and customers have appropriate access to us. Our management structure and reporting and communication lines are also organised in such a way that the impact and implications of key decisions are well understood throughout the organisation, with the appropriate level of input at all levels throughout the structure.

The employees are critical to the continued success of the business and it is key we effectively engage with them. Examples of how this is achieved include:

- Concerted focus on appraisal and personal development process;
- Regular business updates through various channels;
- Offering the opportunity for professional and career development through relevant training;
- Linking an element of employee reward to the financial success of the group and the company; and
- Having appropriate whistleblowing procedures.

We also ensure there is a wider understanding of, and alignment on key strategic objectives through regular formal and informal communication forums.

We maintain strong relationships with our suppliers and customers through the following practices:

- Regular contact and meetings with our key suppliers;
- Encouraging our customers and suppliers to raise any issues or concerns they have regarding their relationship;
- Continuing to focus on the qualities that appeal to our customer base and differentiate us from our competitors; and
- Offering dedicated points of contact within our team to promote the building of long-term relationships with our customers and suppliers.

We are committed to supporting the communities that we work in and being environmentally responsible. Corporate Social Responsibility is a key area of management focus and is reported on at a Board level. We undertake various initiatives to improve contributions to these communities and promote the effective use of resources to avoid the unnecessary generation of waste and pollution, with a focus on sustainability and compliance with environmental standards and targets.

We are also committed to conducting our business in an ethical manner. These values are engrained in the culture and encompass our commitment to ensure the highest standard of ethics in the way we conduct our business.

The company's ultimate controlling party is J C A Burnett of Leys and his family and as such no conflicts exist between shareholders in relation to the company.

On behalf of the Board

.....
A H Tweedie
Director
13/11/2023

.....

BANCON HOMES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and financial statements for the year ended 31 March 2023.

Directors

The following directors have held office since 1 April 2022 unless otherwise stated:

K J McColgan	(appointed 29 September 2023)
A H Tweedie	
J D Tosh	
J Skinner	
J Adamson	(appointed 4 July 2023)
J C Irvine	(resigned 29 September 2023)
S W Henneberg	(resigned 4 July 2023)
A J Clow	(resigned 4 July 2023)

Financial risk management

The company's activities expose it mainly to liquidity and credit risks. The company does not use derivatives to manage financial risk or for speculative purposes.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available to meet the working capital requirements of current projects and future housing developments, the company has access to bank funding facilities, which have been agreed on a group wide basis. These debt facilities are linked to the base rate. This will present no significant interest rate risk to the business despite recent increases to the base rate. Interest remains at an acceptable level to the business and within the projected range. The business also has robust cash controls in place.

Credit risk

The company operates procedures which ensure that, for each sale of private unit, the sale proceeds have been received prior to the property being legally transferred to the customer. Therefore, there is no credit risk to the business.

Future developments

Sales activity across our portfolio of sites continue to prove resilient to wider market and economic volatility as the combination of quality product in desirable locations and a focus on customer satisfaction continues to prove attractive to our customers. The Grampian market, continues to show signs of stabilisation and the company's sites in the Central Belt of Scotland are performing in line with expectations.

Whilst the directors do not anticipate a significant short-term improvement in market conditions, the business continues to invest in its infrastructure and land assets to ensure its growth aspirations can be realised in the short and medium term. Significant growth has been delivered in recent years and the directors are confident that with its balanced portfolio of current and future developments, a strong forward order book and with a continued positive relationship with its funders it is well placed to deliver its growth aspirations.

Engagement with employees, suppliers, customers and others and streamlined energy and carbon reporting

As noted within the Strategic Report, section 172 requirements including engagement with employees, suppliers, customers, and others, have been disclosed. Energy usage and greenhouse gas emissions are also detailed in the Strategic Report for Bancon Developments Holdings Limited. As such this information is not reported here although this note serves as a cross-reference to the Strategic Report.

Results and dividends

The results for the year are set out on page 11. A dividend of £2,000,000 was declared during the year (2022: £2,000,000) to its parent company.

BANCON HOMES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Reappointment of auditor

Johnston Carmichael LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

On behalf of the board

.....
A H Tweedie

Director
13/11/2023

BANCON HOMES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

The directors are responsible for preparing the Strategic Report, 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 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 then 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;
- 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.

BANCON HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BANCON HOMES LIMITED

Opinion

We have audited the financial statements of Bancon Homes Limited (the 'company') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including 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 2023, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

BANCON HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BANCON HOMES LIMITED

Matters on which we are required to report by exception

In the light of the 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 in relation to which 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 directors' responsibilities statement 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.

Auditor 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BANCON HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BANCON HOMES LIMITED

Extent to which the audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks identified include:

UK GAAP

Companies Act 2006

UK Tax legislation

Health and Safety legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of submitted returns, relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

Revenue recognition

Margin recognition on developments

Management override of controls

BANCON HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BANCON HOMES LIMITED

Extent to which the audit is considered capable of detecting irregularities, including fraud (continued)

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

For total house sales, we reconciled the number of sales recorded in the year with external third party confirmations and for a sample of house sales confirmed sales value recorded to missives;
For a sample of construction contracts, we verified work completed to date and appropriateness of revenue raised in line with contract progress;
Across all revenue streams, we conducted appropriate cut-off procedures;
For a sample of development margins, we verified costs and revenue to source documentation to confirm actual margins achieved and for a sample of developments across the year end, we enquired with management as to their outlook and reviewed post year-end financial performance to ensure no erosion of margin recognised;

Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
Review of internal Health & Safety register for evidence of incidents or potential and actual litigation;
Reviewing level and reasoning behind the company's procurement of legal and professional services;
Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
Completion of appropriate checklists and use of our experience to assess the company's compliance with the Companies Act 2006; and
Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

Stephen McIlwaine (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

13/11/2023.

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

BANCON HOMES LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023 £'000	2022 £'000
Turnover	3	64,602	50,649
Cost of sales	4	(57,552)	(43,513)
Gross profit		7,050	7,136
Administrative expenses	4	(2,949)	(2,913)
Other operating income	5	1	261
Operating profit	6	4,102	4,484
Interest payable and similar expenses	9	(888)	(707)
Profit before taxation		3,214	3,777
Taxation	10	(618)	(715)
Profit and total comprehensive income for the financial year		2,596	3,062

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing.

There are no recognised gains and losses other than this passing through the statement of comprehensive income and as such no statement of comprehensive income is presented.

Profit and total comprehensive income for the financial year are attributable to the shareholder.

BANCON HOMES LIMITED**BALANCE SHEET****AS AT 31 MARCH 2023**

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	12		16		25
Current assets					
Stocks	13	28,657		25,357	
Debtors	14	6,566		7,620	
Cash at bank and in hand		-		2,009	
		<u>35,223</u>		<u>34,986</u>	
Creditors: amounts falling due within one year	15	<u>(27,932)</u>		<u>(28,300)</u>	
Net current assets			7,291		6,686
Net assets			<u>7,307</u>		<u>6,711</u>
Capital and reserves					
Called up share capital	18		-		-
Profit and loss reserves	19		<u>7,307</u>		<u>6,711</u>
Total equity			<u>7,307</u>		<u>6,711</u>

The financial statements were approved by the board of directors and authorised for issue on 13/11/2023 and are signed on its behalf by:

.....
K J McColgan
Director

.....
A H Tweedie
Director

Company Registration No. SC118706

BANCON HOMES LIMITED

STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2023

		Share capital	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000
Balance at 1 April 2021		-	5,649	5,649
Year ended 31 March 2022:				
Profit and total comprehensive income for the year		-	3,062	3,062
Dividends	11	-	(2,000)	(2,000)
Balance at 31 March 2022		-	6,711	6,711
Year ended 31 March 2023:				
Profit and total comprehensive income for the year		-	2,596	2,596
Dividends	11	-	(2,000)	(2,000)
Balance at 31 March 2023		-	7,307	7,307

BANCON HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Bancon Homes Limited ("the company") is a private company limited by shares, incorporated and domiciled in Scotland. The principal activities of the company and the nature of the operations are set out in the Strategic Report on page 1. The company's trading address is Burnett House, Burn O'Bennie Road, Banchory, AB31 5ZU.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand pounds, unless otherwise indicated.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

FRS 102 reduced disclosure framework

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the ultimate parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company's ultimate parent company is Bancon Developments Holdings Limited and the company has taken advantage of the following disclosure exemptions under FRS 102:

The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d);
The requirement of Section 11 Basic Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c); and
The requirement of Section 33 Related Party Disclosures paragraph 33.7.

1.2 Going concern

The company meets its working capital requirements through revolving credit and overdraft facilities with Santander. Headline terms for a renewal of these facilities were agreed in October 2023 for another three years, with supporting long term financial projections continuing to illustrate a robust financial performance for the company, following on from recent historic and current trading performance. On this basis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.3 Turnover

Turnover is recognised at legal completion in respect of the total proceeds from selling residential homes. Turnover is measured at the fair value of consideration received or receivable and represents the amounts receivable for the property, net of discounts and zero-rated VAT. The sale proceeds of part-exchange properties are included as an adjustment within cost of sales for any margin realised, as the directors view these transactions as a means of conducting the original new build house sale.

Turnover and costs on an affordable housing contract are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. When it is probable that the total costs on an affordable housing contract will exceed total contract revenue, the expected loss is recognised as an expense in the profit and loss account immediately.

BANCON HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies (continued)

1.4 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	7 years
---------------------	---------

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to the profit and loss account.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) by comparing this to the asset's carrying value. The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of future cash flows before interest and tax, obtained as a result of the asset's continued use.

1.7 Stock and work in progress

Stock and work in progress, including land, is stated at the lower of cost and net realisable value. Cost comprises raw materials, consumables and direct labour plus attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less anticipated costs to completion and disposal. Provision is made for all foreseeable losses.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the profit and loss account. Reversals of impairment losses are also recognised in the profit and loss account.

1.8 Affordable housing contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts less amounts received as progress payments on account.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by independent surveys of work performed.

BANCON HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies (continued)

1.9 Shared equity interests

The loans are discounted to reflect the time value of money and unwound over the term of the loan. They are also reviewed regularly, and provisions are recorded for any amounts not deemed recoverable.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include trade and other receivables, amounts due from group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments through the expected life of the investment to the net carrying amount on initial recognition. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Basic financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Basic financial liabilities are subsequently carried at amortised cost, using the effective interest rate method.

BANCON HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies (continued)

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is provided, using the full liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The deferred tax position is calculated using the rates enacted or substantially enacted at the balance sheet date. Tax losses are surrendered or claimed in the form of group relief with consideration being received or paid accordingly. The group relief amount is recorded separately within the debtors and creditors amounts in the balance sheet, as applicable, and is calculated by applying the tax rate enacted or substantively enacted at the balance sheet date to the loss amount.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.16 Exceptional items

Exceptional items comprise costs which the directors consider as material to the statement of comprehensive income, that their separate disclosure is necessary for an appropriate understanding of the company's financial performance.

BANCON HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following are considered to be either judgements that have had the most significant effect on amounts recognised in the financial statements, or estimates that are dependent upon the assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

Stock and work in progress

Stock and work in progress is a material asset on the balance sheet. Monitoring of carrying values is carried out on a site by site basis throughout the year to identify any impairments or reversals of previous impairments. Judgement is required when monitoring the carrying values as this includes estimating cost to complete and future selling prices, which are dependent on housing market conditions. Where impairment is identified a provision is created to write work in progress down to its recoverable amount being the lower of cost and net realisable value.

The directors consider that there are no other judgements, estimates and underlying assumptions which have a significant risk of causing material adjustment to the carrying amount of the assets and liabilities.

3 Turnover

The directors believe that the company has one class of business, which is developing and selling residential houses. Turnover consists of revenue originated and delivered in the United Kingdom.

4 Income from Job Retention Scheme (JRS)

Income received from the Government's Job Retention Scheme was included in Cost of Sales and Administrative expenses for the year ended 31 March 2022 totalling £12k (£12k in Cost of Sales and £nil in Administrative Expenses). This has been aggregated within headline expense captions as the directors believe this presents a true and fair view of these cost categories in the period.

There was no JRS income received for the year ended 31 March 2023.

5 Other operating income

Other operating income in the prior year comprises income received from a successful Business Interruption insurance claim.

6 Operating profit

	2023	2022
	£'000	£'000
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	20	35
Operating lease charges	49	36

The audit fee has been borne by the ultimate parent company Bancon Developments Holdings Limited in the current and prior years. For the current year, the portion of the group audit fee relating to this company's audit was £18k (2022: £18k). Non-audit fees in respect of the company were £6k (2022: £5k).

BANCON HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

7 Employees

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

	2023 Number	2022 Number
Directors and management	12	11
Administration	35	33
Operatives	52	47
	<hr/> 99	<hr/> 91

Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	4,426	4,106
Social security costs	504	452
Pension costs	194	190
	<hr/> 5,124	<hr/> 4,748

8 Directors' remuneration

	2023 £'000	2022 £'000
Remuneration for qualifying services	422	352
Company pension contributions to defined contribution schemes	33	32
	<hr/> 455	<hr/> 384

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2022: 3).

Remuneration paid to the highest paid director during the year was £236k (2022: £168k)

9 Interest payable and similar expenses

	2023 £'000	2022 £'000
Interest on bank overdrafts and loans	888	707
	<hr/>	<hr/>

BANCON HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

10 Taxation

	2023 £'000	2022 £'000
Current tax		
UK corporation tax on profits for the current year	114	60
Group relief payable	504	658
Adjustments in respect of prior periods	-	(3)
	<u>618</u>	<u>715</u>

There is no deferred tax within this company.

The actual charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £'000	2022 £'000
Profit before taxation	<u>3,214</u>	<u>3,777</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	611	718
Tax effect of expenses that are not deductible in determining taxable profit	-	-
Group relief received	(504)	(658)
Deferred tax movement not recognised	8	9
Effects of changes in tax rates and laws	(2)	(10)
Other	1	(2)
Group relief paid for	<u>504</u>	<u>658</u>
Taxation charge for the year	<u>618</u>	<u>715</u>

The UK corporation tax rate remains at 19% for the full year (2022: 19%). On 3 March 2021, the government announced that with effect from 1 April 2023 the corporation tax rate would increase to 25% for companies with profits of over £250,000. This increase in the corporation tax rate was substantively enacted on 24 May 2021. The deferred tax liability as at 31 March 2023 is therefore calculated based on the 25% rate, in so far as it is not expected to reverse prior to 1 April 2023.

11 Dividends

During the year dividends of £2,000,000 were paid (2022 - £2,000,000) to the parent company.

BANCON HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

12 Tangible fixed assets

	Plant and machinery £'000
Cost	
At 1 April 2022	220
Additions	12
At 31 March 2023	232
Depreciation and impairment	
At 1 April 2022	196
Depreciation charged in the year	20
At 31 March 2023	216
Carrying amount	
At 31 March 2023	16
At 31 March 2022	25

13 Stocks

	2023 £'000	2022 £'000
Work in progress	25,696	23,571
Part-exchange properties	2,962	1,786
	28,657	25,357

14 Debtors

	2023 £'000	2022 £'000
Trade debtors	3,334	378
Amounts due from group undertakings	2,001	4,824
Other debtors	1,094	2,316
Prepayments and accrued income	137	102
	6,566	7,620

Included within other debtors is £nil (2022: £104k) falling due after one year. Amounts falling due after more than one year relate to shared equity interests in properties and other debtors. The application of the company's accounting policies has resulted in a carrying value which appropriately reflects the inherent risks of recoverability of shared equity receivables.

Amounts due from group undertakings are unsecured, have no specific repayment terms and do not bear interest.

BANCON HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

15 Creditors: amounts falling due within one year

	Note	2023 £'000	2022 £'000
Bank loans and overdrafts	16	11,227	17,000
Trade creditors		4,599	5,634
Amounts owed to group undertakings		7,346	3,921
Other taxation and social security		167	157
Corporation tax		113	60
Other creditors		99	107
Accruals and deferred income		4,381	1,421
		<u>27,932</u>	<u>28,300</u>

Amounts due to group undertakings are unsecured, have no specific repayment terms and do not bear interest.

16 Bank Loans and overdrafts

	2023 £'000	2022 £'000
Bank revolving credit facility	11,000	17,000
Bank overdrafts	<u>227</u>	<u>-</u>
	<u>11,227</u>	<u>17,000</u>

At the year end the company had drawn down funds against the revolving credit facility available to the Bancon Developments Holdings Limited group ("the group"). This facility is secured by a floating charge on the group's assets and certain specific fixed charges over development land.

The facility is available for a period of 3 years from 7 December 2020 and is subject to a variable interest rate facility based on the base rate plus an applicable margin. In October 2023, headline terms were agreed for a renewal of these facilities for another three years.

17 Retirement benefit schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At the balance sheet date there are accrued pension contributions of £28k (2022: £24k).

18 Share capital

	2023 £	2022 £
Ordinary share capital		
Issued and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

BANCON HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

19 Reserves

The company's profit and loss reserve represent the cumulative historic profits and losses, net of dividends and other adjustments.

20 Operating lease commitments

Lessee

At the reporting end date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023	2022
	£'000	£'000
Within one year	29	36
Between two and five years	20	48
	<hr/>	<hr/>
	49	84
	<hr/>	<hr/>

21 Related party transactions

The company has taken advantage of the exemption available in accordance with Section 33 of FRS 102 "Related Party Disclosures" not to disclose transactions entered into between two or more wholly owned members of a group.

22 Controlling party

The company's immediate parent company is Bancon Group Limited, which is registered in Scotland. The ultimate parent undertaking is Bancon Developments Holdings Limited, a company registered in Scotland, and is both the largest and the smallest group of undertakings to which the results of the company are consolidated into.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.