

Stewart Milne (Glasgow) Limited
Report and Financial Statements
For the year ended 31 December 2017

Company Number SC191167

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**Stewart Milne (Glasgow) Limited
Report and Financial Statements**

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**Stewart Milne (Glasgow) Limited
Report and Financial Statements**

Company Information

Board of Directors	G F W Allison G C Loudon A Hulme
Company Secretary	D D Hennessey
Registered office	The Mound Edinburgh EH1 1YZ
Independent Auditors	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	Bank of Scotland plc The Mound Edinburgh EH1 1YZ
Company Number	SC191167

Stewart Milne (Glasgow) Limited Report and Financial Statements

Directors' Report

The Directors are pleased to present the report and audited financial statements for Stewart Milne (Glasgow) Limited ('the Company') for the year ended 31 December 2017. The Company is a limited company both incorporated and domiciled in the United Kingdom.

Principal activities and review of the business

The Company's principal activity is the acquisition and development of land for residential housing. There have been no property transactions during the year (2016: none).

The Company is registered in Scotland, United Kingdom and is a private company limited by shares.

Results and dividends

The loss after tax for the Company for the year to 31 December 2017 was £17,710 (2016: £17,094). No dividends were paid during the year (2016: nil). Following termination of the lease, no rental income was receivable in 2017 (2016: £2,400).

Financial Instruments

The financial risk management objectives and policies of the Company and the exposure to market risk, credit risk and liquidity risk are covered in note 17 to the financial statements.

Going Concern

As set out in note 3 of the financial statements, the financial statements of the Company have been prepared under the going concern principle on the basis that the Company has sufficient resources from its parent undertakings should it require to meet its liabilities. Since this commitment will last for a period of at least 12 months following the approval of the statutory financial statements of the Company the going concern basis of preparation is appropriate.

Strategic report: small companies exemption

The Company has adopted the exemption from preparing a strategic report, as the Company is entitled to prepare financial statements for the year in accordance with the small companies regime.

Directors and their interests

The Directors of the company who were in office during the year and up to the date of signing the financial statements and this report are as stated on page 3.

Dates of appointments and resignations during the year and up to the date of this report were as follows:

Director	Date of Appointment	Date of Resignation
A C Bone	-	16 May 2018
A Hulme	16 May 2018	-

Directors' Indemnities

Stewart Milne Group Limited had in place, throughout the year and at the date the financial statements were approved, a Directors and Officers indemnity insurance policy for the benefit of G Allison and G Loudon.

Directors' Report (continued)

Directors' Indemnities (continued)

Lloyds Banking Group plc ("LBG") has granted to Mr A Hulme, the Director of the Company appointed by and representing LBG, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. Ms A C Bone, the Director no longer in office but who served on the Board of the Company during the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Director to the maximum extent permitted by law. The Deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Company Secretary

The Company Secretary at the date of this report is as stated on page 3.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to: select suitable accounting policies and then apply them consistently;

- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Stewart Milne (Glasgow) Limited
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Signed on behalf of Stewart Milne (Glasgow) Limited:



.....
Andrew Hulme

Director

28 September 2018

Independent auditors' report to the members of Stewart Milne (Glasgow) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Stewart Milne (Glasgow) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Stewart Milne (Glasgow) Limited Report and Financial Statements

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

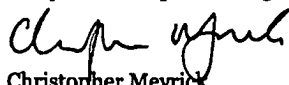
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Christopher Meyrick
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

28/9/2018

Stewart Milne (Glasgow) Limited
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Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017	2016
		£	£
Administration expenses	4	(6,000)	(6,000)
Rental income	5	-	2,400
Other expenses	6	(750)	(750)
Net other income		<u>(6,750)</u>	<u>1,650</u>
Operating loss		(6,750)	(4,350)
Financial income	7	9	8
Financial expense	7	(10,969)	(11,888)
Net financing costs		<u>(10,960)</u>	<u>(11,880)</u>
Loss before tax		<u>(17,710)</u>	<u>(16,230)</u>
Income tax (expense)/income	8	-	(864)
Loss after tax		<u>(17,710)</u>	<u>(17,094)</u>

There are no other items of comprehensive income other than those shown above. Accordingly the loss for the year is the same as the total comprehensive loss for the year.

The accompanying notes on pages 13 to 23 form part of these financial statements.

**Stewart Milne (Glasgow) Limited
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Statement of Financial Position

As at 31 December 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Inventories	9	1,068,008	1,066,149
Current assets			
Cash and cash equivalents	10	17,424	4,374
Amounts due from immediate parent undertaking	11	3,022	-
Income tax receivable	12	-	2,538
Total current assets		<u>20,446</u>	<u>6,912</u>
Total assets		<u>1,088,454</u>	<u>1,073,061</u>
Equity and Liabilities			
Equity			
Issued capital	13	100	100
Accumulated losses		<u>(606,529)</u>	<u>(588,819)</u>
Total equity		<u>(606,429)</u>	<u>(588,719)</u>
Liabilities			
Current liabilities			
Loans and borrowings	14	1,651,566	1,628,709
Trade and other payables	15	13,189	15,609
Loan from associate	16	30,128	17,462
Total liabilities		<u>1,694,883</u>	<u>1,661,780</u>
Total equity and liabilities		<u>1,088,454</u>	<u>1,073,061</u>

The financial statements on pages 9 to 23 were approved by the Board of Directors at a meeting on 28 September 2018 and signed on its behalf by:



.....
Andrew Hulme
Director
Stewart Milne (Glasgow) Limited

Company Number: SC191167

The accompanying notes on pages 13 to 23 form part of these financial statements.

**Stewart Milne (Glasgow) Limited
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Statement of Changes in Equity

For the year ended 31 December 2017

	Issued Capital £	Accumulated losses £	Total Equity £
Balance at 1 January 2017	100	(588,819)	(588,719)
Loss after taxation and total comprehensive income	-	(17,710)	(17,710)
Balance at 31 December 2017	<u>100</u>	<u>(606,529)</u>	<u>(606,429)</u>

	Issued Capital £	Accumulated losses £	Total Equity £
For the year ended 31 December 2016			
Balance at 1 January 2016	100	(571,725)	(571,625)
Loss after taxation and total comprehensive income	-	(17,094)	(17,094)
Balance at 31 December 2016	<u>100</u>	<u>(588,819)</u>	<u>(588,719)</u>

The accompanying notes on pages 13 to 23 form part of these financial statements.

**Stewart Milne (Glasgow) Limited
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Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Operating loss		(6,750)	(4,350)
Increase in loan from associate		12,666	16,462
Decrease in trade and other payables		(2,420)	(3,000)
Increase in inventories		(1,860)	(8,242)
Increase in unsecured loan facility		11,888	-
Increase in trade and other receivables		(3,022)	-
Cash generated from/ (used in) operations		<u>10,502</u>	<u>870</u>
Tax received/(paid)		2,538	-
Net cash generated from /(used in) operating activities		<u>13,040</u>	<u>870</u>
Cash flows from investing activities			
Interest received		9	8
Net cash generated from investing activities		<u>9</u>	<u>8</u>
Net increase/(decrease) in cash and cash equivalents		13,050	878
Cash and cash equivalents at 1 January		4,374	3,496
Cash and cash equivalents at 31 December	10	<u>17,424</u>	<u>4,374</u>

The accompanying notes on pages 13 to 23 form part of these financial statements.

Notes to the financial statements

1. Basis of preparation

The financial statements have been prepared in accordance with:

(1) the International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and the Standards and Interpretations ("SICs") and International Financial Reporting Interpretations ("IFRICs") issued by its IFRS Interpretations Committee, as endorsed by the European Union; and

(2) the Companies Act 2006, so far as applicable to the company.

The financial statements have been prepared on the historical cost basis, and under the going concern principle on the basis that the Company has sufficient resources from its immediate parent undertakings should it require to meet its liabilities.

Standards and amendments to existing standards effective 1 January 2017

The following standards, amendments to or interpretations of published standards that have been issued and are relevant to the Company's operations:

- Amendments to IFRS 9, 'Financial instruments' (effective 1 January 2018).

Standards and Interpretations in Issue but not adopted early

The following standards and amendments to published standards are optional for the current accounting year beginning on 1 January 2017 but the Company has not elected to adopt early:

- Amendments to IFRS 2, 'Share based payments' (effective 1 January 2018).
- Amendments to IFRS 9, 'Financial instruments' (effective 1 January 2018).
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2018).
- IFRS 16 'Leases' (effective 1 January 2019).

The Directors of the Company anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements.

Standards and Interpretations in Issue but not relevant

There are no other standards and amendments to published standards that are mandatory for the current accounting year beginning on 1 January 2017 that are relevant to the Company.

Currency

The financial statements are presented in Sterling which is the Company's functional and presentational currency.

Notes to the financial statements (continued)

2. Summary of significant accounting policies

The Company has identified the accounting policies that are the most significant to its business operations and the understanding of its results. The principal accounting policies adopted in these financial statements were applied consistently throughout the years presented, unless otherwise stated.

The significant accounting policies adopted in the preparation of the financial statements are set out below:

(a) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future years may be based upon amounts which differ from those estimates. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position, are discussed below:

(I) Deferred tax

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

(II) Inventories

Inventories are stated at lower of cost and net realisable value. Net realisable value of the land has been assessed by an independent valuations expert after taking account of any relevant available market information. In calculating the net realisable value, the directors believe it is probable that planning permission will be obtained. If planning permission would not be considered probable the net realisable value would be below carrying value.

The land is held for its long term development potential and its value depends on obtaining planning consent for residential development. It is therefore not expected to be realised within the next 12 months. It is not possible to determine with accuracy when the inventory will be realised as this will be subject to a number of issues such as consumer demand and planning permissions. In the event that the status of the land was to change then the land value would be reviewed and written down as appropriate.

(b) Revenue and expense

Rental income is recognised in the Statement of Comprehensive Income on a straight line accruals basis. The Company leases out land on an operating lease and the rental income relates to rent due to the Company under this operating lease. Expenses are recognised on an accruals basis

(c) Inventories

The inventories relate to land held for development in Glasgow and are stated at the lower of cost and net realisable value. Net realisable value is the estimated future selling price less estimated costs necessary to make the sale.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(c) Inventories (continued)

The net realisable value of the land is reviewed annually and in the event that the status of the land was to change and the net realisable value was to fall below the carrying value of the land, an impairment loss would be recognised against the inventory value. Impairment losses are recognised in the Statement of Comprehensive Income.

When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed, limited to the amount of the original write-down, so that the new carrying amount is the lower of the cost and the revised net realisable value

(d) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than investing or other purposes. Cash and cash equivalents consist of cash balances at banks that are freely available.

(e) Impairment

The carrying amounts of the Company's assets, and deferred tax assets, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the financial asset's recoverable amount is estimated.

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The asset's carrying amount is reduced and the amount of the impairment loss is recognised in the Statement of Comprehensive Income.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Trade and other payables

Trade and other payables are stated at cost.

(g) Net financing costs

Net finance costs relate to interest income and interest payable on borrowings and are recognised in the Statement of Comprehensive Income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(h) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the income statement except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the income statement (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

(i) Loans and borrowings

These are classified as loans and borrowings where there is no active market. They are initially recognised at fair value plus directly related transaction costs and are subsequently carried on the Statement of Financial Position at amortised cost using the effective interest rate method less provision for impairment. Further details may be found in note 19.

3. Going concern – Principles underlying going concern assumption

The Company is reliant on funding provided by Bank of Scotland plc and the Stewart Milne Group Limited. In May 2011, the Directors received approval from Bank of Scotland plc and Stewart Milne Group Limited to extend the Joint Venture agreement for a further 10 years. The Directors are satisfied that the Company has adequate support to continue in business and meet its day to day requirements for the foreseeable future. Since this commitment will last for a period of at least 12 months following the approval of the financial statements, the financial statements have been prepared on a going concern basis.

4. Administration expenses

	2017	2016
	£	£
Management fees	<u>6,000</u>	<u>6,000</u>

5. Rental income

	2017	2016
	£	£
Rental income	<u>-</u>	<u>2,400</u>

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Notes to the financial statements (continued)

6. Other expenses

	2017	2016
	£	£
Miscellaneous fees	30	30
Valuation fees	720	720
	<u>750</u>	<u>750</u>

The auditors received no fees in respect of non-audit services to the Company (2016: £nil). The auditors' fee for the audit of the financial statements 2016 and the prior year has been borne by the Lloyds Banking Group plc and has not been recharged to the company.

The Company had no employees during the year (2016: none).

7. Net financing costs

	2017	2016
	£	£
Interest income	9	8
Interest expense	(10,969)	(11,888)
Net financing costs	<u>(10,960)</u>	<u>(11,880)</u>

8. Taxation

a) Analysis of (charge)/credit for the year

	2017	2016
	£	£
UK corporation tax		
Current tax on taxable loss for the year	-	-
Adjustment to prior periods	-	(864)
Current tax credit	<u>-</u>	<u>(864)</u>

Corporation tax is calculated at a rate of 19.25% (20.00%) of the taxable profit for the year.

b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the profit before tax to the actual tax charge for the year is given below:

	2017	2016
	£	£
Loss before tax	<u>(17,710)</u>	<u>(16,230)</u>
Tax credit thereon at UK corporation tax rate of 19.25% (2016: 20.00%)	3,409	3,246
Adjustments in respect of prior years	-	(864)
Timing differences not recognised	<u>(3,409)</u>	<u>(3,246)</u>
Tax charge on loss on ordinary activities	<u>-</u>	<u>(864)</u>

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Notes to the financial statements (continued)

8. Taxation (continued)

A deferred tax asset of £42,663 (2016: £39,652) relating to trading losses has not been recognised on the basis that the Company has insufficient forecast taxable profits to recover the asset in future periods. Subject to some conditions trading losses can be carried forward indefinitely and offset against future taxable profits

The Company is subject to the UK current rate of Corporation Tax. The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017. Finance Act 2016 further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

9. Inventories

	2017	2016
	£	£
At 1 January	1,066,149	1,057,906
Additions	1,859	8,243
At 31 December	<u>1,068,008</u>	<u>1,066,149</u>

10. Cash and cash equivalents

	2017	2016
	£	£
Bank balances	17,424	4,374
Cash and cash equivalents	<u>17,424</u>	<u>4,374</u>

11. Amounts due from immediate parent undertaking

	2017	2016
	£	£
Horizon Capital 2000 Limited	<u>3,022</u>	<u>-</u>

12. Income tax receivable

The current tax asset of £nil (2016: £2,538) represents the amount of income taxes receivable in respect of current and prior years.

13. Issued Capital

Reserves are managed according to the JV agreement between Horizon Capital 2000 Limited and Stewart Milne Homes (Southern) Limited.

	Ordinary shares	
	2017	2016
	£	£
Authorised		
500,000 (2016: 500,000) "A" Ordinary shares of £1 (2016: £1) each	500,000	500,000
500,000 (2016: 500,000) "B" Ordinary shares of £1 (2016: £1) each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>
Issued		
50 (2016: 50) "A" Ordinary shares of £1 (2016: £1) each	50	50
50 (2016: 50) "B" Ordinary shares of £1 (2016: £1) each	50	50
	<u>100</u>	<u>100</u>

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Notes to the financial statements (continued)

13. Issued Capital (continued)

The holders of the "A" Ordinary Shares and "B" Ordinary Shares have equal rights and are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company.

14. Loans and borrowings

	2017	2016
	£	£
Current liabilities		
Standard secured loan facility	850,000	850,000
Unsecured loan facility	801,566	778,709
	<u>1,651,566</u>	<u>1,628,709</u>

This note provides information about the contractual terms of the Company's loans and borrowings. For more information about the Company's exposure to interest rate risk, see note 17.

The standard secured loan facility is secured by a standard security and a Bond and Floating charge. Interest is chargeable at 1% over the Bank of England base rate. The standard secured loan facility is repayable on termination of the Management and Development Agreement on any such date as may be agreed by the lender, or from the sale of the developments.

The unsecured loan facilities are interest free. The unsecured facilities are repayable from the sale of the developments, if this does not occur the facilities will be converted into the relevant "A" or "B" Ordinary Shares.

15. Trade and other payables

	2017	2016
	£	£
Horizon Capital 2000 Limited management fees	1,500	3,000
Loan interest payable	10,969	11,889
Professional fees payable	720	720
	<u>13,189</u>	<u>15,609</u>

16. Loan from associate

	2017	2016
	£	£
Stewart Milne (West) Limited	<u>30,128</u>	<u>17,462</u>

There is no specific repayment structure in place for the loan and no interest is charged.

17. Financial Instruments

The Company's financial instruments comprise receivables and payables that arise directly from its operations.

Notes to the financial statements (continued)

17. Financial instruments (continued)

(a) Governance framework

One of the Company's investors intermediate parent is Bank of Scotland plc ("BOS") whose ultimate parent is Lloyds Banking Group plc ("Group"). BOS plc has established a financial risk management function with clear terms of reference and with the responsibility for implementing the Lloyds Banking Group framework and monitoring the policies on financial risks. The other investor, Stewart Milne Group Limited, similarly has processes in place to manage, monitor and mitigate risks applicable to its business which includes its investments. The risks related to the Company's activities are regularly evaluated. The key financial risks relevant to the Company are credit risk, market risk, interest rate risk and liquidity risk.

(b) Financial risks

(I) Credit risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. All amounts relate to entities which are subsidiaries of the same ultimate parent company and therefore credit risk is not deemed to be significant.

The table below sets out the maximum exposure to credit risk at the Balance Sheet date.

	2017	2016
	£	£
Amounts due from immediate parent undertaking	3,022	-
Cash and cash equivalents	17,424	4,374
	<u>20,446</u>	<u>4,374</u>

Cash and cash equivalents consist of bank balances with the Lloyds Banking Group plc and have an internal credit rating of better than satisfactory. At the reporting date none of these balances were considered past due or impaired, neither were there any financial assets that would otherwise be past due or impaired had their terms not have been renegotiated.

(II) Market risk

Market risk is defined as the potential loss in value or earnings of the Company arising from fluctuations in market prices, interest rates or foreign exchange rates. At the reporting date the Company's only exposure to market risk arose from interest rate risk, as all transactions and balances were denominated in Sterling and no equity share investments were held.

Interest rate risk

Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases, or which reset at different times.

As the Company is exposed to interest rate fluctuations arising from its borrowings, a sensitivity analysis has been prepared to illustrate the impact of a change in the rates. If base rates increased by 0.25% and all other variables remain constant this would increase the interest expense by £2,125 (2016: £2,125) and accordingly decrease interest expense by £2,125 (2016: £2,125 if base rates decreased by the same amount).

The Company's cash and cash equivalent balances generate variable interest income and arise from the reinvestment of surplus liquid funds. The financial liabilities comprise variable rate borrowings provided by a related Company and they are used to finance the Company's inventories

As at the 31 December 2017 the Company held £17,424 (2016: £4,374) in a Bank of Scotland bank account. The account pays interest however due to size interest rate risk is not deemed to be significant.

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Notes to the financial statements (continued)

17. Financial Instruments (continued)

(III) Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows relating to assets, liabilities and off-Balance Sheet instruments

The Company's short term liquidity requirements are supported by a facility with a related company subject to internal limits. Overall liquidity risk is managed in line with the Lloyds Banking Group High Level Group Liquidity and Funding Policy.

All funding is provided by related companies and the table below sets out the cash flows payable by the Company in respect of financial liabilities, by remaining contractual undiscounted repayments of principal and interest at the Statement of Financial Position date.

As at 31 December 2017

Maturity of contractual liabilities	1-3 months	3-12 months	1-2 years	2-5 years	Total
	£	£	£	£	£
Loans and borrowings	1,651,566	-	-	-	1,651,566
Trade and other payables	13,189	-	-	-	13,189
Loan from associate	-	30,128	-	-	30,128
Total liabilities	1,664,755	30,128	-	-	1,694,883

As at 31 December 2016

Maturity of contractual liabilities	1-3 months	3-12 months	1-2 years	2-5 years	Total
	£	£	£	£	£
Loans and borrowings	1,628,709	-	-	-	1,628,709
Trade and other payables	15,609	-	-	-	15,609
Loan from associate	-	17,462	-	-	17,462
Total liabilities	1,644,318	17,462	-	-	1,661,780

18. Immediate and ultimate parent undertakings

As at 31 December 2017 the Company's immediate parent companies are Horizon Capital 2000 Limited and Stewart Milne Homes (Southern) Limited.

The company regarded by the Directors as the ultimate parent undertaking of Horizon Capital 2000 Limited is Lloyds Banking Group plc which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated financial statements for the year ended 31 December 2017. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2016 may be obtained from Lloyds Banking Group's office at The Mound, Edinburgh, EH1 1YZ.

The company regarded as the ultimate parent company of Stewart Milne Homes (Southern) Limited is Stewart Milne Group Limited which is incorporated in Scotland. Stewart Milne Group Limited will prepare consolidated financial statements for the year ended 30 June 2018. Copies of the annual report and financial statements of Stewart Milne Group Limited for the year ended 30 June 2018 may be obtained from Stewart Milne Group's office at Peregrine House, Aberdeen, AB32 6TQ.

Notes to the financial statements (continued)

19. Related parties

The Company has a number of related party transactions. These are summarised below.

Horizon Capital 2000 Limited

- A related party relationship arises as Horizon Capital 2000 Limited is the immediate parent company and holder of the "A" Ordinary shares.
- As at the 31 December 2017 a total of £419,496 (2016: £414,012) was payable to Horizon Capital 2000 Limited by the Company. This represents funding provided.
- At the 31 December 2017 £850,000 (2016: £850,000) was payable to Horizon Capital 2000 Limited by the Company in respect of the standard security funding which was assigned to Horizon Capital 2000 Limited by Horizon Resources Limited on 6th December 2016.
- For the year ended 31 December 2017 £nil (2016: £11,166) was payable to Horizon Resources Limited in respect of intercompany loan interest accrued up until the date of assignment. This amount was settled to Horizon Resources Limited (which is in liquidation) during 2017.
- At the 31 December 2017 £10,969 (2016: £722) was payable to Horizon Capital 2000 Limited in relation to interest accrued from the date of assignment of the funding. £1,510 (2016: £nil) was receivable from Horizon Capital 2000 Limited.
- Management fees were also paid to Horizon Capital 2000 Limited for running the Company. For the year to 31 December 2017 £6,000 (2016: £nil) was charged by Horizon Capital 2000 Limited in respect of management fees of which £1,500 remains payable at the year end (2016: £nil).

Bank of Scotland plc

- A related party relationship arises as Bank of Scotland plc is the immediate parent of Horizon Capital 2000 Limited.
- A number of banking transactions are entered into with the Bank of Scotland plc in the normal course of business.
- As at the 31 December 2017 the Company had £17,424 (2016: £4,374) on deposit in a corporate current account.
- During the year to 31 December 2017 the Company had received £8 (2017: £8) of interest from this account.

Stewart Milne (West) Limited

- A related party relationship arises as Stewart Milne (West) Limited is an associate company.
- As at the 31 December 2017 a total of £30,128 (2016: £17,462) of funding provided was repayable to Stewart Milne (West) Limited by the Company.

Stewart Milne Homes (Southern) Limited

- A related party relationship arises as Stewart Milne Homes (Southern) Limited is the immediate parent company and holder of the "B" Ordinary shares.
- As at the 31 December 2017 a total of £382,070 (2016: £376,585) of funding provided was repayable to Stewart Milne Homes (Southern) Limited by the Company.

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Stewart Milne Group Limited

- A related party relationship arises as Stewart Milne Group Limited is the ultimate parent company of Stewart Milne Homes (Southern) Limited.
- During the year £1,859 (2016: £1,831) was paid to Stewart Milne Group Limited in relation to the provision of project management services.
- As at 31 December 2017 £1,510 (2016: £nil) was receivable from Stewart Milne (Group Limited) in respect of interest accrued on funding.
- During the year, Stewart Milne Group Limited also paid professional fees on behalf of the Company totalling £20,900 (2016: £nil). These were not recharged.

Lloyds Banking Group plc

- A related party relationship arises as Lloyds Banking Group plc is the ultimate parent undertaking of Horizon Capital 2000 Limited, one of the Company's immediate parents.
- Lloyds Banking Group plc settles the audit fee on behalf of the entity. This fee is not recharged. The audit fee is part of a larger allocation that is not split out by each entity.
- The Directors received no emoluments in the year from the company for services to the company.