Company Registration No. SC244691 (Scotland)

BANCON DEVELOPMENTS HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

BANCON DEVELOPMENTS HOLDINGS LIMITED

COMPANY INFORMATION

Directors	*Executive Directors* J C Irvine A H Tweedie A J Clow *Non-Executive Directors* J C A Burnett of Leys A J A Burnett of Leys R McAlpine
Company number	SC244691
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 DEVELOPMENTS HOLDINGS LIMITED

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BANCON DEVELOPMENTS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report and financial statements for the year ended 31 March 2021. These financial statements represent the consolidated results of Bancon Developments Holdings Limited ("the Company") and its subsidiaries (collectively known as "the Group").

Principal activities

The principal activities of the company and its subsidiaries during the year were housebuilding ("the Homes business"), the supply of building and construction services ("the Construction business") and the design, manufacture and supply of timberframe structures ("the Timberframe business").

Strategic review

The Group has delivered a positive result for the year despite the disruption experienced due to the Covid-19 pandemic. The underlying strength of the Group together with a strong period of trading following the easing of lockdown restrictions has resulted in an operating profit for the full year of £1,411,127 (2020: £3,163,385).

In line with Government instruction, the business ceased all operations from 23rd March 2020, a week before the commencement of the financial year. Operations restarted, although in a restricted and phased manner, from 22nd June 2020. In light of these unprecedented challenges the business acted swiftly to ensure the health and safety of all our employees, suppliers and customers was the absolute priority.

The three-month suspension of all trading activity and the subsequent period of recommencing operations had a significant impact on the trading result for the year. Despite this, the business managed to deliver a profit in the year enabled by a combination of the support given by our employees, customers, supply chain, the government and our funders for which we remain truly grateful. This support enabled us to benefit from the stronger than expected market activity which we encountered in the second half of the year.

The Homes business continued to make progress in advancing its ambitious growth agenda. The business acquired three additional developments during the year, including its first in the Central Belt of Scotland which is performing ahead of expectations. Further site purchases are planned in the coming year with the first one now completed on time subsequent to the year-end. These acquisitions will underpin our planned activity through 2021/22 and beyond. The majority of our activity remains in the Grampian market which, after a number of challenging years, is now showing improved activity levels and limited price growth. Overall sales rates recovered strongly following the easing of lockdown restrictions in June 2021 and are now ahead of the levels being achieved before the pandemic which has resulted in a strong forward sales position in the current 2021/22 year.

The Timberframe business also delivered a positive result despite the interruption to trading faced in the year. A relatively quick return to the high activity levels experienced before the pandemic drove a second half trading performance ahead of expectations across all its areas of operation. A strong forward order book gives the directors confidence in delivering a positive result in the coming year.

The trading performance of the Construction business was also pleasing, where a controlled growth in turnover enabled a positive result for the year deriving from its ongoing strategy of concentrating resources on high quality opportunities. The Construction business also has a strong forward order book which gives the directors confidence in continuing the positive trading performance.

Subsequent to the year end there has been a significant increase in material pricing and lead times for many items have significantly elongated. This is for a variety of reasons but is mainly linked to the overall increase in activity levels in the marketplace both in the UK and overseas. To date this has been managed effectively by the Group, and while we anticipate some margin pressure, we are confident that the 2021/22 performance will be strong.

During the year we renewed our banking facility with Santander for a further three years ensuring that we have sufficient funds secured in order that we can continue to pursue our growth plans over the coming period.

Employees and Systems

Underpinning the forward plans of the Group are our people and the IT systems that allow them to function effectively. People and systems development have both received focus in the year. Enhanced appraisal and training structures have now been implemented across the Group and the businesses are now scoping the next phase of systems enhancements which will benefit the Group's operations and build upon the successful Finance, Payroll and HR systems upgrade in the prior year. Further investment is anticipated in both our people and systems going forward.

Fair review of the business and future developments

Turnover for the full year was down 13% on the prior year, at £73,566,238 (2020: £85,039,934) reflecting the cessation of activities over the first half of the year. Margins were also impacted by a level of costs continuing over this period although this was partially compensated by Government grants, through the Job Retention Scheme, that allowed employees to be furloughed and avoided redundancies.

Over the period of lockdown, decisive action was taken to reduce administrative expenses and conserve cash. While the vast majority of our employees were placed in furlough we also introduced, by agreement, temporary salary reductions for employees not furloughed. The support of our employees during this time is testament to their commitment and was an instrumental factor in allowing the business to manage its way through uncertain periods of inactivity and facilitated the strong recovery following the easing of lockdown restrictions. As noted above, Government support was also utilised where appropriate. A successful insurance claim for Business Interruption also helped mitigate the impact of the Covid-19 pandemic on the business and is shown in Other Operating Income.

Managing the lockdown restrictions as effectively as possible ensured the Group had a swift and positive return to trading post lockdown allowing a return to profitability. While pre-pandemic levels of activity were not fully resumed until the end of the first half of the financial year, subsequent trading was particularly positive and enabled a partial recovery of the gross margin forgone during the enforced cessation of trading.

Operating Profit of £1,411,127 (2020: £3,163,385), whilst below the level of the previous year, is therefore viewed as a positive result given the unprecedented nature of the challenges faced in the period. Interest costs and one-off costs in relation to the pandemic suppressed Profit Before Tax to £181,729 (2020: loss of £526,609). The Group's net assets at 31 March 2021 are £13,798,502 (2020: £13,616,755).

The underlying trading performance of the Group therefore remains strong and gives confidence that the foundations are in place to deliver continually improved performance going forward.

The Homes business continues to perform well and has seen an improvement in sales rates in the Northeast of Scotland since coming out of lockdown last year. Our first site in the Central Belt of Scotland is also experiencing a strong sales rate and we are looking to make further investment in this region. A strong start has also been made to the new financial year with 75% of the year's targeted sales secured to date.

The Timberframe business has again delivered a strong result, despite the disruption to trading. The business continues to operate with the benefit of a strong forward order book and has traded at its highest ever levels of activity in the first months of the new financial year. With the benefit of a full year's uninterrupted trading, the directors are confident of delivering a significant uplift to the trading result for the coming year.

The Construction business delivered a year-on-year increase in Turnover despite the cessation of activities over the three-month period of lockdown. Margins were however impacted by the continuation of an element of cost over that period with no revenue generating activity. The business still delivered a pre-tax profit in the year which was ahead of expectations given the challenges faced. With the appropriate controls and disciplines now well established and a firm focus on margin control, the business is well positioned moving forward.

Group net debt was broadly in line with the prior year, at £13,844,950 (2020: £13,665,442) despite the investment in new Homes sites in the year. Working capital has been well controlled throughout the year, particularly over the period of lockdown and subsequent ramping-up of activities.

All three businesses remain well placed going forward with strong order books and a positive sales performance in the initial months of the new year. As is the case for the wider industry, the business is experiencing challenges in terms of the supply and price of raw materials, with extended lead times on critical components resulting in

Fair review of the business and future developments (continued)

operational, and ultimately margin, pressures. This continues to be managed satisfactorily and the current strength of the market, strong sales pipeline and high activity levels give the directors confidence that, with the benefit of a full year's trading in 2021/22, the Group will continue the trend of profitability growth going forward.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are formally reviewed by the Group and company boards and appropriate business processes are in place to monitor and mitigate them.

Key business risks and uncertainties affecting the Group are considered to relate to the planning process, housing market confidence, the availability of funds to house purchasers, a reduction in capital projects and reducing opportunities for Construction and Timberframe businesses, volatility in raw material prices and supply, and potential ongoing business disruption due to the Covid-19 pandemic.

Delays in the planning process could impact on the timing of new developments with a subsequent impact on profits and cash-flows and therefore 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 Group provides the support of independent financial advisers to help prospective house purchasers in mitigation of this risk.

Reduced spend on capital projects could impact overall activity levels and profitability. The Group 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. In further mitigation the Group has developed a significantly more flexible cost base which better suits the current environment.

Price increases and the availability of raw materials and key components could impact margins. To mitigate this risk the Group adopts a number of strategies including forward purchasing raw materials, seeking to agree price increases from customers, and entering fixed price supply contracts.

Regarding the ongoing Covid-19 pandemic, the business has appropriate health and safety precautions in place to mitigate against the risk of infection across our premises and sites. Contingency plans have also been prepared and tested in order to mitigate against potential disruptions to activities.

Key performance indicators

The directors of Bancon Developments Holdings Limited manage operations on a group basis. The Board reviews in detail the performance of each of the businesses through their monthly management accounts and contract/development reports. The Board reviews enquiry and sales levels, order book, contract performance, turnover, manpower levels, gross and net margins achieved, overhead levels and cash flows. The most significant key performance indicators it considers are profitability and debt levels which are discussed in the financial performance review section above.

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;

Section 172 (1) Statement (continued)

- 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 as between members of the company.

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 Group's 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 Company; and
- Having appropriate whistleblowing procedures.

We also ensure there is a wider understanding of, and alignment on, the Group's 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 with the Group;
- 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 the Company's 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. Our core values are defined by the fact that we are easy to deal with; we are agile; our word is our bond; and we take a long-term/legacy view in all that we do. These values are engrained in the Group's culture and encompass our commitment to ensure the highest standard of ethical conduct in the way we conduct our business.

The Company and Group'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.

Streamlined energy and carbon reporting

The information presented here represents only those companies within the group that are subject to report energy and carbon information in their own right, namely:

- Bancon Developments Holdings Limited;
- Bancon Group Limited; and
- Bancon Homes Limited.

Streamlined energy and carbon reporting (continued)

Energy use and greenhouse gas emissions

	Year ended 31 March 2021		Year ended 31 March 2020	
	Energy Use mWh	**Tonnes CO_2e**	**Energy Use mWh**	**Tonnes CO_2e**
Scope 1 energy use and emissions from stationery combustion gas and generator construction site fuel use	1.3	0.3	1.8	0.4
Scope 1 energy use and emissions from mobile combustion, transport and plant construction site fuel use	5.3	1.2	9.1	2.2
Scope 2 energy use and emissions from electricity use	397.7	84.4	342.7	79.9
Scope 3 energy use and emissions from business mileage from staff's own vehicles	1.5	0.4	2.8	0.7
Total energy use and greenhouse gas emissions	**405.7**	**86.3**	**356.4**	**83.2**
Greenhouse gas emissions per home sold		**1.0**		**1.1**

The number of homes sold during the financial year is considered the most relevant business metric to express the group's intensity ratio.

Energy efficiency action taken

We acknowledge our responsibility to ensure we are contributing to mitigate the impact of our business activities on climate change. Our new homes are built to government standards which are considered to include high environmental regulations. Moreover, our homes are designed with sustainable qualities, built using quality materials and good building techniques that improve their energy efficiency.

Methodology

Scope 1, 2 and 3 energy use and greenhouse gas emissions data was collated from the relevant group companies and from suppliers to identify the amount of energy used. Where actual emissions for the financial year are not available by the reporting date, estimates are used.

Energy consumption is calculated for show homes, plots and site offices based on costs incurred considered against average utilities prices during the financial year.

For business travel, fuel card usage, mileage information, expense claims and fuel invoices are used to establish the level of scope 1 emissions. Train travel by employees is not considered to be material and as such this is not reported within the emissions data. For site diesel, usage is based on a calculation of litres delivered to site within the financial period.

Greenhouse gas (GHG) emissions are calculated in line with GHG Reporting Protocol – Corporate Standard and reported in line with the UK Government's guidance on Streamlined Energy and Carbon Reporting and mandatory GHG reporting guidance.

On behalf of the board

J. I.

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J C Irvine
Director
10 August 2021

The directors present the strategic report and financial statements for the year ended 31 March 2021. These financial statements represent the consolidated results of Bancon Developments Holdings Limited ("the Company") and its subsidiaries (collectively known as "the Group").

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J C Irvine	
A H Tweedie	
A J Clow	
J C A Burnett of Leys	
A J A Burnett of Leys	
R McAlpine	(appointed 14th May 2020)
W R Hutcheson	(resigned 14th May 2020)

Dividends

The results for the year are set out on page 13. The directors do not recommend payment of a dividend (2020: nil).

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk and liquidity risks.

The Group has in place a risk review process that seeks to limit the adverse effects on its financial performance by monitoring levels of debt finance and the related finance costs. Regular forecasting of the Group's short and long term forward liquidity needs are carried out and reviewed by each company and the Group's board.

The policies set by the Group's board of directors are implemented by the Group's finance team and key senior managers.

Price risk

The Group can be exposed to commodity price risk as a result of its operations. To mitigate this risk the company will forward buy an appropriate level of raw material and will also protect itself against significant commodity price increases, where appropriate, in its pricing to customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future operations, the company has access to bank funding facilities which are agreed on a Group wide basis and matched to the Group's existing and forecast funding needs. These debt facilities would typically be linked to LIBOR which will present no significant interest rate risk to the business.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before contracts are agreed. Where the directors believe that customers may prove a problem, up-front payments will be enforced. During the course of projects, credit control procedures are in place to minimise any credit risk to the business.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The Group believes that continued development and training of their staff is a key factor in achieving the skills, quality and motivation within the workforce for the future success of the business.

Through the use of our inhouse Group newsletter, intranet and employee presentations within each company, we continue to inform all staff of decisions that may affect their interests and they also give the employees the platform on which they can make suggestions to improve the financial performance of the Group.

Strategic report
The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments.

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

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually 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 auditor of the company is aware of that information.

On behalf of the board

J. Irv.

J C Irvine
Director

10 August 2021

BANCON DEVELOPMENTS HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company, and of the profit or loss of the Group 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 Group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion
We have audited the financial statements of Bancon Developments Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the Group Statement of Income and Retained Earnings, the Group Balance Sheet, the Company Balance Sheet, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and Analysis of Debt, 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 group and of the parent company's affairs as at 31 March 2021, and of the group's 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 group 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. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- analysing the current and forecast performance of the group, including financing requirements, by assessing management's assumptions against market data and the group's post year end actual financial performance;
- reviewing current and forecast debt covenant compliance across the going concern period;
- assessing the appropriateness of the going concern disclosure.

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 group'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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 8, 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's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We designed 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.

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.

Extent to which an audit is considered capable of detecting irregularities, including fraud (continued)
We obtained an understanding of the legal and regulatory frameworks that are applicable to the group, 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
- Corporation Tax legislation
- VAT legislation
- Health and Safety legislation

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

We assessed the susceptibility of the group's 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 oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the group's procurement of legal and professional services;
- In respect of work in progress, analysing completions across sites during the year and comparing actual margins achieved with budgeted margins, confirming any material variances through inspection and enquiry with management, testing a sample of current costs and sales completions to confirm actual margins achieved and reviewing margins achieved across sites post year end. For development land held, reconciling carrying value with future plans for development;
- Performing audit 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.

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 risk 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

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

Johnston Carmichael LLP

10 August 2021
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Stephen McIlwaine (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
ABERDEEN
AB10 1YL

BANCON DEVELOPMENTS HOLDINGS LIMITED

GROUP STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	3	73,566,238	85,039,934
Cost of sales	4	(64,984,509)	(71,842,415)
Gross profit		8,581,729	13,197,519
Administrative expenses	4	(8,185,946)	(10,037,174)
Other operating income	5	1,015,344	3,040
Operating profit		1,411,127	3,163,385
Exceptional items	10	(650,323)	(3,060,075)
Interest payable and similar expenses	11	(579,075)	(629,919)
Profit/ (loss) before taxation	6	181,729	(526,609)
Taxation	12	-	-
Profit/ (loss) for the financial year		181,729	(526,609)
Retained earnings at 1 April		13,616,090	14,142,699
Retained earnings at 31 March		13,797,819	13,616,090

The Group Statement of Income and Retained earnings has been prepared on the basis that all operations are continuing.

BANCON DEVELOPMENTS HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2021

		2021		2020	
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Tangible assets	**13**		703,669		819,010
Investments	**14**		50		50
			703,719		819,060
Current assets					
Stocks	**17**	40,045,719		37,397,739	
Debtors	**18**	13,578,215		14,083,830	
		53,623,934		51,481,569	
Creditors: amounts falling due within one year	**19**	(39,880,697)		(38,047,861)	
Net current assets			13,743,237		13,433,708
Total assets less current liabilities			14,446,956		14,252,768
Creditors: amounts falling due after more than one year	**20**		(648,454)		(636,013)
Net assets			13,798,502		13,616,755
Capital and reserves					
Called up share capital	**24**		665		665
Profit and loss reserves	**25**		13,797,837		13,616,090
Total equity			13,798,502		13,616,755

The financial statements were approved by the board of directors and authorised for issue on 10 August 2021 and are signed on its behalf by:

J. Irvine

....

J C Irvine
Director

....

A H Tweedie
Director

BANCON DEVELOPMENTS HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	13		221,277		268,690
Investments	14		666		666
			221,943		269,356
Current assets					
Debtors	18	6,470,193		5,125,670	
Cash at bank and in hand		896,998		-	
		7,367,191		5,125,670	
Creditors: amounts falling due within one year	19	(7,144,817)		(3,261,618)	
Net current assets			222,374		1,864,052
Net assets			444,317		2,133,408
Capital and reserves					
Called up share capital	24		665		665
Profit and loss reserves	25		443,652		2,132,743
Total equity			444,317		2,133,408

As permitted by s.408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,689,091 (2020 profit: £6,414,610).

The financial statements were approved by the board of directors and authorised for issue on 10 August 2021 and are signed on its behalf by:

J. I.

....

J C Irvine
Director

....

A H Tweedie
Director

Company Registration No. SC244691

BANCON DEVELOPMENTS HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2019	665	(4,281,865)	(4,281,200)
Year ended 31 March 2020:			
Loss and total comprehensive expense for the year	-	(1,461,392)	(1,461,392)
Dividends received	-	7,876,000	7,876,000
Balance at 31 March 2020	665	2,132,743	2,133,408
Year ended 31 March 2021:			
Loss and total comprehensive expense for the year	-	(1,689,091)	(1,689,091)
Dividends received	-	-	-
Balance at 31 March 2021	665	443,652	444,317

BANCON DEVELOPMENTS HOLDINGS LIMITED

GROUP STATEMENT OF CASHFLOWS AND ANALYSIS OF DEBT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Cashflows from operating activities					
Cash generated from operations	**27**		527,550		965,112
Interest paid			(579,075)		(629,919)
Income taxes refunded			-		(104,592)
Net cash (outflow)/ inflow from operating activities			(51,525)		230,601
Investing activities					
Purchase of tangible fixed assets	**13**	(151,984)		(458,410)	
Proceeds on disposal of tangible fixed assets		24,001		1,000	
Net cash used in investing activities			(127,983)		(457,410)
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(179,508)		(226,809)
Cash and cash equivalents at beginning of year			(13,665,442)		(13,438,633)
Cash and cash equivalents at end of year	**21**		(13,844,950)		(13,665,442)

Analysis of changes in debt (note 21)

	At 01 Apr 2020 £	Cashflows £	At 31 March 2021 £
Cash and cash equivalents			
Cash at bank and in hand	7,285,707	1,316,859	8,602,566
Bank overdrafts	(1,951,149)	1,503,633	(447,516)
	5,334,558	**2,820,492**	**8,155,050**
Borrowings			
Bank revolving credit facility	(19,000,000)	(3,000,000)	(22,000,000)
	(19,000,000)	**(3,000,000)**	**(22,000,000)**
Total	**(13,665,442)**	**(179,508)**	**(13,844,950)**

1 Accounting policies

Company information

Bancon Developments Holdings Limited ("the company") is a private company limited by shares, incorporated and domiciled in Scotland. The principal activities of the company and its subsidiaries (collectively known as "the Group") and the nature of the Group's operations are set out in the Strategic Report on pages 1 to 5.

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 pound.

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

The directors have chosen to present the net position of cash at bank and in hand and bank borrowings rather than the gross position. The directors monitor the Group's net debt position as part of their day to day management of the Group and as such it is deemed appropriate to present the net debt figure in the financial statements. The directors believe showing the net facility allows them to present a true and fair view of the Group's financial position, financial performance and cashflows.

FRS 102 reduced disclosure framework - parent company

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 has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements under FRS102:

- 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 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

1 Accounting policies (continued)

1.2 Basis of consolidation (continued)

The consolidated financial statements incorporate those of Bancon Developments Holdings Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the equity method.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This incorporates consideration of the Group's future trading forecasts coupled with the security of agreeing renewed banking facilities for a further three years during the period. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. It derives turnover from three principal sources: Timberframe supplies, construction contracts and housebuilding.

Timberframe supplies

Turnover can arise primarily from either the supply of timberframe structures or the supply and build of the timberframe structures. The former is treated as a supply of goods and turnover is recognised when the structure is physically delivered to the customer. The latter is treated as a construction contract and turnover is recognised as per a construction contract.

Revenue received in relation to timberframe contract retentions are recognised when it is probable that the economic benefits associated with the transaction will flow to the company.

Construction contracts

Turnover is only recognised on a construction contract where the outcome can be estimated reliably. Variations to, and claims arising in respect of, construction contracts are included in revenue to the extent that they have been agreed with the customer. Turnover and costs 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. An estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. Contracts are only treated as construction contracts when they have been specifically negotiated for the construction of a development or property. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is recognised as an expense in the profit and loss account immediately.

Amounts recoverable on construction contracts are included in trade receivables and stated at cost plus attributable profit less any foreseeable losses. The costs on contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks are work in progress. Payments received in excess of amounts recoverable on construction contracts are included in payments on account within creditors.

1 Accounting policies (continued)

1.4 Turnover (continued)

Housebuilding
Turnover is recognised at legal completion in respect of the total proceeds from selling private 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 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.

1.5 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.

1.6 Intangible fixed assets other than goodwill

Trade licenses owned at the balance sheet date are included at cost less provision for diminution in value. No provision for amortisation has been made in the financial statements as the estimated residual value is greater than the net carrying value.

1.7 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:

Land and buildings freehold	20 years
Tenant's improvements	10 years
Plant and machinery	7 years
Fixtures, fittings & equipment	7 years
Motor vehicles	4 years
IT	4 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 recognised in the profit and loss account.

Expenditure incurred after the asset is put to use, such as repairs and maintenance costs, are expenses in the period incurred, while other expenses that are expected to generate future economic benefits are capitalised.

1.8 Fixed asset investments

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.9 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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 Accounting policies (continued)

1.10 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 profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Land options

Land options are included within work in progress at cost. If, or when, it becomes apparent that an option on land relating to a potential development site will not receive the necessary approvals the option will be charged in full to profit or loss.

1.12 Construction contracts

Amounts recoverable on construction 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 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 the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

1.13 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.

1.14 Financial instruments

The Group 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 Group's balance sheet when the Group 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 at a parent company level and participating interests 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.

1 Accounting policies (continued)

1.14 Financial instruments (continued)

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 profit or loss.

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 profit or loss.

Basic financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to Group undertakings at a parent company level 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 instruments are subsequently carried at amortised cost, using the effective interest rate method.

1.15 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.

1.16 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 Group'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 Accounting policies (continued)

1.17 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.

1.18 Retirement benefits

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to profit or loss in the year they are payable.

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

1.19 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.

2 Judgements and key sources of estimation uncertainty

In the application of the Group'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 - housebuilding

Stock and work in progress (including land) 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 or cost and net realisable value.

2 Judgements and key sources of estimation uncertainty (continued)

Recognition of retention revenue - timberframe supplies

Management consider the recoverability of construction contract retentions in relation to timberframe supplies to be fundamentally uncertain and as such these are recognised when it is deemed that it is probable that the economic benefits associated with the transaction will flow to the company rather than as part of construction contract revenue as the job progresses. Management consider this treatment to be appropriate on the basis that the company generally acts as subcontractor on contracts and is normally beholding to the main contractor, which creates significant uncertainty around the receipt of retentions.

Deferred tax asset

The recognition of deferred tax assets is dependent upon estimation of future taxable profits that will be available against which carried forward trading losses can be utilised, the directors and management are therefore required to assess the timing of the utilisation of provisions for tax purposes and whether sufficient taxable profits will be available to enable the asset to be recovered. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future years. At 31 March 2021 the directors and management are satisfied with the recoverability of the deferred tax asset recognised, considering estimated future taxable profits and their predicted utilisation.

Long term contracts - construction contracts

Long term contract accounting impacts a number of significant account balances within the Group's financial statements, including: turnover, cost of sales, amounts recoverable on construction contracts within trade receivables and stock and work in progress. Turnover, cost and ultimately profit recognition in respect of construction contracts require the directors and management to make estimations on the outcome of long-term contracts which require assessments and judgements to be made. These include the stage of completion of the individual construction contracts based on percentage of completion methodology, the recoverability of construction costs, any variations in the construction contract, any changes in contract costs and the level of recoverability of retentions. All of the factors have been considered by the directors and management in concluding on the appropriate profit and loss presentation of long-term contracts for the year ended 31 March 2021.

The recoverability of amounts recoverable on construction contracts and other receivables, including retentions, are regularly reviewed in light of available economic information specific to each receivable and provisions are recognised for balances considered to be irrecoverable. At 31 March 2021, the directors and management concluded their reviews and are satisfied that amounts recoverable on construction contracts and other receivables are appropriately stated within the financial statements.

With respect to stock and work in progress, key judgements and estimates in determining the appropriateness of its carrying value are:

- An estimation of costs to complete; and
- An estimation of the remaining revenues.

The assessments include a degree of uncertainty and therefore if the key judgements and estimates charge unfavourably, write-downs of stock and work in progress may be necessary. At 31 March 2021, the directors and management concluded their reviews and are satisfied that the stock and work in progress are appropriately stated within the financial statements.

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 amounts of the assets and liabilities.

3 Turnover

An analysis of the Group's turnover is as follows:

	2021	2020
	£	£
Housebuilding	28,736,041	36,192,449
Timberframe	17,817,532	24,904,059
Construction	27,012,665	23,943,426
	73,566,238	85,039,934

All Group turnover is generated within the United Kingdom.

4 Income from Job Retention Scheme (JRS)

Cost of Sales and Administrative expenses for the year ended 31 March 2021 include £1,795,635 (£907,232 in Cost of Sales and £888,403 in Administrative Expenses) of income received from the Government's Job Retention Scheme. 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.

5 Other operating income

	2021	2020
	£	£
Gain on disposal of fixed assets	15,344	3,040
Business Interruption insurance receipt	1,000,000	-
	1,015,344	3,040

6 Profit/ (loss) before taxation

	2021	2020
	£	£
Profit/ (loss) before taxation for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	258,668	246,714
Profit on disposal of tangible fixed assets	(15,344)	(1,000)
Impairment of intangible assets	-	15,500
Operating lease charges	195,415	450,884

7 Auditor's remuneration

	2021	2020
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the Group and company	15,750	15,270
Audit of the financial statements of the company's subsidiaries	48,250	48,355
	64,000	63,625
For other services		
All other non-audit services	19,000	18,375

8 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	887,673	956,676
Company pension contributions to defined contribution schemes	19,306	20,916
	906,979	980,592

Remuneration disclosed above includes £554,049 paid to the highest paid director (2020: £688,125). This includes an amount paid in relation to a long-term incentive scheme based on Group performance.

9 Employees

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

	2021	2020
	Number	Number
Directors and management	59	66
Administration	69	67
Weekly paid production	107	131
	235	264

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	10,364,099	11,379,450
Social security costs	912,083	1,005,144
Pension costs	456,084	521,936
	11,732,266	12,906,530

10 Exceptional Items

	2021 £	2020 £
Covid-19 specific costs	650,323	-
Loss on historic contract	-	2,080,490
Impairment of a long-held development	-	979,585
	650,323	3,060,075

Covid-19 specific costs were incurred to ensure office spaces and sites operated under conditions safe for all employees and customers.

11 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	579,075	629,919

12 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax charge	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax charge	-	-

12 Taxation (continued)

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

	2021	2020
	£	£
Profit/ (loss) before taxation	181,729	(526,609)
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	34,528	(100,054)
Fixed asset differences	5,095	7,756
Tax effect of expenses that are not deductible in determining taxable profit	1,613	5,065
Deferred tax assets not recognised	(41,237)	206,166
Effects of changes in tax rates and laws	-	(118,938)
Other differences	1	(4)
Taxation charge for the year	-	-

13 Tangible fixed assets

Group	**Land and buildings freehold**	**Tenant's improvements**	**Plant and machinery**	**FFE & IT**	**Motor vehicles**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Cost						
At 1 April 2020	133,827	649,268	1,508,467	235,211	323,654	2,850,427
Additions	12,997	51,610	72,111	15,266	-	151,984
Disposals	-	-	(51,596)	-	(32,950)	(84,546)
At 31 March 2021	146,824	700,878	1,528,982	250,477	290,704	2,917,865
Depreciation and impairment						
At 1 April 2020	73,719	557,847	942,426	186,730	270,695	2,031,417
Depreciation charged in the year	14,494	28,894	163,095	29,221	22,964	258,668
Eliminated in respect of disposals	-	-	(47,490)	-	(28,399)	(75,889)
At 31 March 2021	88,213	586,741	1,058,031	215,951	265,260	2,214,196
Carrying amount						
At 31 March 2021	58,611	114,137	470,951	34,526	25,444	703,669
At 31 March 2020	60,108	91,421	566,041	48,481	52,959	819,010

Company	**Plant and machinery**	**Fixtures, fittings & equipment**	**Total**
	£	**£**	**£**
Cost			
At 1 April 2020	295,214	638	295,852
Additions			
At 31 March 2021	295,214	638	295,852
Depreciation and impairment			
At 1 April 2020	26,691	471	27,162
Depreciation charged in the year	47,246	167	47,413
At 31 March 2021	73,937	638	74,575
Carrying amount			
At 31 March 2021	221,277	-	221,277
At 31 March 2020	268,523	167	268,690

14 Fixed asset investments

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Investments in subsidiaries (see note 15)	50	50	666	666

Movements in fixed asset investments
Group

	Shares
	£
Cost or valuation	
At 1 April 2020 & 31 March 2021	50
Carrying amount	
At 31 March 2021	50
At 31 March 2020	50

The fixed asset investment held by the Group is Ringlink (Scotland) Limited, a company incorporated in Scotland. The company owns 50 ordinary £1 shares in the investment and its principal activity is the provision of temporary labour.

The directors consider that the carrying value of the investment is supported by their underlying net assets.

Movements in fixed asset investments
Company

	Shares
	£
Cost or valuation	
At 1 April 2020 & 31 March 2021	666
Carrying amount	
At 31 March 2021	666
At 31 March 2020	666

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the Balance Sheet.

15 Subsidiaries

Details of the company's subsidiaries at 31 March 2021 are as follows:

Name of undertaking and country of *incorporation or residency*		**Nature of business**	**Class of shareholding**	**% Held Direct**
Bancon Aspire Limited (1)	Scotland	Housebuilder	1 ordinary £1 share	100.00
Bancon Construction Limited (2)*	Scotland	Building and contracting	200 ordinary 50p shares	100.00
Bancon Group Limited (1)	Scotland	Building and contracting	665 ordinary £1 shares	100.00
Bancon Homes (Deeside) Limited (1)*	Scotland	Housebuilder (non-trading)	100 ordinary £1 shares	100.00
Bancon Homes (Donside) Limited (1)*	Scotland	Housebuilder (non-trading)	100 ordinary £1 shares	100.00
Bancon Homes Limited (1)*	Scotland	Housebuilder	100 ordinary £1 shares	100.00
Deeside Timberframe Limited (2)*	Scotland	Timberframe manufacture	1 ordinary £1 share	100.00

*The shares in these companies are held by Bancon Group Limited.

The registered offices for each subsidiary are listed below:

(1) Burnett House, Burn O'Bennie Road, Banchory, Aberdeenshire, Scotland, AB31 5ZU;
(2) Banchory Business Centre, Burn O'Bennie Road, Banchory, Aberdeenshire, Scotland, AB31 5ZU.

16 Joint ventures

The Group has invested in a joint venture, Leys Business Services Limited, a company registered in Scotland. Leys Business Services Limited's principal activity is the provision of support services and Bancon Developments Holdings Limited owns 50% of the ordinary share capital of that company. No share of operating result from Leys Business Services Limited has been included within the Group's results for the year on the grounds that this is immaterial.

17 Stocks

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Raw materials and consumables	1,798,978	1,139,420	-	-
Work in progress	35,148,541	33,170,042	-	-
Part-exchange properties	3,098,200	3,088,277	-	-
	40,045,719	37,397,739	-	-

18 Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling due within one year:				
Trade debtors	8,813,449	9,283,642	-	17,699
Amounts due from Group undertakings	-	-	6,007,504	4,931,790
Other debtors	766,574	1,013,897	25,328	-
Prepayments and accrued income	2,330,020	2,689,444	437,361	176,181
	11,910,043	12,986,983	6,470,193	5,125,670
Amounts falling due after more than one year:				
Trade debtors retentions	824,513	480,161	-	-
Amounts due from joint venture undertakings	57,000	57,000	-	-
Other debtors	226,973	-		
Shared equity investments in properties	187,093	187,093	-	-
	1,295,579	724,254	-	-
Deferred tax asset (see note 22)	372,593	372,593	-	-
	1,668,172	1,096,847	-	-
Total debtors	13,578,215	14,083,830	6,470,193	5,125,670

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 to the parent company have no specific repayment terms and do not bear interest.

19 Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Bank loans and overdrafts (see note 21)	13,844,950	13,665,442	-	1,681,851
Payments received on account	3,032,774	2,496,114	-	-
Trade creditors	13,878,108	11,689,313	281,533	22,212
Amounts due to Group undertakings	-	-	6,172,133	1,165,803
Other taxation and social security	754,192	751,581	-	-
Other creditors	258,871	163,141	70,134	-
Accruals and deferred income	8,111,802	9,282,270	621,017	391,752
	39,880,697	38,047,861	7,144,817	3,261,618

Amounts due to Group undertakings from the parent company have no fixed repayment terms and do not bear interest.

20 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade creditors retentions	418,954	182,372	-	-
Other creditors	150,000	374,141	-	-
Dilapidations provision	79,500	79,500	-	-
	648,454	636,013	-	-

21 Bank loans and overdrafts

	Group		Company	
	2021	2020	2020	2020
	£	£	£	£
Bank revolving credit facility	22,000,000	19,000,000	-	-
Bank overdrafts	447,516	1,951,149	-	1,681,851
Cash at bank and in hand	(8,602,566)	(7,285,707)	(896,998)	-
	13,844,950	13,665,442	(896,998)	1,681,851
Payable within one year	13,844,950	13,665,442	-	1,408,167

21 Bank loans and overdrafts (continued)

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.

On 8th December 2020, the Group entered a new three-year facility which is subject to a variable interest rate facility based on LIBOR plus an applicable margin. Part of the renewed facility has been provided under the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") which is underpinned by a 80% guarantee from the UK Government to the lender, but the Group remains liable for the repayment of the facility in full.

22 Deferred taxation

Deferred tax assets and liabilities are offset where the Group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021	2020
Group	**£**	**£**
Decelerated capital allowances	27,987	27,987
Other timing differences	344,606	344,606
	372,593	372,593

23 Retirement benefit schemes

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund. At the balance sheet date £95,034 (2020: £58,920) was payable to the fund and is included within creditors.

24 Share capital

	Group and company	
	2021	**2020**
Ordinary share capital	**£**	**£**
Issued and fully paid		
665 ordinary shares of £1 each	665	665

25 Reserves

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

26 Operating lease commitments

Lessee

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

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Within one year	329,832	321,947	22,754	4,314
Between two and five years	478,896	332,478	28,443	-
	808,728	654,425	51,197	4,314

27 Cash generated from Group operations

	2021	2020
	£	£
Profit/ (loss) for the financial year	181,729	(526,610)
Adjustments for:		
Finance costs	579,075	629,919
Gain on disposal of tangible fixed assets	(15,344)	(1,000)
Depreciation and impairment of tangible fixed assets	258,668	246,713
Loss on disposal of intangibles fixed assets	-	15,500
Movements in working capital:		
Increase in stocks and work in progress	(2,647,980)	(5,919,514)
Decrease in debtors	505,615	1,413,331
Increase in creditors	1,665,787	5,106,773
Cash generated from operations	527,550	965,112

28 Related party transactions

At the year end, £nil (2020: £1,137,744) is due to other related parties for the purchase of assets.

The Directors are considered to be Key Management Personnel and their remuneration is disclosed in note 8.

29 Control

The Directors regard J C A Burnett of Leys and his family as the ultimate controlling party by virtue of their individual shareholdings.