

**Stewart Milne (West) Limited**  
**Report and Financial Statements**  
**For the year ended 31 December 2019**

**Company Number SC192726**

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

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**Company Information**

**Board of Directors**

G C Loudon (resigned 17 July 2020)  
G Kirkhope (appointed 17 July 2020)  
A Hulme (resigned 8 April 2020)  
G C More (appointed 12 September 2019)  
G F W Allison (resigned 31 January 2019)  
M M De Vries (appointed 8 April 2020)

**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**

SC192726

## **Directors' 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 2019. 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 (2018: 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 2019 was £3,199,466 (2018: £82,544). No dividends were paid during the year (2018: nil).

The company holds land as inventory. Due to conditions in the current year, the directors have assessed that the net realisable value of the land is lower than the cost and so an impairment charge of £3,111,257 (2018: £nil) has been recognised in the Statement of Comprehensive Income.

## **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 under s414B of the Companies Act 2006, 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
M M De Vries	8 April 2020	-
G F W Allison	-	31 January 2019
A Hulme	-	8 April 2020
G Kirkhope	17 July 2020	-
G C Loudon	-	17 July 2020
G C More	12 September 2019	-

## **Directors' Report (continued)**

### **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 More and G Kirkhope. This also covered G Loudon who resigned in July 2020.

Lloyds Banking Group plc ("LBG") has granted to Ms M M De Vries, 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. Mr A Hulme, 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.

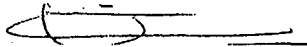
The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Directors' Report (continued)**

- 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.

Signed on behalf of Stewart Milne (West) Limited:



.....  
Monica M De Vries

Director

18 December 2020

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

### **Report on the audit of the financial statements**

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#### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 2019; the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended 31 December 2019; 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 where:

- 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 Strategic Report and 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.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 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 Strategic Report and Directors' Report.

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### **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, 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](http://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.

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## **Other required reporting**

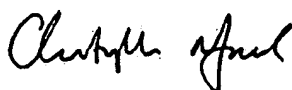
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### **Companies Act 2006 exception reporting**

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.



Christopher Meyrick (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow

18 December 2020



**Statement of Comprehensive Income**

**For the year ended 31 December 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £</b>
Administration expenses	<b>4</b>	(12,405)	(12,418)
Rental income	<b>5</b>	6,120	6,120
Other income	<b>6</b>	50	33
Impairment of inventories	<b>10</b>	(3,111,257)	-
Other expenses	<b>7</b>	(2,250)	(2,820)
<b>Net other income/(expense)</b>		<u>(3,107,337)</u>	<u>3,333</u>
<b>Operating loss</b>		(3,119,742)	(9,085)
Finance income	<b>8</b>	3,228	2,578
Finance costs	<b>8</b>	(82,952)	(76,037)
<b>Net financing costs</b>	<b>8</b>	<u>(79,724)</u>	<u>(73,459)</u>
<b>Loss before tax</b>		<u>(3,199,466)</u>	<u>(82,544)</u>
Income tax expense	<b>9</b>	-	-
<b>Loss after tax</b>		<u><u>(3,199,466)</u></u>	<u><u>(82,544)</u></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 24 form part of these financial statements.

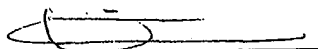
**Stewart Milne (West) Limited**  
**Report and Financial Statements**

**Statement of Financial Position**

**As at 31 December 2019**

	<b>Note</b>	<b>2019</b> £	<b>2018</b> £
<b>Assets</b>			
<b>Non-current assets</b>			
Inventories	<b>10</b>	1,470,800	4,551,206
<b>Current assets</b>			
Cash and cash equivalents	<b>11</b>	423,280	434,549
Trade and other receivables	<b>12</b>	27	30
Loan to group undertaking	<b>13</b>	30,128	30,128
<b>Total assets</b>		<u>1,924,235</u>	<u>5,015,913</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued capital	<b>14</b>	100	100
Accumulated losses		(5,291,958)	(2,092,492)
<b>Total equity</b>		<u>(5,291,858)</u>	<u>(2,092,392)</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans	<b>15</b>	4,740,114	4,740,114
<b>Current liabilities</b>			
Trade and other payables	<b>16</b>	2,475,979	2,368,191
<b>Total liabilities</b>		<u>7,216,093</u>	<u>7,108,305</u>
<b>Total equity and liabilities</b>		<u>1,924,235</u>	<u>5,015,913</u>

The financial statements on pages 9 to 24 were approved by the Board of Directors by written resolution on 18 December 2020 and signed on its behalf by:



.....  
**Monica M De Vries**  
 Director  
 Stewart Milne (West) Limited

Company Number: SC192726

The accompanying notes on pages 13 to 24 form part of these financial statements.

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

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**Statement of Changes in Equity**

**For the year ended 31 December 2019**

	<b>Issued Capital £</b>	<b>Accumulated losses £</b>	<b>Total Equity £</b>
<b>Balance at 1 January 2019</b>	100	(2,092,492)	(2,092,392)
Loss after tax	-	(3,199,466)	(3,199,466)
<b>Balance at 31 December 2019</b>	<u>100</u>	<u>(5,291,958)</u>	<u>(5,291,858)</u>

	<b>Issued Capital £</b>	<b>Accumulated losses £</b>	<b>Total Equity £</b>
<b>For the year ended 31 December 2018</b>			
<b>Balance at 1 January 2018</b>	100	(2,009,948)	(2,009,848)
Loss after tax	-	(82,544)	(82,544)
<b>Balance at 31 December 2018</b>	<u>100</u>	<u>(2,092,492)</u>	<u>(2,092,392)</u>

The accompanying notes on pages 13 to 24 form part of these financial statements.

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

**Statement of Cash Flows**

**For the year ended 31 December 2019**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>			
Operating loss		(3,119,742)	(9,085)
Increase in inventories		(30,851)	(8,264)
Impairment of inventories		3,111,257	
Decrease in trade and other receivables		3	9,776
Increase in non-trade payables and other accrued expenses		24,837	5,833
Income tax refund		-	-
Increase in loan to group undertaking		-	-
<b>Net cash used in operating activities</b>		<b>(14,496)</b>	<b>(1,740)</b>
<b>Cash flows from investing activities</b>			
Interest received		3,228	2,578
<b>Net cash generated from investing activities</b>		<b>3,228</b>	<b>2,578</b>
Net increase in cash and cash equivalents		(11,268)	838
Cash and cash equivalents at 1 January		434,549	433,711
<b>Cash and cash equivalents at 31 December</b>	<b>11</b>	<b>423,280</b>	<b>434,549</b>

The accompanying notes on pages 13 to 24 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 interpretations in issue**

The following standards and amendments to published standards are adopted for the current accounting year beginning on 1 January 2019:

- Amendments to IFRS 9, 'Financial instruments'

IFRS 9 standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, classification and a new expected credit loss model for calculating impairment on financial assets. There are no differences between IAS 39 and IFRS 9 arising from the classification of current assets and liabilities as at 1 January 2019 for the Company, therefore no reconciliation has been prepared.

Under IFRS 9, management have assessed the credit risk of financial assets and have concluded that there are no expected credit losses. Therefore no provisions have been included in these financial statements.

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

### **Standards and interpretations in issue but not relevant**

- IFRS 16 'Leases'

Since the Company has no material leases, IFRS 16 has no impact on the financial statements.

There are no other standards and amendments to published standards that are mandatory for the current accounting year beginning on 1 January 2019 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 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:

***Estimates and judgements***

**(i) Recognisability of deferred tax**

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. The recognition of deferred tax assets requires management judgement in determining the extent and amount which should be recognised. 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 the lower of cost and net realisable value. Net realisable value of the land has been assessed by the Directors with support from an independent valuation expert after taking account of any relevant available market information including the probability that planning permission will be obtained.

The land is held for its long-term development potential and its development depends on obtaining planning consent for residential development. The development position has been reviewed and due to current conditions, the most reliable evidence of the net realisable value of the land is the current price in an active market for similar contracts less costs to sell. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates and assumptions based on market conditions existing at each period end. The net realisable value has been assessed as lower than the previous carrying value of cost, therefore an impairment on inventories has been required to write these down.

The net realisable value is determined with support from an independent valuation expert by reference to:

**Notes to the financial statements (continued)**

**2. Summary of significant accounting policies (continued)**

**Critical accounting estimates and judgments (continued)**

***Estimates – Inventories (continued)***

- Information provided by the Company such as current rents, terms and conditions of lease agreements, service charges, capital expenditure, etc. This information is derived from the Company's financial and property management processes and is subject to the Company's overall control environment.
- Valuation models used by the valuer – these are typically market related, such as comparable land transactions, yields and rental value. These are based on their professional judgement and market observation.

The fair market valuations provided by the independent valuation expert are reviewed and where appropriate challenged by the Investment Manager on the basis of their knowledge and understanding of current prevailing market conditions and transactional activity obtained from a variety of other external sources. Estimation uncertainty is mitigated by appointing the services of an expert property valuer.

**(b) Revenue and expenses**

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. All other revenue and expenses are recognised in the Statement of Comprehensive Income 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.

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. In the current year, the directors have assessed that the net realisable value is lower than the cost and so an impairment charge has been recognised.

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.

**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 financial asset's recoverable amount is estimated.

Inventories are impaired if the net realisable value falls below the carrying value of the land. In this event, an impairment loss would be recognised against the inventory value in the Statement of Comprehensive Income. Further details can be found in note 2 (c).

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.

**(h) Taxation**

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the statement of comprehensive income 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 statement of comprehensive income (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.



**Notes to the financial statements (continued)**

**(h) Taxation (continued)**

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 15.

**3. Going concern – Principles underlying going concern assumption**

The Company is reliant on funding provided by its parent undertakings. The Joint Venture agreement runs to 31 December 2023. 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**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Management fees	12,000	12,000
Other	405	418
	<u>12,405</u>	<u>12,418</u>

**5. Rental income**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Rental income	<u>6,120</u>	<u>6,120</u>

**6. Other income**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Insurance commission	<u>50</u>	<u>33</u>

**7. Other expenses**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Valuation fees	2,250	2,820
	<u>2,250</u>	<u>2,820</u>

The auditors received no fees in respect of non-audit services to the Company (2018: £nil). The auditors' fee for the audit of the 2019 and prior year financial statements 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 (2018: none).

**Notes to the financial statements (continued)**

**8. Net financing costs**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Interest income	3,228	2,578
Loan stock interest	(82,952)	(76,037)
Net financing costs	<u>(79,724)</u>	<u>(73,459)</u>

**9. Income tax expense**

**a) Analysis of expense for the year**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>UK corporation tax</b>		
Current tax on taxable loss for the year	-	-
Adjustment to prior periods	-	-
Current tax expense	<u>-</u>	<u>-</u>

Corporation tax is calculated at a rate of 19.00% (2018: 19.00%) of the taxable loss for the year.

**b) Factors affecting the tax expense for the year**

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loss before tax	<u>(3,199,466)</u>	<u>(82,544)</u>
Tax credit thereon at UK corporation tax rate of 19.00% (2018: 19.00%)	607,899	15,683
Factors affecting charge:		
Adjustment in respect of prior years	-	-
Timing differences not recognised	(607,899)	(15,683)
Tax expense on loss on ordinary activities	<u>-</u>	<u>-</u>
<b>Effective tax rate</b>	<b>0%</b>	<b>0%</b>

The deferred tax asset of £843,570 (2018: £299,660) 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 Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

Within the March 2020 budget, the UK government stated its intention to maintain the corporation tax rate at 19 per cent with effect from 1 April 2020. This intention to maintain the corporation tax rate was enacted under the Provisional Collection of Taxes Act 1968 on 17 March 2020. Had this rate change been substantively enacted at 31 December 2019, the effect would have been to increase unrecognised net deferred tax assets by £99,243.

**Notes to the financial statements (continued)**

**10. Inventories**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
At 1 January	4,551,206	4,542,942
Additions	30,851	8,264
Impairment of inventories	(3,111,257)	-
At 31 December	<u>1,470,800</u>	<u>4,551,206</u>

**11. Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Bank balances	423,280	434,549
Cash and cash equivalents	<u>423,280</u>	<u>434,549</u>

**12. Trade and other receivables**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Prepaid insurance	27	30
	<u>27</u>	<u>30</u>

**13. Loan to group undertaking**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loan to Stewart Milne (Glasgow) Limited	<u>30,128</u>	<u>30,128</u>

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

**14. Issued capital**

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

	<b>Ordinary shares</b>	
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Issued</b>		
50 (2018: 50) "A" Ordinary shares of £1 (2018: £1) each	50	50
50 (2018: 50) "B" Ordinary shares of £1 (2018: £1) each	50	50
	<u>100</u>	<u>100</u>

**Notes to the financial statements (continued)**

**14. 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.

**15. Loans**

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

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Non-Current liabilities</b>			
Unsecured redeemable "A" loan stock	<b>20</b>	4,524,654	4,524,654
Unsecured redeemable "B" loan stock	<b>20</b>	215,460	215,460
		<u>4,740,114</u>	<u>4,740,114</u>

**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.

**16. Trade and other payables**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loan stock interest payable	2,440,628	2,357,677
Non-trade payables and accrued expenses	35,351	10,514
	<u>2,475,979</u>	<u>2,368,191</u>

**17. 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 ultimate parent is Lloyds Banking Group plc ("Group"). The Group has established a financial risk management function with clear terms of reference and a framework for 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.

**Notes to the financial statements (continued)**

**17. Financial instruments (continued)**

**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.

	<b>2019</b>	2018
	<b>£</b>	<b>£</b>
Cash and cash equivalents	423,280	434,549
Trade and other receivables	27	30
Loan to group undertaking	30,128	30,128
	<u>453,435</u>	<u>464,707</u>

Cash and cash equivalents 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. The loan to group undertaking represents funding to Stewart Milne (Glasgow) Limited which shares the same immediate parents as the Company. Therefore credit risk is not deemed to be significant.

**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 exposure to market risk arises from interest rate risk and other price risk in relation to land values. 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 interest expense by £11,850 (2018: £11,850) and accordingly decrease interest expense by £11,850 (2018: £11,850) 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 another Group company and they are used to finance the Company's inventories.

As at the 31 December 2019 the Company held £423,280 (2018: £434,549) in a Bank of Scotland account. The account does pay interest however due to size this interest rate risk is not deemed to be significant.

**Notes to the financial statements (continued)**

**17. Financial instruments (continued)**

**b) Financial risks (continued)**

**ii) Market risk (continued)**

***Other price risk***

As noted in the accounting policies, inventory section, the land is held for its long term development potential and its value depends on obtaining planning consent for residential development. The land will be subject to impairment review on an annual basis. The position has been reviewed for the year ended 31 December 2019 and due to current conditions, the land value has been written down to net realisable value. This has resulted in an impairment expense of £3,111,257 (2018: £nil).

As the impairment review is undertaken annually, further impairment charges or reversal of impairment charges could be made depending on the external valuer's assessment of net realisable value at that time.

**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 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 2019**

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	2,475,979	-	-	-	-	2,475,979
<b>Total liabilities</b>	<b>2,475,979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,740,114</b>	<b>7,216,093</b>

**As at 31 December 2018**

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	2,368,191	-	-	-	-	2,368,191
<b>Total liabilities</b>	<b>2,368,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,740,114</b>	<b>7,108,305</b>

**Notes to the financial statements (continued)**

**18. 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 2019. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2018 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 2020.

Copies of the annual report and financial statements of Stewart Milne Group Limited for the year ended 30 June 2020 may be obtained from Stewart Milne Group's office at Peregrine House, Aberdeen, AB32 6TQ.

**19. Related parties**

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

**Bank of Scotland plc**

- A related party relationship arises as Bank of Scotland plc shares the same ultimate parent undertaking as one of the Company's immediate parents, Horizon Capital 2000 Limited.
- As at the 31 December 2019 the Company had £423,280 (2018: £434,549) on deposit in a Bank of Scotland corporate current account.
- During the year to 31 December 2019 the Company had received £3,228 (2018: £2,578) of interest from this account.

**Horizon Capital 2000 Limited**

- A related party relationship arises with Horizon Capital 2000 Limited, its immediate parent company and holder of the "A" Ordinary shares.
- Horizon Capital 2000 Limited provides fund management services for the Company. For the year to 31 December 2019 £12,000 (2018: £12,000) was charged by Horizon Capital 2000 Limited in respect of management fees of which £nil remains payable at the year end (2018: £nil).
- Horizon Capital 2000 Limited has provided loan facilities to the Company through unsecured loan stock. As at the 31 December 2019 a total of £4,524,654 (2018: £4,524,654) was payable to Horizon Capital 2000 Limited by the Company for the Unsecured redeemable "A" loan stock. The Unsecured redeemable loan stock is repayable from land sales.
- During the year, the Company incurred annual loan stock fees of £79,181 (2018: £72,580) which are payable to Horizon Capital 2000 Limited. As at the 31 December 2019 a total of £2,260,644 (2018: £2,181,462) was payable to Horizon Capital 2000 Limited in respect of annual loan stock fees. The annual loan stock fee is calculated on the loan amount at a rate of 1% over the Bank of England Base rate.

**Stewart Milne (Glasgow) Limited**

- A related party relationship arises with its fellow group undertaking Stewart Milne (Glasgow) Limited due to common immediate ownership by Horizon Capital 2000 Limited.
- This relationship has arisen through the provision of funding to Stewart Milne (Glasgow) Limited. As at the 31 December 2019 £30,128 (2018: £30,128) was receivable from Stewart Milne (Glasgow) Limited.

**Notes to the financial statements (continued)**

**19. Related parties (continued)**

**Stewart Milne Homes (Southern) Limited**

- A related party relationship arises with Stewart Milne Homes (Southern) Limited, its immediate parent company and 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 2019 a total of £215,460 (2018: £215,460) was payable to Stewart Milne Homes (Southern) by the Company for the Unsecured redeemable "B" loan stock.
- During the year the Company incurred annual loan stock fees of £3,771 (2018: £3,456) which are payable to Stewart Milne Homes (Southern) Limited. As at the 31 December 2019 a total of £179,985 (2018: £176,215) was payable to Stewart Milne Homes (Southern) by the Company in respect of annual loan stock fees. The annual loan stock fee is calculated on the loan amount at a rate of 1% over the Bank of England Base rate. Unsecured redeemable loan stock is repayable from land sales.

**Stewart Milne Group Limited**

- A related party relationship arises with Stewart Milne Group Limited, the ultimate parent company of Stewart Milne Homes (Southern) Limited. During the year £30,851 (2018: £8,264) was recharged by Stewart Milne Group Limited in relation to professional fees. As at 31 December 2019, £30,851 (2018: £nil) was payable to Stewart Milne Group in respect of the recharged fees.

**Lloyds Banking Group plc**

- A related party relationship arises with Lloyds Banking Group plc, who 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.

**Other**

- The Directors received no emoluments in the year from the Company for services to the Company (2018: £nil).

**20. Events after the balance sheet date**

**COVID-19**

The outbreak of the Novel Coronavirus ("COVID-19") in 2020 has resulted in significant loss of life, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving and on 11th March 2020, the World Health Organization declared a pandemic. Many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures.

Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. The outbreak of COVID-19 and the resulting financial and economic market uncertainty could have a significant adverse impact on the Company. The most significant conditions relating to COVID-19 arose after the reporting period and as a result the Directors consider the emergence of the COVID-19 Coronavirus pandemic to be a non-adjusting post balance sheet event. At the date of reporting it is not possible to quantify the future financial impact of COVID-19 on the Company with any degree of certainty however.