Stewart Milne (West) Limited

Report and Financial Statements

For the year ended 31 December 2014

Company Number SC192726

Contents

Company Information

Board of Directors	G F W Allison A J N Hewitt G C Loudon F J Gibson
Company Secretary	Lloyds Secretaries Ltd
Registered office	Level 1 Citymark 150 Fountainbridge Edinburgh EH3 9PE
Independent Auditors	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	Bank of Scotland plc The Mound Edinburgh EH1 1YZ
Company Number	SC192726

Director's Report

The Directors are pleased to submit the report and audited financial statements for Stewart Milne (West) Limited ('the Company') for the year ended 31 December 2014. The Company is a limited company both incorporated and domiciled in the United Kingdom.

Principal activities and review of business

The Company's principal activity is the acquisition of land for development. There have been no property transactions during the year (2013: none).

Results and dividends

The loss after tax for the Company for the year to 31 December 2014 was £83,953 (2013: £100,601). No dividends were paid during the year (2013: nil).

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 15 to the financial statements.

Going concern

As set out in note 3 of the financial statements, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the financial statements.

Strategic report: small companies exemption

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

Directors and their interests

The Directors of the company who are in office at 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
Bruce S Anderson	22 September 2014	10 February 2015
Andrew W J Wilson	-	30 June 2014
Alistair J N Hewitt	10 February 2015	-
Fiona J Gibson	19 August 2015	-

Directors' indemnities

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

Directors' Report (continued)

Directors' indemnities (continued)

Lloyds Banking Group plc ("LBG") has granted to Mr A J N Hewitt and Ms F J Gibson, the Directors 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. The deed was in force at the date of approval of the financial statements and from the date of appointment of Mr A J N Hewitt and Ms F J Gibson as Director. The indemnity remains in force for the duration of a Director's period of office. Mr A W J Wilson and Mr B S Anderson, who represented LBG as Directors of the Company until their resignations on 30th June 2014 and 10th February 2015, had the benefit of the deed of indemnity during their periods of service as Directors of the Company. The deed indemnifies the Directors to the maximum extent permitted by law. The deed for existing LBG Directors is available for inspection at the registered office of LBG. In addition, LBG 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 Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting Standards Board (IASB), 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 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report (continued)

Disclosure of information to independent auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved, the following applies:

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware. Each of the Directors has taken all the steps that ought to have been taken as a Director of the Company in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of Stewart Milne (West) Limited:

....

A J N Hewitt
Director
25th September 2015

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

Report on the financial statements

Our opinion

In our opinion, Stewart Milne (West) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

What we have audited

Stewart Milne (West) Limited's financial statements comprise:

- the Statement of Financial Position as at 31 December 2014;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. 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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Sheila Fazal

Sheila Fazal (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
25 September 2015

Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 £	2013 £
Administration expenses	4	(12,001)	(12,001)
Rental income	5	4,900	7,350
Other expenses	6	(1,180)	(27,659)
Net other income		3,720	(20,309)
Operating loss		(8,281)	(32,310)
Finance income	7	2,715	2,811
Finance costs	7	(71,102)	(71,102)
Net financing costs		(68,387)	(68,291)
Loss before tax		(76,668)	(100,601)
Income tax expense	8	(7,285)	-
Loss after tax		(83,953)	(100,601)

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 22 form part of these financial statements.

Statement of Financial Position

As at 31 December 2014

	Note	2014 £	2013 £
Assets			
Non-current assets			
Inventories	10	4,508,187	4,494,043
Current assets			
Cash and cash equivalents	11	526,132	551,429
Trade and other receivables		2,829	-
Income tax receivable	9	488	8,310
Total current assets		529,449	559,739
Total assets		5,037,636	5,053,782
Equity and Liabilities			
Equity			
Issued capital	12	100	100
Accumulated losses		(1,801,732)	(1,717,779)
Total equity		(1,801,632)	(1,717,679)
Current liabilities			
Loans and borrowings	13	4,740,114	4,740,114
Trade and other payables	14	2,099,154	2,031,347
Total current liabilities		6,839,268	6,771,461
Total equity and liabilities		5,037,636	5,053,782

Company Number: SC192726

The financial statements on pages 9 to 22 were approved by the Board of Directors at a meeting on 25th September 2015 and signed on its behalf by:

....

A J N Hewitt

Director
Stewart Milne (West) Limited

The accompanying notes on pages 13 to 22 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2014

	Issued Capital £	Accumulated losses £	Total £
Balance at 1 January 2014	100	(1,717,779)	(1,717,679)
Loss after taxation	-	(83,953)	(83,953)
Balance at 31 December 2014	100	(1,801,732)	(1,801,632)

	Issued Capital £	Accumulated losses £	Total £
For the year ended 31 December 2013			
Balance at 1 January 2013	100	(1,617,178)	(1,617,078)
Loss after taxation	-	(100,601)	(100,601)
Balance at 31 December 2013	100	(1,717,779)	(1,717,679)

The accompanying notes on pages 13 to 22 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 £	2013 £
Cash flows from operating activities			
Operating loss		(8,281)	(32,310)
Increase in inventories		(14,144)	(1,147)
Decrease in trade and other receivables		(2,829)	-
(Decrease)/increase in non-trade payables and other accrued expenses		(3,294)	17,124
Increase in amounts due to loanstock fees and interest		71,102	71,102
Cash generated from operations		42,554	54,769
Interest Paid		(71,102)	(71,102)
Income taxes expense		536	
Net cash used in operating activities		(28,012)	(16,333)
Cash flows from investing activities			
Interest received		2,715	2,811
Net cash from investing activities		2,715	2,811
Cash flows used in financing activities		(25,297)	(13,522)
Net decrease in cash and cash equivalents		(25,297)	(13,522)
Cash and cash equivalents at 1 January		551,429	564,951
Cash and cash equivalents at 31 December	11	526,132	551,429

The accompanying notes on pages 13 to 22 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 ("IFRSs") 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 2014

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

- IFRS 10, 'Consolidated financial statements'.
- IFRS 12, 'Disclosures of interests in other entities'.
- IFRIC 21, 'Levies'.
- Amendment to IAS 32, 'Financial instruments: Presentation'.
- Amendment to IAS 36, 'Impairment of assets'.
- Amendment to IAS 39, 'Financial instruments: Recognition and Measurement'.

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 2014 but the Company has not elected to adopt early:

- Amendments to IFRS 9, 'Financial instruments' (effective 1 January 2018).
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2017).

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 2014 that are relevant to the Company.

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 period 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

The recognition of deferred tax assets requires management judgement in determining the extent and amount which should be recognised. Estimates of future taxable income/profits are made and management judgment is exercised as to whether these estimates indicate if the deferred tax asset can be recovered and when.

(b) Revenue and expenses

Rental income is recognised in the Statement of Comprehensive Income on a cash 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. All other revenue and expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

(c) Inventories

Inventories are stated at lower of cost and net realisable value. The inventories relate to land held for development in Glasgow. Net realisable value for the land has been assessed by an independent valuations expert after taking account of any relevant available market information. The land is held for its long term development potential and therefore the value of the inventory is 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.

(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.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(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 asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

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.

Interest income and interest payable presented in the Statement of Comprehensive Income include interest on financial assets or liabilities at amortised cost on an effective rate basis.

(h) Taxation

Current income tax which is payable/receivable on taxable profits/losses is recognised as an expense/credit in the period in which the profits/losses arise. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(h) Taxation (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Statement of Financial Position date, which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 to extend the Joint Venture agreement for a further 10 years. As such, the Directors are satisfied that the Company has adequate support to continue in business for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

4. Administration expenses

	2014	2013
	£	£
Management fees	12,000	12,000
Other	1	1
	12,001	12,001

5. Rental income

	2014	2013
	£	£
Rental income	4,900	7,350

6. Other expenses

	2014	2013
	£	£
Solicitors fees	600	14,416
Operating costs	150	10,793
Audit fees	(1,250)	1,250
Valuation fees	1,680	1,200
	1,180	27,659

Notes to the financial statements (continued)

6. Other expenses (continued)

The auditors received no fees in respect of non-audit services to the Company (2013: £nil).). The auditors' fee for the audit of the 2014 financial statements is £1,500, which has been borne by the ultimate parent company and not recharged to the company. The credit for the 2014 audit fees represents the 2013 accrual being reversed as the fees are now being borne by the parent company.

The Company had no employees during the year (2013: none).

7. Net finance costs

	2014	2013
	£	£
Interest income	2,715	2,811
Interest expense	(71,102)	(71,102)
Net financing costs	(68,387)	(68,291)

8. Income tax expense

Recognised in the Statement of Comprehensive Income

	2014	2013
Current tax expense	**£**	£
Current year credit	488	-
Adjustment to prior periods	(7,773)	-
Total income tax credit in Statement of Comprehensive Income	(7,285)	-

Reconciliation of effective tax rate

	2014	2013
	£	£
Loss on ordinary activities before tax	(76,668)	(100,601)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%)	16,484	23,390
Adjustment to Prior periods	(7,773)	-
Non deductible expense	(32)	-
Deferred tax not recognised on losses carried forward	(15,964)	(23,390)
Total income tax credit in Statement of Comprehensive Income	(7,285)	-

9. Income tax receivable

The current tax asset of £488 (2013: £8,310) represents the amount of income taxes receivable in respect of current and prior years. The Company is subject to the UK current rate of Corporation Tax.

The Finance Act 2013 (the Act) was substantively enacted on 2 July 2013. The Act further reduced the main rate of corporation tax to 21 per cent with effect from 1 April 2014 and 20 per cent with effect from 1 April 2015.

Notes to the financial statements (continued)

10. Inventories

	2014	2013
	£	£
At 1 January	4,494,043	4,492,896
Additions	14,144	1,147
At 31 December	4,508,187	4,494,043

11. Cash and cash equivalents

	2014	2013
	£	£
Bank balances	526,132	551,429
Cash and cash equivalents in the Statement of Cash Flows	526,132	551,429

12. Issued capital

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

	Ordinary shares	
	2014	2013
	£	£
Authorised		
5,800,000 "A" Ordinary shares of £1 each	5,800,000	5,800,000
1,000,000 "B" Ordinary shares of £1 each	1,000,000	1,000,000
	6,800,000	6,800,000
Issued		
50 "A" Ordinary shares of £1 each	50	50
50 "B" Ordinary shares of £1 each	50	50
	100	100

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

13. Loans and borrowings

This note provides information about the contractual terms of the Company's loans and borrowings.

	Note	**2014**	2013
		£	£
Current liabilities			
Unsecured redeemable "A" loan stock	**18**	4,524,654	4,524,654
Unsecured redeemable "B" loan stock	**18**	215,460	215,460
		4,740,114	4,740,114

Notes to the financial statements (continued)

13. Loans and borrowings (continued)

Terms and debt repayment schedule

The unsecured redeemable "A" and "B" loan stock attracts an annual fee payable at a rate of 1% over the Bank of England base rate.

The unsecured redeemable loan stock is repayable from land sales. If this does not occur the loan stock will be converted into the relevant "A" or "B" Ordinary shares.

14. Trade and other payables

	2014	2013
	£	£
Loan stock interest payable	2,083,074	2,011,973
Non-trade payables and accrued expenses	16,080	19,374
	2,099,154	2,031,347

15. Financial instruments

The Company's financial instruments comprise receivables and payables that arise directly from its operations. There are no classes of business which require separate disclosure.

a) Governance framework

One partner in the company is Horizon Capital 2000 Limited whose immediate parent is Bank of Scotland plc ("BOS") whose ultimate parent is Lloyds Banking Group plc ("Group"). BOS 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 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 Statement of Financial Position date.

	2014	2013
	£	£
Cash and cash equivalents	526,132	551,429

Cash and cash equivalents are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value. These instruments consist of bank balances with the Lloyds Banking Group 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.

Notes to the financial statements (continued)

15. Financial instruments (continued)

ii) Market risk

Market risk is defined as the potential loss in value or earnings of the Company arising from fair value changes in the values of assets and liabilities 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.

iii) 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.

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 fixed rate borrowings provided by another Group company and they are used to finance the Company's inventories.

As at the 31 December 2014 the Company held £526,132 (2013: £551,429) in a Bank of Scotland account. The account does pay interest however due to size interest rate risk is not deemed to be significant.

iv) 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 the related Company 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 2014

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years	Total
	£	£	£	£	£	£
Loans and borrowings	-	-	-	-	4,740,114	4,740,114
Trade and other payables	-	16,080	-	-	2,083,074	2,099,154
Total liabilities	-	16,080	-	-	6,823,188	6,839,268

Notes to the financial statements (continued)

iv) Liquidity risk (continued)

As at 31 December 2013

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years	Total
	£	£	£	£	£	£
Loans and borrowings	-	-	-	-	4,740,114	4,740,114
Trade and other payables	-	19,374	-	-	2,011,973	2,031,347
Total liabilities	-	19,374	-	-	6,752,087	6,771,461

16. Operating leases

The Company leases land on operating leases and the rental income relates to rent due to the Company under these operating leases. There are two leases, one lease on each property with a rent of £2,900 per annum, and £2,000 per annum which is currently being renegotiated.

17. Immediate and ultimate parent undertakings

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 2014. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2014 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 2015.

18. Related parties

The Company has a related party relationship with Bank of Scotland plc, 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 including loans and deposits. As at the 31 December 2014 the Company had £526,132 (2013: £551,429) on deposit in a corporate current account. During the year to 31 December 2014 the Company had received £2,715 (2013: £2,811) of interest from this account.

The Company also has a related party relationship with Horizon Resources Limited (a subsidiary undertaking of the holder of the "A" Ordinary shares). This relationship has arisen due to the provision of fund management services for the Company. For the year to 31 December 2014 £12,000 (2013: £12,000) was paid in management fees.

The Company also has a related party relationship with its immediate parent company Horizon Capital 2000 Limited, holder of the "A" Ordinary shares. This relationship has arisen due to the provision of loan facilities to the Company through unsecured loan stock. As at the 31 December 2014 a total of £4,524,654 (2013: £4,524,654) was payable to Horizon Capital 2000 by the Company for the Unsecured redeemable "A" loan stock. As at the 31 December 2014 there were no outstanding balances (2013: nil) payable to Horizon Capital 2000 by the Company for the Unsecured redeemable "C" loan stock. As at the 31 December 2014 a total of £1,919,342 (2013: £1,851,472) was payable to Horizon Capital 2000 by the Company as an annual loan stock fee.

Notes to the financial statements (continued)

18. Related parties (continued)

The Unsecured redeemable loan stock is repayable from land sales.

The Company also has a related party relationship with its immediate parent company Stewart Milne Homes (Southern) Limited, holder of the "B" Ordinary shares. This relationship has arisen due to the provision of loan facilities to the Company through unsecured loan stock. As at the 31 December 2014 a total of £215,460 (2013: £215,460) was payable to Stewart Milne Homes (Southern) by the Company for the Unsecured redeemable "B" loan stock. As at the 31 December 2014 there were no outstanding balances (2013: £nil) payable to Stewart Milne Homes (Southern) by the Company for the Unsecured redeemable "D" loan stock. As at the 31 December 2014 a total of £163,732 (2013: £160,500) was payable to Stewart Milne Homes (Southern) by the Company as an annual loan stock fee. The Unsecured redeemable loan stock is repayable from land sales.

The Directors received no emoluments in the year from the Company for services to the Company (2013: £nil).