NEW HORIZONS

MACTAGGART & MICKEL GROUP LIMITED ANNUAL REPORT 2018

CONTENTS

Milton-under-Wychwood,
Oxfordshire

Highlights

It's been an eventful year of growth and new opportunities and our continuing outlook for the coming years is one of confidence and zeal. We are happy to report on the latest news and annual results of an increasingly diverse range of business streams and activities.

HIGHLIGHTS

- A fourth-generation family company
- Breaking ground on our first site in England
- Creating a permanent team in Oxfordshire
- Growing our London property portfolio
- A 6th year of profit growth
- 196 homes sold
- 5-star rating for customer satisfaction for the 6th year
- Investors in People Platinum accreditation
- Our Mactaggart & Mickel & YOU programme
- NHBC Pride in the Job and Health & Safety Awards

Milverton Grange,
Lower Whitecraigs

Key financial performance indicators

Group turnover split by activity

	2018	2017
House sales	73%	73%
PRS (Private Rental Sector)	4%	4%
Shared Equity redemptions	1%	1%
Land sales – England	9%	6%
Land sales – Scotland	0%	4%
Contracts	3%	1%
Timber Systems	8%	8%
Commercial Property (rental and sales)	2%	3%

Group profit split by activity

	2018	2017
House sales	57%	56%
PRS (Private Rental Sector)	9%	10%
Shared Equity redemptions	3%	3%
Land sales – England	28%	18%
Land sales – Scotland	0%	8%
Contracts	0%	0%
Timber Systems	2%	3%
Commercial Property (rental and sales)	1%	2%

House type mix

	2018	2017
Detached	59%	63%
Flats	18%	17%
Townhouses	0%	2%
Semi/Terraced	23%	17%

Finance

	2018	2017
Gearing	18%	20%
Return on capital employed	9.9%	9.7%
Current ratio	6:1	9:1
Days creditors	27	25
Turnover per employee (£000)	297	267
Operating profit per employee (£000)	55	50
Units settled % derived from Brownfield development	8%	25%

Key financial performance indicators (by business unit)

Group

Turnover

2018 **£82.3m**

2017 £74.3m

Profit

2018 **£14.2m**

2017 £12.7m

Homes

Turnover

2018 **£63.2m**

2017 £62.0m

Profit

2018 **£12.9m**

2017 £15.1m

Timber Systems

Turnover

2018 **£7.3m**

2017 £6.3m

Profit

2018 **£0.6m**

2017 £0.7m

Contracts

Turnover

2018 **£2.7m**

2017 £0.6m

Profit

2018 **£0.1m**

2017 £0.1m

Commercial Property

Turnover

2018 **£1.8m**

2017 £2.5m

Profit

2018 **£0.3m**

2017 £0.4m

PRS (Private Rental Sector)

Turnover

2018 **£3.3m**

2017 £3.3m

Profit

2018 **£2.3m**

2017 £2.3m

Strategic Land

Turnover

2018 **£8.1m**

2017 £4.7m

Profit

2018 **£6.9m**

2017 £3.1m

NOTE:
Group profit represents profit before tax whilst business unit profits represent their respective gross profit

Group Chairman's Statement

In my first year as Group Chairman I'm very pleased to say that our financial position is extremely robust. Group profits before tax are £14.2m – one of the highest profit levels ever achieved in the company's 93 years – and up 11% year-on-year. Turnover was up 11% to £82m.

Alan Hartley
Group Chairman

GROUP CHAIRMAN'S STATEMENT

These excellent results stem, increasingly, from Mactaggart & Mickel Group's successful diversification strategy, which began around ten years ago. It is most pleasing to see this strategy coming to fruition this year, with the opening of our first office outside Scotland – in Cheltenham – and the acquisition of four housebuilding sites in Oxfordshire. I fully expect to be able to record the first sales by Homes England by this time next year.

Continuing with the diversification theme, we have completed a rebalancing of our portfolio of properties for private rent, disposing of 33 properties in Edinburgh – while still retaining a significant number – and increasing our investment in properties for letting in London.

We see further opportunities in the private rental sector, having recognised that, for many young people, buying their own home may not be the same priority it was a generation ago.

Meanwhile, our Homes Scotland division continues to excel, earning significant recognition in UK awards, most notably securing a 5-star rating for customer satisfaction from the Home Builders Federation for an unprecedented sixth consecutive year. This accolade further strengthens our reputation for quality housebuilding and unmatched customer service.

These achievements are a testament to the skills and dedication of Mactaggart & Mickel employees across the business. The Group is strongly committed to attracting and retaining our best talent and an exemplar of this approach is our latest Employer of Choice initiative; Mactaggart & Mickel & YOU which encourages career development while supporting health and wellbeing. This people-first approach underlines the fundamental ethos of the company and will prove increasingly vital in a more competitive market for talent where skills shortages are an ongoing issue.

With high levels of employee retention and a keenly motivated workforce across the Group, a career with Mactaggart & Mickel is undoubtedly an exciting and rewarding experience, offering opportunities far beyond Scotland and, thanks to our diversification strategy, potentially beyond construction too.

In July we were delighted to receive Investors in People Platinum accreditation – the first housebuilder in Scotland to do so and only the second in the UK. This was quickly followed by news that we had achieved Investors in Young People Good Practice Award Silver. Buoyed by this outstanding recognition, our whole team is determined to take on our upcoming new ventures and continue our success in the year ahead and beyond.

Group Chairman Alan Hartley with Site Manager John Dibben at Lethington Gardens in Haddington

Operating Review

We live at a time when opinion challenges fact. I was conscious of this when I sat down to pen our year review. I have tried to concentrate on the facts and have left opinion for others to form.

Ed Monaghan
Group Chief Executive Officer

OPERATING REVIEW

April 30th, 2018 brought another successful year to a close with a set of strong financial results and, importantly, the progression of several exciting new opportunities that will once again provide foundations for our future success. Group profit before tax increased, rising 11% to £14.2m, up from last year's £12.7m, while turnover also increased significantly to £82.3m (2017: £74.3m).

Health & Safety Manager Karen Bradley with Head of Contracts and Timber Systems Jamie McLean at our Carrongrove House refurbishment project near Denny

HOMES SCOTLAND

Once again our award-winning housebuilding division made a strong contribution to Group performance, with turnover increasing by 2% to £63.2m and profits decreased from the previous year at £12.9m (2017: £15.1m). This has been achieved against a backdrop of a sector under considerable strain, with both the supply chain and sub-contractors often working beyond their capacity to satisfy overall demand. This naturally puts pressure on production and quality to preserve our margins and service to our customers. The year's activities saw 196 homes sold with a healthy profit due in part to a refinement of our products' design and specification and the careful targeting of high quality locations. Three new developments were launched in the year at Killearn, Haddington and Denny reinforcing our strategy to diversify beyond our traditional market areas. We were delighted to receive, for the sixth consecutive year, a 5-Star rating for customer satisfaction from the Home Builders Federation, based on our post-purchase customer questionnaires. Once again our Senior Site Manager Stuart Gillespie won the UK Supreme award in the NHBC Pride in the Job Medium Builder category for his Greenan Views site in Ayr. Also recognised with a Seal of Excellence Award was Site Manager Paddy Malone, and both Garry Henderson and Mike Loughran received Quality Awards. Our employees take huge pride in all that they do and this shows in the many positive testimonials we receive from our clients.

HOMES ENGLAND

We opened our new office in Cheltenham during the year which is home to our Homes England and Strategic Land business teams. Establishing our first office in England is both a statement of intent and a further demonstration of our diversification strategy in action. We have also started the process of recruiting and growing a new team which will deliver our new homes. We have been enormously encouraged by the commitment to the success of this new business from our Homes Scotland team, and by their support – our first site at Milton-under-Wychwood, West Oxfordshire, will be managed by Paul Starritt, who successfully delivered, with his colleagues, our section of the Athletes' Village for the Glasgow 2014 Commonwealth Games. The Homes England business has now acquired four sites, representing 221 units, with more in the pipeline. Our first show home at St Jude's Meadow in Milton-under-Wychwood will open in Spring 2019 – marking another milestone for the Group.

STRATEGIC LAND

Strategic Land has surpassed last year's achievements with another set of stunning results. Both turnover and profit were up on last year with turnover peaking at £8.1m and profit £6.9m compared to £4.7m and £3.1m in 2017. The business also secured an additional 157 acres of land, while submitting 550 units for planning and gaining planning consent for 485 units. We strengthened our team to four employees and are continuing to recruit to support our expansion into new areas. Strategic Land investment in the year amounted to £213,000, securing 800 plots across the UK, all of which are scheduled to achieve our hurdle rate and Return On Capital Employed (ROCE) targets.

Millerhill at Shawfair, Midlothian


FIRST AIDER
BANKSMAN

TIMBER SYSTEMS

All of the homes that we completed last year started their life in our timber frame factory; a 37,000 sq. ft. manufacturing facility on a 2.5 hectare site in Bellshill, North Lanarkshire. Mactaggart & Mickel Timber Systems remains a key component to our new homes delivery strategy, both in terms of improving our productivity and importantly our sustainability. The factory operates over two shifts and produced 73,500 linear meters of wall panel and 29,580 m^2 of floor cassettes in the year. The forward sales pipeline for the year ahead remains strong and margins remain competitive.

PRIVATE RENTAL SECTOR (PRS)

Our decision to diversify our portfolio of rental properties in 2016 has resulted this year in the completion of our first significant refurbishment/extension project, at Ommaney Road, New Cross in London. This type of re-development is one we intend to repeat and develop as a mainstream of our London properties. At the year end our London portfolio was valued at just over £20m, comprising 63 let units, which is projected to contribute £908k per annum in rental income. This compares with the properties we own and let in Edinburgh; at year end our portfolio was valued at just over £45m, comprising some 354 let units and contributing over £2,590k per annum in rental income. Home ownership has traditionally been one of the great British ideals, where property prices get as many column inches as the latest football scores. However, as attitudes towards ownership begin to change, we see our diversified portfolio in both our capital cities contributing and insulating our Group against this trend, while at the same time strengthening our balance sheet for the future.

COMMERCIAL PROPERTY

When you work in the build environment, you invariably have the opportunity to leave your mark and contribute towards an already vibrant community. Such an opportunity has been presented to our Commercial Property business with our proposed development at St. John's Road, Corstorphine, Edinburgh. The proposal is to replace a tired 1960s parade of shops at a key intersection in the heart of Corstorphine Village – one of the main arteries into Edinburgh City – with a new mixed-use contemporary development. We carried out an extensive community consultation process where we engaged with the local community, elected representatives and existing stakeholders. As a first for us, we broke free of the traditional community hall venue and instead gathered wider opinions on our re-development proposals at the local Corstorphine McDonalds restaurant. All of this resulted in our submission of a detailed planning application for 14,000 sq. ft. of retail space and 36 residential units, of which four are family townhouses and nine affordable homes. Once planning has been approved, our initial investment will see a return of over 25%. In addition we have progressed our new Lidl and Co-op supermarket developments in Rosyth, Fife and Symington, South Ayrshire. Once developed, these stores will be added to our list of completed grocery stores with Sainsbury's and Tesco.

CONTRACTS

The process of identifying sites, securing planning permission and contracting with an end user (Local Authority or Registered Social Landlord), namely our land-led strategy, has begun to show some real promise and in time will, alongside the delivery of Section 75 Affordable Homes on our Local Development Plan supported sites, provide 50% of this business unit's annual output. This year we commenced developments for West of Scotland Housing Association at Symington, South Ayrshire, for Places for People at Millerhill at Shawfair, Midlothian and in Stirlingshire for Rural Stirling Housing Association at Killearn. The business has also progressed the conversion of the Category B listed Carrongrove House on our Denny development, which is being transformed into apartments. Government policy in Scotland particularly, coupled with the strength of the social housing market, presents a real growth opportunity for this business unit now and in the future.

Kit erect at Greenan Views, Ayr
by the Timber Systems team

INVESTMENT FUND

Our investment fund was born out of a desire to establish an asset class that would help us to offset the huge variances we experienced when land and property values dropped following the 2008 downturn. Of course, ten years on, most values have now returned to their pre-downturn levels. Our fund, now in its second full year, has invested £3.6m across 31 different businesses, covering a diverse range of sectors from Healthcare to Energy and Technology. For example, Glasgow-based iOpt offers technology to remotely monitor property environments and humidity etc for social landlords and managers of large portfolios. Also, we invested in Stream TV who have developed an Ultra-D glasses-free 3D TV screen, one of which is on display at our Glasgow Head Office reception. The investments are a blend of equity and loan capital where an annual yield is achieved which covers fees and borrowing costs. This year the fund has delivered its first modest valuation uplift of £202k to Group through an independent valuation of one of our early investments. In addition, our first investment in the energy sector is nearing a sale, which will contribute to next year's profit. We have always seen the fund as a medium to long term investment, so these early returns are most welcome and help to reinforce our original vision.

HEALTH & SAFETY

We have always believed that a business' culture goes a long way towards establishing its approach to health and safety. Our policies and procedures need to be owned by our employees and not imposed upon them. It's equally important that our employees feel empowered to only ever do what's right by them and their colleagues. Since the introduction of our site-based Health & Safety Champions two years ago, we have seen real evidence that this empowerment is gaining traction. Reportable accidents (RIDDORS) dropped from eight to five this year – as did minor accidents – from 64 to 58 respectively. Doing the right thing will always trump seeking peer recognition, but sometimes both can be achieved. Our site manager Garry Henderson took home the NHBC Health and Safety Award for "Best Site" in the UK in the multi-storey site category for his development at Milverton Grange at Lower Whitecraigs in Glasgow. Alongside Garry's win, Paul Starritt was highly commended for his joint venture with West of Scotland Housing Association at Symington in Ayrshire and Stuart Gillespie at Greenan Views, Ayr was also commended.

PEOPLE

As a business, we recognise that maintaining a good relationship with our employees is a vital part of our success both now and in the future. Therefore we were absolutely delighted, in the course of renewing our Investors in People status recently, to achieve Platinum accreditation along with Silver Investors in Young People recognition.

Only 2% of IIP accredited businesses in the UK (78) have been awarded the Platinum standard thus far. This is a huge achievement for the Homes Scotland business and a credit to everyone involved across the Group. Understandably, like any successful business, what we do is underpinned by our people and their enthusiasm. We maintain a pipeline of new talent through our Apprenticeship programme and develop existing talent through our Emerging Leaders Initiative.

We encourage our teams to get involved in the selection process of donations through our Building Communities Fund, which donated £30k to good causes in the year, and early in 2018 we launched our Mactaggart & Mickel and YOU initiative which highlights the importance we place on supporting, developing and caring for our people. For example, ensuring our people have a clear 'Voice' across the organisation is critical, so as part of this initiative we launched the "Spotlight on CEO and Senior Management" lunch. We sit down with a dozen or so employees for lunch every quarter to test the temperature, hear from them on what we can do better and how we improve our service. We do all this because we believe that an enthused employee is a productive one.

OUTLOOK

Both the UK and Scottish Governments remain committed to supporting new housing with their continued support of Help to Buy, albeit at significantly different levels within both jurisdictions. That said, there remains concern in Westminster that the sector needs to do more to bridge the gap between supply and demand and in the quality of the new homes we produce. To this end, we have seen a White Paper on housing last year and a report on output constraints in The Letwin Review, alongside the ongoing consultation on the introduction of a new homes Ombudsman. Against this background, we remain committed to retaining our 5-star rating for customer satisfaction from the HBF. While the political uncertainty over our future relationship with the EU is unwelcome, the strength of forward sales in all of our Group business units is testament to the resilience of the wider UK property market and the continued commitment and dedication from all of our employees, and for that, I wholeheartedly thank them.

A member of the iOpt team inspecting an environmental sensor


iOpt.


WINES
RED
ROSÉ
FIZZ

New horizons

The horizon certainly appeared closer for Mactaggart & Mickel Group during 2017 and 2018. We secured planning permission for our first two sites in Oxfordshire, established a new office in the heart of Cheltenham, and broke ground on the first site under our new Homes England division.

Andrew Mickel
Group Director

Ross Mickel
Group Director

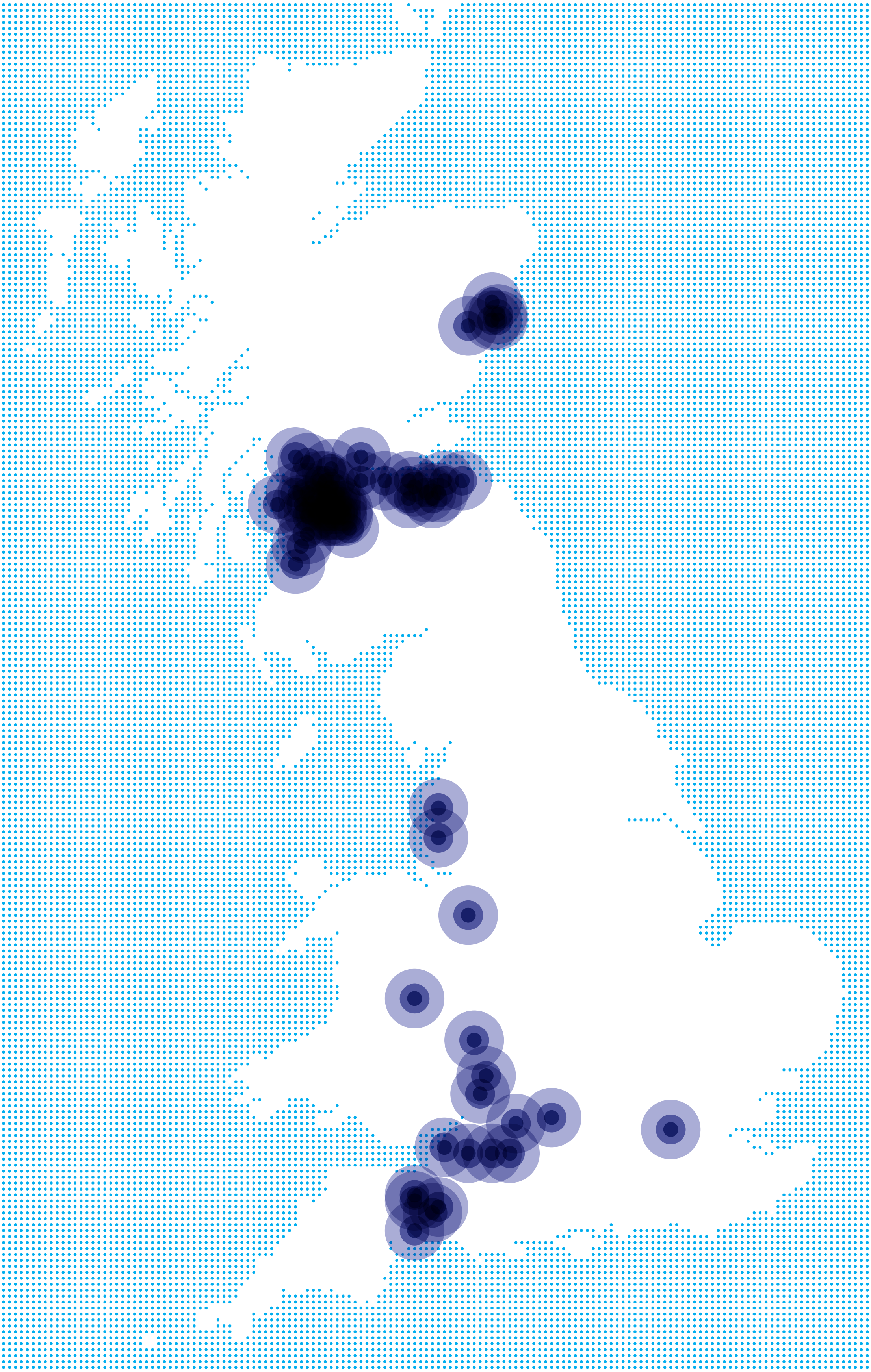
NEW HORIZONS

This expansion is a natural progression for the Group and the most visible symbol of our successful diversification strategy, supported by the continued strong performance by Homes Scotland.

We are immensely proud of our Scottish heritage and commitment to quality and customer service. We also place great importance on ensuring the business is robust, entrepreneurial in approach and open to new opportunities.

As we head towards the 100th anniversary of Mactaggart & Mickel in 2025, these are the platforms that will ensure we continue to flourish, supported by the Mactaggart & Mickel ‘family’ of employees, whose skills and innovation underpin all our achievements.

Our horizons are not limited by borders, be they country or continent.



SETTING OUR SIGHTS FURTHER AFIELD

NEW HORIZONS

The cornerstone for our expansion is the Group's successful strategy of investing in land outside Scotland for future housebuilding, supported by our ability to forge effective business relationships with people who share our values and who can help us achieve our ambitions.

Our flagship Homes Scotland division continues to perform strongly, with developments stretching from coast to coast, offering quality properties that reflect the aspirations of modern house buyers.

Our Strategic Land division has, for many years, acquired and promoted land across England, most notably in the South West where we see considerable opportunities to secure planning consents for delivery of new developments by ourselves and by other building companies.

This foresight is enabling us to commit to significant expansion, underpinned by challenging business targets; we expect Homes England to generate profits at a similar level to Homes Scotland by 2025.

We recognise that the way people live their lives is changing. Millennials may not buy a home until middle age – if they buy at all. We have, therefore, rebalanced our portfolio of properties for private rent, re-investing in properties within a thriving area of London, where young people want to live.

Our diversification strategy is generating wider opportunities for our employees. We have created vibrant new teams to drive progress, relocating experienced Mactaggart & Mickel staff to key positions in Oxfordshire and recruiting locally to harness complementary skills.

We are very clear in our goal to be the Employer of Choice in the sector. We are extremely proud to have secured Investors in People Platinum accreditation and will continue to invest in our people to ensure we have the best mix of skills to enable the Group to continue to prosper.

NORTH EAST SCOTLAND

We originally chose to look at strategic land in Aberdeen in 2012/13 due to the strength of the oil and gas industry; the market has since experienced some flux but is now showing good signs of stability. Our first Optioned site was secured in 2015. Sites were chosen in locations including Cove Road, which is close to Aberdeen city centre and in a sought-after coastal location, and Banchory, a suburb 12 miles west of Aberdeen towards Royal Deeside.

Banchory is a popular commuter settlement with existing family homes and well-regarded schools, and our site has the potential for 65 new homes. We have four sites in Aberdeenshire currently under 10-year Options, one of which is part-owned, and which we are maintaining as investments for future sale or build.

WEST OF SCOTLAND

Our Group Headquarters are based in Glasgow and we have agreed a 10-year lease on our offices at 1 Atlantic Quay, reinforcing our long-term commitment to Scotland. We continue to deliver quality new homes in areas where we are well-established such as Newton Mearns and Ayr. We recently delivered a new style of build at Milverton Grange within the Lower Whitecraigs Conservation area; a steel-frame luxury apartment building.

Work also commenced at Buchanan Views in the new rural location of Killearn, which was chosen due to its picturesque surroundings and a demand for more family homes in the area. The development and home designs have been planned sympathetically and with the aim of enhancing the existing village. We are also returning to Symington in Ayrshire with a brand new mixed-use development of 41 private homes, 34 affordable homes and a retail parade, following a previous Symington development completed in 2015.


Mactaggart
&Mickel


YOKO
YOKO
Mactaggart
&Mickel Since 1925
HOMES

EAST OF SCOTLAND

Our Millerhill development has become well-established as part of Shawfair, which is now a fast-growing and vibrant Midlothian community with convenient transport links to Edinburgh via the Borders railway. Our new development, Lethington Gardens in Haddington, also offers family homes within easy commuting distance of Edinburgh. At St John's Road in Corstorphine we undertook a community engagement exercise and are progressing plans for an innovative new mixed-use development which will take full advantage of its city centre location.

Although we are reducing the size of our portfolio of private rental properties in Edinburgh, the recent steady growth in house prices in Edinburgh proves this is continuing to be a reliable asset and we remain committed to investing in improvements to our existing properties.


Welcome to Lethington Gardens
Sales Centre
Development Plan
Availability
The Bryce
3 bedroom semi-detached home
The Harrison
3 bedroom semi-detached and detached home
The Burnet
4 bedroom detached home
The Miller
4 bedroom detached home
The Schaw
4 bedroom detached home
The Adam
5 bedroom detached home
The Elliot
5 bedroom detached home
The Telford
5 bedroom detached home
EXISTING DEVELOPMENT
North
Site Entrance
West Road
Dickson Green
Burns Circus
FUTURE DEVELOPMENT
FUTURE DEVELOPMENT
Plot 1
Unreleased
Plot 2
Plot 3
Plot 4
Plot 5
Plot 6
Unreleased
Plot 7
Unreleased
Plot 8
Plot 9
Plot 10
Available
Plot 11
Available
Plot 12
Available
Plot 13
Unreleased
Plot 14
Unreleased
Plot 15
Unreleased
Plot 16
Unreleased
Plot 17
Unreleased

NORTH ENGLAND

Our strategic land in North West England was identified through site saturation surveys via the Local Plan, and locations were pinpointed which had good potential for development. Shavington in Cheshire received planning consent in 2014 for 400 units in several phases, the first of which was sold to Persimmon, and we are in the process of marketing the subsequent phases for sale. Maghull in Sefton, near Liverpool, was released from greenbelt and we are applying for planning consent for 750 units.

Wrea Green in the Fylde, Lancashire is a picturesque village centred around a traditional village green and has been identified as a potential site for a future Mactaggart & Mickel build. We secured an Option on the site in 2011 and are current awaiting the outcome of a planning application. Coppenall in Crewe was selected as it lies along the route of the future HS2 rail project (completion 2030) and we hope its value will benefit from that investment in future years.

SOUTH ENGLAND/COTSWOLDS

Keynsham was one of the very first sites we visited when first exploring Strategic Land Options in England in 2009. We secured an Option on the land in 2013 and it was subsequently released from greenbelt. The site has already brought returns, with Phase 1 sold to Crest Nicholson in Feb 2018 and a Phase 2 planning application in progress. Opportunities for Homes England investment strategy and build were identified in Oxfordshire within a triangle between Bristol, Birmingham and Heathrow airports, ensuring good transport connectivity and a close proximity to London.

The first sites identified for build were Milton-under-Wychwood and East Challow, with East Hagbourne and Marcham to follow.

In 2018, two major milestones were reached with the commencement of work on-site at our first ever English development, St Jude's Meadow at Milton-under-Wychwood and the opening of our Cheltenham office, a permanent regional home for our growing England-based team.

LONDON

Our investment in residential let property in London has increased via our strategy to spread our company's assets and interests wider. The value of our portfolio is already strong and has generated a good return. The areas of London where we chose to acquire properties were identified due to their connectivity, their attractiveness to renters and investment into transport infrastructure, such as the planned extension through New Cross of the Bakerloo underground line (opening 2031) and the Crossrail East-West line which will pass through Blackheath and Greenwich.

We have also branched out into a significant property refurbishment – a terraced house in New Cross which we renovated into 3 individual apartments for lease. Several of the diverse businesses which have received capital from our Investment Fund are located in London – tapping into innovative young startups such as Moteefe, who offer branding design services, Cornerstone who produce a range of grooming products for men, and Shift, an online platform which connects removals services with people and businesses that need them.

20
Aberdeen city centre

21
Heathvale Cove (Cove) Aberdeen

22
The Campbell apartment at Milverton Grange, Lower Whitecraigs

23
Site Manager Jason Starritt at Buchanan Views, Killearn

24
Site Manager Scott Beaton and Site Supervisor John McLaughlin at Symington, Ayrshire

25
Director Paul McAninch with our Ultra-D 3D screen at Glasgow head office

26
Millerhill at Shawfair, Midlothian

27
Proposed development at St John's Rd, Corstorphine

28
Sales Consultant Linda Smith at Lethington Gardens, Haddington

29
Edinburgh city centre

30
Persimmon's site, Shavington Park, Cheshire

31
Maghull, Sefton

32
Wrea Green, The Fylde

33
Coppenhall, Crewe

34
Administrator Hannah Masters and Land Manager South Anastasia Asprou at our Cheltenham office

35
Site Manager Paul Starritt at St Jude's Meadow in Milton-under-Wychwood

36
Keynsham, Somerset

37
East Hagbourne, Oxfordshire

38
London city centre

39
Private rental properties in Littleheath, South East London

40
Keynsham, Somerset

BOARD OF DIRECTORS

MACTAGGART & MICKEL GROUP LTD

DIRECTORS

Alan Hartley (Chairman)

Paul McAninch

Andrew Mickel

Ross Mickel

Ed Monaghan (CEO)

Keith Swinley

MACTAGGART & MICKEL HOMES LTD	MACTAGGART & MICKEL TIMBER SYSTEMS LTD	MACTAGGART & MICKEL HOMES ENGLAND LTD	MACTAGGART & MICKEL COMMERCIAL DEVELOPMENTS LTD	MACTAGGART & MICKEL INVESTMENTS LTD
DIRECTORS	DIRECTORS	DIRECTORS	DIRECTORS	DIRECTORS
Ed Monaghan	Ed Monaghan	Paul McAninch	Joanne Casey	Paul McAninch
Peter Shepherd	Ross Mickel	Andrew Mickel	Paul McAninch	Andrew Mickel
Craig Ormond		Ross Mickel	Andrew Mickel	Ross Mickel
Marion Forbes		Ed Monaghan	Ed Monaghan	Ed Monaghan
Paul McAninch		David Shaw	Craig Ormond	
Joanne Casey				
David Shaw				






ALAN HARTLEY

GROUP CHAIRMAN

Alan joined the Company in 2004 and is Chairman of the Scottish Council of Independent Schools, a Non-Executive Director of ESPC, a trustee of a number of national charities and holds a number of other non-executive directorships and advisory appointments.

ED MONAGHAN

GROUP CHIEF EXECUTIVE OFFICER

Ed Monaghan has over 35 years of experience within the industry. He is a member of the CBI Construction Council and sits on the board of a local charity Rosemount and the Royal Conservatoire of Scotland.

ANDREW MICKEL

GROUP DIRECTOR

Andrew Mickel joined the Company in 2000 and was former Chairman of Homes for Scotland and Director of a community development project in the East End of Glasgow. He is currently Director of an arts and music venue, SWG3 in Glasgow.

ROSS MICKEL

GROUP DIRECTOR

Ross Mickel joined the Company in January 2006 and the Group Board in 2012. He is Managing Director of our Timber Frame Division, a member of the Young Presidents Organisation and a member of the Institute of Directors.

PAUL MCANINCH

GROUP FINANCE DIRECTOR

Paul leads the Group financial and ICT strategies. Paul is the Managing Director of the Investment Company and sits on the advisory committee of the YFM Equity Partners 2016 Fund. Paul chaired the Scottish Finance Directors Group in 2015/16.

KEITH SWINLEY

NON-EXECUTIVE GROUP DIRECTOR

Keith joined the Board as Non-Executive Group Director in 2010. As well as managing a private investment portfolio he is Chairman of EE Smith, a specialist joinery manufacturer, and the University of Dundee Pension Trustees. Keith is also a Governor of Wellington School.





JOANNE CASEY

HOMES DIRECTOR

Joanne leads the Sales, Marketing and Design departments and is a member of the Institute of Directors, Chair of Homes for Scotland's Customer Relations Task Group, and Chair of Business Beats Cancer (Glasgow) for Cancer Research UK.

MARION FORBES

HOMES DIRECTOR

Marion leads the HR, Health & Safety and Business Support teams. Marion has been instrumental in our Homes division being recognised as an Employer of Choice and gaining Platinum Investors In People and Silver Investors in Young People accreditation. Marion also Chairs a youth group and volunteers as a youth leader.

PETER SHEPHERD

HOMES DIRECTOR

Peter has over 25 years' experience in the industry. Within the Homes business Peter leads the Construction, Procurement and Engineering teams and is a Board member of the Committee of Management for Hillcrest Housing Association.

CRAIG ORMOND

HOMES DIRECTOR

Craig joined the Land & Planning department in 2007 and became a Board member in January 2017. With a broad range of experience in residential, commercial, and mixed-use projects, Craig's role involves identifying and acquiring short to medium-term opportunities, liaising with relevant authorities, residents, and representative bodies.

DAVID SHAW

HOMES ENGLAND NON-EXECUTIVE DIRECTOR

David joined Homes England in 2017. He has over 35 years experience of residential development and construction both in the private and Registered Provider sector. He is also a qualified planner. David currently works with a number of pension funds, including the Co-op and John Lewis, advising on residential investment.

Financial review

The Group's sixth consecutive year of profit growth signals continued success in the diversification strategy with over 30% of profits generated in England.

Paul McAninch
Group Finance Director

FINANCIAL REVIEW

TRADING GROUP

The total consolidated revenue of the Group in the year amounted to £82.3m (2017: £74.3m). The Group gross profit recorded in the year was £23.2m (2017: £21.6m).

HOMES

Turnover increased year on year as the Group recorded house settlements of £62m (2017: £58.7m) comprising 196 units (2017: 167 units) with an average settlement value of £319,000 (2017: £351,000). Margin earned increased to 25.1% from 24.7% in the prior year. This was due to the development sales mix. Scottish land sales contributed £375,000 (2017: £2.6m) to Group turnover and made a negative contribution of £100,000 after provisions (2017: profit of £1.7m) to gross profit.

SHARED EQUITY REDEMPTIONS

This revenue stream contributed £0.7m to profit (2017: £0.6m) from 51 redemptions (2017: 60 redemptions). These results were realised from income of £2.1m (2017: £2.3m).

TIMBER SYSTEMS

The subsidiary increased revenue in the year to £7.3m (2017: £6.3m). Gross profit decreased to £0.6m from £0.7m in the previous year. The revenue generated by this business unit shifted in the year from the majority deriving from fellow subsidiaries to external sources increasing to £4.7m (2017: £3.5m).

CONTRACTS

This business unit has followed on from the work done to reinvigorate this particular workstream with revenue increasing to £2.7m from £0.6m in 2017. However, investment in establishing and promoting the business has led to a breakeven position in 2018 from profit of £0.1m in 2017.

COMMERCIAL PROPERTY

Rental income remained steady year on year at £0.4m with a decrease in contribution to Group gross profit of £0.1m from £0.2m in 2017. This is due to continuing work on the St John's Road development which will bear fruit in future years. Assets realised consisted of divestment of one of the units which was leased to Iceland food stores. The resultant profit of £195,000 is recognised within gain on disposal of fixed assets (2017: £148,000).

PRS (PRIVATE RENTAL SECTOR)

The Group's PRS division also remained a steady performer with year on year revenue of £3.3m and gross profit of £2.3m (2017: revenue of £3.3m and gross profit of £2.3m). The Group has continued the process of divesting non performing properties in Edinburgh and reinvesting in properties in London. Gain on disposal of the properties has contributed £1.1m to the net trading results (2017: £1m).

ENGLISH STRATEGIC LAND

The business unit recorded its highest performing year to build on last year's results and has contributed £8.1m to revenue (2017: £4.7m) and £6.9m to gross profit (2017: £3.1m).

INVESTMENT FUND

This relatively new business unit had its second full trading year. Income received amounted to £148,000 (2017: £88,000) during the year, equating to an average 4% yield (2017: 6%). The portfolio recorded a valuation uplift of £202,000 at the year-end profit which was a really positive contribution.

PROFIT AND LOSS ACCOUNT

The revaluation of the residential investment property contributed £1.5m to profits in the year (2017: £1.4m). There was a write back of previous land impairments which equated to £248,000 (2017: land impairment £1.5m). The revaluation of the shared equity portfolio led to an impairment of £1.8m (2017: £nil). A tax charge of £2.2m has been applied in the year to 30 April 2018 (2017: £2.4m). The effective rate for taxation is 19% (2017: 19.92%). Final dividends are proposed at £5 (2017: £4) per share while interim paid out was £2.00 (2017: £1.50).

BALANCE SHEET

Net assets have increased to £155m (2017: £143m). Fixed assets increased to £73.4m from £66.1m due to the purchase of investment properties, both commercial and residential, offset by various investment property disposals. Investments increased in the year to £7.1m (2017: £5.3m) with the Group investing a further £1.4m into selected investment funds (2017: £1.5m). Land held for development has increased by £10m with the Group's further purchase of land for development in England as well as replenishing the Scotland land bank. The Group's shared equity debtor decreased by £1.4m (2017: £1.6m) in the year due to continuing redemptions while there remains no current requirement to offer new products to clients.

CASH FLOW

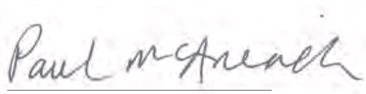
At year end the Group had utilised £25.6m (2017: £26.7m) of a £50m Royal Bank of Scotland plc lending facility. Interest on borrowings totalled £0.7m (2017: £0.9m). The Group satisfied all its bank covenants during the year. The debt facility will expire in November 2021.

PENSIONS

The Group operates a defined benefits pension scheme and also contributes to several defined contribution schemes. The FRS102 calculation at 30 April 2018 shows that the deficit decreased year on year and totals £15.9m (2017: £16.9m). The Group remains subject to pension funding risks, principally interest rates, performance of its equity investments and increased longevity of its members. The Group continually monitors and manages these risks via advice from specialist consultants.

Financial performance

10 years on from the financial crisis, the Group's net assets value shows an impressive recovery to stand at £155m, up almost 20% from a floor of £130m in 2010.



Paul McAninch
Group Finance Director

FINANCIAL PERFORMANCE

The Group has maintained its investment in prime assets both in Scotland and England with a focus on higher yielding assets which will improve our shareholder value. The Group strives to improve its productivity across all its trading businesses through investment in technology with a focus on improving its return on capital. The Group continues to maximise its strong covenant by taking a long-term view with its investment strategy while being prudent with the use of its debt facility as it maintains a healthy gearing position.

The challenge for the Group going forward will be maintaining the recent levels of profitability while it establishes both its new business units and its new regional businesses. The Group is an extremely strong position to enable its strategic plan over the next 3–5 years and to maximise all opportunities which arise.

Strategic report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 April 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group continued to be the building and selling of houses, contracting, letting of domestic and commercial properties, sale of development land, the manufacture of timber frame kits and investment in private equity ventures.

BUSINESS REVIEW

The Group has posted a profitable result showing continued growth from its prior year. The Group achieved a profit before taxation of £14.2 million (2017: £12.7 million). The turnover achieved for the year was £82.3 million (2017: £74.3 million). The Group settled a total of 196 units (2017: 167 units) during the year with an average settlement value of £319,000 (2017: £351,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is affected by the interest rate available for funding its operations and the mortgage rates that are available to its clients. The Group continues to review the opportunities available to contract to a fixed rate for a specified period in order to minimise the risk from servicing its debt in the future. The Group offers a wide range of products which covers all our clients' markets.

The Group has a strong health and safety ethos as it looks to protect its key in-house labour resource and subcontract resources. The Group is a member of ROSPA (Royal Society for the Prevention of Accidents). Regular site audits are carried out by the health and safety department.

The Group's risk committee meet on a regular basis to assess the risks relevant to the business and ensure that these risks are mitigated and managed to an acceptable level. The Group continues to plan for business interruption scenarios through its disaster recovery and business continuity committee. This forum meets regularly to review the contingencies in place and ensure that the plans adapt to the evolution of the business.

The Group remains subject to pension funding risks, principally poor performance of equity investments, increased longevity of the members and changes to interest rates.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

	2018	2017
Non-Financial		
Reportable accidents	**5**	8

Key non-financial performance indicators include the monitoring of our employees' health and safety in addition to the Group's environmental impact and energy consumption.

FUTURE OUTLOOK

The Group has achieved profit growth for the sixth consecutive year. From this position of strength the Group has continued to make significant investments in all its business units and in so doing helped enable its long term sustainable growth strategy.

Investment has opened up new areas of business as well as new geographical markets for our traditional businesses. The Group continues to look to improve its productivity through investment in technology and return on capital and is focussing on investment in higher yielding assets which will improve our shareholder value.

Given the uncertain landscape which lies ahead from the economic and political headwinds, the Group continues to maintain a healthy gearing position. The Group prides itself on its long term view in its deployment of capital, its utilisation of its assets and the partnerships with all stakeholders. The Group is in an extremely strong position to continue to enable its strategic plans over the next 3–5 years and to maximise all opportunities which arise.

By order of the board.

Paul McAninch

PAUL J MCANINCH
DIRECTOR
1 Atlantic Quay
1 Robertson Street
Glasgow
G2 8JB

18 September 2018

Directors' report

DIRECTORS

The directors who held office during the year were as follows:

ALAN J HARTLEY
(resigned Secretary 3rd May 2017)

BRUCE GA MICKEL
(resigned 3rd May 2017)

EDMUND J MONAGHAN

ANDREW AM MICKEL

PAUL J MCANINCH
(appointed Secretary 3rd May 2017)

KEITH AC SWINLEY

ROSS MICKEL

PROPOSED DIVIDENDS

The directors have proposed an interim dividend of £2 per share and a final ordinary dividend in respect of the current financial year of £5 per share. This has not been included within creditors as it was not approved before the year end.

Dividends paid during the year comprise a final dividend of £4 per share in respect of the previous year ended 30 April 2017.

FINANCIAL INSTRUMENTS

The Group avoids the use of complex financial instruments.

EMPLOYEES

Applications for employment by disabled persons are always fully considered taking into account the aptitudes and abilities of the applicant concerned. Where employees become disabled, the Group endeavours to continue to employ such people provided there are duties which they can perform bearing in mind the handicap and disability. It is the policy of the Group that the training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees.

The directors recognise the importance of good communications and relations with employees. The management of each branch or undertaking is responsible for the development of employee involvement as appropriate to its own particular needs. Regular communications are held with representatives of staff at all levels and use is made of notice boards. The directors annually inform all employees of Group performance and of the financial and economic factors affecting that performance. Also, management endeavour to involve as many employees as possible in training including taking all expressed views into account when formulating the annual training.

CHARITABLE CONTRIBUTIONS

Charitable contributions made by the Group during the year amounted to £81,127 (2017: £58,566).

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 Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

By order of the board.

PAUL J MCANINCH
DIRECTOR
1 Atlantic Quay
1 Robertson Street
Glasgow
G2 8JB

18 September 2018

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Mactaggart & Mickel Group Limited

We have audited the financial statements of Mactaggart & Mickel Group Limited for the year ended 30 April 2018, which comprise the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and notes.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

STRATEGIC REPORT AND DIRECTORS' REPORT

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept 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.

Independent auditor's report to the members of Mactaggart & Mickel Group Limited (continued)

DIRECTORS' RESPONSIBILITIES

As explained more fully in the Directors' Responsibilities Statement set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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

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

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

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

HUGH HARVIE (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF KPMG LLP, STATUTORY AUDITOR
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

21 September 2018

Consolidated profit and loss account for the year ended 30 April 2018

	NOTE	BEFORE EXCEPT-IONAL ITEMS 2018 £000	EXCEPT-IONAL ITEMS (REFER TO NOTE 7) 2018 £000	TOTAL 2018 £000	BEFORE EXCEPT-IONAL ITEMS 2017 £000	EXCEPT-IONAL ITEMS (REFER TO NOTE 7) 2017 £000	TOTAL 2017 £000
Group turnover	2	82,271	-	82,271	74,266	-	74,266
Cost of sales		(57,579)	(1,506)	(59,085)	(51,207)	(1,500)	(52,707)
Gross profit/(loss)		24,692	(1,506)	23,186	23,059	(1,500)	21,559
Administrative expenses		(12,094)	-	(12,094)	(10,135)	-	(10,135)
Other operating income	3	3,040	-	3,040	2,462	-	2,462
Group operating profit/(loss)		15,638	(1,506)	14,132	15,386	(1,500)	13,886
Share of joint ventures operating profit		1,214	-	1,214	48	-	48
Total operating profit/(loss)	4	16,852	(1,506)	15,346	15,434	(1,500)	13,934
Interest payable and similar expenses	9	(1,447)	-	(1,447)	(1,447)	-	(1,447)
Other interest receivable and similar income	8	275	-	275	253	-	253
Profit/(loss) before taxation		15,680	(1,506)	14,174	14,240	(1,500)	12,740
Tax on profit/(loss)	10	(2,469)	286	(2,183)	(2,740)	299	(2,441)
Profit/(loss) after taxation		13,211	(1,220)	11,991	11,500	(1,201)	10,299
Non-controlling interests	25	(46)	-	(46)	(57)	-	(57)
Profit/(loss) for the financial year		13,165	(1,220)	11,945	11,443	(1,201)	10,242

Consolidated statement of other comprehensive income for the year ended 30 April 2018

	2018 £000	2017 £000
Profit for the financial year	**11,945**	10,242
Remeasurement of the net defined benefit liability	**1,963**	(7,712)
Movement on deferred tax asset relating to pension scheme liability	**(334)**	1,223
Other comprehensive income for the year, net of income tax	**1,629**	(6,489)
Total comprehensive income for the year	**13,574**	3,753
Total comprehensive income attributable to		
Shareholders	**13,528**	3,696
Non-controlling interests	**46**	57
	13,574	3,753

Consolidated and company balance sheets at 30 April 2018

	NOTE	2018 GROUP £000	2018 COMPANY £000	2017 GROUP £000	2017 COMPANY £000
Fixed assets					
Tangible assets	11	73,427	-	66,109	-
Investments					
Investments in Joint Ventures	12	3,338	-	3,124	-
Investments in Subsidiary Undertakings	12	-	430	-	430
Other investments	12	3,766	-	2,202	-
		7,104	430	5,326	430
Total fixed assets		80,531	430	71,435	430
Current assets					
Stocks	14	108,674	-	102,160	-
Debtors (including £18,618,000 (2017: £20,883,000) due after more than one year)	15	28,581	1,409	30,517	634
Cash at bank and in hand	16	429	-	786	-
		137,684	1,409	133,463	634
Creditors: amounts falling due within one year	17	(19,812)	(1,080)	(12,588)	(208)
Net current assets		117,872	329	120,875	426
Total assets less current liabilities		198,403	759	192,310	856
Creditors: amounts falling due after more than one year	18	(27,983)	-	(32,046)	-
Pension scheme liability	23	(15,920)	-	(16,963)	-
Net assets		154,500	759	143,301	856
Capital and reserves					
Called up share capital	24	430	430	430	430
Merger reserve		113,468	-	116,208	-
Non-distributable reserve		11,982	-	10,555	-
Profit and loss account		27,916	329	15,393	426
		153,796	759	142,586	856
Non-controlling interests	25	704	-	715	-
Shareholders' funds		154,500	759	143,301	856

These financial statements were approved by the board of directors on 18 September 2018 and were signed on its behalf by:

ANDREW MICKEL
DIRECTOR

ALAN J HARTLEY
CHAIRMAN

Company registered number SC326355

Consolidated statement of changes in equity

	CALLED UP SHARE CAPITAL £000	MERGER RESERVE £000	NON-CONT-ROLLING INTERESTS £000	NON-DISTRIB-UTABLE RESERVE £000	PROFIT AND LOSS ACCOUNT £000	TOTAL EQUITY £000
Balance at 1 May 2016	430	119,726	712	9,301	9,806	**139,975**
Total comprehensive income/(expense) for the year						
Profit for the financial year	-	-	57	1,442	8,800	**10,299**
Other comprehensive income						
Actuarial loss on pension scheme	-	-	-	-	(7,712)	**(7,712)**
Tax on loss	-	-	-	-	1,223	**1,223**
Realised surplus on disposal of investment property	-	(3,518)	-	(188)	3,706	**-**
Total comprehensive income/(expense) for the year	-	(3,518)	57	1,254	6,017	**3,810**
Transactions with owners, recorded directly in equity						
Dividends	-	-	(54)	-	(430)	**(484)**
Total contributions by and distributions to owners	-	-	(54)	-	(430)	**(484)**
Balance at 30 April 2017	**430**	**116,208**	**715**	**10,555**	**15,393**	**143,301**

Consolidated statement of changes in equity

	CALLED UP SHARE CAPITAL £000	MERGER RESERVE £000	NON-CONT-ROLLING INTERESTS £000	NON-DISTRIB-UTABLE RESERVE £000	PROFIT AND LOSS ACCOUNT £000	TOTAL EQUITY £000
Balance at 1 May 2017	430	116,208	715	10,555	15,393	**143,301**
Total comprehensive income/(expense) for the year						
Profit for the financial year	-	-	46	1,727	10,218	**11,991**
Other comprehensive income						
Actuarial gain on pension scheme	-	-	-	-	1,963	**1,963**
Tax on gain	-	-	-	-	(334)	**(334)**
Realised surplus on disposal of investment property	-	(2,740)	-	(300)	3,040	**-**
Total comprehensive income/(expense) for the year	-	(2,740)	46	1,427	14,887	**13,620**
Transactions with owners, recorded directly in equity						
Dividends	-	-	(57)	-	(2,364)	**(2,421)**
Total contributions by and distributions to owners	-	-	(57)	-	(2,364)	**(2,421)**
Balance at 30 April 2018	**430**	**113,468**	**704**	**11,982**	**27,916**	**154,500**

Company statement of changes in equity

	CALLED UP SHARE CAPITAL 2018 £000	PROFIT AND LOSS ACCOUNT 2018 £000	TOTAL EQUITY 2018 £000	CALLED UP SHARE CAPITAL 2017 £000	PROFIT AND LOSS ACCOUNT 2017 £000	TOTAL EQUITY 2017 £000
Balance at 1 May	430	426	856	430	325	755
Total comprehensive income for the year						
Profit for the financial year	-	2,267	2,267	-	531	531
Total comprehensive income for the year	-	2,267	2,267	-	531	531
Transactions with owners, recorded directly in equity						
Dividends	-	(2,364)	(2,364)	-	(430)	(430)
Total contributions by and distributions to owners	-	(2,364)	(2,364)	-	(430)	(430)
Balance at 30 April	430	329	759	430	426	856

Consolidated cash flow statement for the year ended 30 April 2018

	NOTE	2018 £000	2017 £000
Cash inflow from operating activities			
Profit for the year		**11,945**	10,242
Adjustments for:			
Depreciation, amortisation and impairment		**397**	431
Change in value of investment property		**(1,525)**	(1,374)
Change in value of investments		**(202)**	-
Interest receivable and other income		**(323)**	(253)
Interest payable and similar expenses		**1,297**	1,447
Gain on sale of tangible fixed assets		**(1,313)**	(1,088)
Deferred government grant		**(10)**	(11)
Taxation		**2,183**	2,441
Non-controlling interests		**46**	57
Share of joint venture operating profit		**(1,214)**	(48)
		11,281	11,844
Decrease in trade and other debtors		**102**	1,748
Increase in stocks		**(6,514)**	(6,455)
Increase in trade and other creditors		**4,466**	2,440
Increase in provisions and employee benefits		**473**	128
		9,808	9,705
Tax paid		**(2,990)**	(2,076)
Net cash from operating activities		**6,818**	7,629
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**5,992**	6,789
Interest received		**31**	70
Dividends received		**-**	100
Acquisition of tangible fixed assets	**11**	**(631)**	(566)
Investment redemptions		**1,050**	-
Acquisition of investment property	**11**	**(10,238)**	(10,960)
Acquisition of investments		**(1,412)**	(1,481)
Net cash from investing activities		**(5,208)**	(6,048)
Cash flows from financing activities			
Decrease/(increase) in loan notes issued		**2,038**	(950)
Interest paid		**(680)**	(1,417)
(Repayment)/drawdown of borrowings		**(2,421)**	2,259
Dividends paid		**(2,364)**	(430)
Distribution to non-controlling interests		**(57)**	(54)
Net cash from financing activities		**(3,484)**	(592)
Net (decrease)/increase in cash and cash equivalents		**(1,874)**	989
Cash and cash equivalents at 1 May		**786**	(203)
Cash and cash equivalents		**(1,088)**	786

Notes to the accounts
(forming part of the financial statements)

1 ACCOUNTING POLICIES

Mactaggart & Mickel Group Limited (the "Company") is a company limited by shares and incorporated and resident in the UK.

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

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included
- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time; and
- Key Management Personnel compensation has not been included a second time; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Going Concern

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 April 2018. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

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

In the parent financial statements, investments in subsidiary undertakings, associates and joint ventures are carried at cost less impairment.

1 ACCOUNTING POLICIES (continued)

Turnover

Turnover, all of which is derived wholly from operations within the United Kingdom and is exclusive of Value Added Tax, represents income from the sale of houses during the year, contracting, sale of development land, income from the rental of investment properties, sales of timber frame kits and surpluses on the realisation of interests under the Major Ownership Scheme.

Expenses

Operating lease

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

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, losses on financial assets measured at fair value through profit or loss and interest payable on defined benefit liabilities.

Other interest receivable and similar income include interest receivable on investments and joint venture loans.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Basic Financial Instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

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

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

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

Notes to the accounts (continued)

1 ACCOUNTING POLICIES (continued)

Tangible fixed assets

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

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

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

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

Motor vehicles	–	4 years – straight line
Office furniture and computer equipment	–	between 3 and 5 years – straight line
Plant and machinery	–	between 4 and 10 years – straight line
Short leasehold improvements	–	over the life of the lease

Depreciation, at 2% straight line, is provided on those heritable buildings included within investment properties and commercial properties which the directors consider to have a remaining useful life no greater than 50 years.

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

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

ii. no depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

Government Grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate.

Exceptional items

Exceptional items are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are material, either by nature or size, in order to gain an understanding of the financial performance and in so doing not to significantly distort the comparability of financial performance between accounting periods. Items of income or expense that are considered by management for designation as exceptional include such items as significant restructuring, write downs or write backs of current assets as a result of impairment.

Leases

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

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1 ACCOUNTING POLICIES (continued)

MOS debtors

The Group operates the Major Ownership Scheme ("MOS") which has in the past been a means of assisting prospective house purchasers with their house purchase. The Group's retained MOS interest in the scheme now current is in the nature of a secured debt, and as such MOS balances relative to the scheme are classified as debtors.

Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset. Deferred tax balances are not discounted.

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

Employee benefits

Defined contribution plans and other long term employee benefits

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

Non distributable reserve

A non-distributable reserve represents the unrealised profit or loss resulting from fair value adjustments and associated deferred tax movements which are credited or charged to the profit and loss account.

Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends prior to the year end that do not meet these criteria are disclosed in the notes to the financial statements.

Notes to the accounts (continued)

2 TURNOVER

	2018 £000	2017 £000
Sale of housing units and development land	**76,278**	69,972
Construction contract revenue	**2,738**	645
Investment property rentals	**3,255**	3,649
	82,271	74,266

3 OTHER OPERATING INCOME

	2018 £000	2017 £000
Fair value adjustments for investment property	**1,525**	1,374
Fair value adjustments for investments	**202**	-
Net gain on disposal of tangible fixed assets	**1,313**	1,088
	3,040	2,462

4 EXPENSES AND AUDITOR'S REMUNERATION

	2018 £000	2017 £000
Operating profit/(loss) is stated after charging:		
Depreciation of tangible fixed assets	**397**	431
Operating leases	**529**	551
Auditor's remuneration:		
– audit of these financial statements	**50**	46
– audit of financial statements of subsidiaries pursuant to legislation	**11**	11
– tax advisory services	**16**	16

5 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 2018	NUMBER OF EMPLOYEES 2017
Administration and finance	**71**	70
Involved in building work	**206**	208
	277	278

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**13,473**	12,470
Social security costs	**1,486**	1,353
Contributions to defined contribution plans	**309**	218
Expenses related to defined benefit plans	**1,377**	965
	16,645	15,006

6 REMUNERATION OF DIRECTORS

	2018 £000	2017 £000
Directors' emoluments	**2,134**	2,036
Group contributions to defined benefit pension scheme	**166**	155
	2,300	2,191

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £588,853 (2017: £564,440). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £41,637 (2017: £39,687).

	NUMBER OF DIRECTORS 2018	NUMBER OF DIRECTORS 2017
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**4**	4

7 EXCEPTIONAL ITEMS

	2018 £000	2017 £000
Cost of sales: Write back of ground and other current assets	**248**	-
Cost of sales: Impairment of ground and other current assets	**-**	(1,500)
Cost of sales: Impairment of shared equity debtors	**(1,754)**	-
	(1,506)	(1,500)

Notes to the accounts (continued)

8 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	2017 £000
Interest receivable from joint ventures	**96**	162
Other interest receivable	**31**	3
Interest receivable from investments	**148**	88
	275	253

9 INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £000	2017 £000
Interest payable on bank borrowings	**(718)**	(901)
Interest payable on loan notes	**(104)**	(104)
Net interest expense on net defined benefit liabilities	**(446)**	(302)
Net loss on financial assets measured at fair value through profit or loss	**(179)**	(140)
	(1,447)	(1,447)

10 TAXATION

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	2018 £000	2017 £000	2017 £000
UK corporation tax				
UK corporation tax – current year		**2,504**		2,592
UK corporation tax – prior year		**(92)**		-
Total current tax		**2,412**		2,592
Deferred tax (see note 20)				
Origination and reversal of timing differences	**(248)**		(259)	
Adjustment due to change in rates	**19**		108	
Total deferred tax	**(229)**		(151)	
		(229)		(151)
Total tax expense		**2,183**		2,441

10 TAXATION (continued)

	CURRENT TAX 2018 £000	DEFERRED TAX 2018 £000	TOTAL TAX 2018 £000	CURRENT TAX 2017 £000	DEFERRED TAX 2017 £000	TOTAL TAX 2017 £000
Recognised in the profit and loss account	**2,412**	**(229)**	**2,183**	2,592	(151)	2,441
Recognised in other comprehensive income	**-**	**334**	**334**	-	(1,223)	(1,223)
Total tax	**2,412**	**105**	**2,517**	2,592	(1,374)	1,218

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	**11,945**	10,242
Total tax expense	**2,183**	2,441
Profit excluding taxation	**14,128**	12,683
Tax using the UK corporation tax rate of average 19% (2017: 19.92%)	**2,685**	2,526
Non-deductible expenses	**37**	8
Adjustment relating to prior periods	**(92)**	-
Depreciation on ineligible assets	**10**	20
Reduction in tax rate on deferred tax balances	**19**	108
Excess of ineligible capital gain over sale	**150**	216
Exempt dividend income	**-**	5
Revaluation of Investments	**(39)**	-
Revaluation of Investment Properties	**(290)**	(274)
Tax on joint venture share of profits	**(231)**	-
Amortisation of capital grants	**(2)**	(2)
Deferred tax charge in relation to revaluation of investment properties	**(64)**	(166)
Total tax expense included in profit	**2,183**	2,441

Factors affecting the future current and total tax charges

A reduction in the UK corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 April 2018 has been calculated based on these rates.

Notes to the accounts (continued)

11 TANGIBLE FIXED ASSETS

GROUP

	INVESTMENT PROPERTIES AND COMMERCIAL PROPERTIES £000	SHORT LEASEHOLD PROPERTIES £000	PLANT AND MACHINERY £000	MOTOR VEHICLES £000	OFFICE FURNITURE AND COMPUTER EQUIPMENT £000	TOTAL £000
Cost or valuation						
At beginning of year	64,936	1,176	2,731	121	875	69,839
Additions	10,238	305	198	51	77	10,869
Disposals	(4,679)	(23)	(175)	(44)	(326)	(5,247)
Revaluation	1,525	-	-	-	-	1,525
At end of year	**72,020**	**1,458**	**2,754**	**128**	**626**	**76,986**
Depreciation						
At beginning of year	33	724	2,084	88	801	3,730
Charge for year	1	76	260	24	36	397
Disposals	-	(23)	(175)	(44)	(326)	(568)
At end of year	**34**	**777**	**2,169**	**68**	**511**	**3,559**
Net book value						
At 30 April 2018	**71,986**	**681**	**585**	**60**	**115**	**73,427**
At 30 April 2017	64,903	452	647	33	74	66,109

REVALUATION

Investment and commercial properties are valued by third parties every year. The last valuation was carried out on 30 April 2018.

The following information relates to tangible fixed assets carried on the basis of revaluation.

	2018 £000	2017 £000
Investment properties	**64,283**	56,408
Commercial properties	**7,687**	8,478
	71,970	64,886

12 FIXED ASSET INVESTMENTS

GROUP

	INTERESTS IN JOINT VENTURES £000	OTHER INVESTMENTS OTHER THAN LOANS £000	TOTAL £000
Cost			
At beginning of year	3,025	2,202	5,227
Additions	-	1,412	1,412
Realisation	(1,000)	(50)	(1,050)
Revaluation of investment	-	202	202
At end of year	**2,025**	**3,766**	**5,791**
Share of post-acquisition reserves			
At beginning of year	99	-	99
Retained profits less losses	1,214	-	1,214
At end of year	**1,313**	**-**	**1,313**
Net book value			
At 30 April 2018	**3,338**	**3,766**	**7,104**
At 30 April 2017	3,124	2,202	5,326

Joint ventures above which represent a holding greater than 20% are as follows:

NAME	COUNTRY OF REGISTRATION	PRINCIPAL ACTIVITY	CLASS AND PERCENTAGE OF SHARES HELD
Joint ventures			
City Legacy Limited*	Scotland	Property development	Ordinary shares – 25%
Registered office: 3rd Floor, George House, 50 George Square, Glasgow G2 1EH			
Shawfair LLP*	Scotland	Property development	50% capital contribution
Registered office: 27 Silvermills Court, Henderson Place Lane, Edinburgh EH3 5DG			

* Shareholding held through an intermediate company

COMPANY

	2018 £000	2017 £000
At start and end of year	**430**	430

Notes to the accounts (continued)

12 FIXED ASSET INVESTMENTS (continued)

NAME	COUNTRY OF REGISTRATION	PRINCIPAL ACTIVITY	CLASS AND PERCENTAGE OF SHARES HELD
Subsidiary undertakings			
Mactaggart & Mickel Homes Limited	Scotland **	Property development	Ordinary shares – 100%
Mickel Products Limited*	Scotland **	Non trading company	Ordinary shares – 100%
Mactaggart & Mickel Lochrin Limited*	Scotland **	Non trading company	Ordinary shares – 100%
Mactaggart & Mickel Timber Systems Limited	Scotland **	Timber frame kit manufacturer	Ordinary shares – 100%
Mactaggart & Mickel Lettings Limited	Scotland **	Residential letting	Ordinary shares – 100%
Mactaggart & Mickel East Craigs Commercial Limited*	Scotland **	Commercial letting	Ordinary shares – 100%
Mactaggart & Mickel Greenan Commercial Limited*	Scotland **	Non trading company	Ordinary shares – 100%
Mactaggart & Mickel Limited*	Scotland **	Dormant	Ordinary shares – 100%
Carrongrove NHT 2011 LLP*	Scotland **	Residential letting	100% capital contribution
Mactaggart & Mickel Commercial Developments Limited	Scotland **	Commercial letting	Ordinary shares – 100%
Mactaggart & Mickel Anniesland Commercial Limited*	Scotland **	Investment	Ordinary shares – 100%
Mactaggart & Mickel Anniesland LLP*	Scotland **	Commercial letting	70% capital contribution
Mactaggart & Mickel Airdrie Commercial Limited*	Scotland **	Non trading company	Ordinary shares – 100%
Mactaggart & Mickel Dalkeith Commercial Limited*	Scotland **	Non trading company	Ordinary shares – 100%
Mactaggart & Mickel Homes England Limited	England ***	Property development	Ordinary shares – 100%
Mactaggart & Mickel Investments Limited	England ***	Investment	Ordinary shares – 100%

* Shareholding held through an intermediate company
** Registered Office, 1Atlantic Quay, 1 Robertson Street, Glasgow G2 8JB
*** Registered Office, 4th Floor East, Cheltenham House, Clarence Street, Cheltenham GL50 3JR

13 JOINT ARRANGEMENTS

The Group owns 50% of the ordinary share capital of the three companies set out below. The Group's investment in these companies is treated as an interest in a joint arrangement that is not an entity and therefore the financial statements of Mactaggart & Mickel Group Limited include its share of the assets and liabilities of these joint arrangements on a line by line basis. Ground held under the joint arrangement is included under stocks (note 14).

NAME	COUNTRY OF REGISTRATION	PRINCIPAL ACTIVITY	CLASS AND PERCENTAGE OF SHARES HELD
Millerhill Estates Limited*	Scotland	Land ownership	Ordinary shares – 50%
Harelaw Estates Limited*	Scotland	Land ownership	Ordinary shares – 50%
Longthorn Farms Limited*	Scotland	Land ownership	Ordinary shares – 50%

* Shareholding held through an intermediate company

All of these companies have Registered Office at 1 Atlantic Quay, 1 Roberson Street, Glasgow G2 8JB

14 STOCKS

GROUP

	2018 £000	2017 £000
Raw materials and consumables	**407**	278
Ground	**59,543**	49,497
Ground held under joint arrangement (note 13)	**1,599**	1,599
Work in progress	**46,995**	50,539
Part exchange properties	**130**	247
	108,674	102,160

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £54,591,000 (2017: £48,969,000). The write-down of Ground to net realisable value amounted to £nil (2017: £1,500,000). The reversal of write-downs amounted to £248,000 (2017: £nil). The write-down and reversal are included in cost of sales and relate to the directors assessment of the final projected outcome of specific developments.

The total carrying amount of stocks pledged by the group as security for liabilities in the year amounted to £8,602,000 (2017: £5,602,000).

Work in progress includes £379,000 (2017: £394,000) attributable to a retained non-controlling interest in the cost of houses sold by the Group under the provision of its previous “major ownership scheme” (see note 15).

15 DEBTORS

	2018 GROUP £000	2018 COMPANY £000	2017 GROUP £000	2017 COMPANY £000
Major Ownership Scheme	**14,203**	**-**	17,330	-
Other debtors	**6,078**	**3**	4,946	-
Trade debtors	**6,780**	**-**	4,533	-
Prepayments and accrued income	**500**	**-**	491	-
Amounts due from subsidiary undertakings	**-**	**1,406**	-	634
Loans due from joint venture undertakings	**-**	**-**	2,093	-
Deferred tax (see note 20)	**1,020**	**-**	1,124	-
	28,581	**1,409**	30,517	634
Due within one year	**9,963**	**1,409**	9,634	634
Due after more than one year	**18,618**	**-**	20,883	-
	28,581	**1,409**	30,517	634

Notes to the accounts (continued)

15 DEBTORS (continued)

Debtors include land sale debtors of £1,508,000 (2017: £1,173,000) and construction contract debtors of £77,000 (2017: £nil) due after more than one year.

The Group operates the Major Ownership Scheme ("MOS") which has in the past been a means of assisting prospective house purchasers with their house purchase. The Group's retained MOS interest in the scheme now current is in the nature of a secured debt, and as such MOS balances relative to the scheme are classified as debtors. MOS debtors are measured based on the present value of expected future cash flows, see note 27 (b).

In considering the timing of the realisation of MOS debtor balances, and considering the terms of the schemes, the directors have estimated, by reference to prior experience of house realisations involving MOS balances, the amount which they consider is likely to be realisable within one year from the balance sheet date. Such amounts are shown separately as debtors due within one year.

MOS houses sold under the previous scheme, which ceased to apply in 1988, amounting to £379,000 (2017: £394,000) are included within work in progress since the nature of that scheme was that the Group retains an interest in the relevant property rather than a security in respect of a balance due to the Group (see note 14).

The Group has more recently offered a scheme where the balance must be settled within 10 years from the original purchase date. Under other schemes available, the Group's interest in MOS balances is realisable (at market value) at any time at the option of respective house purchasers or, on disposal or deemed disposal of each house.

16 CASH AT BANK AND IN HAND

	GROUP 2018 £000	GROUP 2017 £000
Cash at bank and in hand	429	786
Bank overdrafts	(1,517)	-
Cash and cash equivalents per cash flow statements	(1,088)	786

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2018 £000	COMPANY 2018 £000	GROUP 2017 £000	COMPANY 2017 £000
Bank loans and overdraft	1,517	152	-	138
Trade creditors	8,949	-	5,631	-
Other creditors including taxation and social security	1,231	90	654	-
Amounts due to joint venture undertakings	16	-	-	-
Amounts due to subsidiary undertakings	-	110	-	68
Accruals and deferred income	7,305	728	4,931	2
Corporation tax	794	-	1,372	-
	19,812	1,080	12,588	208

The Group has granted, in favour of the bank, a fixed security over several land holdings and a bond and floating charge over the remaining assets. The fixed security is ranked as first charge while the bond and floating charge is ranked as second charge. The Group has also granted, in favour of the Group's defined benefit pension scheme Mactaggart & Mickel Limited Retirement Benefits Scheme, a fixed security over several rental properties.

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

GROUP

	2018 £000	2017 £000
Bank borrowings	**24,072**	26,493
Loan note	**2,342**	2,342
Land creditor	**1,569**	3,211
	27,983	32,046

The loan note relates to a long term commitment on behalf of Carrongrove NHT 2011 LLP. A fixed standard security over investment properties held by the Group within its subsidiary, Carrongrove NHT 2011 LLP was granted to Falkirk Council. The loan note carries a coupon with interest rate of 4% per annum.

The land creditor relates to a contractual commitment for the third tranche of a land purchase due in May 2019.

19 INTEREST-BEARING LOANS AND BORROWINGS

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

GROUP

	2018 £000	2017 £000
Creditors due after more than one year		
Secured bank borrowings	**24,072**	26,493
Secured loan notes	**2,342**	2,342
	26,414	28,835

	CURRENCY	**NOMINAL INTEREST RATE**	**YEAR OF MATURITY**	**REPAYMENT SCHEDULE**	**2018 £000**	2017 £000
Secured bank borrowings	GBP	LIBOR + 1.65%	November 2021	At maturity	**24,072**	26,493
Secured loan notes	GBP	4%	November 2019	At maturity	**2,342**	2,342
					26,414	28,835

Notes to the accounts (continued)

20 DEFERRED TAX ASSETS AND LIABILITIES

	ASSETS 2018 £000	ASSETS 2017 £000	LIABILITIES 2018 £000	LIABILITIES 2017 £000	NET 2018 £000	NET 2017 £000
Accelerated capital allowances	-	-	40	50	40	50
Investment property	-	-	1,647	1,710	1,647	1,710
Employee benefits	(2,707)	(2,884)	-	-	(2,707)	(2,884)
Net tax (assets)/ liabilities	(2,707)	(2,884)	1,687	1,760	(1,020)	(1,124)

21 CONTINGENT LIABILITIES

GROUP

	2018 £000	2017 £000
Road bonds and land guarantees	5,065	7,298

Included within the above figure is an amount of £2,226,000 (2017: £4,093,000) for which the Group has undertaken to maintain bank facilities of a similar amount.

22 COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

GROUP

	2018 £000	2017 £000
Within one year	595	542
Between one and five years	2,092	1,906
Over five years	1,294	1,421
	3,981	3,869

During the year £529,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £551,000).

Leases as lessor
The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

GROUP

	2018 £000	2017 £000
Within one year	323	539
Between one and five years	1,121	1,212
Over five years	1,408	1,610
	2,852	3,361

There were no annual commitments within the Company.

23 EMPLOYEE BENEFITS

Defined benefit scheme
The Company operates the Mactaggart and Mickel Limited Retirement Benefits Scheme, a defined benefit scheme providing benefits based on final pensionable pay. The latest formal triennial review of the Mactaggart & Mickel Limited Retirement Benefits Scheme has been carried out by independent actuaries, Punter Southall Consulting Actuaries, the effective date of the valuation being 1 January 2017.

Net pension liability

	2018 £000	2017 £000
Defined benefit obligation	**(38,417)**	(38,566)
Plan assets	**22,497**	21,603
Net pension liability	**(15,920)**	(16,963)

Movements in present value of defined benefit obligation

	2018 £000
At 1 May	38,566
Current service cost	1,171
Interest cost	1,033
Contributions by members	178
Actuarial gain	(1,725)
Benefits paid	(806)
At 30 April	38,417

Movements in fair value of plan assets

	2018 £000
At 1 May	21,603
Interest income	587
Remeasurement: return on plan assets less interest income	238
Contributions by employer	903
Contributions by members	178
Benefits paid	(806)
Scheme administrative cost	(206)
At 30 April	22,497

Expense recognised in the profit and loss account

	2018 £000	2017 £000
Service cost – including current service costs, past service costs and settlements	**1,171**	846
Service cost – administrative cost	**206**	119
Net interest on defined benefit liability	**446**	302
Total expense recognised in profit or loss	**1,823**	1,267

Notes to the accounts (continued)

23 EMPLOYEE BENEFITS (continued)

The fair value of the plan assets and the return on those assets were as follows:

	FAIR VALUE 2018 £000	FAIR VALUE 2017 £000
Equities	**11,363**	11,411
Corporate bonds	**2,638**	1,933
Fixed interest gilts and index linked bonds	**6,645**	5,329
Other	**1,189**	2,080
Property	**662**	850
	22,497	21,603
Actual return on plan assets	**619**	2,986

The above amounts do not include the entity's own financial instruments and property occupied, or other assets used by the reporting entity.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2018 %	2017 %
Discount rate	**2.60**	2.70
Future salary increases	**3.50**	3.90
Members who joined before 2004:		
– Pre 1/1/03 accrued benefits (LPI 5%; minimum 4%)	**4.10**	4.20
– Post 31/12/02 accrued benefits (LPI 8%)	**3.00**	3.40
Members who joined after 2004:		
– All accrued benefits (LPI 5%)	**3.00**	3.40
Inflation (RPI)	**3.00**	3.40
Inflation (CPI)	**2.00**	2.40

In valuing the liabilities of the pension fund at 30 April 2018, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year old to live for a number of years as follows:

- Current pensioner aged 60: male – 26.3 years; female – 28.3 years
- Future retiree upon reaching 60: male – 27.5 years; female – 29.6 years

To avoid the need for investments continually having to be realised to meet benefit and administration payments, the Company meets certain expenditure on behalf of the Retirement Benefits Scheme. At periodic intervals, the Scheme reimburses the Company. Included within other debtors is an amount of £78,352 (2017: £122,802) in respect of this arrangement.

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £309,000 (2017: £218,000).

23 EMPLOYEE BENEFITS (continued)

Information about the characteristics of the Scheme

The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at retirement and their length of service.

The Scheme is a registered scheme under UK legislation and is subject to the scheme funding requirements.

The Scheme was established from 23 December 1949 under trust and is governed by the Scheme's trust deed and rules dated 13 September 2001.

The Trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy in conjunction with the Company.

Information about the risks of the Scheme to the Company

The Scheme exposes the Company to actuarial risks such as: market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk.

The Scheme does not expose the Company to any unusual Scheme-specific or Company-specific risks.

Information about the valuation of the defined benefit obligation at the accounting date Scheme

The most recent formal actuarial valuation of the Scheme is as at 1 January 2017.

The liabilities at the reporting date have been calculated by updating the results of this actuarial valuation of the Scheme for the assumptions as detailed in these disclosures. Allowance has been made for expected mortality over the period, as well as actual movement in financial conditions since the valuation date.

Such an approach is normal for the purposes of accounting disclosures. It is not expected that these projects will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the Scheme at the accounting date and those included in the disclosures.

Information about the most recent actuarial valuation and expected future cashflows to and from the Scheme

The valuation as at 1 January 2017 revealed a funding deficit of £8,069,000. In the Recovery Plan dated 28 March 2018 the Company has agreed to pay contributions with the view to eliminating the shortfall by 30 June 2028.

In accordance with the Schedule of Contributions dated 28 March 2018 the Company is expected to pay contributions of £1,035,000 over the next accounting period.

In addition, the Company is expected to meet the cost of administrative expenses and insurance premiums for the Scheme.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members approximately over the next 80 years. The average duration of the liabilities is approximately 20 years.

Notes to the accounts (continued)

24 CAPITAL AND RESERVES

SHARE CAPITAL

	GROUP AND COMPANY 2018 £000	GROUP AND COMPANY 2017 £000
Allotted, called up and fully paid		
137,250 A ordinary shares of £1 each	**137**	137
182,000 B ordinary shares of £1 each	**182**	182
90,600 C ordinary shares of £1 each	**91**	91
20,000 D ordinary shares of £1 each	**20**	20
	430	430

The A, B, C and D ordinary £1 shares rank pari passu on all material matters such as dividends, capital distributions and voting rights.

25 NON-CONTROLLING INTEREST

In prior years the Group created a limited liability partnership, Carrongrove NHT 2011 LLP, together with the Scottish Futures Trust Investments Limited and Falkirk Council. This partnership has been set up to participate in the National Housing Trust initiative which is a combination of private and public funded development for affordable housing. During 2013 a subsidiary of the Group, Mactaggart & Mickel Homes Limited, constructed investment properties for Carrongrove NHT 2011 LLP at a pre-agreed market value of £3.3m. Mactaggart & Mickel Homes Limited issued a loan note amounting to £164,000 bearing interest at 6% per annum to Carrongrove NHT 2011 LLP with an additional capital contribution of £820,000.

In February 2011 the Group established, along with Mactaggart & Mickel Limited Retirement Benefit Scheme (M&MRBS), a limited liability partnership, Mactaggart & Mickel Anniesland LLP (LLP). The Group's share of the LLP is 70% with M&MRBS holding a 30% interest. In 2011 the LLP acquired an investment property for a total consideration of £2,187,000; the group share being £1,530,900 and the non-controlling interest is £656,100. Subsequent to the preparation of these financial statements, it was decided that the Scheme should resign as a member of the LLP and receive its full interest by way of cash; this was distributed in July 2018 and amounted to £661,811.

	2018 £000
At beginning of year	715
Distribution of profits in year	(57)
Retained profit for year	46
At end of year	**704**

The Group entered into transactions with Mactaggart & Mickel Anniesland LLP totalling £nil (2017: £nil) while a balance of £357,000 (2017: £90,000) remains due to the Group at 30 April 2018.

26 RELATED PARTY TRANSACTIONS

Group

Identity of related parties with which the Group has transacted
As a member of Mactaggart and Mickel Group, the Group is exempt from the requirements of FRS102.33 to disclose transactions with other members of the group headed by Mactaggart and Mickel Group Limited. Transactions with other related parties are summarised below:

The Group granted a loan to Shawfair LLP, a joint venture undertaking of the Group, which bears interest of LIBOR plus 4%. At year end amounts due from the joint venture undertaking amounted to £nil (2017: £2,093,000) and amounts due to the joint venture undertaking amounted to £16,000 (2017: £nil).

The aggregate of emoluments and amounts receivable to key management personnel for the year amounted to £3,166,597 (2017: £2,780,000).

Company

Identity of related parties with which the Company has transacted
As a member of Mactaggart and Mickel Group, the company is exempt from the requirements of FRS102.33 to disclose transactions with other members of the group headed by Mactaggart and Mickel Group Limited. There were no transactions with other related parties.

27 FINANCIAL INSTRUMENTS

27 (a) Carrying amount of financial instruments
The carrying amounts of the financial assets and liabilities include:

	2018 GROUP £000	2018 COMPANY £000	2017 GROUP £000	2017 COMPANY £000
Assets measured at fair value through profit or loss				
– Investment property	**72,020**	**-**	64,936	-
– MOS debtors	**14,203**	**-**	17,330	-
Assets measured at amortised cost				
– Trade and other receivables	**13,358**	**1,409**	12,063	634
Liabilities measured at amortised cost				
– Trade and other creditors	**46,278**	**928**	44,634	70
– Cash and cash equivalents	**1,088**	**152**	(786)	138

27 (b) Financial instruments measured at fair value
The fair value of investment properties are measured based on valuation by external third parties. Any gains or losses arising from the change in fair value are recognised in the profit and loss account.

The fair value of MOS debtors are measured based on the present value of expected future cash flows taking into account a number of factors, including the expected market value of the property at the time of the loan repayment, the likely date of repayments and the default rates. Any gains or losses arising from the change in fair value are recognised in the profit and loss account.

28 ACCOUNTING ESTIMATES & JUDGEMENTS

Carrying value of major ownership scheme
The group operates a major ownership scheme which has in the past assisted prospective homeowners with their house purchase. The loans are held at the present value of expected future cash flows taking into account a number of factors, including the expected market value of the property at the time of the loan repayment, the likely date of repayments and the default rates. Accordingly there are a number of uncertainties which could impact the carrying value.

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Environmental information
Symbol Freelife Satin:
25% (minimum) recycled/balance FSC
[Forest Stewardship Council] Pulp.
Arcoprint Extra White:
100% FSC [Forest Stewardship Council] Pulp.

DESIGNED AND PRODUCED
Wordpicturestory: www.wordpicturestory.co.uk
PHOTOGRAPHY
Rhona Fowler, Reuben Paris, Paul Reich,
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