

City Legacy Limited

Annual report and financial statements

Registered number SC364621

31 March 2017



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Strategic Report

The directors have pleasure in presenting their Strategic Report for the year ended 31 March 2017.

Principal activities

The company was formed to bid for and if successful build the Athletes' Village for the 2014 Commonwealth Games to be held in Glasgow in July of that year. On 1 April 2010 the company was notified that its bid had been successful. The Commonwealth Games took place in July 2014, with the Athletes' Village being handed over to the Organising Committee of the Commonwealth Games in January 2014 for temporary use until it was handed back for completion of the housing in October 2014. The transfer of 400 social housing units to registered social landlords was completed by 31 March 2015, and the sale of 298 of 300 houses to private owners was completed by March 2017.

Operating Review & Key Performance Indicators

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements. The turnover for the year was £773,262 (2016- £39,109,372) and the profit for the year was £189,706 (2016- £1,994,208).

Future Developments

Phase 2 of the development which covers the site adjacent to the Athletes' Village is currently progressing through the planning process.

Principal Risks and Uncertainties

The principal risk and uncertainty affecting the company arises from its partial participation in the private housing market and comprises:

- general economic conditions

The board regularly considers this risk and developed a plan to ensure costs of construction of houses for sale were met by prudent estimates of values which could be achieved by the sale of these units at the end of the project, when the Commonwealth Games Village became a Housing Development. The performance of the project is regularly discussed at Board level and at the year end only two of the houses for sale remained unsold.

By order of the board



AS Company Services Limited
Secretary

3rd Floor, George House
50 George Square
Glasgow
G2 1EH

29th September 2017

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 March 2017.

Proposed dividend

The directors have proposed a final ordinary dividend in respect of the current financial year of £4 per share. This was paid in full by the year end.

Directors

The directors who held office during the year and to the date of this report are as follows:

DW Archer
J Gallacher
A J Hartley
M Kiely
E J Monaghan
M J Murray
K D Reid
B Rooney

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2016: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

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

By order of the board



AS Company Services Limited
Secretary

3rd Floor, George House
50 George Square
Glasgow
G2 1EH

29th September 2017

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG
United Kingdom

Independent auditor's report to the members of City Legacy Limited

We have audited the financial statements of City Legacy Limited for the year ended 31 March 2017 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.



Independent auditor's report to the members of City Legacy Limited

(continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read 'Hugh Harvie'.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

16 October 2017

Profit and Loss Account
for the year ended 31 March 2017

	<i>Note</i>	2017 £	2016 £
Turnover	2	773,262	39,109,372
Cost of sales		(526,034)	(36,629,124)
Gross profit		247,228	2,480,248
Administrative expenses	3	(16,100)	(26,650)
Operating profit		231,128	2,453,598
Other interest receivable and similar income	5	6,029	39,162
Profit before taxation		237,157	2,492,760
Tax on profit	6	(47,451)	(498,552)
Profit for the financial year		189,706	1,994,208

All of the activities of the company are classed as continuing.

The company has no other comprehensive income other than the results for the current and prior periods as set out above.

Notes on pages 10 to 16 form part of the financial statements.

Balance Sheet
as at 31 March 2017

	<i>Note</i>	2017 £	2016 £
Current assets			
Stocks	7	145,277	317,459
Debtors	8	183,432	614,944
Cash at bank and in hand	9	357,057	2,673,637
Creditors: amounts falling due within one year	10	685,766 (249,225)	3,606,040 (2,959,205)
Net current assets		436,541	646,835
Net assets		436,541	646,835
Capital and reserves			
Called up share capital	11	100,000	100,000
Profit and loss account		336,541	546,835
Shareholders' funds		436,541	646,835

Notes on pages 10 to 16 form part of the financial statements.

These financial statements were approved by the board of directors on 29th September 2017 and were signed on its behalf by:



John Gallacher
Director

Company registered number: SC364621

Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Balance at 1 April 2015	100,000	552,627	652,627
Total comprehensive income for the year			
Profit for the financial year	-	1,994,208	1,994,208
Total comprehensive income for the year	-	1,994,208	1,994,208
Transactions with owners, recorded directly in equity			
Dividends paid in the year	-	(2,000,000)	(2,000,000)
Total contributions by and distributions to owners	-	(2,000,000)	(2,000,000)
Balance at 31 March 2016	100,000	546,835	646,835

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Balance at 1 April 2016	100,000	546,835	646,835
Total comprehensive income for the year			
Profit for the financial year	-	189,706	189,706
Total comprehensive income for the year	-	189,706	189,706
Transactions with owners, recorded directly in equity			
Dividends paid in the year	-	(400,000)	(400,000)
Total contributions by and distributions to owners	-	(400,000)	(400,000)
Balance at 31 March 2017	100,000	336,541	436,541

Cash Flow Statement
for year ended 31 March 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit for the year		189,706	1,994,208
Adjustments for:			
Interest receivable and similar income		(6,029)	(39,162)
Taxation		47,451	498,552
		231,128	2,453,598
Decrease/(increase) in trade and other debtors		431,512	(99,876)
Decrease in stocks		172,182	23,618,034
Decrease in trade and other creditors		(2,258,995)	(9,118,377)
		(1,424,173)	16,853,379
Tax paid	6	(498,436)	(130,566)
		(1,922,609)	16,722,813
Net cash from operating activities			
Cash flows from investing activities			
Interest received	5	6,029	39,162
		6,029	39,162
Net cash from investing activities			
Cash flows from financing activities			
Repayment of borrowings		-	(17,560,674)
Dividend paid in the year		(400,000)	(2,000,000)
		(400,000)	(19,560,674)
Net cash from financing activities			
Net (decrease)/increase in cash and cash equivalents		(2,316,580)	(2,798,699)
Cash and cash equivalents at 1 April		2,673,637	5,472,336
		357,057	2,673,637
Cash and cash equivalents at 31 March	9		

Notes

(forming part of the financial statements)

1 Accounting policies

City Legacy Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These 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*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate on the basis that they have considered the company's cash requirements for the next 12 months and are of the opinion that the company has sufficient resources to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

1.3 Basic financial instruments

Trade and other debtors / creditors

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

Cash and cash equivalents

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

1.4 Work in progress

Work in progress is stated at the lower of cost and net realisable value.

Notes (continued)

1 Accounting policies (continued)

1.5 Long term contracts

The amount of profit attributable to the stage of completion of the long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

1.6 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see the turnover accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

1.7 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.8 Turnover

Turnover comprises settlement income from the sale of private residential properties and turnover on long term contracts as noted above.

1.9 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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 company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.10 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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

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

1.11 Dividends

Dividends are recognised at the time they are received or paid in accordance with accounting standards. Dividends declared and paid are not presented in the profit and loss account but instead included in the notes to the accounts and the reconciliation of reserves.

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover

The turnover and profit before tax are attributable to the principal activities of the company. All activity originates in the United Kingdom.

	2017	2016
	£	£
By activity		
Sale of Houses	773,262	39,109,372
	<u> </u>	<u> </u>

3 Expenses and auditor's remuneration

	2017	2016
	£	£
<i>Auditor's remuneration:</i>		
Audit of these financial statements	13,000	18,100
Other services relating to taxation	3,100	8,550
	<u> </u>	<u> </u>

Notes (continued)

4 Staff costs and directors' remuneration

The Company had no employees in the current or prior year and the Directors received no remuneration during the current or prior year.

5 Other interest receivable and similar income

	2017 £	2016 £
Bank interest received	6,029	39,162

6 Taxation

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

	2017 £	2016 £
<i>Current tax</i>		
Current tax on income for the year	47,451	498,552
Total tax	47,451	498,552

Reconciliation of effective tax rate

	2017 £	2016 £
Profit for the year	189,706	1,994,208
Total tax expense	47,451	498,552
Profit excluding taxation	237,157	2,492,760
Tax using the UK corporation tax rate of 20% (2016: 20%)	47,431	498,552
<i>Effects of:</i>		
Non deductible expenses	20	-
Total tax expense included in profit and loss	47,451	498,552

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Notes (continued)

7 Stocks

	2017 £	2016 £
Work in progress	145,277	317,459

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £526,034 (2016: £36,629,124). The write-down of stocks to net realisable value amounted to £nil (2016: £nil). The reversal of write-downs amounted to £nil as discussed below (2016: £nil). The write-down and reversal are included in cost of sales.

8 Debtors

	2017 £	2016 £
Trade debtors	176,140	359,920
Other taxes and social security	7,292	255,024
	<u>183,432</u>	<u>614,944</u>

9 Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	357,057	2,673,637

10 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	87,265	2,241,798
Accruals	114,393	218,855
Corporation tax creditor	47,567	498,552
	<u>249,225</u>	<u>2,959,205</u>

Notes (continued)

11 Capital and reserves

Share capital	2017 £	2016 £
<i>Allotted, called up and fully paid</i>		
100,000 (2016: 100,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12 Contingencies

There are contingent liabilities in respect of guarantees under contracting arrangements entered into by the company in the normal course of business.

13 Related parties

The joint venture parties detailed below all have undertaken aspects of the building of the Commonwealth Games Village:

CCG (Scotland) Limited (*registered office: 1 Cambuslang Road, Glasgow, G32 8NB*)

Cruden Estates Limited (*registered office: Baberton House, Juniper Green, Edinburgh, EH14 3HN*)

Mactaggart & Mickel Homes Limited (*registered office: 1 Atlantic Quay, 1 Robertson Street, Glasgow, G2 8JB*)

W H Malcolm Limited (*registered office: Brookfield House, Burnbrae Drive, Linwood Industrial Estate, Linwood, PA3 3BU*)

These parties are all 25% shareholders.

Notes (continued)

13 Related parties (continued)

During the year the company purchased services in the ordinary course of business from related parties in relation to the Athletes' Village.

	Purchases from related party 2017 £	Amounts owed to related party 2017 £	Purchases from related party 2016 £	Amounts owed to related party 2016 £
CCG (Scotland) Limited	-	-	2,266,441	-
Cruden Estates Limited	34,161	-	1,334,027	-
Cruden Building & Renewals Limited	69,297	-	716,581	-
Mactaggart & Mickel Homes Limited	59,264	-	2,877,489	45,652
WH Malcolm Limited	-	15,357	2,351,138	2,167,650
	<u>162,722</u>	<u>15,357</u>	<u>9,545,676</u>	<u>2,213,302</u>

Transactions with key management personnel

Total compensation of key management personnel in the year (including the directors) amounted to £nil (2016: £nil).

14 Ultimate parent company and parent company of larger group

The company is a joint venture between the companies listed in note 13. No company is considered to be the parent company.

15 Subsequent events

There were no subsequent events post the balance sheet date and prior to the date of signing these accounts that would have a material impact on the results reported or the financial position of the company.

16 Accounting estimates and judgements

Key sources of estimation uncertainty

The company believes that there are no areas of material uncertainty which affect the financial statements.

Critical accounting judgements in applying the Company's accounting policies

The company believes that the major judgement applied is the use of the going concern principle which supports the valuation of assets included in the Balance Sheet.

Profit recognition, and the carrying value of WIP, is calculated on a profit per private unit basis which in turn is based on a prudential profit for the development.