Hart Builders (Edinburgh) Limited

Annual report and financial statements

Registered number SC030263

31 March 2020

Contents

Directors and Advisors

Directors	S Simpson (appointed 1 September 2020) KD Reid EJE Haggerty A McLinden (appointed 7 January 2020) M Cooper (appointed 7 January 2020) G Henry A Mallice (resigned 21 August 2020) R Jenkins (resigned 8 November 2019)
Company Secretary	P Dimond
Registered office	16 Walker Street Edinburgh EH3 7LP
Auditor	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Principal banker	The Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2YB
Solicitors	Burness Solicitors 50 Lothian Road Festival Square Edinburgh EH3 9WJ

Strategic Report

The directors present their Strategic Report together with the financial statements for the year ended 31 March 2020.

Principal activities
The Company's principal activities consist of new build construction and refurbishment of residential housing, both for clients in the private and public sectors, combined with construction for clients involved in the provision of health, social care and educational services.

There have been no changes in this core business activity during the year.

The directors remain focused on continuing to maintain the Company's client base in both these sectors and, as such, the Company's preferred method of securing its workload is through Partnering and Framework Agreements.

Operating review and key performance indicators
The key performance indicators measured by the Company include the following:

- As shown in the Company's profit and loss account on page 12, the Company's loss for the year before taxation was £2.50 million (*2019: loss £6.38 million*) based on turnover of £75.7 million (*2019: £65.7 million*).
- As a result of this year's trading activities and the contract losses as discussed below, the Company's net asset value now stands at £5.6 million (*2019: £7.7 million*). Whilst reduced on last year, the Company retains a stable financial position from which to be able to deliver profitable future trading activity.
- The Company continues to maintain a strong cash position of £11.13 million. As per Note 10 £10.99 million (*2019: £7.14 million*) is part of the Cruden Holdings Group treasury function.

The loss for the year is due to the assessed impact of COVID-19 and one large construction contract. The remaining underlying construction activity continues to be profitable. The Company retains a strong pipeline of future construction activity that is expected to be delivered profitably.

<u>COVID-19</u>
The global pandemic and the resulting actions taken by the UK and Scottish governments to control the spread of the virus, in particular lock-down, have had a significant impact on the majority of UK businesses and their ability to operate. The Company was required to shut down its construction sites in line with government guidance. Site activities were suspended for almost 3 months from the end of March 2020, with sites reopening progressively over the course of June 2020 and following the Scottish Government and Construction Scotland's 6 Phase restart plan.

The loss before tax of £2.496 million is stated after taking into account £0.651 million of exceptional items relating to COVID-19. Excluding these exceptional items, the loss before tax was £1.845 million.

Principal Risks and Uncertainties
The principal risks and uncertainties affecting the Company arise from its participation in the construction and affordable housing sectors and comprise:

- general economic conditions;
- an increasingly complex regulatory environment;
- competitive market environment;
- the impact of the UK's exit from the European Union;
- the impact of COVID-19.

The directors regularly consider these main risks and have developed internal systems to mitigate their potential impact. The performance of all ongoing construction projects is regularly discussed at management level as is the pipeline of future projects and the Company's resultant resourcing requirements.

Strategic Report *(continued)*

People
The future success of the Company is driven by the quality and commitment of the Company's employees.

Through its experienced workforce, the Company is well placed to effectively manage the complex nature of the construction process and to assist its clients in resolving pre-commencement issues. In this context, retention and recruitment of high-quality staff remains one of the Company's top priorities and investment continues to be made in this crucial area. The Company continues to invest in the training and development of employees and is committed to the provision of high-quality modern apprenticeships.

The Company is committed to the promotion of the safety, health and wellbeing of its employees and those who may be involved with or affected by its operations; to the provision of a safe and healthy work environment; and to the prevention of occupational injuries and illnesses. This is particularly relevant to the current situation and has been illustrated throughout the COVID-19 pandemic where the health and safety of our employees, subcontractors and customers has been the priority in shaping the Company's initial response to closing down sites and then safely reopening and recommencing on-site activities.

Outlook
The Company's forward order book in construction for external clients remains strong and should allow for similar levels of activity in future periods.

The Company's future construction pipeline includes the benefits of being a member of a number of procurement frameworks. The directors believe that the Company is well placed to benefit from these frameworks together with significant opportunities driven by a robust housing market in the key geographical area in which the Company operates, namely the central belt of Scotland.

Section 172 Companies Act 2006 Statement

Overview
The Company aims to build profits and shareholder value in a sustained and ethical manner over the long term, taking account of the interests of all stakeholders of the Company.

The culture of the Company is embedded within the Cruden group brand – "Firm foundations, flexible thinking".

Stakeholders
The board of directors and the senior management team within the Company actively engage with a wide range of stakeholders who are impacted by the operations and success of the Company.

The Company is long established and independently owned providing for a strong heritage and deep understanding of our customers and the communities in which the Company operates.

The Cruden group is headed by Cruden Holdings Limited and therefore all subsidiaries are subject to and abide by group policies and procedures. The governance framework of the group delegates local decision making for operational matters to business units which are constituted as operating subsidiaries, each of whom has their own board of directors. Reports are regularly made to the group board in relation to each business unit covering strategy, risk, performance and key decisions taken in order to provide the group board with assurance that proper consideration is given to stakeholder interest in decision making.

The same approach to business runs through the Company's engagement with other key stakeholder groups, including customers, employees, and the Company's subcontractors and supply chain.

The Company is involved in numerous initiatives to support our construction customers in providing benefits to the communities in which they and the Company operate. This requires significant engagement with community members, along with Scottish Government bodies and other public sector organisations. Environmental concerns are often at the heart of these initiatives.

Strategic Report *(continued)*

Signed by order of the Board

P Dimond
Secretary
19 November 2020

16 Walker Street
Edinburgh
EH3 7LP

Directors' Report

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

Dividends
The directors did not propose an interim dividend in respect of the year ended 31 March 2020 (*2019: £Nil*). The directors do not propose the payment of a final dividend *(2019: £Nil)*.

Directors
The directors who served the Company during the year and to the date of this report were as follows:

S Simpson (appointed 1 September 2020)
KD Reid
EJE Haggerty
A McLinden (appointed 7 January 2020)
M Cooper (appointed 7 January 2020)
G Henry
A Mallice (resigned 21 August 2020)
R Jenkins (resigned 8 November 2019)

The Company maintains appropriate insurance for directors of the Company against any liability incurred in the execution of their duties.

Employee engagement and statement of employees' involvement in the Company
The Company places considerable value on the engagement and involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through a variety of formal and informal meetings, including staff committees, and written communications via newsletters and updates by managing directors both at group and Company level. At these meetings, employees are consulted on a wide range of matters affecting their future and current interests.

During COVID-19 lockdown and subsequent site reopening this engagement was particularly important and employee feedback was positive.

Customer, supply chain and community engagement
The Company also places considerable value on the engagement of customers, the supply chain including subcontractors and the local communities in which the Company operates.

Business Development teams and senior management meet customers and potential customers on a regular basis to discuss current and potential projects.

Framework agreements and contract tenders provide for active engagement both with customers and the supply chain including subcontractors.

The Company engages with local communities to build trust and understand local issues. There is a focus on the support of local causes and initiatives and investment in the local community including creation of employment opportunities for those living within it.

Disabled persons policy
The Company gives every consideration to applications for employment from disabled persons or to employees who become disabled where the requirements of the job may be adequately covered by a handicapped or disabled person.

Financial instruments
Details of the Company's financial instruments are given in notes 11 and 12 to the financial statements.

Political contributions
The Company made no political donations or incurred any political expenditure during the year (*2019: £Nil*).

Directors' Report *(continued)*

Streamlined Energy and Carbon Report (SECR)

The Company's energy and carbon information is included within the Energy and Carbon report of its ultimate parent company, Cruden Holdings Limited.

Disclosure of information to auditor

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

Auditor

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

Signed by order of the Board

PDimond

P Dimond
Secretary
19 November 2020

16 Walker Street
Edinburgh
EH3 7LP

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

Year Ended 31 March 2020

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HART BUILDERS (EDINBURGH) LIMITED

Opinion

We have audited the financial statements of Hart Builders (Edinburgh) Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HART BUILDERS (EDINBURGH) LIMITED (continued)

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh, EH1 2EG

23 November 2020

Profit and Loss Account and Other Comprehensive Income
for year ended 31 March 2020

	Note	**2020 Before exceptional items £000**	**2020 Exceptional items £000**	**2020 £000**	2019 £000
Turnover	*3*	**75,666**	-	**75,666**	65,711
Cost of sales	2	**(71,655)**	**(651)**	**(72,306)**	(67,996)
Gross profit/(loss)		**4,011**	**(651)**	**3,360**	(2,285)
Administrative expenses		**(5,914)**	-	**(5,914)**	(4,162)
Other operating income	*4*	**(4)**	-	**(4)**	12
Operating loss	*5*	**(1,907)**	**(651)**	**(2,558)**	(6,435)
Interest receivable and similar income	*8*	**62**	-	**62**	60
Loss before taxation		**(1,845)**	**(651)**	**(2,496)**	(6,375)
Tax on loss	*9*	**476**	-	**476**	1,229
Loss for the financial year and total comprehensive income		**(1,369)**	**(651)**	**(2,020)**	(5,146)

The Company has no other comprehensive income other than the loss for the current year and the previous year.

The result for the year has been derived from continuing operations.

The notes on pages 13 to 23 form an integral part of these financial statements.

Balance Sheet
at 31 March 2020

	Note	2020 £000	£000	2019 £000	£000
Fixed assets					
Tangible assets	*10*		**182**		216
			182		216
Current assets					
Debtors	*11*	**25,572**		29,142	
Cash at bank and in hand		**140**		1	
		25,712		29,143	
Creditors: amounts falling due within one year	*12*	**(20,261)**		(21,706)	
Net current assets			**5,451**		7,437
Total assets less current liabilities			**5,633**		7,653
Provisions for liabilities					
Deferred tax liability	*14*	**(1)**		(1)	
			(1)		(1)
Net assets			**5,632**		7,652
Capital and reserves					
Called up share capital	*16*		**400**		400
Profit and loss account			**5,232**		7,252
Shareholders' funds			**5,632**		7,652

These financial statements were approved by the board of directors on 19 November 2020 and were signed on its behalf by:

KD Reid
Director

M Cooper
Director

Company registered number: SC030263

The notes on pages 13 to 23 form an integral part of these financial statements.

Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 April 2018	400	12,398	12,798
Total comprehensive income for the period			
Loss for the financial year	-	(5,146)	(5,146)
Total comprehensive income for the period	-	(5,146)	(5,146)
Balance at 31 March 2019	**400**	**7,252**	**7,652**
Balance at 1 April 2019	400	7,252	7,652
Total comprehensive income for the period			
Loss for the financial year	-	(2,020)	(2,020)
Total comprehensive income for the period	-	(2,020)	(2,020)
Balance at 31 March 2020	**400**	**5,232**	**5,632**

The notes on pages 13 to 23 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Hart Builders (Edinburgh) Limited (the "Company") is a private company limited by shares and is incorporated, domiciled and registered in the UK.

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

The Company's ultimate parent undertaking, Cruden Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Cruden Holdings Limited are available to the public and may be obtained from 16 Walker Street, Edinburgh EH3 7LP. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

As the consolidated financial statements of Cruden Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosure:

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

1.1 Measurement convention

The financial statements have been prepared on the historical cost basis except that the following items are stated at their fair value: financial instruments classified at fair value through the profit and loss account and tangible fixed assets measured in accordance with the revaluation model.

1.2 Going concern

The status of the Company's business activities and current financial position are contained within the Strategic Report, financial statements and notes to the financial statements.

The Company has considerable financial resources together with long-term partnering arrangements with a number of customers. In addition, the Company has visibility in its forward workload for at least the next twelve months with a significant proportion of its construction activity already under contract.

The COVID-19 pandemic and resultant lockdown impacted the Company through the suspension of activity on construction sites. On site activities were suspended for almost 3 months from the end of March 2020, with sites reopening progressively over the course of June 2020 and following the Scottish Government and Construction Scotland's 6 Phase restart plan. All of the Company's activities have been impacted by COVID-19.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern (continued)

Using the most up to date information in relation to current and anticipated construction activity and costs, all of which reflect the impact of COVID-19, the directors have prepared cash flow forecasts covering the period of at least one year from the date of approval of these financial statements. These take account of its ability to access its cash reserves that are swept up to the Cruden Holdings group as part of a daily treasury routine (see note 11) and forecasts include conservative estimates of construction activity and plausible downside scenarios. These forecasts, alongside the Company's considerable financial resources as at 31 March 2020 and the date of signing the accounts, show that the Company will continue to have sufficient cash to meet its liabilities as they fall due.

The directors therefore believe that the Company is well placed to manage its business risks successfully and also withstand the challenges resulting from COVID-19 and its impact on the broader economy. There are a wide range of mitigating actions that could still be taken, if required, to ensure that the Company maintains its financial stability.

As a result, the directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Plant and equipment 20% straight line
- Fixtures and fittings 20% to 25% straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the turnover accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented within debtors as amounts recoverable on contracts. If payments received from customers exceed the income recognised, then the difference is presented within creditors as payments on account in excess of turnover in the balance sheet.

1.6 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Group Plans

The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the company which is legally responsible for the plan, which is Cruden Investments Limited. The Company then recognises a cost equal to its contribution payable for the period.

1.8 Turnover

The turnover and profit before tax are attributable to the principal activity of the company. All turnover originates in the United Kingdom

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

1.9 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable and unwinding of the discount on provisions. Borrowing costs are expensed as incurred or when they are directly attributable to the construction of an asset that takes substantial time to prepare for use, are capitalised as part of that asset.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.10 Taxation

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Taxation (continued)

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

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

1.11 Classification of financial instruments issued by the company

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

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

2 Exceptional items

The Company accounts for its construction activity using long-term contract accounting. The amount of profit attributable to the stage of completion of a long-term contract is recognised based on the reasonable expectations of outcome of that contract. Provision is made for any losses as soon as they are foreseen. As a result, the financial impact of COVID-19 required to be assessed and accounted for proportionally within the Company's result to 31 March 2020, even though lock-down was only put in place in the final week of the financial year.

The profit and loss account on page 10 discloses exceptional costs of £0.651m. These relate to the Company's construction activities, resulting from the impact of COVID-19 on contract profit margins.

These costs include the margin impact of lock-down costs, additional costs due to revised working practices to ensure safe working, additional hygiene and health & safety costs, and the margin impact of reprogramming construction projects.

3 Turnover

The turnover and profit before tax are attributable to the principal activity of the company. All turnover originates in the United Kingdom

4 Other operating income

	2020	2019
	£000	£000
Net (loss)/gain on disposal of tangible fixed assets	**(4)**	12

Notes *(continued)*

5 Expenses and auditor's remuneration

Included in loss are the following:

	2020 £000	2019 £000
Depreciation	**77**	66
Operating lease costs	**28**	71
Hire of plant & equipment	**1,786**	1,894

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these financial statements	**17**	17

Amounts payable to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information has instead been disclosed on a consolidated basis in the consolidated financial statements of the Company's intermediate parent, Cruden Investments Ltd.

6 Staff numbers and costs

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

	Number of employees 2020	2019
Production staff	**152**	203
Administrative staff	**78**	58
	230	261

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	**10,117**	10,115
Social security costs	**1,082**	1,036
Contributions to defined contribution plans	**563**	456
Expenses related to defined benefit plans	**120**	120
	11,882	11,727

Notes *(continued)*

7 Directors' remuneration

	2020 £000	2019 £000
Directors' remuneration	**696**	785
Contributions to defined contribution pension schemes	**26**	59
	722	844

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £341,936 *(2019: £198,201)*. Contributions to a defined contribution scheme for the highest paid director were £Nil *(2019: £Nil)*.

	Number of directors 2020	2019
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes (should that be benefit scheme?)	**5**	2

8 Other interest receivable and similar income

	2020 £000	2019 £000
Interest from group undertakings	**62**	60

9 Taxation

Total tax expense recognised in the profit and loss account

	2020 £000	2019 £000
Current tax		
Current tax on income for the period	**(476)**	(1,230)
Total current tax	**(476)**	(1,230)
Deferred tax (see Note 14)		
Origination and reversal of timing differences	**-**	1
Total deferred tax	**-**	1
Total tax	**(476)**	(1,229)

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of effective tax rate

	2020	2019
	£000	£000
Loss for the year	**(2,020)**	(5,146)
Total tax expense	**(476)**	(1,229)
Loss excluding taxation	**(2,496)**	(6,375)
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	**(474)**	(1,211)
Origination and reversal of timing differences	**-**	2
Non-deductible expenses	**(1)**	(19)
Profit on disposal of fixed asset	**1**	(2)
Depreciation on ineligible assets	**(2)**	1
Total tax credit included in profit or loss	**(476)**	(1,229)

Factors affecting the future current and total tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 March 2020 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax liability.

10 Tangible fixed assets

	Plant and machinery	**Furniture & fittings**	**Total**
	£000	**£000**	**£000**
Cost			
Balance at 1 April 2019	122	420	542
Addition	8	46	54
Disposals	(25)	(55)	(80)
Balance at 31 March 2020	105	411	516
Depreciation and impairment			
Balance at 1 April 2019	97	229	326
Depreciation charge for the year	15	62	77
Disposals	(25)	(44)	(69)
Balance at 31 March 2020	87	247	334
Net book value			
At 1 April 2019	25	191	216
At 31 March 2020	**18**	**164**	**182**

Notes *(continued)*

11 Debtors

	2020 £000	2019 £000
Trade debtors	**8,165**	15,064
Amounts recoverable on contracts	**3,759**	653
Prepayments and accrued income	**328**	217
Other debtors	**1,201**	1,322
Group relief receivable	**498**	1,253
Amounts due from group undertakings	**11,621**	10,633
	25,572	29,142

Amounts owed by Group undertakings includes £10,988,000 (*2019: £7,142,000*) relating to cash reserves of the Company that are swept up to the Cruden Holdings Group as part of a daily treasury routine.

12 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**8,015**	6,139
Payments received on account	**3,107**	2,263
Accruals and deferred income	**4,282**	407
Other creditors	**3,957**	6,492
Other tax social security	**331**	385
Bank loans and overdrafts (note 13)	**-**	3,498
Amounts due to group undertakings	**569**	2,522
	20,261	21,706

13 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

Facility	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020 £000	2019 £000
Western Harbour	GBP	2.5% above LIBOR	2021	In line with development	-	3,498

The bank facility in respect of the Western Harbour development was repaid on 24 May 2019.

This loan was secured by a floating charge over the Company's assets, along with standard securities over certain developments and floating charges over the assets of fellow group undertakings.

Notes *(continued)*

14 Deferred tax liability

Deferred tax liabilities are attributable to the following:

	2020	2019
	£000	£000
Accelerated capital allowances	**1**	1
	1	1

15 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £464,467 *(2019: £373,804)* as well as amounts payable to an external defined contribution scheme of £98,943 *(2019: £81,983)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Group Plans

The Company is also a member of a larger group wide pension scheme providing benefits based on final pensionable pay. The scheme is set up under trust and the assets of the scheme are, therefore, held separately from those of the employers. The scheme was closed to future accrual with effect from 31 March 2005 and the Company has agreed a funding profile with the scheme's actuaries and trustees to meet the residual deficit. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 102, the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. The latest full actuarial valuation was carried out at 31 March 2019 and was updated for FRS 102 purposes to 31 March 2020 by a qualified independent actuary. The contribution for the year was £120,000 *(2019: £120,000)*.

16 Share Capital

	2020	2019
	£000	£000
Issued and fully paid		
4,000,000 Ordinary shares of £0.10 each	**400**	400

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally.

17 Operating leases

The Company has future minimum lease payments under non-cancellable operating leases as follows:

	2020	2019
	£000	£000
Within one year	**61**	90
Between 2 and 5 years	**48**	46
	109	136

During the year £28,285 was recognised as an expense in the profit and loss account in respect of operating leases (*2019: £70,939*).

Notes *(continued)*

18 Contingent liabilities

There are contingent liabilities in respect of guarantees under contracting agreements entered into in the normal course of business.

The bank holds a bond and floating charge over the assets of the Company for the obligations of Cruden Investments Limited, the Company's intermediate parent company.

19 Related parties

As a member of Cruden Holdings Group, the Company is exempt from the requirements of FRS102.33 to disclose transactions with other members of the group headed by Cruden Holdings Limited. Transactions with other related parties are summarised below:

Identity of related parties with which the Company has transacted

The Company has made a car loan of £59,520 to Andy Mallice a director of the company. The loan is interest free and repayable monthly. At 31 March 2020 £39,744 (*2019: £49,632*) was outstanding and is included within other debtors in note 11.

Following the end of the financial year, Mr Mallice left the Company and resigned as a director, at which point the loan was repaid.

20 Ultimate parent company and parent company of larger group

The immediate parent Company is Cruden Holdings (East) Limited and the ultimate parent Company is Cruden Holdings Limited. Both companies are incorporated in Scotland.

The largest group in which the results of the Company are consolidated is that headed by Cruden Holdings Limited, incorporated in Scotland. The smallest group in which they are consolidated is that headed by Cruden Holdings (East) Limited. The consolidated financial statements of these groups are available to the public and may be obtained from 16 Walker Street, Edinburgh, EH3 7LP.

21 Accounting estimates and judgements

Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting estimate will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Construction Contracts

Revenue and cost of sales in relation to long term contract are estimated based on the stage of completion. This estimate is reflected in the margin recognised on these contracts and in the amounts recoverable on long term contracts of which the carrying value as at 31 March 2020 is £3,759,000 (*2019: £653,000*). Amounts recoverable on contracts are kept under constant review.

22 Post Balance Sheet Events

Subsequent to the balance sheet date, the UK's short-term economic outlook has deteriorated as a consequence of the COVID-19 pandemic and the measures taken by government to control the spread of the virus.

The Directors have reviewed the impact of COVID-19 and its potential impact on the business but believe that there is no requirement for disclosure beyond that already made in the Strategic Report, Profit and Loss account and Going Concern Note (note 1.2).