Stewart Milne (West) Limited

Report and Financial Statements

For the year ended 31 December 2020

Company Number SC192726

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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 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 United Kingdom
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 2020. 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 (2019: 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 2020 was £64,270 (2019: restated loss of £3,168,615). No dividends were paid during the year (2019: nil).
The company holds land as inventory. The directors have assessed that the net realisable value of the land remains the same as the prior year. Therefore there is no impairment charge (2019: £3,080,406 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. There were no political donations or political expenses made or incurred during the year.

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	-
A Hulme	-	8 April 2020
G Kirkhope	17 July 2020	-
G C Loudon	-	17 July 2020

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 C 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

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors of the Company resolve to terminate their appointment. Following the completion of a tender process, Deloitte LLP are to be appointed as auditors of the Company for accounting periods ending on or after 31 December 2021.

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the 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 accounting standards in conformity with the requirements of the Companies Act 2006. Under company law 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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
4th October 2021

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

Report on the audit of the financial statements

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 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2020; Statement of Comprehensive income, the Statement of Cash Flows and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2020 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure of the Company and assumptions and judgements made by management in their significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with the management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of board of directors;
- Identifying and testing journal entries, with a focus on large or unusual transactions based on our understanding of the Company, transactions with unusual account combinations, transactions containing unusual account descriptions and transactions with unusual trend, nature or timing;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to net realisable value of the inventories.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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 (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
4th October 2021

Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020	2019 Restated*
		£	£
Administration expenses	4	(12,445)	(12,405)
Rental income	5	6,120	6,120
Other income	6	62	50
Impairment of inventories	10	-	(3,080,406)
Other expenses	7	(950)	(2,250)
Net other income/(expense)		5,232	(3,076,486)
Operating loss		(7,213)	(3,088,891)
Finance income	8	1,132	3,228
Finance costs	8	(58,189)	(82,952)
Net financing costs	8	(57,057)	(79,724)
Loss before tax		(64,270)	(3,168,615)
Income tax expense	9	-	-
Loss after tax		(64,270)	(3,168,615)

*Comparatives for the year ended 31 December 2019 have been restated. Refer to note 21.

There are no other items of comprehensive expense 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 14 to 27 form part of these financial statements.

Statement of Financial Position

As at 31 December 2020

	Note	2020	2019 Restated*
		£	£
Assets			
Non-current assets			
Inventories	10	1,470,800	1,470,800
Current assets			
Cash and cash equivalents	11	426,299	423,280
Trade and other receivables	12	29	27
Loan to group undertaking	13	30,128	30,128
Total assets		1,927,256	1,924,235
Equity and Liabilities			
Equity			
Issued capital	14	100	100
Accumulated losses		(5,325,377)	(5,261,107)
Total equity		(5,325,277)	(5,261,007)
Liabilities			
Non-current liabilities			
Loans	15	4,740,114	4,740,114
Current liabilities			
Trade and other payables	16	2,512,419	2,445,128
Total liabilities		7,252,533	7,185,242
Total equity and liabilities		1,927,256	1,924,235

*Comparatives for the year ended 31 December 2019 have been restated. Refer to note 21.

The financial statements on pages 10 to 27 were approved by the Board of Directors by written resolution on 4th October 2021 and signed on its behalf by:

....

Monica M De Vries

Director
Stewart Milne (West) Limited
Company Number: SC192726

The accompanying notes on pages 14 to 27 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2020

	Issued Capital £	Accumulated losses £	Total Equity £
Balance at 1 January 2020	100	(5,261,107)	(5,261,007)
Loss after tax for the year being total comprehensive expense for the year	-	(64,270)	(64,270)
Balance at 31 December 2020	100	(5,325,377)	(5,325,277)

	Issued Capital £	Accumulated losses £	Total Equity £
For the year ended 31 December 2019			
Balance at 1 January 2019	100	(2,092,492)	(2,092,392)
Restated loss after tax for the year being total comprehensive expense for the year	-	(3,168,615)	(3,168,615)
Restated balance at 31 December 2019*	100	(5,261,107)	(5,261,007)

*Comparatives for the year ended 31 December 2019 have been restated. Refer to note 21.

Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020	2019 Restated*
		£	£
Cash flows from operating activities			
Operating loss		(7,213)	(3,088,891)
Increase in inventories		-	-
Impairment of inventories		-	3,080,406
(Increase)/Decrease in trade and other receivables		(2)	3
Increase/(decrease) in non-trade payables and other accrued expenses		9,102	(6,015)
Income tax refund		-	-
Increase in loan to group undertaking		-	-
Net cash generated from/ (used in) operating activities		1,887	(14,497)
Cash flows from investing activities			
Interest received		1,132	3,228
Net cash generated from investing activities		1,132	3,228
Net increase in cash and cash equivalents		3,019	(11,269)
Cash and cash equivalents at 1 January		423,280	434,549
Cash and cash equivalents at 31 December	11	426,299	423,280

*Comparatives for the year ended 31 December 2019 have been restated. Refer to note 21.

The accompanying notes on pages 14 to 27 form part of these financial statements.

Notes to the financial statements

1. Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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.

New and amended standards and interpretations adopted by the Company

A number of new standards were effective from 1 January 2020 but they had no impact on the Company's Financial Statements.

Early adoption of standards

The Company did not early adopt any new or amended standards in the year ended 31 December 2020.

There are no other standards and amendments to published standards that are mandatory for the current accounting year beginning on 1 January 2020 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. 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 was required to write these down in the prior year.

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 and prior year, the directors have assessed that the net realisable value is lower than the cost. An impairment charge was recognised in the prior year.

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)

2. Summary of significant accounting policies (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.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

(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

	2020	2019
	£	£
Management fees	12,000	12,000
Other	445	405
	12,445	12,405

Notes to the financial statements (continued)

5. Rental income

	2020	2019
	£	£
Rental income	6,120	6,120

6. Other income

	2020	2019
	£	£
Insurance commission	62	50

7. Other expenses

	2020	2019
	£	£
Valuation fees	950	2,250
	950	2,250

The auditors received no fees in respect of non-audit services to the Company (2019: £nil). The auditors' fee for the audit of the 2020 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 (2019: none).

8. Net financing costs

	2020	2019
	£	£
Interest income	1,132	3,228
Loan stock interest	(58,189)	(82,952)
Net financing costs	(57,057)	(79,724)

9. Income tax (expense)/income

a) Analysis of expense for the year

	2020	2019
UK corporation tax	**£**	£
Current tax on taxable loss for the year	-	-
Adjustment to prior periods	-	-
Current tax expense	-	-

Corporation tax is calculated at a rate of 19.00% (2019: 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:

Notes to the financial statements (continued)

9. Income tax (expense)/income (continued)

Factors affecting the tax credit for the year (continued)

	2020	2019
	£	£
Loss before tax	(64,270)	(3,168,615)
Tax credit thereon at UK corporation tax rate of 19.00% (2019: 19.00%)	12,211	602,037
Factors affecting charge:		
Adjustment in respect of prior years	-	-
Timing differences not recognised	(12,211)	(602,037)
Tax credit on loss on ordinary activities	-	-

	2020	2019
Effective tax rate	0%	0%

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by The Finance Act 2020 which was enacted on 22 July 2020, and maintained the main rate of corporation tax at 19% with effect from 1 April 2020.

The deferred tax asset of £949,163 (2019: restated £838,325) 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 the losses can be carried forward indefinitely and offset against future taxable profits.

The Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% from 1 April 2023. Had this rate change in corporation tax been enacted on 31 December 2020, the effect would have been to increase the unrecognised deferred tax asset by £302,000.

10. Inventories

	2020	2019 Restated*
	£	£
At 1 January	1,470,800	4,551,206
Additions	-	-
Impairment of inventories	-	(3,080,406)
At 31 December	1,470,800	1,470,800

*Comparatives for the year ended 31 December 2019 have been restated. Refer to note 21.

11. Cash and cash equivalents

	2020	2019
	£	£
Bank balances	426,299	423,280
Cash and cash equivalents	426,299	423,280

Notes to the financial statements (continued)

12. Trade and other receivables

	2020	2019
	£	**£**
Prepaid insurance	29	27
	29	27

13. Loan to group undertaking

	2020	2019
	£	£
Loan to Stewart Milne (Glasgow) Limited	30,128	30,128

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.

	Ordinary shares	
	2020	2019
	£	£
Issued		
50 (2018: 50) "A" Ordinary shares of £1 (2019: £1) each	50	50
50 (2018: 50) "B" Ordinary shares of £1 (2019: £1) each	50	50
	100	100

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.

	2020	2019
	£	£
Non-Current liabilities		
Unsecured redeemable "A" loan stock	4,524,654	4,524,654
Unsecured redeemable "B" loan stock	215,460	215,460
	4,740,114	4,740,114

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.

Notes to the financial statements (continued)

16. Trade and other payables

	2020	2019 Restated*
	£	£
Loan stock interest payable	2,498,818	2,440,628
Non-trade payables and accrued expenses	13,601	4,500
	2,512,419	2,445,128

*Comparatives for the year ended 31 December 2019 have been restated. Refer to note 21.

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.

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.

	2020	2019
	£	£
Cash and cash equivalents	426,299	423,280
Trade and other receivables	29	27
Loan to group undertaking	30,128	30,128
	456,456	453,435

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.

Notes to the financial statements (continued)

17. Financial instruments (continued)

b)Financial risks (continued)

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 (2019: £11,850) and accordingly decrease interest expense by £11,850 (2019: £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 2020 the Company held £426,299 (2019: £423,280) 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.

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 2020 and due to conditions present also in the prior year, the land value has been reported at net realisable value. In the prior year, this resulted in an impairment expense of £3,080,406. 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.

Notes to the financial statements (continued)

17. Financial instruments (continued)

b)Financial risks (continued)

iii) Liquidity risk (continued)

As at 31 December 2020

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	2,512,419	-	-	-	-	2,512,419
Total liabilities	2,512,419	-	-	-	4,740,114	7,252,533

As at 31 December 2019 restated*

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	2,445,128	-	-	-	-	2,445,128
Total liabilities	2,445,128	-	-	-	4,740,114	7,185,242

*Comparatives for the year ended 31 December 2019 have been restated. Refer to note 21.

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 2020. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2020 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 2021.

Copies of the annual report and financial statements of Stewart Milne Group Limited for the year ended 30 June 2021 may be obtained from Stewart Milne Group Limited 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:

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 2020 the Company had £426,299 (2019: £423,280) on deposit in a Bank of Scotland corporate current account.
- During the year to 31 December 2020 the Company had received £1,132 (2019: £3,228) 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 2020 £12,000 (2019: £12,000) was charged by Horizon Capital 2000 Limited in respect of management fees of which £12,000 remains payable at the year end (2019: £nil).
- Horizon Capital 2000 Limited has provided loan facilities to the Company through unsecured loan stock. As at the 31 December 2020 a total of £4,524,654 (2019: £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 £55,544 (2019: £79,181) which are payable to Horizon Capital 2000 Limited. As at the 31 December 2020 a total of £2,316,188 (2019: £2,260,644) 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 2020 £30,128 (2019: £30,128) was receivable from Stewart Milne (Glasgow) Limited.

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 2020 a total of £215,460 (2019: £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 £2,645 (2019: £3,771) which are payable to Stewart Milne Homes (Southern) Limited. As at the 31 December 2020 a total of £182,630 (2019: £179,985) 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.

Notes to the financial statements (continued)

19. Related parties

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 (2019: £nil).

20. Events after the balance sheet date
Brexit

The UK voted to leave the EU in 2016 and officially left the trading bloc on 31 January 2020 with an agreement to keep the majority of the existing relationship in place until 31 December 2020. On 24 December 2020 a deal was reached between the UK and the EU that confirmed the new rules for how the parties would work and trade with each other in the future. On 1 January 2021, the free movement of people and goods and services between the EU and UK ended with new rules coming into effect. The avoidance of a no-deal Brexit is seen as a positive development for both parties but some uncertainty remains and further clarification is required on certain aspects of the deal including, but not limited to, the Northern Ireland protocol, application to financial services and customs documentation requirements. There does not yet appear to be significant issues impacting the Company specifically that have arisen as a result of Brexit after the reporting period and as a result the Directors consider the new rules coming into effect as a result of Brexit to be a non-adjusting post balance sheet event.
The Directors will continue to closely analyse and review the impact of Brexit on the Company and will take appropriate action as required.

21. Prior year adjustments

In 2020, Horizon Capital 2000 Limited (a Joint Venture Party) discovered an error in liability recognition in terms of professional fees recharged by Stewart Milne Group Limited (an ultimate parent of Stewart Milne Homes (Southern) Limited). Per the legal interpretation of the joint control agreement, there is no contractual obligation to pay a professional fee to Stewart Milne Group Limited even though such an accrual was recorded in the prior year. Accordingly, the prior year financial statements included an overstated liability and inventory as professional fees were capitalised as part of inventory cost. Furthermore, inventory was recognised at net realisable value in the prior year balance sheet and over provided for Impairment of inventories because of this error.

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

Notes to the financial statements (continued)

21. Prior year adjustments (continued)

	2019	Increased/ (Decreased)	2019 (Restated)
	£	£	£
Income statements *(Extracts)*			
Impairment of inventories	(3,111,257)	30,851	(3,080,406)
Operating Loss	(3,119,742)	30,851	(3,088,891)
Loss before & after tax	(3,199,466)	30,851	(3,168,615)
Balance Sheet *(Extracts)*			
Inventory	1,470,800		1,470,800
Trade and other payables	2,475,979	(30,851)	2,445,128
Accumulated losses	(5,291,958)	30,851	(5,261,107)
Cash flows *(Extracts)*			
Cash flows from operating activities Operating loss	(3,119,742)	30,851	(3,088,891)
Impairment of inventories	3,111,257	(30,851)	3,080,406
Decrease in trade and other payables	24,837	(30,851)	(6,014)
Increase in inventories	30,851	-	-