

Cruden Building (East) Limited

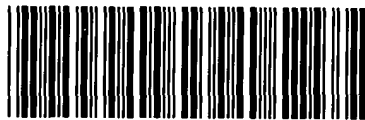
(formerly known as Hart Builders (Edinburgh) Limited)

Annual report and financial statements

Registered number SC030263

31 March 2021

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Directors and Advisors

Directors

AJ Callaghan (appointed 1 April 2021)
C Giblett (appointed 1 June 2021)
KD Reid
EJE Haggerty
S Simpson (appointed 1 September 2020)
A Mallice (resigned 21 August 2020)
A McLinden (resigned 30 November 2020)
G Henry (resigned 25 March 2021)
M Cooper (resigned 16 September 2021)

Company Secretary

P Dimond

Registered office

16 Walker Street
Edinburgh
EH3 7LP

Auditor

RSM UK Audit LLP
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Principal banker

Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH3 3YB

Solicitors

Burness Paull LLP
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 2021.

Principal activities

The Company's principal activities are as follows:

- The new build construction and refurbishment of residential housing, both for clients in the private and public sector.
- Construction for clients involved in the provision of health, social care and educational services.

There have been no changes in these core business activities 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 13, the Company's loss for the year before taxation was £6.4 million (2020: loss £2.5 million) based on turnover of £64.9 million (2020: £75.7 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 £0.4 million (2020: £5.6 million).
- The Company continues to maintain a positive cash position of £6.8 million. As per note 10, £6.8 million (2020: £11.0 million) is part of the Cruden Holdings Group treasury function.

The value of the Company's construction activity decreased during the year to £69.4 million, a decrease of 9% compared to the prior year.

This was primarily as a result of COVID-19 and an effective trading period of only nine months within the financial year. The Company retains a strong pipeline of future construction activity across the central belt of Scotland, primarily in the affordable housing sector.

The profit and loss account on page 13 and note 2 disclose the directors' estimate of exceptional costs of £1.2m. These relate to the impact of COVID-19 related costs which have adversely impacted contract profit margins. The Company also suffered losses on a small number of legacy construction contracts that were nearing completion, and were adversely affected by both COVID-19 and market conditions.

As has been widely reported in the media, the construction sector is also currently facing an industry-wide challenge in relation to the supply chain in respect of the availability and pricing of materials, subcontract and labour resource. There are a number of macro-economic and global factors contributing to this position, not least the COVID-19 pandemic, Brexit and global demand and supply issues. Where these issues have had an impact on the anticipated outcome of long terms contracts, these impacts have been recognised in these financial statements.

Despite the issues referred to above, the Company maintains a robust and resilient construction operation delivering a significant contribution to the affordable housing sector in central Scotland in terms of number of units built, and is focused on a return to profitability of its construction activities in the financial year to 31 March 2022.

COVID-19

The global pandemic and the resulting actions taken by the UK and Scottish Governments to control the spread of the virus, in particular during the first lock-down from late March to June 2020, 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 and house sales sites in line with government guidance. Site activities were suspended for

Strategic Report (*continued*)

Covid-19 (*continued*)

three months from the end of March 2020, with sites reopening progressively and safely over the course of June and July 2020 and then following the Scottish Government and Construction Scotland's restart plan, and adapting to changes in restrictions as they arose.

The loss before tax of £6.4 million (2020: loss, £2.5 million) is stated after taking into account £1.2 million (2020: £0.7 million) of exceptional items relating to the directors' estimate of the impact of COVID-19. Excluding these exceptional items, the loss before tax was £5.2 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:

Construction

- General economic conditions.
- Supply chain – availability and pricing of materials and subcontractors.
- An increasingly complex regulatory environment.
- Competitive market environment.
- Availability of suitably skilled labour.
- The impact of the UK's exit from the European Union.
- The impact of COVID-19.

The directors regularly consider these main risks and plan future strategy with a view to mitigating 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.

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, and subsequently operating in line with Government guidance whilst varying and changing levels of restrictions remained.

Outlook

The Company's forward order book in construction for external clients, particularly in the public sector, 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.

The directors remain optimistic about the Company's future and anticipate that the Company's turnover will sustain in the following financial year.

Strategic Report (continued)

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 on 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.

Signed by order of the Board



P Dimond
Secretary
27 October 2021
16 Walker Street, Edinburgh, EH3 7LP

Directors' Report

The directors present their report and financial statements of the Company for the year ended 31 March 2021.

Dividends

The directors did not propose the payment of a dividend (2020: £Nil).

Name change

On 1 June 2021 the company changed its name from Hart Builders (Edinburgh) Limited to Cruden Building (East) Limited.

Directors

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

AJ Callaghan (appointed 1 April 2021)
C Giblett (appointed 1 June 2021)
KD Reid
EJE Haggerty
S Simpson (appointed 1 September 2020)
A Mallice (resigned 21 August 2020)
A McLinden (resigned 30 November 2020)
G Henry (resigned 25 March 2021)
M Cooper (resigned 16 September 2021)

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.

Directors' Report (*continued*)

Financial instruments

Details of the Company's financial instruments are given in notes 10, 11 and 15 to the financial statements.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2020: £Nil).

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.

Auditors

RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 487 of the Companies Act 2006, RSM UK Audit LLP, is deemed to be reappointed.

Signed by order of the Board



P Dimond
Secretary
27 October 2021
16 Walker Street, Edinburgh, EH3 7LP

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report (*continued*)

Independent Auditor's Report to the Members of Cruden Building (East) Limited

Opinion

We have audited the financial statements of Cruden Building (East) Limited (the 'company') for the year ended 31 March 2021 which comprise the Profit and Loss account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The 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:

Independent Auditor's Report (*continued*)

- 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 or 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; or

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

Independent Auditor's Report (*continued*)

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included agreeing the financial statement disclosures to underlying supporting documentation, review of board and committee meeting minutes and enquiries with management.

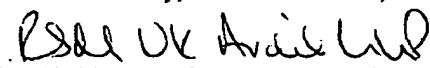
The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations and inspected correspondence with regulatory authorities

The audit engagement team identified the risk of management override of controls and management bias in accounting estimates as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. We evaluated whether there was evidence of bias by management in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting, including the expected margin through assessment of post year end performance and stage of completion, through discussions with the relevant individuals, corroborating evidence provided and inspection of year end valuations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

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.


Alan Aitchison (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow

02/11/21

Profit and Loss Account and Other Comprehensive Income for year ended 31 March 2021

	Note	2021 Before except- ional items £000	2021 Except- ional items £000	2021 Total £000	2020 Before except- ional items £000	2020 Except- ional items £000	2020 Total £000
Turnover	3	64,877	-	64,877	75,666	-	75,666
Cost of sales	2	(64,942)	(1,195)	(66,137)	(71,655)	(651)	(72,306)
Gross (loss) / profit		(65)	(1,195)	(1,260)	4,011	(651)	3,360
Other operating income	4	1,221	-	1,221	(4)	-	(4)
Administrative expenses		(6,380)	-	(6,380)	(5,914)	-	(5,914)
Operating loss	4	(5,224)	(1,195)	(6,419)	(1,907)	(651)	(2,558)
Interest receivable and similar income	7	7	-	7	62	-	62
Loss before taxation		(5,217)	(1,195)	(6,412)	(1,845)	(651)	(2,496)
Tax on loss	8	1,221	-	1,221	476	-	476
Loss for the financial year and total comprehensive income		(3,996)	(1,195)	(5,191)	(1,369)	(651)	(2,020)

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

The notes on pages 16 to 26 form an integral part of these financial statements.

Balance Sheet at 31 March 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	9	110	182
		110	182
Current assets			
Debtors	10	23,488	25,572
Cash at bank and in hand		1	140
		23,489	25,712
Creditors: amounts falling due within one year	11	(23,155)	(20,261)
Net current assets		334	5,451
Total assets less current liabilities		444	5,633
Provisions for liabilities			
Deferred tax liability	12	(3)	(1)
		(3)	(1)
Net assets		441	5,632
Capital and reserves			
Called up share capital	14	400	400
Profit and loss account		41	5,232
Shareholders' funds		441	5,632

These financial statements were approved by the board of directors on 27 October 2021 and were signed on its behalf by:



K D Reid
Director



A J Callaghan
Director

Company registered number: SC030263.

The notes on pages 16 to 26 form an integral part of these financial statements.

Statement of Changes in Equity for year ended 31 March 2021

	Called up share capital £000	Profit & loss account £000	Total equity £000
Balance at 1 April 2019	400	7,252	7,652
Total comprehensive income for the year			
Loss for the financial year	-	(2,020)	(2,020)
Total comprehensive income for the year	-	(2,020)	(2,020)
Balance at 31 March 2020 and 1 April 2020	400	5,232	5,632
Total comprehensive income for the year			
Loss for the financial year	-	(5,191)	(5,191)
Total comprehensive income for the year	-	(5,191)	(5,191)
Balance at 31 March 2021	400	41	441

The notes on pages 16 to 26 form an integral part of these financial statements.

Notes (forming part of the financial statements)

1. Accounting policies

Cruden Building (East) 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 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:

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

As the consolidated financial statements of 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 19.

1.1 Measurement convention

The financial statements are 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 visibility in its forward workload for at least the next twelve months with a significant proportion of its construction activity already under contract, together with long-term partnering arrangements with a number of customers. With the Scottish Government's commitment to affordable housing provision and the ongoing demand in the UK housing sector, the Company remains positive that the markets in which it operates will remain resilient, albeit the timing of the economic recovery following COVID-19 is uncertain.

Despite losses incurred during the period, the Company has access to considerable liquid financial resources including cash reserves of £6.75 million at 31 March 2021 that are swept up to the Cruden Holdings group as part of a daily treasury routine (*see note 10*). The Company's liquidity position is further enhanced by being part of the Cruden Holdings group.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

In arriving at their opinion on going concern, the Directors have considered the Company's forecast for 12 months from the date of approval of these financial statements. The forecast was prepared based on current productivity with a high proportion of the Company's revenue in the forecast period already secured.

Given the economic and trading uncertainties resulting from COVID-19, the Directors have deemed it appropriate to carry out stress testing to model the impact of potential, albeit remote, downside scenarios. Even under these downside scenarios, these forecasts indicate the Company would have comfortable headroom on available resources throughout the forecast period.

Based on this assessment, the Directors have a reasonable expectation that the Company has adequate resources and liquidity to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the 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.

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.

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.

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 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

Notes (*continued*)

1 Accounting policies (*continued*)

1.10 Taxation (*continued*)

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, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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

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

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 results, initially to 31 March 2020 and then again for the year to 31 March 2021. This includes the first period of national lock down from late March to June 2020 during which time the Company's construction and housebuilding sites were required to be closed in line with Government guidance.

The profit and loss account on page 13 discloses exceptional costs of £1.2m. These relate to the Company's construction activities, resulting from the directors' estimate of 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

Turnover and profit before tax are attributable to the principal activities of the Company. All turnover originates in the United Kingdom.

Notes (continued)

4. Expenses and auditor's remuneration

Included in the loss are the following:

	2021	2020
	£000	£000
Depreciation	76	77
Hire of plant and equipment	1,927	1,786
Operating lease costs	57	28
Net loss on disposal of tangible fixed assets	-	4
Coronavirus Job Retention Scheme reimbursement	(1,221)	-

During the year the company received support from the government under the Coronavirus Job Retention Scheme of £1,221,485 (2020: £Nil) which is included in other operating income in the Profit and Loss Account. The scheme provides for the reimbursement of wages for employees who were placed on furlough leave.

Auditor's remuneration:

	2021	2020
	£000	£000
Audit of these financial statements	29	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.

5. 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	
	2021	2020
Production	136	152
Administration	74	78
	210	230

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	9,180	10,117
Social security costs	976	1,082
Contributions to defined contribution plans	543	563
Expenses related to defined benefit plans	120	120
	10,819	11,882

Notes (continued)

6. Directors' remuneration

	2021	2020
	£000	£000
Directors' remuneration	530	696
Contributions to defined contribution pension schemes	24	26
	554	722

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £209,261 (2020: £341,936). Contributions to a defined contribution scheme for the highest paid director were £Nil (2020: £Nil).

	Number of directors	
	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	3	5

7. Other interest receivable and similar income

	2021	2020
	£000	£000
Interest from group undertakings	7	62

8. Taxation

Total tax credit recognised in the profit and loss account

	2021	2020
	£000	£000
<i>Current tax</i>		
Current tax on income for the period	(1,223)	(476)
Total current tax	(1,223)	(476)
<i>Deferred tax (see note 12)</i>		
Origination and reversal of timing differences	2	-
Total deferred tax	2	-
Total tax	(1,221)	(476)

Notes (continued)

8. Taxation (continued)

Reconciliation of effective tax rate

	2021 £000	2020 £000
Loss for the year	(5,191)	(2,020)
Total tax expense	(1,221)	(476)
Loss excluding taxation	(6,412)	(2,496)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(1,218)	(474)
Profit on disposal of fixed asset	-	1
Non-deductible expenses	(3)	(1)
Depreciation on ineligible assets	-	(2)
Total tax credit included in profit or loss	(1,221)	(476)

Factors affecting the future current and total tax charges

Following the year end the UK government substantively enacted legislation that will increase the main corporation tax rate from 19% to 25% to take effect from 1 April 2023. As a result, the company expects that deferred tax assets/liabilities for future financial years will be quantified based on a corporation tax rate of 25% applying. This will result in a one-off increase to the net deferred tax liability and an increase to the tax charge accordingly in the financial year ended 31 March 2022 to reflect the fact that the deferred tax liability will unwind in future periods when the corporation tax rate will be 25%.

9. Tangible fixed assets

	Plant & machinery £000	Furniture & fittings £000	Total £000
Cost			
Balance at 1 April 2020	105	411	516
Additions	-	4	4
Disposals	(13)	(22)	(35)
Balance at 31 March 2021	92	393	485
Depreciation and impairment			
Balance at 1 April 2020	87	247	334
Depreciation charge for the year	12	64	76
Disposals	(13)	(22)	(35)
Balance at 31 March 2021	86	289	375
Net book value			
At 31 March 2020	18	164	182
At 31 March 2021	6	104	110

Notes (continued)

10. Debtors

	2021	2020
	£000	£000
Trade debtors	8,205	8,165
Amounts recoverable on contracts	3,914	3,759
Prepayments and accrued income	345	328
Other debtors	2,117	1,201
Group relief receivable	1,245	498
Amounts due from group undertakings	7,662	11,621
	23,488	25,572

Amounts owed by Group undertakings includes £6,750,000 (2020: £10,988,000) relating to cash reserves of the Company that are swept up to the Cruden Holdings Group as part of a daily treasury routine.

11. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	9,188	8,015
Payments received on account	2,631	3,107
Accruals and deferred income	6,405	4,282
Other creditors	3,827	3,957
Other tax and social security	355	331
Amounts due to group undertakings	749	569
	23,155	20,261

12. Deferred tax liability

Deferred tax liabilities are attributable to the following:

	2021	2020
	£000	£000
Accelerated capital allowances	3	1

Notes (continued)

13. Employee benefits

Defined contribution plans

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £464,085 (2020: £464,467) as well as amounts payable to an external defined contribution scheme of £78,923 (2020: £98,943).

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 2021 by a qualified independent actuary. The contribution for the year was £120,000 (2020: £120,000).

14. Share capital

	2021	2020
	£000	£000
<i>Issued and fully paid</i>		
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.

15. Contingent liabilities

There are contingent liabilities in respect of guarantees under contracting arrangements entered into by the Company 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.

Notes (continued)

16. Commitments under operating leases

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

	2021	2020
	£000	£000
Within one year	31	61
Between 2 and 5 years	16	48
	47	109

During the year £57,202 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £28,285).

17. 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 A Mallice a director of the company. The loan is interest free and is repayable monthly. At 31 March 2021 £Nil (2020: £39,744) was outstanding.

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

18. Immediate and ultimate parent company

At the balance sheet date the immediate parent company was Cruden Homes Holdings Limited, but following an internal restructuring of the Cruden group headed by Cruden Holdings Limited on 1 April 2021, it is now Cruden Building Holdings Limited. The ultimate parent company is Cruden Holdings Limited. All 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 Homes Holdings Limited. The consolidated financial statements of these groups are available to the public and may be obtained from 16 Walker Street, Edinburgh, EH3 7LP.

19. 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 contracts 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 2021 is £3,914,000 (2020: £3,759,000). Amounts recoverable on contracts are kept under constant review.