MACTAGGART & MICKEL

Strong Foundations for a Brighter Future

Annual Report 2019

We chose the theme *Strong foundations for a brighter future* to reflect the importance of creating a firm bedrock from which to expand. They also enable us to be passionate in pursuit of our exciting long-term goals. We are making remarkable progress in key areas, a testament to our talented teams.

HOMES WITH HEART P14–15

We sold 225 homes, 61 of which were Affordable, a 3,000 sqft Retail store and led the conversion of the B-listed Carrongrove House near Denny in addition to selling 1,074 land plots with planning permission.

OUR ORGANISATIONAL STRUCTURE P14–15

Two clear divisions – or pillars – now report to our Group Board to encourage greater collaboration and sharing of expertise.

ENGLAND'S GREEN AND PLEASANT LAND P26–27

We have opened our first – thatched – showhome in the Cotswolds village of *Milton-under-Wychwood*.

SEVENTH HEAVEN P18–19

We retained our coveted 5-star rating for customer satisfaction for the seventh year in a row. And we continue to rack up awards for quality, construction, design and health & safety.

A BITE OF THE BIG APPLE P30–31

Two commercial properties in New York are now part of our investment portfolio. Both are being upgraded to attract high-calibre tenants from the burgeoning media and tech sectors.

OUR FIRST FEMALE MD FOR HOMES ENGLAND P14–15

Joanne Casey's appointment to this new role follows a decade of success transforming customer care and spearheading our Sales, Marketing and Architectural functions.

SUPPORTING CARE-EXPERIENCED PEOPLE P16–17

Mactaggart & Mickel colleagues are working with *Who Cares? Scotland* to repair and refresh accommodation for care-experienced teenagers when they leave care for the first time.

PROMOTING OUR BRIGHTEST SPARKS P20–21

New '*trainee*' roles across the business are enabling talented young people to forge interesting and rewarding careers.

INVESTING IN IDEAS P32–33

Our Investments division is supporting c.50 early stage / scale-up companies in realising their business ambitions. And, in turn, we have access to great ideas that may benefit us in the future.

CREATING NEW OPPORTUNITIES P16–17

We have planning permission to create a 'transformational' retail/residential development at *St John's Road*, Corstorphine, Edinburgh.

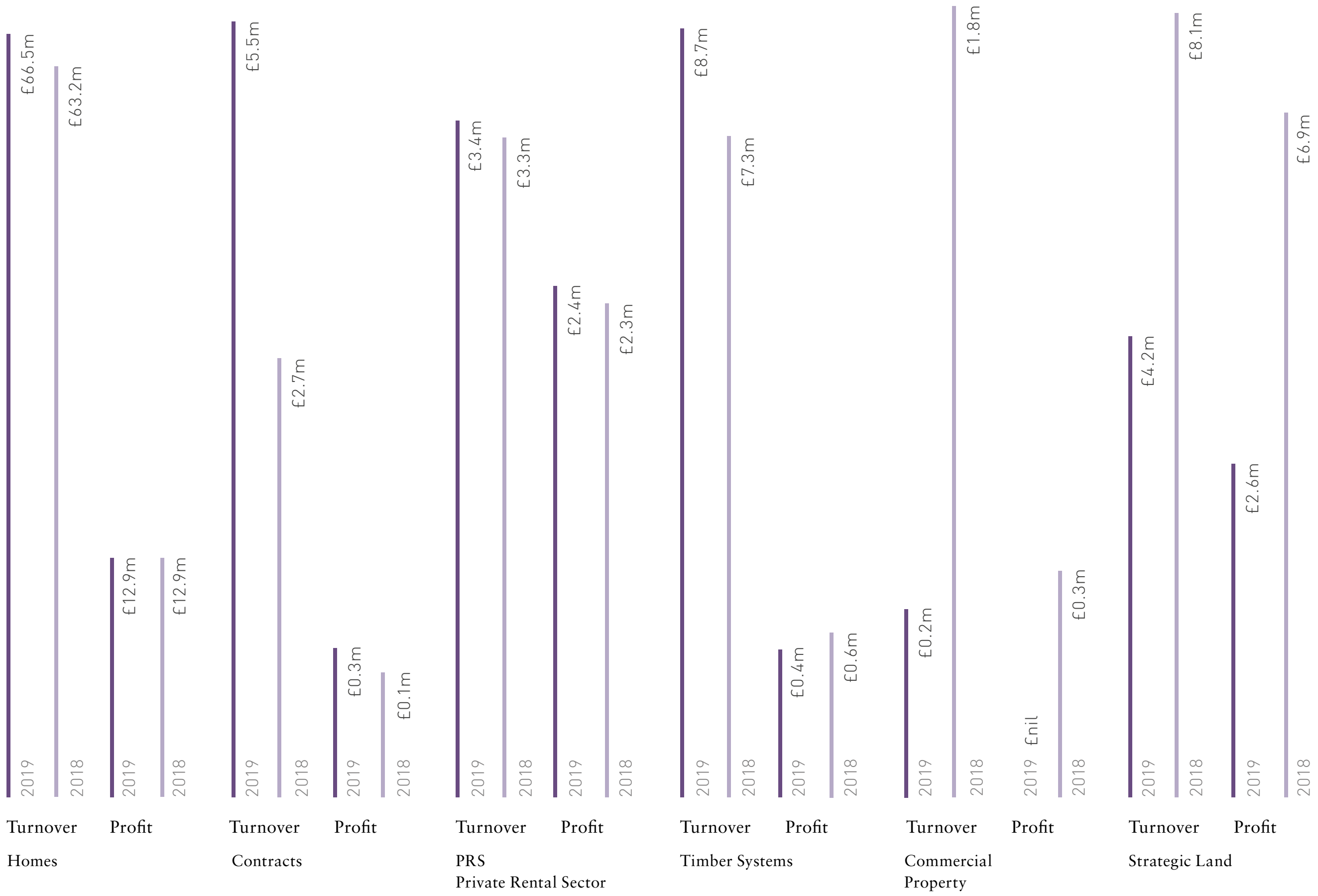
ON OUR MARQUE P12–13

Our new brand 'marque' is a visual expression of our heritage, identity and confidence for the future.

DELIVERING RESULTS P14–15

We achieved profit before tax across the Group of £12.1m.

Group



Note:
Gross profit represents profit before tax whilst business unit profits represent their respective gross profit.

Financial Performance Indicators

Group turnover split by activity	2019	2018
House sales	60%	73%
PRS (Private Rental Sector)	4%	4%
Shared Equity redemptions	1%	1%
Land sales – England	5%	9%
Land sales – Scotland	14%	0%
Contracts	6%	3%
Timber Systems	10%	8%
Commercial Property (rental and sales)	0%	2%

Group profit split by activity	2019	2018
House sales	50%	57%
PRS (Private Rental Sector)	13%	9%
Shared Equity redemptions	5%	3%
Land sales – England	17%	28%
Land sales – Scotland	11%	0%
Contracts	2%	0%
Timber Systems	2%	2%
Commercial Property (rental and sales)	0%	1%

House type mix	2019	2018
Detached	52%	59%
Flats	21%	18%
Townhouses	9%	0%
Semi/Terraced	17%	23%
Bungalows	1%	0%

Finance	2019	2018
Gearing	21%	18%
Return on capital employed	8.3%	9.9%
Current ratio	7:1	6:1
Days creditors	29	27
Turnover per employee (£000)	290	297
Operating profit per employee (£000)	46	55
Units settled % derived from Brownfield development	20%	8%

Group Chairman's Statement

The year to end April 2019 was a challenging one and I wish to record my appreciation for the solid year-end performance by all colleagues across Mactaggart & Mickel, particularly during the last quarter, when political and economic uncertainties eroded customer confidence and resulted in fewer people buying new homes.

Looking forward, we see an opportunity to provide attractive new homes for those who wish to downsize and we are appraising our current house styles to ensure we provide the right mix and size of homes for future home buyers.

Our housebuilding expansion south of the border is going to plan, under the stewardship of Homes England Managing Director Joanne Casey. It is admirable that several colleagues are prepared to split their working week between Scotland and Oxfordshire and their dedication is invaluable while we embed our England-based teams.

We were delighted to host shareholders at our Cheltenham office earlier this year, followed by a visit to the showhome at our first Cotswolds development St Jude's Meadow in Milton-under-Wychwood.

As the Group's diversification strategy continues to mature, it is evident that a larger proportion of our profits result from large, one-off deals rather than incremental house sales.

Timing is everything, but, even with 50 years of business experience under my belt, it is not always possible to anticipate how long a deal will take to complete and this is particularly true for the sale of land to third parties. While recognising that these challenges are part of the normal pressures of business, I am particularly impressed by the commitment of our strategic land team in this regard and commend them for their efforts.

Our efforts to balance the number of private rental properties between Scotland and London is approaching a sound financial equilibrium and it is pleasing to note that we are ahead of target in this respect.

It is clear that our strategy of partnering with trusted estate agents and other property experts to support our diversification plans is increasingly successful. This is of particular note in the London marketplace where skills shortages can make it difficult to recruit the necessary construction skills.

This strategy is also working well in New York City, where our investments – via local specialists – in two commercial buildings in the thriving areas of Manhattan and Williamsburg, Brooklyn, are set to begin generating income for the Group. One of the two properties has undergone extensive modernisation involving going 'back to the bricks', and both offer attractive, flexible office space.

However, exciting as these new ventures may be, we continue to excel at our core business of building quality homes and commercial properties across Scotland, and providing a positive experience for homebuyers. This is borne out not only by the customer satisfaction awards won as an organisation, but also by the accolades earned by our site managers, who more than anyone hold their own when measured against housebuilders across the UK.

I have now completed two years as chair of Mactaggart & Mickel Group and I was honoured earlier this year to receive an award recognising my 15 years as a non-executive director. It is an absolute pleasure to be part of this family-owned company, whose vision for new ventures is matched equally by its firm foundations built on excellence and quality.

Alan Hartley

Above
Alan Hartley,
Group Chairman

Strong Foundations for a Brighter Future

Right
Andrew Mickel and Ross Mickel, Group Directors

Every generation thinks they live in tumultuous times, economically, politically and environmentally. This can be unsettling to many businesses, when instinct tells us to batten down the hatches. However, at Mactaggart & Mickel, we are adept at assessing the positives, confident in our ability to create value where we see opportunities, but always focused on our legacy and long-term goals.

Our priority is to shape the company's future direction not only for the Mickel family members who may follow us into the business – the fifth generation - but also for our extended 'family'; talented colleagues, siblings, husbands and wives and inter-generation families who are building their own careers alongside us.

Meanwhile, we have progressed our plans in creating two new management boards to drive the business forward. We will be a guiding hand on the tiller ensuring delivery of positive change and sustainable value for our shareholders, and making the most of a sophisticated 'dashboard' of Key Performance Indicators which will enable us to more closely evaluate how each division is performing.

Trust in business cannot be underestimated and this is particularly true when you are entering a new marketplace. We work only with those who share our values, from our legal advisors to joint venture partners, all of whom take the same care over our business ventures as we do ourselves.

Andrew & Ross Mickel

The Future

Nevertheless, we continue to undertake our own due diligence before committing ourselves to a new investment. We devote considerable time and energy to scouting new locations, investigating new technology and consistently considering new business opportunities. Speaking to café owners in a potential new neighbourhood, jumping on at the local underground station and meeting the founders of new businesses are the only ways to begin a true assessment; it can't be done by sitting behind a desk, surfing Google Maps or going no deeper than an investment deck.

Turning to our international ventures, we have made two commercial property investments in different – but thriving – areas of New York

Both have an emerging creative scene with arts, marketing, media and tech as potential future tenants. But whether we are investing in London, Edinburgh or overseas, we are determined to be a responsible landlord; one which invests in improving properties, really listens to what tenants want, and with an overall aim of delivering an experience above their expectations.

Left
Stockton Bar,
Deptford High Street, London

Right
Reservoir Road,
Brockley, London

The foundations of this company are built on much more than bricks and mortar.

Equally important to us is supporting colleagues who have an entrepreneurial spirit and a willingness to break the mould from time to time. This makes us quick on our feet, and occasionally bold, but tempered with a dash of Scottish caution. A good cocktail.

Recognising our increasing diversity as an Employer of Choice, we are particularly proud to see Joanne Casey appointed as the first female managing director in the history of Mactaggart & Mickel.

Are we still a housebuilder? Yes, and we will continue to excel at the quality end of the market, but we are also excited to have so many more strings to our bow.

Our diversification plans continue to help us smooth out the peaks and troughs in the construction sector but, more than that, they provide us with further opportunities for growth and interesting careers for generations to come.

They say you always know when the chemistry is right. We believe that it is strong chemistry that sets us apart from our competitors. This belief is important to us professionally and personally, and we always keep in mind that part of our legacy is to ensure that Mactaggart & Mickel continue to prosper as we approach our second century in business.

New Brand

Heritage is important to us and we are proud of our achievements. Equally, we are excited about what the future holds as we continue to diversify, developing new business ventures in the UK and overseas.

To bring together our past and our future, we have introduced a new 'marque' to reflect our brand essence, *Built on the Best since 1925*.

The marque has been created by the harmonious combination of individual elements, each of which represents a key foundation of our business:

1925
The year the company was founded.

Crown
A hint to our beginnings in the Royal Burgh of Linlithgow.

Monogram
The initials of the founding families' surnames.

Stylised Leaves
Representing growth and investment.

Ornate Frame
Representing care and attention to detail.

The marque is a visual symbol of what we stand for and represents our values of care, integrity, passion and excellence.

How we got there

Established as a luxury housebuilding company in Scotland in 1925, Mactaggart & Mickel have diversified over the years, developing a number of additional divisions such as Timber Systems, Strategic Land, Commercial Property, and Contracts.

For over a decade, we developed separate logos for each division in order to create a strong brand identity for each of these major areas of expertise and to help our customers, suppliers and staff understand our structure as we grew.

However, as our expansion plans accelerated with the launch of our Homes England business in 2017, we realised that these different brands and logos were adding unnecessary layers of complexity, resulting in less clarity of understanding among our many audiences.

We took the decision to undertake a full review of our brand identity. The first step was to carry out independent qualitative and quantitative research with our most important audience – our customers – using focus groups to encourage constructive feedback.

We asked some 1,200 customers whether our current branding accurately represented the modern day Mactaggart & Mickel. And if not, why not?

Their opinion was clear: we had to change our branding to be more prestigious, as befitting a successful company; we needed a new colourway to reflect our proud heritage; and above all, there should be one unifying brand marque for the entire Group.

We set to work. During the latter half of 2018, branding experts worked alongside our Marketing team to create a new brand identity. Its creation involved a rigorous re-examination of the very foundations of Mactaggart & Mickel – our values, behaviours, tone of voice, customer insight and so on – everything that makes us who we are as a company and, importantly, what differentiates us from other housebuilders.

Two versions of a brand marque were prepared – one in purple, one in black. While we had an immediate favourite, it was again important to test both versions with our customers, so we carried out further qualitative research with over 800 homebuyers. Their feedback was overwhelmingly in favour of the purple marque.

Subsequently our Group Board approved the new brand identity for launch in January 2019.

The final stage was to arrange a number of employee roadshows to share the new brand marque with our colleagues. We explained the journey we had been on, and why each element of the marque was important in celebrating our past and setting us on course for continued success in future.

A heartfelt thank you to everyone who helped us on our branding journey.

Below
Branded notebooks

Operating Review

Strong foundations – and talented people – are the lifeblood of successful businesses, providing strength and resilience to help organisations to grow. These foundations also provide the flexibility to enable a business to evolve, and to make the necessary course corrections to continue to flourish.

This year we simplified our organisational structure to create two business 'pillars' – Homes and Investments, under the Group Board. The new structure will facilitate greater collaboration and shared expertise to drive both of our new divisions forward.

The past 12 months have been challenging, but this report documents excellent progress in key areas, including continuing to build homes on new sites in Oxfordshire, planning further expansion of our PRS portfolio in London and making several significant investments during the year which will bear fruit in the coming years, bringing our investment in England to over £70m.

Turnover was £84.7m, up from £82.3m last year. Group profit before tax was £12.1m, slightly down on the previous 12 months, reflecting the more challenging market conditions facing the construction industry.

Our Homes division is made up of our two Homes businesses operating in Scotland and England, Contracts, Strategic Land and Timber Systems. We sold 225 homes during the year (2018: 196), 61 of which were Affordable, and we sold 1074 land plots with planning permission. These are fantastic achievements given the level of uncertainty in early 2019.

We were delighted to appoint Joanne Casey as Managing Director of Homes England. Our first development at Milton-under-Wychwood in Oxfordshire has received excellent feedback including its first Pride in the Job Quality award from the NHBC. Our successful strategy of seconding experienced people from Scotland to the new site in England, complemented by the recruitment of talented individuals from the local area, will help us continue to expand in the future.

A key highlight in Scotland has been the refurbishment and conversion of the historic B-listed Carrongrove House near Denny in Falkirk. We worked with conservation specialists to restore and recreate period features, creating seven unique apartments.

Right
Ed Monaghan,
Group Chief Executive Officer

Ed Monaghan

We have been awarded numerous accolades over the years and I am delighted that we added to our tally by earning a Five Star rating from the Home Builders Federation – for a superlative seventh consecutive year. Awarded based on customer satisfaction feedback, this is a credit to everyone across the Group.

Our second division, Investments, embraces Commercial Property, Investments, International and our Private Rental Sector (PRS).

A significant milestone was securing planning permission for our St John's Road proposals; a retail/residential development at Corstorphine in Edinburgh. The ground floor will feature high-quality retail space, with 36 apartments and townhouses above, delivering a welcome boost for the area.

Our Investment Fund is now supporting the growth plans of c.50 start-up or scale-up companies, with around 40% of our investments focussed on the technology sector where we see strong potential for higher returns.

During the financial year we realised returns on two such investments where we received £0.6m cash back and profit of £0.4m.

We have invested in a commercial property portfolio outside the European Union for the first time, selecting New York City properties with attractive conversion potential. We are focussing on two neighbourhoods – Chelsea in Manhattan and Williamsburg in Brooklyn – both of which have a high concentration of media and technology companies.

Above
Lethington Gardens, Haddington

We continue to rebalance our Edinburgh and London portfolios of properties for private rental and have pinpointed the New Cross area of South East London as an area ripe for investment. The planned extension of the Bakerloo Line will provide attractive transport options in the coming years and we now have over £20m invested in this location.

Our health and safety culture remains a key focus and we have implemented a number of initiatives, such as behavioural safety training, to reinforce its importance. 'Near miss' reporting within our Homes business remains high, demonstrating that our employees understand that health and safety is a collective responsibility.

We had 9 RIDDORs with 66 minor accidents.

We continually look for new ways to support our colleagues. When our Health & Safety Champions launched a campaign on site safety, we boosted their efforts by arranging for an industry speaker to share his story and experiences with our site teams. We also joined forces with the charity Mates in Mind to train staff to become Mental Health First Aiders. A number of employees are now equipped with the skills to sensitively support colleagues. In addition, every employee participated in a mental health training workshop to encourage discussions about mental health.

We currently employ 292 people and we expect that to grow as we expand our Homes England team and begin construction at our second Oxfordshire site at East Challow. The industry-wide skills shortage means it can be challenging to recruit those with the right mix of abilities. However, our reputation as an Employer of Choice with Investors in People Platinum accreditation – together with exciting career progression opportunities – gives us an edge in attracting the rising stars of tomorrow. This is important because it is these people who will take the business forward.

Indeed, it was our employees who selected our latest charity partner. Who Cares? Scotland provides practical support to teenagers when they leave care and move into their own homes for the first time. Thanks to willing volunteers from across the business, we repaired and redecorated apartments for two care-experienced young people, and plan on tackling more in the future, as well as providing workshops to give the young people the skills and confidence to prepare for job interviews and entering work.

We continue to invest in our digital infrastructure, internally to improve our productivity and externally to improve the customer experience, before, during and after their home purchase.

Below
Karen Bradley,
Heath & Safety Manager

We are acutely aware of our responsibilities to reduce our impact on the environment. Investment in video conferencing technology between our sites and offices has reduced 150,000 business miles, saving 1500 travel hours. We worked with the Scottish Environment Protection Agency (SEPA) to implement the first Sustainable Growth Agreement at our Millerhill development within the 4,000-home new community of Shawfair in Midlothian. And, working alongside wildlife and conservation charities, we are installing 'Hedgehog Highways' within our new homes site at East Hagbourne in South Oxfordshire.

Turning to the next 12 months, we will continue our efforts to ensure we remain at the leading edge of our sector. We will be seeking evidence of a renewed clarity of purpose arising from our new organisational structure, with greater impetus behind achieving our goals.

Our firm foundations – built on family values that continue to this day – will support us as we develop these new ventures. I am inspired by the talent and evident enthusiasm of our people and trusted partners to embrace the exciting opportunities ahead, ensuring that Mactaggart & Mickel are in strong shape for generations to come.

Awards

HBF

We were thrilled to secure a Five Star rating for customer satisfaction from the Home Builders Federation for a superlative seventh consecutive year.

NHBC

The NHBC continue to recognise our Site Managers as the crème de la crème of construction site management.

During 2018, Site Manager Martyn Anderson, Senior Site Manager Stuart Gillespie and Site Manager Garry Henderson received Pride in the Job Quality awards for Greenan Views, Milverton Grange and Castle Grove respectively.

Stuart and Garry went on to win a Seal of Excellence and Stuart subsequently scooped the Regional Award for Scotland in the Medium Builder category – for the sixth time!

While the 2019 NHBC awards are still progressing, we are delighted that Stuart has already been Highly Commended in the Health & Safety Awards.

HBF 5 Star Rated Home Builder for Customer Satisfaction 2019

NHBC Health & Safety Awards Highly Commended 2019

Stuart Gillespie, Greenan Views, Ayr

NHBC Pride In The Job, Supreme Award Runner-up 2018

Stuart Gillespie, Greenan Views, Ayr

Career opportunities abound

We have made tremendous progress as an Employer of Choice, recruiting and retaining talented people during an industry-wide skills shortage.

Jamielee Savage has developed from apprentice painter to Trainee Health & Safety Advisor and Shaun Kennedy has progressed from apprentice joiner to Trainee Assistant Site Manager.

Jamielee Savage
& Shaun Kennedy

Next Page
Carrongrove House
An exquisite restoration and conversion of the B-listed Carrongrove House near Denny has created seven apartments.

Buchannan Views

Site Manager Jason Starritt and Trainee Sales Consultant Jen Searle at our Buchanan Views development in Killearn, Stirlingshire. Little wonder that these beautiful homes with striking designs in tranquil surroundings have been so well received.

Jason Starritt & Jen Searle

Sustainability matters

Master thatcher Ian Parkinson created a thatched roof for our showhome at St Jude's Meadow in Milton-under-Wychwood, an Oxfordshire village with a proud heritage in thatching skills.

(Pictured on page 40)

Milton-under-Wychwood

Strategic Land

Our Strategic Land team use the 'Scottish model' – three months of public consultation– before applying for planning permission in England. The result? Positive feedback and community provision that meets local needs.

Above

Our Contracts division delivered a retail development as part of our Kelso Gardens site in Symington.

Right

Nevin Holden, Land Manager South, and Siani Cox, Strategic Land Project Manager, at our Cheltenham office.

Investments

Our Investments pillar has £80m of assets under management, encompassing properties for private rent, commercial property, our Investment Fund and an early stage international portfolio. Consistent yields from these four business areas are already helping to offset the cyclical nature of residential property.

Our exceptional expertise in the commercial and residential marketplace secured permission for a design-led, mixed-use development at St John's Road, Corstorphine, Edinburgh, which will revitalise the wider locale.

Our Investment Fund welcomes applications for funding from a wide spectrum of business areas where we see opportunities for strong growth, including specialist sectors such as wind turbine maintenance.

The Fund provided £250,000 of scale-up funding for global social commerce brand Moteefe, which helps customers sell customised products via social media. Revenues have increased by over 300% annually over the last three years.

And tech startup iOpt received £600,000 seed funding where we were lead investor. It has developed technology to allow landlords to remotely monitor – and thus safeguard – the interior fabric of buildings.

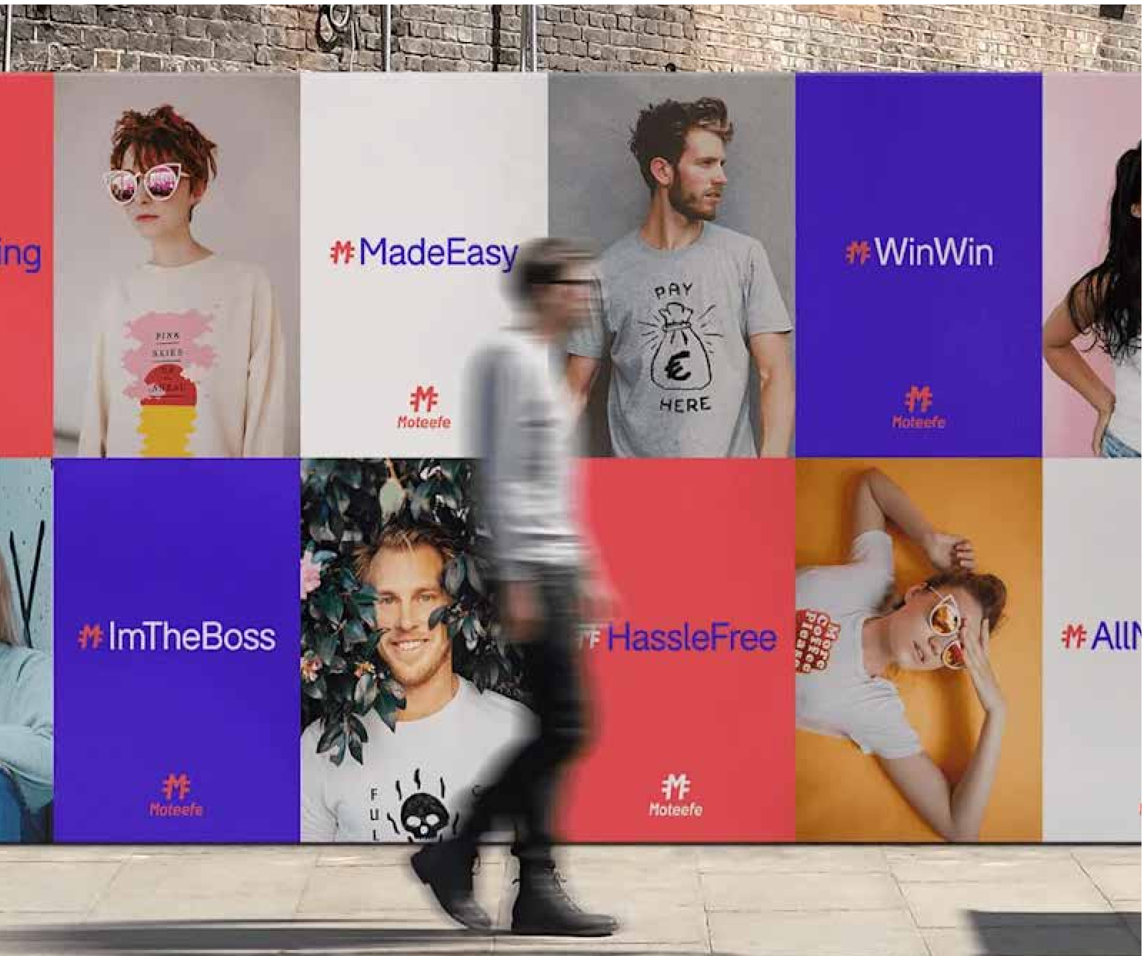
We have also invested – via trusted partners – in two commercial properties in New York City in response to uncertainties within the UK and European marketplace. Both are being modernised for rental to technology, advertising, media and IT businesses, and we anticipate healthy yields and capital returns.

Left
Interior of 134 Broadway, Brooklyn, New York.

New York City
Computer-generated image of 134 Broadway, Brooklyn, New York.

Social Commerce

Social commerce brand Moteefe benefitted from scale-up capital from our Investment Fund.



Wind Farm Energy

Among the startup businesses that our Investment Fund is supporting are specialist sectors such as wind turbine maintenance.

Group Directors

Alan Hartley
Group Chairman, joined the company in 2004. A chartered accountant, he worked for KPMG for over 30 years, 20 as a tax partner. He is also Chairman of the Scottish Council of Independent Schools, Non-Executive Director of the ESPC, trustee of a number of national charities and holds several other non-executive directorships and advisory appointments.

Andrew Mickel
Group Director, joined the company in 2000. He was formerly Chairman of Homes for Scotland and Director of a community development project in the East End of Glasgow. He is also a Director of SWG3, a leading arts and music venue in Finnieston, Glasgow.

Ross Mickel
Group Director, joined Mactaggart & Mickel in 2006 and the Group Board in 2012. He is a member of the Institute of Directors and the Young Presidents Organisation. Ross is passionate about innovation and sustainable construction.

Ed Monaghan
Group Chief Executive Officer, has over 36 years' experience within the industry. He is a member of the CBI Construction Council and sits on the boards of local Glasgow charity Rosemount and the Royal Conservatoire of Scotland.

Paul McAninch
Paul is Chair of Mactaggart & Mickel Investments Board and Group Finance Director. He oversees Commercial Property, International investments, our Private Rental Sector portfolio and Investment Fund. He is a non-executive director of Glasgow-based tech start-up iOPT and sits on the advisory committee of the YFM Equity Partners 2016 Fund.

Keith Swinley
Keith joined the Board as Non-Executive Group Director in 2010. He is Chairman of the University of Dundee Pension Trustees and he also manages a private investment portfolio.

Financial Review

The Group's net worth increased to a historic peak with net assets now over £160m.

The Group's gross (of debt) assets position at £190m provides a great foundation for the two divisions to thrive going forward, with a Homes asset base of £110m and an Investments asset base of £80m.

Trading Group
The total consolidated revenue of the Group in the year amounted to £84.7m (2018: £82.3m). The Group gross profit recorded in the year was £18.7m (2018: £23.2m).

Homes Scotland
Turnover increased year on year as the Group recorded house settlements of £52.9m (2018: £62m) comprising 164 units (2018: 196 units) with an average settlement value of £322,000 (2018: £319,000). Margin earned decreased to 19% from 25.1% in the prior year. This was due to the development sales mix. Scottish land sales contributed £12.6m (2018: £375,000) to Group turnover and made a positive contribution of £2m (2018: loss of £0.1m) to gross profit.

Shared Equity Redemptions
This revenue stream contributed £1m to profit (2018: £0.7m) from 188 redemptions (2018: 51 redemptions). 146 of these redemptions were sold as a portfolio generating income of £4.3m. These results were realised from total income of £6.2m (2018: £2.1m).

Homes England
This relatively new business unit is currently awaiting its first settlement scheduled for the end of 2019. As there is currently no revenue stream the business made a gross loss of £0.9m (2018: £0.7m).

Paul McAninch

Timber Systems
The subsidiary increased revenue in the year to £8.7m (2018: £7.3m). Gross profit decreased to £0.4m from £0.6m in the previous year. The revenue generated by this business unit from external sources decreased to £4.2m (2018: £4.7m).

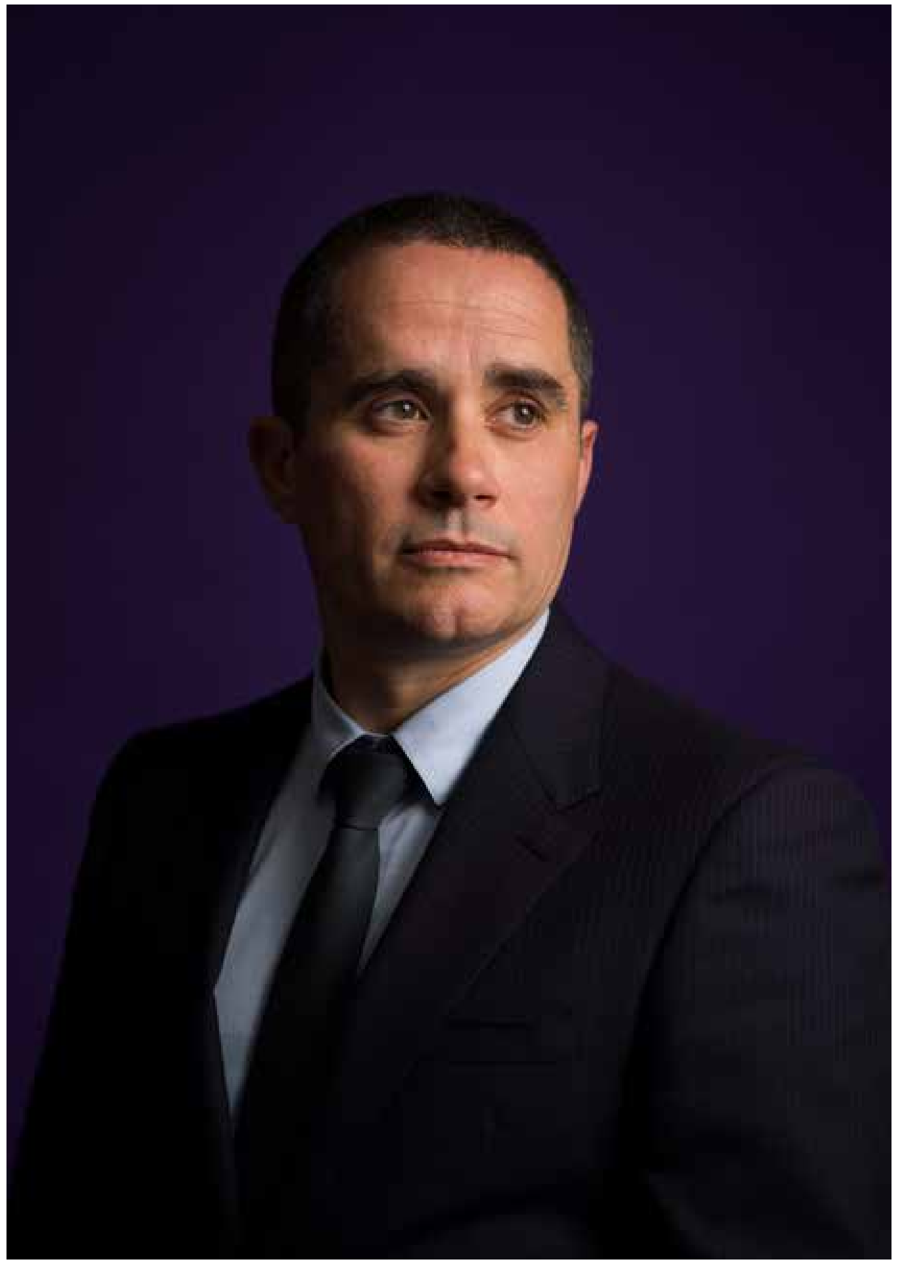
Contracts
This business unit has followed on from the success of reinvigorating this workstream with revenue increasing to £5.5m from £2.7m in 2018. Gross profit of £0.3m (2018: £0.1m) recognised is on track with expectations as 5% (2018: 4%) margin was achieved.

Commercial Property
Rental income recognised of £0.2m was down from £0.4m in the year with a decrease in gross profit to break even from £0.1m in 2018. This is due to continuing work on a property at St John's Road with a redevelopment strategy in place. Assets realised consisted of the sale of the retail unit at Symington. The resultant profit of £219,000 is recognised within gain on disposal of fixed assets (2018: £195,000).

PRS (Private Rental Sector)
The Group's PRS division also remained a steady performer with revenue in the year of £3.4m and gross profit of £2.4m (2018: 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 these properties has contributed £1m to the net trading results (2018: £1.1m).

English Strategic Land
The business unit recorded £4.2m in revenue (2018: £8.1m) and £3.2m to gross profit (2018: £6.9m).

Investment Fund
Income received amounted to £183,000 (2018: £148,000) during the year, equating to an average 4% yield (2018: 4%). The portfolio recorded a valuation uplift of £29,000 (2018: £202,000) at the year-end. Gain on realised investments amounted to £359,000 (2018: nil).



Above
Paul McAninch,
Group Finance Director

Financial Review

Profit and Loss Account

The revaluation of the residential investment property contributed £4.5m to profits in the year (2018: £1.5m). There was a write back of previous land impairments which equated to £589,000 (2018: land impairment £248,000). A tax charge of £2.2m has been applied in the year to 30 April 2019 (2018: £2.2m). The effective rate for taxation is 19% (2018: 19%). Final dividends are proposed at £4 (2018: £5) per share while interim paid out was £2 (2018: £2).

Balance Sheet

Net assets have increased to £161m (2018: £155m). Fixed assets decreased to £72.4m from £73.4m due to the sale of investment properties, both commercial and residential. Investments decreased in the year to £5.2m (2018: £7.1m) due to joint venture equity capital being repaid. Land held for development has decreased by £3.9m mainly due to the sale of land. The Group's shared equity debtor decreased by £5.3m (2018: £1.4m) in the year due to continuing redemptions and the portfolio sales while there remains no current requirement to offer new products to clients.

Cash Flow

At year end the Group had utilised £31.4m (2018: £25.6m) of a £60m Royal Bank of Scotland plc lending facility. Interest on borrowings totalled £1.2m (2018: £0.7m). 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 2019 shows that the deficit increased year on year and totals £16.0m (2018: £15.9m). The Group remains subject to pension funding risks, principally interest rates, performance of its investments and increased longevity of its members. The Group continually monitors and manages these risks via advice from specialist consultants.

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Below
St Jude's Meadow in
Milton-under-Wychwood

(Thatcher pictured on p.27)

Strategic report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 April 2019.

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 albeit a reduction from its prior year. The Group achieved a profit before taxation of £12.1 million *(2018: £14.2 million)*. The turnover achieved for the year was £84.7 million *(2018: £82.3million)*.

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 the Group 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 continue to assess the impact of the uncertainties of Brexit. Particularly around proactive management of supply chain and sensitivity analysis on the economic factors that could impact house sales in the future.

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

Non-Financial	2019	2018
Reportable accidents	9	5

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

Future outlook

The Group has continued to achieve a double digit profit result (£10m plus) for it's fourth 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 the Groups 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 the Group 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
18th September 2019

Directors' report

Directors

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

Alan J Hartley
Edmund J Monaghan
Andrew AM Mickel
Paul J McAninch
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 £4 per share. This has not been included within creditors as it was not approved before the year end.

Dividends paid during the year comprised a dividend of £7 per share in respect of the previous year ended 30 April 2018.

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 £83,234 *(2018: £81,127)*.

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
18th September 2019

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

Opinion

We have audited the financial statements of Mactaggart & Mickel Group Limited ("the company") for the year ended 30 April 2019 which comprise the Consolidated profit and loss account, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated statement of changes in equity, the Company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2019 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of work in progress and investment properties and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

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

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

Other information

The directors are responsible for the other information, which comprises the strategic report, the directors' report and the financial performance indicators. 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 other information 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 other information;
- in our opinion the information given in the strategic report and the directors' report 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 43, 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
19th September 2019

Consolidated profit and loss account
for the year ended 30 April 2019

	Note	Before exceptional items 2019 £000	Exceptional items (refer to note 7) £000	Total 2019 £000	Before exceptional items 2018 £000	Exceptional Items (refer to note 7) £000	Total 2018 £000
Group turnover	2	**84,727**	**-**	**84,727**	82,271	-	82,271
Cost of sales		**(64,583)**	**(1,420)**	**(66,003)**	(57,579)	(1,506)	(59,085)
Gross profit/(loss)		**20,144**	**(1,420)**	**18,724**	24,692	(1,506)	23,186
Administrative expenses		**(12,690)**	**-**	**(12,690)**	(12,094)	-	(12,094)
Other operating income	3	**7,062**	**-**	**7,062**	3,040	-	3,040
Group operating profit/(loss)		**14,516**	**(1,420)**	**13,096**	15,638	(1,506)	14,132
Share of joint ventures operating profit		**195**	**-**	**195**	1,214	-	1,214
Total operating profit/(loss)	4	**14,711**	**(1,420)**	**13,291**	16,852	(1,506)	15,346
Interest payable and similar expenses	9	**(1,663)**	**-**	**(1,663)**	(1,447)	-	(1,447)
Other interest receivable and similar income	8	**504**	**-**	**504**	275	-	275
Profit/(loss) before taxation		**13,552**	**(1,420)**	**12,132**	15,680	(1,506)	14,174
Tax on profit/(loss)	10	**(2,416)**	**253**	**(2,163)**	(2,469)	286	(2,183)
Profit/(loss) after taxation		**11,136**	**(1,167)**	**9,969**	13,211	(1,220)	11,991
Non-controlling interests	26	**-**	**-**	**-**	(46)	-	(46)
Profit/(loss) for the financial year		**11,136**	**(1,167)**	**9,969**	13,165	(1,220)	11,945

Consolidated Statement of Other Comprehensive Income
for the year ended 30 April 2019

	2019 £000	2018 £000
Profit for the financial year	**9,969**	11,945
Remeasurement of the net defined benefit liability	**(188)**	1,963
Movement on deferred tax asset relating to pension scheme liability	**32**	(334)
Other comprehensive income for the year, net of income tax	**(156)**	1,629
Total comprehensive income for the year	**9,813**	13,574
Total comprehensive income attributable to		
Shareholders	**9,813**	13,528
Non-controlling interests	**-**	46
	9,813	13,574

Consolidated and Company balance sheets
at 30 April 2019

	Note	2019 Group £000	2019 Company £000	2018 Group £000	2018 Company £000
Fixed assets					
Tangible assets	*11*	**1,350**	**-**	1,441	-
Investment Properties	*12*	**71,005**	**-**	71,986	-
Investments					
Investments in Joint Ventures	*13*	**532**	**-**	3,338	-
Investments in Subsidiary Undertakings	*13*	**-**	**430**	-	430
Other investments	*13*	**4,697**	**-**	3,766	-
		5,229	**430**	7,104	430
Total fixed assets		**77,584**	**430**	80,531	430
Current assets					
Stocks	*15*	**123,094**	**-**	108,674	-
Debtors (including £12,503,000 (2018: £18,618,000) due after more than one year))	*16*	**26,290**	**1,548**	28,581	1,409
Cash at bank and in hand	*17*	**111**	**-**	429	-
		149,495	**1,548**	137,684	1,409
Creditors: amounts falling due within one year	*18*	**(20,989)**	**(1,138)**	(19,812)	(1,080)
Net current assets		**128,506**	**410**	117,872	329
Total assets less current liabilities		**206,090**	**840**	198,403	759
Creditors: amounts falling due after more than one year	*19*	**(29,494)**	**-**	(27,983)	-
Pension scheme liability	*24*	**(15,996)**	**-**	(15,920)	-
Net assets		**160,600**	**840**	154,500	759
Capital and reserves					
Called up share capital	*25*	**430**	**430**	430	430
Merger reserve		**111,265**	**-**	113,468	-
Non-distributable reserve		**16,975**	**-**	11,982	-
Profit and loss account		**31,930**	**410**	27,916	329
		160,600	**840**	153,796	759
Non-controlling interests	*26*	**-**	**-**	704	-
Shareholders' funds		**160,600**	**840**	154,500	759

These financial statements were approved by the board of directors on 18th September 2019 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	Merger reserve	Non-controlling interests	Non-distributable reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£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**
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**

Consolidated Statement of Changes in Equity

	Called up Share capital	Merger reserve	Non-controlling interests	Non-distributable reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 May 2018	430	113,468	704	11,982	27,916	154,500
Total comprehensive income/(expense) for the year						
Profit for the financial year	-	-	-	5,619	4,350	**9,969**
Actuarial loss on pension scheme	-	-	-	-	(188)	**(188)**
Tax on loss	-	-	-		32	**32**
Realised surplus on disposal of investment property	-	(2,203)	-	(626)	2,829	**-**
Total comprehensive income/(expense) for the year	-	(2,203)	-	4,993	7,023	**9,813**
Transactions with owners, recorded directly in equity						
Dividends	-	-	(42)	-	(3,009)	**(3,051)**
Acquisition of Minority Interest	-	-	(662)	-	-	**(662)**
Total contributions by and distributions to owners	-	-	(704)	-	(3,009)	**(3,713)**
Balance at 30 April 2019	**430**	**111,265**	**-**	**16,975**	**31,930**	**160,600**

Company Statement of Changes in Equity

	2019			2018		
	Called up Share capital	**Profit and loss account**	**Total equity**	Called up Share capital	Profit and loss account	Total equity
	£000	**£000**	**£000**	£000	£000	£000
Balance at 1 May	**430**	**329**	**759**	430	426	856
Total comprehensive income for the year						
Profit for the financial year	**-**	**3,090**	**3,090**	-	2,267	2,267
Total comprehensive income for the year	**-**	**3,090**	**3,090**	-	2,267	2,267
Transactions with owners, recorded directly in equity						
Dividends	**-**	**(3,009)**	**(3,009)**	-	(2,364)	(2,364)
Total contributions by and distributions to owners	**-**	**(3,009)**	**(3,009)**	-	(2,364)	(2,364)
Balance at 30 April	**430**	**410**	**840**	430	329	759

Consolidated cash flow statement
for the year ended 30 April 2019

	Note	2019 £000	2018 £000
Cash inflow from operating activities			
Profit for the year		**9,969**	11,945
Adjustments for:			
Depreciation, amortisation and impairment		**405**	397
Change in value of investment property		**(5,590)**	(1,525)
Change in value of investments		**(29)**	(202)
Interest receivable and other income		**(505)**	(323)
Interest payable and similar expenses		**1,663**	1,297
Gain on sale of tangible fixed assets		**(1,443)**	(1,313)
Deferred government grant		**(12)**	(10)
Taxation		**2,163**	2,183
Non-controlling interests		**-**	46
Share of joint venture operating profit		**(195)**	(1,214)
		6,426	11,281
Decrease in trade and other debtors		**1,783**	102
Increase in stocks		**(14,420)**	(6,514)
(Decrease)/increase in trade and other creditors		**(2,951)**	4,466
(Decrease)/increase in provisions and employee benefits		**(473)**	473
		(9,635)	9,808
Tax paid		**(1,673)**	(2,990)
Net cash from operating activities		**(11,308)**	6,818
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**12,467**	5,992
Interest received		**304**	31
Dividends received		**1,000**	-
Acquisition of tangible fixed assets	*11*	**(316)**	(631)
Investment redemptions		**2,146**	1,050
Acquisition of investment property	*12*	**(4,452)**	(10,238)
Acquisition of investments	*13*	**(1,047)**	(1,412)
Net cash from investing activities		**10,102**	(5,208)
Cash flows from financing activities			
Decrease/(increase) in loan notes issued		**(16)**	2,038
Interest paid		**(1,240)**	(680)
Drawdown/(repayment) of borrowings		**5,422**	(2,421)
Dividends paid		**(3,009)**	(2,364)
Distribution to non-controlling interests		**(42)**	(57)
Acquisition of non-controlling interests		**(662)**	-
Net cash from financing activities		**453**	(3,484)
Net decrease in cash and cash equivalents		**(753)**	(1,874)
Cash and cash equivalents at 1 May		**(1,088)**	786
Cash and cash equivalents		**(1,841)**	(1,088)

Notes
(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 2019. 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.

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.

Turnover from the sales of services and revenue from construction contracts is recognised by reference to the stage of completion. The stage of completion of the contract is determined either by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, or by reference to the completion of a physical proportion of the contract work, dependent upon the nature of the underlying contract.

Profit on long term contracts is taken as the work is carried out if the outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of work carried out, by recording turnover and related costs of labour and materials as contract activity progresses. Revenues from variations on contracts are recognised only when they are considered to be reasonably certain. Full provision is made for *losse*s on all contracts in the year in which they are first foreseen.

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 interest 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 *(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. Overseas investment properties in the United States are treated on the same basis as investment properties held in the UK.

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 FRS102.17 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.

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 *(continued)*

2 Turnover

	2019 £000	2018 £000
Sale of housing units and development land	**75,751**	76,278
Construction contract revenue	**5,537**	2,738
Investment property rentals	**3,439**	3,255
	84,727	82,271

3 Other operating income

Fair value adjustments for investment property	**5,590**	1,525
Fair value adjustments for investments	**29**	202
Net gain on disposal of tangible fixed assets	**1,443**	1,313
	7,062	3,040

4 Expenses and auditor's remuneration

Operating profit/(loss) is stated after charging:

Depreciation of tangible fixed assets	**405**	397
Operating lease	**605**	529
Auditor's remuneration:		
– audit of these financial statements	**50**	50
– audit of financial statements of subsidiaries pursuant to legislation	**25**	11
– tax advisory services	**6**	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 2019	Number of Employees 2018
Administration and finance	**76**	71
Involved in building work	**216**	206
	292	277

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	**14,751**	13,473
Social security costs	**1,622**	1,486
Contributions to defined contribution plans	**446**	309
Expenses related to defined benefit plans	**1,356**	1,377
	18,175	16,645

6 Remuneration of directors

Directors' emoluments	**2,231**	2,134
Group contributions to defined benefit pension scheme	**198**	166
	2,429	2,300

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £606,198 *(2018: £588,853)*. He is a member of a defined benefit scheme, under which his accrued pension at the year end was £49,569 *(2018:£41,637)*.

	Number of directors 2019	Number of directors 2018
Retirement benefits are accruing to the following number of directors under: Defined benefit schemes	**4**	4

Notes *(continued)*

7 Exceptional items

	2019 £000	2018 £000
Cost of sales: Write back of ground and other current assets	**589**	248
Cost of sales: Loss on sale of land	**(2,009)**	-
Cost of sales: Impairment of shared equity debtors	**-**	(1,754)
	(1,420)	(1,506)

8 Other interest receivable and similar income

	2019 £000	2018 £000
Interest receivable joint ventures	**111**	96
Other interest receivable	**33**	31
Interest receivable from investments	**183**	148
Net gain on financial assets measured at fair value through profit or loss	**177**	-
	504	275

9 Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on bank borrowings	**(1,166)**	(718)
Interest payable on loan notes	**(104)**	(104)
Net interest expense on net defined benefit liabilities	**(393)**	(446)
Net loss on financial assets measured at fair value through profit or loss	**-**	(179)
	(1,663)	(1,447)

10 Taxation

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

	2019 £000	2019 £000	2018 £000	2018 £000
UK corporation tax				
UK corporation tax - current year		**1,323**		2,504
UK corporation tax – prior year		**(47)**		(92)
		1,276		2,412
Total current tax				
Deferred tax (see note 21)				
Origination and reversal of timing differences	**887**		(248)	
Adjustment due to change in rates	**-**		19	
Total deferred tax	**887**		(229)	
		887		(229)
Total tax expense		**2,163**		2,183

	2019 £000 Current tax	2019 £000 Deferred tax	2019 £000 Total tax	2018 £000 Current tax	2018 £000 Deferred tax	2018 £000 Total tax
Recognised in the Profit and loss account	**1,276**	**887**	**2,163**	2,412	(229)	2,183
Recognised in other comprehensive income	**-**	**(32)**	**(32)**	-	334	334
Total tax	**1,276**	**855**	**2,131**	2,412	105	2,517

Notes *(continued)*

10 Taxation *(continued)*

Reconcilliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	**9,969**	11,945
Total tax expense	**2,163**	2,183
Profit excluding taxation	**12,132**	14,128
Tax using the UK corporation tax rate of average 19% (2018: 19.92%)	**2,305**	2,685
Non-deductible expenses	**(12)**	37
Adjustment relating to prior periods	**(47)**	(92)
Depreciation on ineligible assets	**26**	10
Reduction in tax rate on deferred tax balances	**-**	19
Excess of ineligible capital gain over sale	**-**	150
Revaluation of Investments	**(6)**	(39)
Revaluation of Investment Properties	**(112)**	(290)
Tax on JV share of profits	**11**	(231)
Amortisation of capital grants	**(2)**	(2)
Deferred tax charge in relation to revaluation of investment properties	**-**	(64)
Total tax expense included in profit	**2,163**	2,183

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 2019 has been calculated based on these rates.

11 Tangible fixed assets Group

Group

	Short leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Office furniture and computer equipment £000	Total £000
Cost or valuation					
At beginning of year	1,458	2,754	128	626	4,966
Additions	5	236	26	49	316
Disposals	-	(101)	(38)	-	(139)
At end of year	**1,463**	**2,889**	**116**	**675**	**5,143**
Depreciation					
At beginning of year	777	2,169	68	511	3,525
Charge for year	91	233	27	54	405
Disposals	-	(102)	(35)	-	(137)
At end of year	**868**	**2,300**	**60**	**565**	**3,793**
Net book value					
At 30 April 2019	**595**	**589**	**56**	**110**	**1,350**
At 30 April 2018	681	585	60	115	1,441

Notes *(continued)*

12 Investment properties

Group	Investment properties and commercial properties
Cost or valuation	£000
At beginning of year	72,020
Additions	4,452
Disposals	(6,410)
Transfer to work in progress	(4,612)
Revaluation	5,590
At end of year	**71,040**
Depreciation	
At beginning of year	34
Charge for year	1
At end of year	**35**
Net book value	
At 30 April 2019	**71,005**
At 30 April 2018	71,986

Revaluation

Investment and commercial properties are valued by third parties each year. The last valuation was carried out on 30 April 2019.

13 Fixed asset investments

Group	Investments in Joint Ventures £000	Other investments other than Loans £000	Total £000
Cost			
At beginning of year	2,025	3,766	5,791
Additions	-	1,047	1,047
Reduction in share capital	(2,000)	(145)	(2,145)
Revaluation of investment	-	29	29
At end of year	**25**	**4,697**	**4,722**
Share of post-acquisition reserves			
At beginning of year	1,313	-	1,313
Retained profits less losses	194	-	194
Dividend Received	(1,000)	-	(1,000)
At end of year	**507**	**-**	**507**
Net book value			
At 30 April 2019	**532**	**4,697**	**5,229**
At 30 April 2018	3,338	3,766	7,104

Notes *(continued)*

13 Fixed Asset investment *(continued)*

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* Registered office: 3rd Floor, George House, 50 George Square, Glasgow G2 1EH	Scotland	Property development	Ordinary shares – 25%
Shawfair LLP* Registered office: 27 Silvermills Court, Henderson Place Lane, Edinburgh EH3 5DG	Scotland	Property development	50% capital contribution

* Shareholding held through an intermediate company

Company	2019 £000	2018 £000
At start and end of year	**430**	430

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 International Limited*	Scotland**	Property Investment	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**	Non trading company	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	100% 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

14 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 15).

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

15 Stocks

Group	2019 £000	2018 £000
Raw materials and consumables	**385**	407
Ground	**55,634**	59,543
Ground held under joint arrangement (note 14)	**1,599**	1,599
Work in progress	**62,999**	46,995
Part exchange properties	**2,477**	130
	123,094	108,674

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £51,470,000 *(2018: £54,591,000)*. The write-down of Ground to net realisable value amounted to £Nil *(2018:£Nil)*. The reversal of write-downs amounted to £589,000 *(2018: £248,000)*. 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 £6,902,000 *(2018: £8,602,000)*.

Work in progress includes £1,240,000 *(2018: £379,000)* 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 16).

Notes *(continued)*

16 Debtors

	2019 Group £000	2019 Company £000	2018 Group £000	2018 Company £000
Major Ownership Scheme	**8,893**	**-**	14,203	-
Other debtors	**8,230**	**-**	6,078	3
Trade debtors	**6,816**	**-**	6,703	-
Construction contract debtors	**1,637**	**-**	77	-
Prepayments and accrued income	**550**	**-**	500	-
Amounts due from subsidiary undertakings	**-**	**1,548**	-	1,406
Deferred tax (see note 21)	**164**	**-**	1,020	-
	26,290	**1,548**	28,581	1,409
Due within one year	**13,787**	**1,548**	9,963	1,409
Due after more than one year				
Major Ownership Scheme	**8,290**	**-**	12,957	-
Other debtors	**4,213**	**-**	5,661	-
	12,503	**-**	18,618	-
	26,290	**1,548**	28,581	1,409

Debtors include land sale debtors of £514,000 *(2018: £1,508,000)*.

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 28 (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 £1,240,000 *(2018: £379,000)* 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 15).

17 Cash at bank and in hand

	2019 Group £000	2018 Group £000
Cash at bank and in hand	**111**	429

18 Creditors: amounts falling due within one year

	2019 Group £000	2019 Company £000	2018 Group £000	2018 Company £000
Bank loans and overdraft	**1,952**	**646**	1,517	152
Trade creditors	**5,544**	**-**	8,949	-
Other creditors including taxation and social security	**1,004**	**75**	1,231	90
Amounts due to joint venture undertakings	**-**	**-**	16	-
Amounts due to subsidiary undertakings	**-**	**77**	-	110
Accruals and deferred income	**8,194**	**340**	7,305	728
Land creditor	**1,576**	**-**	-	-
Loan Note	**2,342**	**-**	-	-
Corporation tax	**377**	**-**	794	-
	20,989	**1,138**	19,812	1,080

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.

19 Creditors: amounts falling due after more than one year

Group	2019 £000	2018 £000
Bank borrowings	**29,494**	24,072
Loan note	**-**	2,342
Land creditor	**-**	1,569
	29,494	27,983

The loan note related to a 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 and was repaid in May 2019.

The prior year land creditor related to a contractual commitment for the third tranche of a land purchase paid in May 2019.

Notes *(continued)*

20 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	2019 £000	2018 £000
Creditors due less than one year		
Secured loan notes	**2,342**	-
Creditors due more than one year		
Secured bank borrowings	**29,494**	24,072
Secured loan notes	**-**	2,342
	31,836	26,414

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019 £000	2018 £000
Secured bank borrowings	GBP	LIBOR + 1.65%	November 2021	At maturity	**29,494**	24,072
Secured loan notes	GBP	4%	November 2019	At maturity	**2,342**	2,342
					31,836	26,414

21 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Accelerated capital allowances	**-**	-	**116**	40	**116**	40
Investment property	**-**	-	**2,439**	1,647	**2,439**	1,647
Employee benefits	**(2,719)**	(2,707)	**-**	-	**(2,719)**	(2,707)
Net tax (assets)/liabilities	**(2,719)**	(2,707)	**2,555**	1,687	**(164)**	(1,020)

22 Contingent liabilities

Group	2019 £000	2018 £000
Road bonds and land guarantees	**5,940**	5,065

Included within the above figure is an amount of £2,763,000 *(2018: £2,226,000)* for which the Group has undertaken to maintain bank facilities of a similar amount.

23 Commitments

Non-cancellable operating lease rentals are payable as follows:

Group	2019 £000	2018 £000
Within one year	**590**	595
Between one and five years	**1,929**	2,092
Over five years	**914**	1,294
	3,433	3,981

During the year £605,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2018: £529,000)*.

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	2019 £000	2018 £000
Within one year	**299**	323
Between one and five years	**1,019**	1,121
Over five years	**1,202**	1,408
	2,520	2,852

There were no annual commitments within the Company.

Notes *(continued)*

24 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	**2019 £000**	2018 £000
Defined benefit obligation	**(40,685)**	(38,417)
Plan assets	**24,689**	22,497
Net pension liability	**(15,996)**	(15,920)

Movements in present value of defined benefit obligation	
At 1 May	**38,417**
Current service cost	**1,143**
Interest cost	**991**
Contributions by members	**190**
Actuarial gain	**748**
Benefits paid	**(885)**
Settlements	**81**
At 30 April	**40,685**

Movements in fair value of plan assets	
At 1 May	**22,497**
Interest income	**598**
Remeasurement: return on plan assets less interest income	**560**
Contributions by employer	**1,861**
Contributions by members	**190**
Benefits paid	**(885)**
Scheme administrative cost	**(132)**
At 30 April	**24,689**

24 Employee Benefits *(continued)*

Expense recognised in the profit and loss account	**2019 £000**	2018 £000
Service cost – including current service costs, past service costs and settlements	**1,224**	1,171
Service cost – administrative cost	**132**	206
Net interest on defined benefit liability	**393**	446
Total expense recognised in profit or loss	**1,749**	1,823

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

	2019 Fair value £000	2018 Fair value £000
Equities	**11,450**	11,363
Corporate bonds	**3,205**	2,638
Fixed interest gilts and index linked bonds	**7,125**	6,645
Other	**2,909**	1,189
Property	**-**	662
	24,689	22,497
Actual return on plan assets	**1,026**	619

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:

	2019 %	2018 %
Discount rate	**2.50**	2.60
Future salary increases	**3.70**	3.50
Members who joined before 2004:		
-Pre 1/1/03 accrued benefits (LPI 5%; minimum 4%)	**4.10**	4.10
-Post 31/12/02 accrued benefits (LPI 8%)	**3.20**	3.00
Members who joined after 2004:		
-All accrued benefits (LPI 5%)	**3.20**	3.00
Inflation (RPI)	**3.20**	3.00
Inflation (CPI)	**2.20**	2.00

Notes *(continued)*

In valuing the liabilities of the pension fund at 30 April 2019, 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 – 25.8 years; female – 27.8 years
- Future retiree upon reaching 60: male – 27.0 years; female – 29.1 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 £34,654 (2018: £78,352) 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 £446,000 (2018: £309,000)

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

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 agreed to pay contributions with the view to eliminating the shortfall by 30 June 2028.

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

The company also pays contributions of 30.4% per annum of pensionable salaries to meet the cost of future accrual of benefits for active members of the Scheme, in line with the schedule of contributions dated 28 March 2018.

In accordance with the Schedule of Contributions dated 28 March 2018 the Company is expected to pay contributions of £1,034,000 in respect of the shortfall over the next accounting period. The contributions paid by the Company are reviewed every 3 years as part of the formal actuarial valuation. The Scheme's next actuarial valuation is due 1 January 2020.

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.

The Scheme's investment strategy

The Scheme's investment strategy is to invest broadly 80% in return seeking assets and 20% in matching assets. This strategy reflects the Schemes' liability profile and the Trustees' and Company's attitude to risk.

The Scheme's investments include interest rate and inflation hedging.

The Scheme doe does not hold ordinary shares issued or property occupied by the Company.

The growth assets held are expected to provide protection over inflation in the long term. Note that the Scheme hedges interest rate risk on a statutory and long term funding basis (gilts) whereas AA corporate bonds are implicit in the FRS102 discount rate and so there is some mismatching risks to the Company should yields on gilts and corporate bonds diverge. The Scheme's exposure to corporate bonds mitigates the risk to some extent.

The Scheme does not directly hold any financial derivatives but invests in the funds which hold the derivatives required to hedge the Scheme's interest rate, inflation and currency risks. The main risks associated with the financial derivatives include: losses may exceed the initial margin, counterparty risk, and liquidity risk. These risks are managed by the monitoring of investment managers to ensure they have reasonable levels of market exposure relative to initial margin and positions are fully collateralised on a daily basis with secure cash of gilts collateral.

25 Capital and reserves

Share capital

	Group and Company 2019 £000	Group and Company 2018 £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.

Notes *(continued)*

26 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 was 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. During the year it was decided that the Scheme should resign as a member of the LLP and receive its full interest by way of cash, and this was distributed in July 2018 and amounted to £661,811.

	2018 £000
At beginning of year	704
Minority interest buy back	(662)
Distribution of profits in year	(42)
At end of year	-

The Group entered into transactions with Mactaggart & Mickel Anniesland LLP totalling £nil *(2018: £nil)* while a balance of £532,000 *(2018:£357,000)* remains due to the Group at 30 April 2019.

27 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 *(2018: £Nil)* and amounts due to the joint venture undertaking amounted to nil *(2018: £16,000)*.

The aggregate of emoluments and amounts receivable to key management personnel for the year amounted to £3,471,229 *(2018: £3,166,597)*.

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.

28 Financial Instruments

28 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2019 Group £000	**2019 Company £000**	2018 Group £000	2018 Company £000
Assets measured at fair value through profit or loss				
– Investment property	**71,005**	**-**	71,986	-
– MOS debtors	**8,893**	**-**	14,203	-
Assets measured at amortised cost				
– Trade and other receivables	**17,233**	**1,548**	13,358	1,409
Liabilities measured at amortised cost				
– Trade and other creditors	**48,531**	**492**	46,278	928
– Cash and cash equivalents	**1,841**	**646**	1,088	152

28 (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.

Notes *(continued)*

29 Accounting Estimates & Judgements

Key sources of uncertainty

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

Carrying value of WIP

Inventories of land and development work in progress are stated at the lower of cost or net realisable value. The group allocates site wide development costs such as infrastructure between units being built and/ or completed in the current year and those in future years. This estimate is reflected in the margin recognised on developments and in the carrying value of land and work in progress. Whilst there is a degree of uncertainty in making this estimate, reviews are carried out monthly on the carrying value of stock.

Fair value of investment properties

In determining the fair value of investment property the Group uses the market value for existing use as provided by external third parties. The valuation of freehold property is inherently difficult due to the individual nature and circumstances of each property. The Directors are of the opinion that the investment property is being held at fair value at £69,571,000.

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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As well as being fully recyclable and biodegradable, stocks used in the creation of this report hold FSC (Forest Stewardship Council) certification, meaning that the pulps used are all from managed forests. They are Heavy Metal Free avoiding the use of harmful chlorine, and are classified ECF.

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