

LUDDON CONSTRUCTION LIMITED

Company registration number SC057943

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**



LUDDON CONSTRUCTION LIMITED

COMPANY INFORMATION

Directors

T B Dougall
C Frize
S Lafferty
S Langan
A Randall
A Morrison
I Barclay
W Colquhoun
A Waddell

Registered number

SC057943

Registered office

Balmore House
1497 Balmore Road
Glasgow
G23 5HD

Auditor

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

LUDDON CONSTRUCTION LIMITED

CONTENTS

	Page
Strategic Report	1
Directors' Report	2 - 3
Independent Auditor's Report	4 - 6
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 - 25

LUDDON CONSTRUCTION LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2018

The directors present the strategic report and the financial statements of the company for the year ended 31 August 2018.

Business review and future developments

The principal activity of the company is civil engineering.

The results for the year are shown on the statement of comprehensive income on page 7.

The Directors are pleased to report that the company achieved a turnover of £55.9m for the year to 31 August 2018 in what were difficult market conditions.

The trading activities generated a net profit after tax of £401k, and in line with previous years, this has been reinvested in the company, maintaining strong growth in net worth.

Despite potentially turbulent economic conditions, the board are forecasting an increase in both turnover and profit for the year to 31 August 2019. This is based on the company having an excellent order book of quality contracts with known clients.

The strategy of diversification and operating in many different sectors in the construction industry continues to prove productive in terms of securing contracts, maintaining continuity of workload and delivering successful results year after year.

Based on these factors the Directors are confident that the success enjoyed in previous years will be sustained in the year ahead and in future years.

Principal risks and uncertainties

The short and medium term impact of Brexit remains the principal uncertainty in terms of its impact on the construction industry and the company.

The Board will continually monitor the systems already in place to mitigate the possible negative aspects of the Brexit situation and enable the company to successfully negotiate the challenges presented.

Financial key performance indicators

The key financial performance indicators monitored by the Board and the company's management team are: contribution from contracts; overheads; net profit margin and liquidity ratios.

Other key performance indicators

The directors believe that non-financial performance indicators are just as important as financial ones. These are but are not limited to: the retention of a skilled workforce; maintaining a good reputation with clients through the company's commitment to providing quality work and achieving the highest possible standards in Health and Safety.

This report was approved by the board on

04/04/19

and signed on its behalf by:


T B Dougall
Director

LUDDON CONSTRUCTION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2018

The directors present their report and the financial statements for the year ended 31 August 2018.

The information regarding the business review and future developments, principal risks and uncertainties, financial key performance indicators and other key performance indicators is included in the Strategic Report and not the Directors Report.

Directors

The directors who served during the year and up to the date of signing were:

T B Dougall
C Frize
S Lafferty
S Langan
A Randall
A Morrison
I Barclay
W Colquhoun
A Waddell (appointed 1 September 2018)

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). 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 for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed assets

In the opinion of the directors, the value of the company's freehold land and buildings is not materially in excess of that shown in the financial statements when considered in relation to its use in the company's trade.

LUDDON CONSTRUCTION LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Employee involvement

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

Disabled employees

It is company policy to give full and fair consideration to applications from disabled persons and to continue, wherever possible, the employment of persons who may become disabled.

Charitable contributions

Various charitable contributions were made during the year totaling £4,752 (2017: £6,086).

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Scott-Moncrieff, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

04/04/19

and signed on its behalf by:


T B Dougall
Director

LUDDON CONSTRUCTION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUDDON CONSTRUCTION LIMITED

Opinion

We have audited the financial statements of Luddon Construction Limited for the year ended 31 August 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

LUDDON CONSTRUCTION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUDDON CONSTRUCTION LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report 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.

LUDDON CONSTRUCTION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUDDON CONSTRUCTION LIMITED (CONTINUED)

Responsibilities of the directors

As explained more fully in the Directors' Responsibilities Statement on page 2, 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.

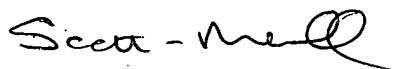
Auditor's responsibilities for the audit of the financial statements

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The 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, as a body, 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.



Bernadette Higgins (Senior Statutory Auditor)

for and on behalf of

Scott-Moncrieff, Statutory Auditor

Chartered Accountants

25 Bothwell Street

Glasgow

G2 6NL

Date: 04/04/19

LUDDON CONSTRUCTION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	2018 £	2017 £
Turnover	4	55,925,369	56,626,095
Cost of sales		(48,077,525)	(49,241,788)
Gross profit		7,847,844	7,384,307
Administrative expenses		(7,304,449)	(6,648,087)
Operating profit	5	543,395	736,220
Interest receivable and similar income		3,817	4,265
Interest payable and expenses		(14,348)	(8,225)
Profit before tax		532,864	732,260
Tax on profit	8	(131,941)	(218,713)
Profit for the financial year		400,923	513,547
Other comprehensive income		-	-
Total comprehensive income for the year		400,923	513,547

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

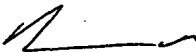
The notes on pages 10 to 25 form part of these financial statements.

LUDDON CONSTRUCTION LIMITED
REGISTERED NUMBER: SC057943

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	9	4,272,701	3,554,061
Fixed asset investments	10	101	101
		<u>4,272,802</u>	<u>3,554,162</u>
Current assets			
Stocks	11	26,761	11,718
Debtors: amounts falling due within one year	12	11,186,133	7,894,436
Cash and cash equivalents	13	4,856,459	6,199,991
		<u>16,069,353</u>	<u>14,106,145</u>
Creditors: amounts falling due within one year	14	(11,295,024)	(9,014,099)
Net current assets		<u>4,774,329</u>	<u>5,092,046</u>
Total assets less current liabilities		<u>9,047,131</u>	<u>8,646,208</u>
Creditors: amounts falling due after more than one year	15	(700,000)	(700,000)
Net assets		<u><u>8,347,131</u></u>	<u><u>7,946,208</u></u>
Capital and reserves			
Called up share capital	16	90,000	90,000
Capital redemption reserve	17	10,000	10,000
Profit and loss account	17	8,247,131	7,846,208
		<u><u>8,347,131</u></u>	<u><u>7,946,208</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
04/04/19 by:


T B Dougall
Director

The notes on pages 10 to 25 form part of these financial statements.

LUDDON CONSTRUCTION LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2018**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2017	90,000	10,000	7,846,208	7,946,208
Comprehensive income for the year				
Profit for the year	-	-	400,923	400,923
At 31 August 2018	90,000	10,000	8,247,131	8,347,131

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2017**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2016	90,000	10,000	7,332,661	7,432,661
Comprehensive income for the year				
Profit for the year	-	-	513,547	513,547
At 31 August 2017	90,000	10,000	7,846,208	7,946,208

The notes on pages 10 to 25 form part of these financial statements.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the company's transactions are denominated. They comprise the financial statements of the company drawn up for the year ended 31 August 2018.

The continuing activities of Luddon Construction Limited ('the company') is that of civil engineering.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in Scotland. Details of the registered office can be found on the company information page of these financial statements. The company's registered number is SC057943.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

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

This information is included in the consolidated financial statements of Dougall Holdings Limited as at 31 August 2018 and these financial statements may be obtained from Balmore House, 1497 Balmore Road, Glasgow, G23 5HD.

2.3 Going concern

The company has a satisfactory level of financial resources together with a solid base of existing customers, and expertise in its field of operations. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and so continue to adopt the going concern basis of accounting in preparing the annual financial statements.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

2. Accounting policies (continued)

2.4 Consolidation

The company and its subsidiaries comprise a large-sized group. Exemption has been taken from preparing group accounts on the grounds that consolidated financial statements are prepared within the financial statements of Dougall Holdings Limited.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Construction contracts

When the outcome of a construction contract can be estimated reliably, the company shall recognise contract revenue and contract costs associated with the construction contract as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

The company shall determine the stage of completion of a transaction or contract through performing surveys of the work performed to date.

When the outcome of a construction contract cannot be estimated reliably:

- the company shall recognise revenue only to the extent of contract costs incurred that it is probable will be recoverable; and
- the company shall recognise contract costs as an expense in the period in which are incurred.

The company will recognise as an expense immediately any costs whose recovery is not probable. When it is probable that total contract costs will exceed total contract revenue on a construction contract, the expected loss shall be recognised as an expense immediately.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 1-10% on cost
Plant and machinery	- 20-50% on cost
Motor vehicles	- 25-33% on cost
Office equipment	- 12.5-25% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

An entity is treated as a joint venture where the company is a party to a contractual agreement with one or more parties from outside the company to undertake an economic activity that is subject to joint control.

2.8 Stocks

Stock and work in progress is valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete or slow moving items.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

2. Accounting policies (continued)

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

2. Accounting policies (continued)

2.13 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.14 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Leased assets: the company as lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

2.17 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The directors are satisfied that accounting policies are appropriate and applied consistently. Key sources of accounting estimation have been applied to the depreciation rates which are deemed to be appropriate for the class of assets, the provision of bad debts based on the directors' expectations of likely receipts after the year end, the calculation of the provision required for remedials and the valuation of work in progress based on surveyors' valuations of work performed at the end of each accounting period.

The directors are satisfied that accounting policies are appropriate and applied consistently.

4. Turnover

The whole of the turnover is attributable to the one principal activity of the company.

	2018 £	2017 £
United Kingdom	55,925,369	56,626,095
	<u>55,925,369</u>	<u>56,626,095</u>

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of owned assets	1,173,568	1,159,129
Depreciation of assets under finance leases and HP	227,743	3,702
Auditor's remuneration - audit fee	27,783	26,955
Auditor's remuneration - taxation compliance services	11,955	11,955
	<u>1,441,050</u>	<u>1,201,741</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	15,694,660	16,677,726
Social security costs	1,877,914	1,929,126
Company contributions to defined contribution schemes	478,407	456,409
	<u>18,050,981</u>	<u>19,063,261</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Office and management	132	138
Technical	270	281
	<u>402</u>	<u>419</u>

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	2,051,577	1,637,207
Company contributions to defined contribution pension schemes	51,221	31,062
	<u>2,102,798</u>	<u>1,668,269</u>

During the year retirement benefits were accruing to 4 directors (2017 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £821,942 (2017 - £958,310).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2017 - £NIL).

8. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	131,941	218,713
Total current tax	<u>131,941</u>	<u>218,713</u>

LUDDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.58%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>532,864</u>	<u>732,260</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.58%)	101,244	143,377
Effects of:		
Expenses not deductible for tax purposes	19,675	22,500
Fixed asset differences	1,715	8,141
Adjust closing deferred tax to average rate of 19.00%	6,024	1,820
Adjust opening deferred tax to average rate of 19.00%	(5,044)	-
Deferred tax not recognised	8,327	42,875
Total tax charge for the year	<u>131,941</u>	<u>218,713</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

LUDDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

9. Tangible fixed assets

	Leasehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 September 2017	992,176	3,461,392	4,900,268	471,086	9,824,922
Additions	14,915	699,967	1,431,610	8,926	2,155,418
Disposals	-	(94,797)	(1,206,409)	(22,508)	(1,323,714)
At 31 August 2018	<u>1,007,091</u>	<u>4,066,562</u>	<u>5,125,469</u>	<u>457,504</u>	<u>10,656,626</u>
Depreciation					
At 1 September 2017	146,557	2,520,611	3,294,999	308,694	6,270,861
Charge for the year	9,029	397,108	932,664	62,510	1,401,311
Disposals	-	(94,797)	(1,171,549)	(21,901)	(1,288,247)
At 31 August 2018	<u>155,586</u>	<u>2,822,922</u>	<u>3,056,114</u>	<u>349,303</u>	<u>6,383,925</u>
Net book value					
At 31 August 2018	<u>851,505</u>	<u>1,243,640</u>	<u>2,069,355</u>	<u>108,201</u>	<u>4,272,701</u>
At 31 August 2017	<u>845,619</u>	<u>940,781</u>	<u>1,605,269</u>	<u>162,392</u>	<u>3,554,061</u>

The net book value of land and buildings may be further analysed as follows:

	2018 £	2017 £
Leasehold	851,505	845,619
	<u>851,505</u>	<u>845,619</u>

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

9. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Plant and machinery	383,800	-
Motor vehicles	640,786	85,148
	<u>1,024,586</u>	<u>85,148</u>

The depreciation for the year includes £227,743 (2017: £3,702) in respect of assets leased under finance leases or under hire purchase contracts.

10. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 September 2017	101
At 31 August 2018	<u>101</u>
Net book value	
At 31 August 2018	<u>101</u>
At 31 August 2017	<u>101</u>

Shares held in group undertakings includes £100, which represents 100% of the ordinary share capital of Luddon Estates Limited, a company incorporated in Scotland. Luddon Estates Limited is a non-trading company and its capital and reserves are £nil.

Shares held in group undertakings includes £1, which represents 50% of the ordinary share capital of Lochhead Energy Limited, a company incorporated in Scotland. The principal activity of Lochhead Energy Limited is that of a building contractor. The company made a loss after taxation of £838 in the year ended 31 August 2018 (2017- £897) and has net liabilities of £10,239 (2017- £9,401).

LUDDON CONSTRUCTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

11. Stocks

	2018 £	2017 £
Raw materials and consumables	26,761	11,718
	<u>26,761</u>	<u>11,718</u>

12. Debtors

	2018 £	2017 £
Trade debtors	10,387,448	6,919,355
Amounts owed by group undertakings	287,633	287,633
Amounts owed by joint ventures and associated undertakings	98,161	349,753
Other debtors	200,471	59,940
Prepayments and accrued income	212,420	277,755
	<u>11,186,133</u>	<u>7,894,436</u>

Trade debtors includes an allowance for over invoiced amounts of £799,193 (2017: £1,982,435).

The allowances for estimated irrecoverable amounts have been determined by reference to past experience and information on specific contracts and balances and is calculated by reference to the present value of anticipated future proceeds. Trade terms are determined on a contract by contract basis.

13. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	4,856,459	6,199,991
	<u>4,856,459</u>	<u>6,199,991</u>

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

14. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	3,345,888	1,827,507
Amounts owed to other participating interests	129,215	-
Corporation tax	41,941	106,213
Other taxation and social security	429,230	1,039,403
Obligations under finance lease and hire purchase contracts	610,833	79,965
Accruals and deferred income	6,737,917	5,961,011
	<u>11,295,024</u>	<u>9,014,099</u>

The company has a bank overdraft facility which is secured by a counter indemnity and two floating charges over the assets and undertakings of the company.

15. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Amounts owed to group undertakings	700,000	700,000
	<u>700,000</u>	<u>700,000</u>

Amounts owed to group and related undertakings are repayable in between one and two years.

16. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
90,000 ordinary shares of £1 each	<u>90,000</u>	<u>90,000</u>

The ordinary shareholders are entitled to dividends and shares rank equally for voting purposes.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

17. Reserves

Capital redemption reserve

The capital redemption reserve relates to the equity component of shares bought back by the company in prior years.

Profit and loss account

The profit and loss account includes all current and prior year retained profits or losses.

18. Contingent liabilities

At 31 August 2018 there were performance bonds outstanding of £2,221,028 (2017 - £2,442,963).

19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £478,407 (2017 - £456,409). Contributions totalling £nil (2017 - £nil) were payable to the fund at the balance sheet date.

20. Transactions with directors

Included within amounts owed by related undertakings is a loan to C Frize, director. The loan is interest free and with no fixed repayment term. The principal loan amount was £60,104. During the year, £10,200 (2017 - £10,200) was repaid. At the year end the loan balance is £19,008 (2017 - £29,208), with the maximum amount outstanding at any point in time during the year being £29,208. Monthly repayments of £850 continue to be made post year end.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

21. Related party transactions

Exemption has been taken from disclosing transactions with group companies on the basis that consolidated financial statements are publicly available.

T B Dougall was also a director of James Strang Limited, R Lindsay & Company (Contractors) Limited, Legge Steel (Fabrications) Limited and Lednathie Estate Limited during the year. T B Dougall and C Frize are directors and shareholders in Craighall Developments Limited. T B Dougall and C Frize are directors of Craighall Energy Limited. During the year to 31 August 2018 the company was involved in the following transactions.

James Strang Limited

During the year the company made purchases of £18,204 (2017 - £9,172) and £521,029 (2017 - £591,355) of subcontracting services from James Strang Limited. Sales to James Strang Limited amounted to £106,995 (2017 - £461,025).

At the year end amounts due to James Strang Limited by the company were £11 (2017 - £230,696 *due to the company*) and £76,664 (2017 - £67,164) was included within accruals in respect of subcontracting services from James Strang Limited.

R Lindsay & Company (Contractors) Limited

During the year the company made purchases of £4,350 (2017 - £2,550) from R Lindsay & Company (Contractors) Limited. Sales to R Lindsay & Company (Contractors) Limited amounted to £34,700 (2017 - £11,563).

At the year end amounts due to the company by R Lindsay & Company (Contractors) Limited were £35,427 (2017 - £1,560).

Legge Steel (Fabrications) Limited

During the year the company made purchases of £72,123 (2017 - £68,757) and £320,789 (2017 - £548,913) of subcontracting services from Legge Steel (Fabrications) Limited. Sales to Legge Steel (Fabrications) Limited amounted to £57,790 (2017 - £51,715).

At the year end, amounts due to Legge Steel (Fabrications) Limited by the company were £15,500 (2017 - £14,299 *due to the company*) and £82,980 (2017 - £46,664) was included within accruals in respect of subcontracting services from Legge Steel (Fabrications) Limited.

LUDDON CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

21. Related party transactions (continued)

Craighall Developments Limited

During the year the company made purchases of £18,000 (2017 - £18,000) from Craighall Developments Limited. Sales to Craighall Developments Limited amounted to £23,523 (2017 - £14,675).

At the year end there is Work in Progress totalling £263,492 (2017 - £268,381) for works carried out by the company on behalf of Craighall Developments Limited.

Craighall Energy Limited

During the year the company made purchases of £100,000 (2017 - £73,990) from Craighall Energy Limited. Sales to Craighall Energy Limited amounted to £19,713 (2017 - £73,990).

At the year end amounts due to the company by Craighall Energy Limited were £43,726 (2017 - £73,990).

Lednathie Estate Limited

During the year the company made purchases of £102,553 (2017 - £102,140) from Lednathie Estate Limited.

At the year end amounts due by the company to Lednathie Estate Limited were £113,704 (2017 - £Nil).

22. Ultimate parent company

The ultimate parent company is Dougall Holdings Limited, a company incorporated in Scotland. There is no ultimate controlling party.