

Stewart Milne Group Limited

Annual report and financial statements

Registered number SC57709

30 June 2015

STEWART



Milne

GROUP

COMPANIES HOUSE

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COMPANIES HOUSE

Directors and officers

Directors:

Executive

S Milne CBE

GFW Allison CA

JC Irvine CA

(resigned 30th January 2015)

J Slater-Fearn

SA MacGregor FCA

(appointed 29th April 2015)

A Goodfellow

Non-executive

HJ Mackay MBE C Eng, MI Struct E

Secretary:

SC Martin CA

Registered Office:

Peregrine House

Mosscroft Avenue

Westhill Business Park

Westhill

Aberdeen

AB32 6JQ

Chairman's Statement

The year to 30 June 2015 saw an improvement in market conditions across all of our sectors with improved settlements and revenues across all our trading businesses.

Turnover increased across all divisions as a result of increased unit sales in our Homes businesses and larger external orders in our Timber systems division.

Profit before interest and tax increased to £14.4m in 2015 compared with from £14.1m in the previous year and profit before tax increased to £5.0m compared with £3.0m in the previous year. Margins are consistent with experience and the variation compared with the prior year is as a result in changes in product mix.

Following the year end, we have experienced challenging trading conditions in the North East Scotland Market as a result of the significant fall in the oil price but our other markets continue to show signs of growth as the general UK economy continues to improve.

Homes

Turnover of £210.7m in 2015 was £23.3m higher than the prior year, with unit numbers increasing by 11% with growth across all three housing divisions.

The Group has been investing in new developments across Scotland and North West England and will increase the number of active outlets significantly in the coming year.

We retained our Five Star Builder status for the fifth year in a row which is continued testament to the focus we have on delivering the highest quality homes with the best Customer Service. This approach of meeting the highest standards of quality and service was also reflected in various accolades for Health and Safety.

Current year trading remains positive in Central Scotland and North West England and we remain optimistic about the Aberdeen market despite some challenging conditions.

Landbank

We continue to invest in land for future development and have a strong pipeline of future sites as we seek to rebalance our portfolio with more sites in Central Scotland and NW England.

Countesswells Development

We secured planning permission in principle in October 2014 for the 3,000 unit, 15 year development planned for Countesswells, Aberdeen. In March 2016, the Infrastructure and Projects Authority (part of HM Treasury) confirmed a UK Guarantee to the value of £86 million enabling Stewart Milne Group to raise funds from Lloyds Banking Group and deliver this significant project.

The £1bn Countesswells development is a landmark project for our business and one that we have been working to bring to market for many years. We are excited to announce that we will start work on the first phase of this prestigious new community in April this year.

Timber Systems

The timber systems business has shown significant growth in the period to 30 June 2015 mainly as a result of securing a number of external contracts which resulted in turnover of £42m in the current year compared with £22m in 2014. Current year trading remains buoyant with a strong order book.

Chairman's Statement

Construction and Developments

The process of managing the completion of contractual commitments is almost complete with a few contracts still to complete and agree final contract position.

Financial Performance

The Group generated a profit before tax of £5.0m in the year compared to a profit of £3.0m in 2014. This improvement in profitability reflects strong trading conditions across all the Group's operating divisions and reflects further improvement in the housing market.

Financing

In October 2015, we extended our existing bank facilities with Bank of Scotland and secured a three year banking facility. This will allow us to continue to grow the business primarily in the Central Scotland and North West England markets where market conditions are improving and demand for quality homes is increasing. In addition to our main facility, the £86m facility secured by our subsidiary Countesswells Development Limited will allow us to commence the delivery of this significant project. Further details relating to this are included in the basis of preparation note on page 14.

People and Quality

Our results are a reflection of the quality and commitment of our people. The strong leadership teams across the Group are essential to delivering our plans and we acknowledge that our performance could not have been delivered without the dedication and support of our strong leadership teams and committed workforce.

We continue to enhance our training and development offering in order that all employees can achieve their full potential and provide a platform for succession planning and continued improvement.

We recognise the importance of high quality modern apprenticeships and are a participant in the commission for developing Scotland's young workforce.

We consider the Health and safety of our employees and contractors to be a key part of the Group's business and continue to roll out our "Choose Safe" Behavioural safety programme to all group employees.

Conclusion

The Group has performed well and has positioned itself to take advantage of the improving market condition in the overall UK economy and explores opportunities in the Aberdeen housing market.

Our core business remains strong we remain positive about our ability to grow the business and diversify our geographical spread in response to changing market conditions. This will allow the delivery of much needed quality homes in the areas in which we operate.



Stewart Milne
Chairman

30 March 2016

Strategic Report

The directors present the Strategic Report for the year ended 30 June 2015.

Principal activity and business review

The principal activity of the Company and its subsidiary undertakings is housebuilding. It is also involved in the manufacture of timber frames. The chairman's statement on pages 2 to 3 gives details of the development of the Group's business and its activities during the year.

Principal Risks and Uncertainties

As with any Company operating in this challenging sector, the Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks. The Group recognises that the management of risk is fundamental to achievement of its targets. As such, all tiers of management are involved in this process. The key business risks affecting the Group are:

- **Market**

The principal risk is a reduction in sales volumes in response to the macroeconomic environment including the availability of mortgage finance for house purchases. We have in place a number of measures to manage this risk including strengthening the sales teams and a weekly review of key trading indicators such as reservations, sales rates, visitor levels, levels of incentives and competitor activity.

- **Liquidity**

The ability of the Group to ensure that it has sufficient borrowing facilities in place is fundamental to its activities, details of which are contained in Note 15 to these Financial Statements. In order to ensure this remains the case the Group has a comprehensive detailed regular forecasting process, which allows us to proactively manage the adequacy of headroom within facilities and banking covenants.

- **Land**

Securing sufficient land of appropriate size and quality is required to support profitable growth. Each land acquisition is subject to a formal appraisal and is required to achieve an appropriate hurdle rate of return. Planning expertise within the business is a key strength and maximises strategic land acquisition, which significantly reduces the need for market purchases.

- **Regulation**

The Housebuilding industry is subject to extensive and complex regulations and an increasingly stringent regulatory environment, including planning and technical requirements. The Group consults with the Government through industry bodies and highlights potential issues, has in-house technical and planning expertise and is actively engaged in a product development programme to ensure cost effective and proactive compliance with the regulations

Key Performance Indicators

The directors consider the following to be the best indicators of performance of the Group:

	2015	2014	Movement
Revenue from continuing operations	£252.7m	£209.7m	+21%
Gross margin from continuing operations	21%	24%	-3%
Operating profit	£11.8m	£14.1m	-16%
Profit before interest and tax	£14.4m	£14.1m	+2%
Units Sold	809	722	+87units

Future Developments

The group has continued to invest in new developments and is well placed to take advantage of improved market conditions in the UK construction market and in particular the Central Scotland and NW England housing markets in which we operate. In addition a number of its long term strategic sites have gained planning consents and will contribute to the Group's future performance. The recent funding package agreed at Countesswells together with the other pipeline sites will allow the Group to grow and continue to provide quality homes to our customers.

On behalf of the board



SA MacGregor

Director

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

30 March 2016

Directors' report

The directors present the report and financial statements for the year ended 30 June 2015.

Dividends

No dividends were paid during the year (2014:£nil). The directors do not recommend the payment of a final dividend.

Directors

The directors of the Company during the year and up to the date of this report are shown on page 1.

Employees

The Group is committed to maintaining and improving the methods by which employees are informed, either through meetings with representatives or otherwise, on matters affecting their work and the progress of the Group. The Group is also committed to offering employment, training and career development to disabled persons with the appropriate skills and qualifications.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Statement as to 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.

On behalf of the board



SA MacGregor
Director

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

30 March 2016

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 Group and parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Stewart Milne Group Limited

We have audited the financial statements of Stewart Milne Group Limited for the year ended 30 June 2015 set out on pages 9 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 30 June 2015 and of the Group's profit for the financial year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

Duncan MacAskill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

37 Albyn Place

Aberdeen

AB10 1JB

30 March 2016

**Consolidated Profit and Loss Account
for the year ended 30 June 2015**

		Total 2015 £000	Total 2014 £000
Turnover	1,2	252,691	209,731
Cost of sales		(199,138)	(160,263)
Gross Profit	3,4	53,553	49,468
Administrative expenses		(41,764)	(35,392)
Operating profit	3	11,789	14,076
Profit on sale of fixed assets	4	2,575	-
Profit before interest and taxation		14,364	14,076
Interest receivable		99	80
Interest payable	7	(9,471)	(11,146)
Profit before taxation	4-6	4,992	3,010
Tax on profit on ordinary activities	8	(1,262)	(1,556)
Profit for the financial year	18	3,730	1,454

There were no recognised gains or losses other than the results reported above.

Joint ventures had no material impact on the Group's turnover or operating profit.

The notes on pages 14 to 29 form part of the financial statements.

**Note of Consolidated Historical Cost Profits and Losses
for the year ended 30 June 2015**

	2015	2014
	£000	£000
Reported profit on ordinary activities before taxation	4,992	3,010
Realisation of property revaluation gains of previous years	2,743	-
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<i>18</i> 349	400
Historical cost profit on ordinary activities before taxation	8,084	3,410
Historical cost profit for the year retained after taxation	6,822	1,854

The notes on pages 14 to 29 form part of the financial statements.

**Consolidated balance sheet
at 30 June 2015**

	Note	2015		2014	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		1,279		2,304
Tangible assets	10		13,195		20,667
Investments	11				
Investment in joint ventures					
Share of gross assets		15,692		20,417	
Share of gross liabilities		(12,850)		(17,557)	
Loans to joint ventures		7,314		7,445	
		<u>10,156</u>		<u>10,305</u>	
Other investments		3,425		16	
			<u>13,581</u>		<u>10,321</u>
			<u>28,055</u>		<u>33,292</u>
Current assets					
Stocks	12	261,544		257,515	
Debtors due within one year	13	66,141		60,989	
Debtors due greater than one year	13	31,424		29,256	
		<u>97,565</u>		<u>90,245</u>	
			<u>359,109</u>		<u>347,760</u>
Creditors: amounts falling due within one year	15	(273,865)		(71,395)	
			<u>85,244</u>		<u>276,365</u>
Net current assets			<u>85,244</u>		<u>276,365</u>
Total assets less current liabilities			<u>113,299</u>		<u>309,657</u>
Creditors: amounts falling due after more than one year	16	(6,006)		(206,094)	
Net assets			<u>107,293</u>		<u>103,563</u>
Capital and reserves					
Called up share capital	17		180		180
Capital redemption reserve	18		60		60
Revaluation reserve	18		6,877		9,969
Profit and loss account	18		100,176		93,354
			<u>107,293</u>		<u>103,563</u>
Shareholders' funds	19		<u>107,293</u>		<u>103,563</u>

The notes on pages 14 to 29 form part of the financial statements.

These financial statements were approved by the board of directors on 30 March 2016 and were signed on its behalf by:


SA MacGregor
Director

**Balance sheet
at 30 June 2015**

	Note	2015		2014	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		1,279		2,304
Tangible assets	10		13,195		20,667
Investments	11		76,399		72,926
			<u>90,873</u>		<u>95,897</u>
Current assets					
Stocks	12	190,636		184,829	
Debtors due within one year	13	70,024		63,762	
Debtors due greater than one year	13	31,424		29,256	
		<u>101,448</u>		<u>93,018</u>	
			<u>292,084</u>		<u>277,847</u>
Creditors: amounts falling due within one year	15		<u>(291,312)</u>		<u>(85,001)</u>
Net current assets/ (liabilities)			<u>772</u>		<u>192,846</u>
Total assets less current liabilities			<u>91,645</u>		<u>288,743</u>
Creditors: amounts falling due after more than one year	16		<u>(6,006)</u>		<u>(206,094)</u>
Net assets			<u>85,639</u>		<u>82,649</u>
Capital and reserves					
Called up share capital	17		180		180
Capital redemption reserve	18		60		60
Revaluation reserve	18		6,877		9,969
Profit and loss account	18		78,522		72,440
			<u>85,639</u>		<u>82,649</u>
Shareholders' funds	19		<u>85,639</u>		<u>82,649</u>

The notes on pages 14 to 29 form part of the financial statements.

These financial statements were approved by the board of directors on 30 March 2016 and were signed on its behalf by:


SA MacGregor
Director

**Consolidated cash flow statement
for the year ended 30 June 2015**

	<i>Note</i>	2015	2014
		£000	£000
Net cash (outflow)/inflow from operating activities	<i>20</i>		
Interest received		99	80
Interest paid		(9,476)	(9,009)
Net cash outflow from returns on investments and servicing of finance			
		(9,377)	(8,929)
Taxation			
Corporation tax (paid)/received		(715)	323
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(858)	(598)
Loans to Joint ventures		(66)	(130)
Receipts from sale of tangible fixed assets		9,500	-
Net cash inflow/(outflow) from capital expenditure and financial investment			
		8,576	(728)
(Decrease) / Increase in cash	<i>21</i>		
		(7,212)	12,227

The notes on pages 14 to 29 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

The company's business activities, together with the factors likely to affect its future development, the performance and position, the financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Chairman's statement on pages 2 to 3. The principal risks and uncertainties facing the business are disclosed in the Strategic report on page 4.

The company operates in a number of different housing markets and its timber systems business operates nationally. One of the markets in which the company operates is in the North East of Scotland, a market that is experiencing challenging conditions as a result of the low price of North Sea oil. The company meets its day to day working capital requirements through a term loan and revolving credit facility with Bank of Scotland and has recently secured an additional £86m Government backed facility to deliver the Countesswells development.

The company has recently entered into a three year funding facility with Bank of Scotland which is due to expire on 31 October 2018. This facility currently assumes that the existing debt level will be reduced in line with agreed step-downs by the end of the facility term. The company is currently engaged in a collaborative and joint process to review the repayment profile within the facility with a view to securing land opportunities and allowing the group to meet its business growth objectives. It is anticipated that this process will be concluded by June 2016.

After making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the financial statements of its subsidiary and associated undertakings made up to 30 June 2015. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal disclosed separately if material.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The directors do not consider that the Group exercises significant influence over the affairs of Aberdeen Football Club and accordingly this investment has not been accounted for as an associated undertaking. A joint venture is an undertaking in which the Group has a long term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account. The Group's interest in their net assets or net liabilities and loans to joint ventures are included in investments in the consolidated balance sheet.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. In the year of acquisition goodwill is regarded as provisional and then reassessed and confirmed in the subsequent year. Provision is made for any impairment when identified.

Investments

In the Company's financial statements, investments in subsidiary undertakings, associates, joint ventures and other investments are stated at cost less provision for impairment.

Impairment of fixed assets and goodwill

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. The recoverable amount of fixed assets is the greater of their net realisable value and value in use. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable Group of assets that generates income that is largely independent of the income streams from other assets or Groups of assets.

Tangible fixed assets and depreciation

Interests in land and buildings are stated at valuation. Full valuations of land and buildings are made by independent professionally qualified valuers every five years, with interim valuation reviews performed every three years. The valuations are performed on the basis of existing use.

The cost of other tangible fixed assets is their purchase cost, together with any other costs that are directly attributable to bringing the asset into working condition for its intended use.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	10 to 50 years
Plant and machinery	-	5 to 15 years
Motor vehicles	-	4 years
Furniture and equipment	-	3 to 5 years
Computer equipment	-	3 years

No depreciation is provided on land.

Notes (continued)

1 Accounting policies (continued)

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable by the Group to the schemes in respect of the accounting period.

Stocks

Stocks, including land, are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables, the weighted average purchase price is used. For work in progress, cost is taken as production cost which includes an appropriate proportion of overheads.

Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents sales of residential properties, including those sold under shared equity arrangements, and land legally completed in the year, invoiced sales and the value of work executed by construction activities. Turnover excludes value added tax and the proceeds from sales of houses taken in part exchange.

Segmental reporting

The directors consider that no disclosure should be made of the analysis of (loss)/profit on ordinary activities before taxation and net assets by activity, as it is considered that disclosure of this information would be seriously prejudicial to the interests of the Group.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes (continued)

2 Turnover

Activity	2015		2014	
	£000	%	£000	%
Housebuilding	210,711	83	187,379	89
Timber frame manufacture	41,980	17	22,352	11
Turnover arises entirely in the UK	252,691	100	209,731	100

3 Exceptional Items

Included in prior year administrative expenses and cost of sales were exceptional costs of £1.8m relating to additional costs incurred for redundancy and wind down costs.

4 Profit on ordinary activities before taxation

<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)</i>	2015 £000	2014 £000
Depreciation – owned assets	1,491	1,400
Amortisation of goodwill	1,025	1,025
Operating lease rentals – plant and machinery	108	252
Operating lease rentals – other	698	750
Gain on sale of tangible fixed assets	2,575	-
<i>Auditor's remuneration:</i>	2015 £000	2014 £000
Audit of these financial statements	100	95
Amounts receivable by the auditors in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	10	10
Other services relating to taxation	24	24
Other services	5	5

5 Remuneration of directors

	2015 £000	2014 £000
Directors' emoluments	3,837	3,008
Company contributions to money purchase pension schemes	72	102
	3,909	3,110

The emoluments of the highest paid director were £1,277,000 (2014: £1,073,000), and Company pension contributions of £nil (2014: £nil) were made to a money purchase scheme on his behalf. Retirement benefits are accruing to two directors under money purchase schemes (2014: three).

Notes (continued)

6 Staff numbers and costs

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

	Number of employees	
	2015	2014
Office and administration	469	410
Manufacturing	324	286
	<u>793</u>	<u>696</u>

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	34,069	27,676
Social security costs	3,825	3,089
Other pension costs	1,895	1,428
	<u>39,789</u>	<u>32,193</u>

The Group contributes to two defined contribution pension schemes, one for the directors and one for other employees. The contributions to the directors' scheme were £72,000 (2014: £102,000) and to the employees' scheme were £1,823,000 (2014: £1,326,000). Contributions amounting to £178,000 (2014: £129,000) were payable to the schemes at the year end and are included in creditors.

7 Interest payable

	2015	2014
	£000	£000
On bank loans and overdrafts	9,012	10,651
Share of joint venture interest	459	495
	<u>9,471</u>	<u>11,146</u>

Notes (continued)

8 Taxation

	2015 £000	2015 £000	2014 £000	2014 £000
Current tax on income for the year	(910)		(474)	
Adjustments in respect of prior year	26		52	
	<u> </u>	(884)	<u> </u>	(422)
<i>Share of joint ventures' current tax</i>				
Current tax on income for the year	(314)		(269)	
	<u> </u>	(314)	<u> </u>	(269)
Total current tax		(1,198)		(691)
<i>Deferred tax (see note 14)</i>				
Origination/reversal of timing differences	(50)		(873)	
Adjustments in respect of prior year	(14)		8	
	<u> </u>	(64)	<u> </u>	(865)
Tax on profit on ordinary activities		(1,262)		(1,556)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2014: higher) than the effective standard rate of corporation tax in the UK applicable to the accounting period of 20.75% (2014: 22.5%). The differences are explained below:

	2015 £000	2014 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,992	3,010
Current tax (charge) at 20.75% (2014: 22.5%)	(1,035)	(677)
<i>Effects of:</i>		
Non-deductible expenditure including goodwill amortisation	(596)	(683)
Depreciation on assets not qualifying for capital allowances	(167)	(193)
Chargeable gains not taxable	534	-
Taxable losses brought forward	-	735
Fixed asset timing differences	67	33
Non-taxable profits of joint ventures	-	(23)
Other timing differences	(24)	71
Non-standard tax rates	(3)	(6)
Adjustments to tax charge in respect of previous periods	26	52
	<u> </u>	<u> </u>
Total current tax (charge)/credit (see above)	(1,198)	(691)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. These reductions will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 30 June 2015 (which has been calculated based on the rate of 20% substantively enacted at the balance sheet date) by £15,000.

Notes (continued)

9 Intangible fixed assets

Goodwill	Group £000	Company £000
Cost		
At beginning and end of year	12,136	10,247
Amortisation		
At beginning of year	9,832	7,943
Charge for year	1,025	1,025
At end of year	10,857	8,968
Net book value		
At 30 June 2015	1,279	1,279
At 30 June 2014	2,304	2,304

10 Tangible fixed assets

Group	Freehold land and buildings £000	Plant, machinery and vehicles £000	Furniture and equipment £000	Total £000
Cost or valuation				
At beginning of year	23,848	7,391	8,584	39,823
Additions	14	582	262	858
Disposals	(10,275)	(60)	-	(10,335)
At end of year	13,587	7,913	8,846	30,346
Depreciation				
At beginning of year	5,274	5,698	8,184	19,156
Charge for year	801	476	214	1,491
Disposals	(3,436)	(60)	-	(3,496)
At end of year	2,639	6,114	8,398	17,151
Net book value				
At 30 June 2015	10,948	1,799	448	13,195
At 30 June 2014	18,574	1,693	400	20,667

The value of land not depreciated is £4,595,000 (2014: £7,478,000).

10 Tangible fixed assets

Company	Freehold land and buildings	Plant, machinery and vehicles	Furniture and equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At beginning of year	23,848	7,391	8,584	39,823
Additions	14	582	262	858
Disposals	(10,275)	(60)	-	(10,335)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	13,587	7,913	8,846	30,346
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	5,274	5,698	8,184	19,156
Charge for year	801	476	214	1,491
Disposals	(3,436)	(60)	-	(3,496)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	2,639	6,114	8,398	17,151
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 June 2015	10,948	1,799	448	13,195
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2014	18,574	1,693	400	20,667
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The value of land not depreciated is £4,595,000 (2014: £7,478,000).

Land and buildings are all carried at valuation.

The Group's premises at Peregrine Road and Mosscroft Avenue in Westhill, Aberdeen and the Group's premises at Hunter Street Auchterarder were valued as at 30 June 2013 by an external valuer, FG Burnett, Chartered Surveyors who valued the Group's premises at Westhill at £10.5m and at Auchterarder at £0.9m. These valuations were undertaken in accordance with the RICS Appraisal and Valuation Standards on the basis of Existing Use Value. The total fees payable by the Group represented less than 5% of the total fee income of FG Burnett. The Group's freehold property at Harrier House, 2 Lumsdale Road Manchester was valued at 30 June 2013 by external valuers, Bailey Dyson at £1.2m. The valuation was performed in accordance with the requirements of the RICS Appraisal and Valuation Standards on the basis of existing use value. The total fees payable by the Group represented less than 5% of the total fee income of Bailey Dyson. Although the valuations of the properties were above the value at which assets are carried in the Balance sheet, the Directors have not adjusted for the revaluations on the grounds of materiality and uncertainty in the property market generally.

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 *Tangible fixed assets*.

	2015 £000	2014 £000
At existing use value	13,587	23,848
Aggregate depreciation thereon	(2,639)	(5,274)
	<hr/>	<hr/>
Net book value	10,948	18,574
	<hr/> <hr/>	<hr/> <hr/>
Historical cost of revalued assets	7,584	14,236
Aggregate depreciation based on historical cost	(2,914)	(5,130)
	<hr/>	<hr/>
Historical cost net book value	4,670	9,106
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

11 Fixed asset investments

Group	Joint ventures and associates £000	Other investments £000	Total £000	
Cost				
At beginning of year	11,362	2,802	14,164	
Loans to joint ventures	66	-	66	
Additions	-	3,407	3,407	
Share of results of joint ventures	(17)	-	(17)	
At end of year	11,411	6,209	17,620	
Provisions				
At beginning of year	1,049	2,794	3,843	
Additions	196	-	196	
At end of year	1,245	2,794	4,039	
Net book value				
At 30 June 2015	10,166	3,415	13,581	
At 30 June 2014	10,313	8	10,321	
Company				
	Joint ventures and associates £000	Other investments £000	Other loans £000	Total £000
Cost				
At beginning of year	1,722	70,450	1,190	73,362
Loans to joint ventures	66	-	-	66
Additions	-	3,407	-	3,407
At end of year	1,788	73,857	1,190	76,835
Provisions				
At beginning and end of year	-	-	436	436
Net book value				
At 30 June 2015	1,788	73,857	754	76,399
At 30 June 2014	1,722	70,450	754	72,926

Notes (continued)

11 Fixed asset investments (continued)

The undertakings in which the Group's interest at the year end is significant are as follows:

Subsidiary undertakings	Principal activity	Ordinary share capital owned	
		Group %	Company %
Stewart Milne Commercial Limited	Commercial developer	100	100
Stewart Milne Developments Limited	Commercial developer	100	100
Stewart Milne Properties Limited	Residential & commercial developer	100	100
Dalglan No. (817) Limited	Commercial developer	100	100
Stewart Milne Central Limited	Commercial developer	100	100
Stewart Milne Westhill Limited	Commercial developer	100	100
A & L King (Builders) limited	Building contractor	100	-
The King Group Limited	Investment holding Company	100	100
Stewart Milne Homes (Southern) Limited	Investment holding Company	100	100
Stewart Milne Investments (Scotland) Limited	Investment holding Company	100	-
Countesswells Development Ltd*	Residential & commercial developer	100	100
Mowbray Homes Ltd*	Residential & commercial developer	100	100
Grafton Street Developments Ltd*	Residential & commercial developer	100	100
Cobco 415 Limited*	Residential & commercial developer	100	100
Maymat Limited	Residential & commercial developer	100	100
Stewart Milne Part Exchange Limited	Dormant	100	100
Stewart Milne Home Options Limited	Dormant	100	100
Stewart Milne Homes Limited	Dormant	100	100
Headland Commercial Limited	Dormant	100	100
Stewart Milne Construction Limited	Dormant	100	100
Stewart Milne Holdings Limited	Dormant	100	100
Caledonia Composites (UK) Limited	Dormant	100	100
Caledonia Composites Limited	Dormant	100	-
Ambion Homes Limited	Dormant	100	-
Aberdeen Development Co Limited	Dormant	100	-
Stewart Milne Investments Limited	Dormant	100	-
Persley Development company Limited	Dormant	100	-
Aberdeen Development properties Limited	Dormant	100	-
Nuttall Construction Group Limited*	Dormant	100	-
JMC Kitchens Limited*	Dormant	100	-
Nuttall Construction Limited*	Dormant	100	-
King Development Company Limited	Dormant	100	-
King Kirkton Limited	Dormant	100	-
James Turner and Company Limited	Dormant	100	-
Joint ventures		%	%
Stewart Milne (West) Limited	Residential & commercial developer	50	-
Stewart Milne (Glasgow) Limited	Residential & commercial developer	50	-
Freedom Homes (Stirling) Limited	Residential & commercial developer	50	-
Redco Milne Limited	Commercial developer	50	50
Other investments		%	%
Aberdeen Football Club	Football Club	26.8	4.2

All undertakings are incorporated in Scotland except those marked * above which are incorporated in England.

The financial year end of Freedom Homes (Stirling) Limited and Redco Milne Limited is 30 June. Stewart Milne (West) Limited and Stewart Milne (Glasgow) Limited have financial year ends of 31 December consistent with that of the other JV partner.

Notes (continued)

12 Stocks

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Raw materials including land banks	173,130	179,073	120,799	125,030
Work in progress	76,200	69,757	57,623	52,289
Finished goods	12,214	8,685	12,214	7,510
	<u>261,544</u>	<u>257,515</u>	<u>190,636</u>	<u>184,829</u>

Included within finished goods is £11,192,000 (2014:£8,218,000) in respect of Part Exchange properties held.

13 Debtors

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade debtors	71,709	63,607	70,883	61,820
Amounts owed by Group undertakings	-	-	5,331	5,331
Amounts owed by joint ventures	1,788	1,369	872	-
Corporation tax recoverable	453	786	450	630
Group relief receivable	-	-	608	784
Deferred tax asset	156	220	156	220
Other debtors	12,374	8,781	12,062	8,751
Prepayments and accrued income	11,085	15,482	11,086	15,482
	<u>97,565</u>	<u>90,245</u>	<u>101,448</u>	<u>93,018</u>

Included in trade debtors in the Group and Company is an amount of £31,424,000 (2014: £29,256,000) relating to loans provided under the Group's shared equity scheme where up to 25% of the sales value of the property is offered to the customer by way of an interest free loan and other shared equity schemes through the National Housing Trust arrangements

These loans are secured over the properties to which they relate and have repayment terms of greater than one year. Subsequent to the year end, a decision was taken to dispose of the group's interest in shared equity (see note 25).

Notes (continued)

14 Deferred tax asset

	£000
Group and Company	
At beginning of year	220
Charge to profit and loss account (note 8)	(64)
	<hr/>
At end of year	156
	<hr/> <hr/>

The elements of deferred taxation are as follows:

	Group and Company	
	2015 £000	2014 £000
Difference between accumulated depreciation and capital allowances	42	117
Other timing differences	114	103
	<hr/>	<hr/>
Deferred tax asset	156	220
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax is recognised using the rate at which the company expects timing differences to reverse.

15 Creditors: amounts falling due within one year

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Bank loans	201,017	-	201,017	-
Payments received on account	-	-	-	-
Trade creditors	31,411	31,187	31,376	30,982
Corporation tax payable	338	545	-	163
Amounts owed to Group undertakings	-	-	18,605	15,211
Other creditors including tax and social security	13,759	9,827	13,507	9,577
Accruals and deferred income	27,340	29,836	26,807	29,068
	<hr/>	<hr/>	<hr/>	<hr/>
	273,865	71,395	291,312	85,001
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The bank borrowings of the Group are secured by standard securities held by the Bank of Scotland over heritable property and land, and by floating charges over the assets of the Company and certain subsidiaries. The Group's bank facility was due for renewal on 30 September 2016. Subsequent to the year end, the company agreed new terms and entered into a new agreement through to 31 October 2018 and as a result the previous facility is disclosed as due within one year.

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank Loans	-	193,805	-	193,805
Other creditors	6,006	12,289	6,006	12,289
	6,006	206,094	6,006	206,094

Other creditors due after more than one year are all payable as follows:

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Between one and two years	4,399	7,386	4,399	7,386
Between two and five years	1,607	4,903	1,607	4,903
	6,006	12,289	6,006	12,289

17 Called up share capital

Group and company

Allotted, called up and fully paid

	2015	2014
	£000	£000
Ordinary shares of £1 each	139	139
'A' ordinary shares of £1 each	41	41
	180	180
Shares classified as shareholders' funds	180	180

The directors recommend that no dividend on Ordinary Shares or on 'A' ordinary shares is declared or paid.

Notes (continued)

18 Reserves

Group	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
At beginning of year	60	9,969	93,354
Profit for the financial year	-	-	3,730
Realisation of revaluation reserve	-	(3,092)	3,092
	<hr/>	<hr/>	<hr/>
At end of year	60	6,877	100,176
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Company			
At beginning of year	60	9,969	72,440
Profit for the financial year	-	-	2,990
Realisation of revaluation reserve	-	(3,092)	3,092
	<hr/>	<hr/>	<hr/>
At end of year	60	6,877	78,522
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

19 Reconciliation of movements in Shareholders' Funds

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Profit for the financial year being net increase in shareholders' funds	3,730	1,454	2,990	379
Opening shareholders' funds	103,563	102,109	82,649	82,270
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	107,293	103,563	85,639	82,649
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

20 Reconciliation of operating profit to net cash inflow from operating activities

	2015 £000	2014 £000
Operating profit	11,789	14,076
Share of results of joint ventures	(716)	(776)
Depreciation on tangible fixed assets	1,491	1,400
Amortisation of intangible assets	1,025	1,025
(Increase)/decrease in stocks	(4,029)	17,253
(Increase) in debtors	(11,126)	(2,457)
(Decrease) in creditors	(4,130)	(8,960)
	<hr/>	<hr/>
Net cash inflow from operating activities	(5,696)	21,561
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

21 Analysis of changes in debt

	At 30 June 2014 £000	Cash flow £000	Non cash movement £000	At 30 June 2015 £000
Bank loans due within one year	-	-	(201,017)	(201,017)
Bank loans due greater than one year	(193,805)	(7,212)	201,017	-
	<u>(193,805)</u>	<u>(7,212)</u>	<u>-</u>	<u>(201,017)</u>

22 Reconciliation of net cash flow to movement in debt

	2015 £000	2014 £000
(Decrease) / Increase in cash in the year	(7,212)	12,227
Net debt at beginning of year	(193,805)	(206,032)
Net debt at end of year	<u>(201,017)</u>	<u>(193,805)</u>

23 Contingent liabilities

- (i) At the year end the Group and Company had granted performance bonds and guarantees amounting to £13,564,000 (2014: £10,900,000). Of this total £13,477,000 relates to the Company (2014: £10,530,000)
- (ii) The Company and certain subsidiaries are parties to a cross guarantee given in respect of their bank debt. At 30 June 2015 the Company had contingent liabilities under the cross guarantee arrangements of £nil (2014: £nil).

24 Commitments

At 30 June 2015 the Group and Company had annual commitments for assets under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Operating leases which expire:		
Within one year	87	203
In the second to fifth years	719	240
	<u>806</u>	<u>443</u>

Notes (continued)

25 Subsequent events

Subsequent to the year end, the Group realised cash from certain assets, primarily the sale of its shared equity debtors. At the date of sale, these non-core assets had a book value of £24.6m and were sold for an initial consideration of £11.3m with potential additional consideration payable to the company depending on future redemption amounts through to 2024. The decision to sell these assets was taken subsequent to the year end for strategic purposes and the directors do not consider that the realisation of less than the carrying amounts was an indicator of impairment at 30 June 2015.

26 Related parties

The Company is controlled by Stewart Milne.

Directors' loans

Included in other debtors in the Group and Company at the year-end are unsecured, interest free advances to Stewart Milne of £682,000 (2014: £1,640,000).

Also included within other debtors in the Group and Company at the year end is an unsecured, interest free advance to Glenn Allison of £1,080,000 (2014: £1,080,000).

Other balances due to / from related parties

Included within other creditors is a balance of £14,126,000 (2014: £14,126,000) due to Lombard Merton Trust, a trust in which Stewart Milne is a beneficiary. The balance is secured on land.

During the year the company entered sale and leaseback agreements with certain directors and close family members which meet the definition of a related party. The properties were sold for £1,124,000 with a deferred consideration of £112,400. The total rental amount to be paid over the lease period of £342,000 of which £85,000 was paid in the year. The transactions were on an arm's length basis using market values and on similar terms to those available to third parties.