West Craigs Limited

Annual report and financial statements for the year ended 31 December 2021

Registered office

The Mound
Edinburgh

EH1 1YZ

Registered number

SC226585

Current directors

M S J Daly
N S Burnett

Company Secretary

D D Hennessey

Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2021

The directors present their Annual report and the audited financial statements of West Craigs Limited (the "Company") for the year ended 31 December 2021.

General information

The Company is a private limited company, limited by shares, incorporated in United Kingdom, registered and domiciled in Scotland (registered number: SC226585).

The Company's principal activity is the ownership and development of land and no change is expected in that activity.

The Company qualifies as a small company in accordance with Sections 381-382 of the Companies Act 2006 ("the Act") and the Directors' Report has therefore been prepared taking into consideration the provisions of Part 15 of the Act.

The Company is funded entirely by other companies within the Lloyds Banking Group (the "Group").

Business Review

The directors consider that the Company's activities will continue unchanged in the foreseeable future.

During the year the Company incurred costs of £14,684,997 (2020: £2,946,762) on the further development of the land in preparation for sale, these cost were in relation to approving matters in the planning consent for the main site, progressing the site enabling and infrastructure provision for the main site and progressing planning for West Craigs North. There were two sales made during the year generating a gross profit of £10,580,422 (2020: £nil).

The Company's profit before tax for the financial year was £9,800,810 (2020: Loss of £109,884).

The Balance Sheet shows a Net asset position of £21,767,628 (2020: £10,107,202).

The Company's actions are governed by the Codes of Business Responsibility of the ultimate parent undertaking, Lloyds Banking Group plc, which set out clear guidelines for responsible behaviour across the business, including human rights, social, ethical and environmental responsibilities. These guidelines can be viewed in the consolidated annual report and financial statements of Lloyds Banking Group plc.

The Company has no employees (2020: none) and therefore the directors have not commented on employee matters.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 17 to the financial statements

The global pandemic from the outbreak of COVID-19 is causing widespread disruption to financial markets and normal patterns of business activity across the world, including in the UK. Measures taken to contain the health impacts of the COVID-19 pandemic are resulting in adverse impacts on economic activity across the world, and the duration for which such measures will remain in place is uncertain. The impact on the economy is currently highly uncertain in both its depth and length, and may go beyond current forecasts of scale of loss of output and recession in the UK and globally.

The Company has not been directly impacted by COVID-19 but the directors continue to monitor for further developments however at this stage they do not anticipate any material issues for the Company.

The Company is part of the wider Lloyds Banking Group, and, at that level, following the United Kingdom's ("UK") vote to leave the European Union ("EU") and the UK's subsequent exit from the EU on the 31 December 2020, consideration of many of the potential implications has been undertaken. Work continues to address the impact of the EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products.

The UK's exit from the EU has had an impact on the availability of resources used by the Company which has led to some delays however, it has not had a material impact on the Company as a going concern.

The Russian invasion of Ukraine, beginning in February 2022, has increased tensions between members of the North Atlantic Treaty Organisation (NATO) and Russia and caused sanctions to be imposed. This could have significant adverse economic effects on financial markets and on energy costs and may also result in increased cyber-attacks and an increase in costs associated with such cyber-attacks, all of which could have a materially adverse effect on the Company's results of operations, financial conditions or prospects.

The Company has already seen this impact the cost of supplies however, it has sufficient contingencies in place and will continue to monitor the situation and risks to the business.

Dividends

No dividends were paid or proposed during the year ended 31 December 2021 (2020: £nil).

Going concern

The financial statements have been prepared on a going concern basis. There is a net asset position of £21,767,628 as at 31 December 2021 (2020: £10,107,202).

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future being a least 12 months from the date of approval of the financial statements, and, accordingly the financial statements have been prepared on a going concern basis.

Post balance sheet events

There has been an additional property sale in March 2022 with negotiations ongoing for further sales.

In March 2022, the Company withdrew its principle asset from an asset management agreement which has resulted in a fee payable. The fee amount has yet to be contractually agreed but is expected to be cash settled before the end of 2022.

Future developments

The directors expect the general level of activity to remain consistent with 2021 in the forthcoming year with further investment in infrastructure costs at the Company's land site and additional income from land sales.

Directors

The current directors of the Company are shown on the front cover.

There have been changes to directors between the beginning of the reporting period and the approval of the Annual report and financial statements.

M S J Daly	(appointed 15 December 2021)
M M De Vries	(resigned 15 December 2021)

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the director who joined the board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this deed 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 directors 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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

For the year ended 31 December 2021

Directors' confirmations

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the directors' report is

- 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.

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.

Approved by the board of directors and signed on its behalf by:

M.Daly

M S J Daly
Director
24 August 2022

Statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 £	2020 £
Revenue	3	**17,984,247**	-
Cost of sales	13	**(7,403,825)**	-
Gross profit		**10,580,422**	-
Other income		**392**	403
Operating Expenses	6	**(148,832)**	(95,441)
Other expenses	7	**(15,000)**	(15,000)
Operating Profit/(Loss)		**10,416,982**	(110,038)
Finance income	4	**346,588**	154
Finance Costs	5	**(962,760)**	-
Profit/(loss) before tax		**9,800,810**	**(109,884)**
Taxation	8	**(1,862,154)**	20,878
Profit/(loss) for the year, being total comprehensive income		**7,938,656**	(89,006)

The accompanying notes to the financial statements are an integral part of these financial statements.

All results derive from continuing operations.

Balance sheet

As at 31 December 2021

	Note	2021 £	2020 £
ASSETS			
Cash and cash equivalents	9	**727,883**	112,987
Prepayment	10	**337,160**	-
Trade and Other Receivables	12	**948,656**	286,793
Sales Receivables	11	**12,722,369**	-
Inventories	13	**17,080,390**	9,799,218
Current tax asset	8	-	20,878
Total assets		**31,816,458**	10,219,876
LIABILITIES			
Borrowed funds	14	**7,508,315**	-
Trade and other payables	15	**678,361**	112,674
Current tax liability	8	**1,862,154**	-
Total liabilities		**10,048,830**	112,674
EQUITY			
Share capital	16	**100**	100
Capital Reserve	17	**13,614,244**	9,892,474
Retained earnings		**8,153,284**	214,628
Total equity		**21,767,628**	10,107,202
Total equity and liabilities		**31,816,458**	10,219,876

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements were approved by the board of directors and were signed on its behalf by:

M. Daly

M S J Daly
Director
24 August 2022

REGISTERED NUMBER:
SC226585

Statement of changes in equity

For the year ended 31 December 2021

	Share capital £	Capital Reserve £	Retained earnings £	Total equity £
At 1 January 2020	100	6,978,438	303,634	7,282,172
Loss for the year being total comprehensive loss	-	-	(89,006)	(89,006)
Investment from Horizon Capital 2000 Limited	-	2,914,036	-	2,914,036
At 31 December 2020	**100**	**9,892,474**	**214,628**	**10,107,202**
As at 1 January 2021	**100**	**9,892,474**	**214,628**	**10,107,202**
Profit for the year being total comprehensive income	-	-	7,938,656	7,938,656
Investment from Horizon Capital 2000 Limited	-	3,721,770	-	3,721,770
At 31 December 2021	**100**	**13,614,244**	**8,153,284**	**21,767,628**

The accompanying notes to the financial statements are an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2021

	Note	2021 £	2020 £
Cash flows generated from operating activities			
Profit/(loss) before tax		**9,800,810**	(109,884)
Adjustments for:			
- Finance income	**4**	**(346,588)**	(154)
- Finance costs		**962,760**	-
- Net increase inventories		**(7,281,172)**	(2,946,762)
- Net increase prepayments		**(337,160)**	-
- Net (increase)/decrease trade and other receivables		**(661,863)**	135,740
- Net increase Sales receivables		**(12,722,369)**	-
- Net increase in Trade and other payables		**565,687**	43,627
Cash used in operations		**(10,019,895)**	(2,877,433)
Bank interest received	**4**	**-**	154
Income tax refund		**20,878**	22,088
Net cash used in operating activities		**(9,999,017)**	(2,855,191)
Cash flows generated from investing activities			
Sales receivables interest unwind		**346,588**	-
Net cash generated from investing activities		**346,588**	-
Cash flows generated from financing activities			
Capital investment from immediate parent company	**17**	**3,721,770**	2,914,036
Increase in Borrowed Funds	**14**	**7,508,315**	-
Loan interest & Charges	**5**	**(962,760)**	-
Net cash generated from financing activities		**10,267,325**	2,914,036
Change in cash and cash equivalents		**614,896**	58,845
Cash and cash equivalents at beginning of year	**9**	**112,987**	54,142
Cash and cash equivalents at end of year		**727,883**	112,987

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2021

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

These financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). IFRSs comprise accounting standards prefixed IFRS by the IASB and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

In the preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

No new IFRS pronouncements that had a material impact have been adopted in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2021 and which have not been applied in preparing these financial statements are given in note 23. No standards have been early adopted.

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities measured at fair value, and on a going concern basis. There is a Net asset position as at 31 December 2021 £21,767,628 (2020: £10,107,202).

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

1.2 Income recognition

Property sales revenue is recognised when the contract of the land has passed to the purchaser. Where payment is spread by instalments over number of years revenue will be discounted at an appopriate rate and the unwind of any discount will be reported as finance income.

1. Accounting policies (continued)

1.3 Impairment of financial assets

Expected credit losses ("ECL") on financial assets held at amortised cost are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Group at the point of default after taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due.

1.4 Taxation, including deferred income taxes

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.

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 other relevant 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.

Notes to the financial statements (continued)
For the year ended 31 December 2021

1. Accounting policies (continued)

1.5 Inventory

Land inventories are stated at the lower of cost and net realisable value. The inventories relate to property at West Craigs, Edinburgh. Net realisable value is assessed by considering the expected future selling price which is dependent upon best estimates of price and market expectations, less costs to sell.

The fair market valuations which are provided by an external Valuation Advisor, are reviewed and where appropriate challenged by the Company's external 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.

The best evidence of the fair value of the land is the current price in an active market for similar lease or other contracts. 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.

Open market value is determined by reference to:

• 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 valuers – these are typically market related, such as yields and rental value. These are based on their professional judgement and market observation.

The fair market valuations provided by the external Valuation Advisor, 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.

1.6 Financial assets and liabilities

Management determines the classification of its financial assets and financial liabilities at initial recognition. Financial assets comprise trade and other receivables and cash and cash equivalents. Financial liabilities comprise trade and other payables and borrowed funds.

On initial recognition, financial assets are classified as measured at amortised cost or fair value through profit or loss, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. Financial assets with embedded derivatives are considered in their entirety when considering their cash flow characteristics. The Company reclassifies financial assets when and only when its business model for managing those assets changes. A reclassification will only take place when the change is significant to the Company's operations and will occur at a property portfolio level and not for individual investments; reclassifications are expected to be rare.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial instruments measured at amortised cost

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the contractual cash flows introduce exposure to risks or volatility unrelated to a basic lending arrangement such as changes in equity prices or commodity prices, the payments do not comprise solely principal and interest. Financial assets measured at amortised cost are predominantly prepayments with respect to investment property and trade debtors. Loans and advances are initially recognised when cash is advanced to the borrower at fair value inclusive of transaction costs. Interest income is accounted for using the effective interest method.

Financial liabilities are measured at amortised cost.

1. Accounting policies (continued)

1.7 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the effective interest rate method.

1.8 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

1.9 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents with related undertaking comprise balances with less than three months' maturity.

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of the Company's financial statements in accordance with IFRS requires management to make judgements, 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 periods may be based upon amounts which differ from those estimates. Estimates, judgements 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.

In the course of preparing these financial statements, critical accounting estimates have been made in relation to the valuation of inventory and the discounting of property sales receivables which also impacts revenue recognition.

3. Revenue

	2021	2020
	£	£
Property sales revenue	17,984,247	-
	17,984,247	-

The amount of revenue recognised is reduced by the cost of infrastructure work outstanding that is required to meet the sales obligations, estimated at £2,950,620 (2020: £nil). Cash receivable from property sales will be paid in instalments over several years and therefore discounting has been applied to the receivable (see note 11). The revenue recognised above is stated net of estimated infrastructure costs and discount. Gross property sales in the year amounted to £25,270,000 (2020: £nil).

4. Finance income

	2021	2020
	£	£
Bank Interest Received	-	154
Interest unwind on Sales receivable	346,588	-
	346,588	154

5. Finance Costs

	2021	2020
	£	£
Loan Interest	379,792	-
Under Utilisation Fee	480,127	-
Arrangement Fee	102,841	-
	962,760	-

Notes to the financial statements (continued)
For the year ended 31 December 2021

6. Operating Expense

	2021	2020
	£	£
Property Expenses	**116,354**	55,230
Void Operating expenses	**32,478**	40,211
	148,832	95,441

7. Other expenses

	2021	2020
	£	£
Valuations Fees	**15,000**	15,000
	15,000	15,000

Fees payable to the company's auditors for the audit of the financial statements have been borne by the ultimate parent company and are not recharged to the company.

The Company has no employees (2020: nil).

The Directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the Directors are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The Directors are also directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group, it is therefore not possible to make an accurate apportionment of Directors' emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors.

8. Taxation

	2021	2020
	£	£
a) Analysis of (charge)/credit for the year		
UK corporation tax:		
- Current tax on taxable profit/(loss) for the year	**(1,862,154)**	20,878
- Adjustments in respect of prior years	**-**	-
Current tax (charge)/credit	**(1,862,154)**	20,878

Corporation tax is calculated at a rate of 19.00% (2020: 19.00%) of the taxable profit for the year.

Notes to the financial statements (continued)

For the year ended 31 December 2021

8 Taxation (continued)

b) Factors affecting the tax (charge)/credit for the year

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

	2021	2020
	£	£
Profit/(loss) before tax	**9,800,810**	(109,884)
Tax (charge)/credit thereon at UK corporation tax rate of 19.00% (2020: 19.00%)	**(1,862,154)**	**20,878**
Factors affecting (charge)/credit:	**-**	-
Tax (charge)/credit on profit/(loss)	**(1,862,154)**	20,878
Effective rate	**19.00%**	19.00%

Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by 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.

Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

9. Cash and cash equivalents

Cash and cash equivalents for the purposes of the Cash flow statement include the following:

	2021	2020
	£	£
Cash at bank	**727,883**	112,987
	727,883	112,987

10. Prepayment

	2021	2020
	£	£
Amounts due from group undertaking	**337,160**	-
	337,160	-

Prepayment represents an arrangement fee included within borrowed funds to be spread over life of loan facility.

Notes to the financial statements (continued)

For the year ended 31 December 2021

11. Sales Receivables

	2021	2020
	£	£
Property sales receivables	**12,722,369**	-
	12,722,369	-

Due to cash receivable from property sales being split into several instalments over a number of years, discounting has been applied to the receivables balance. The receivable is also reduced by the estimated infrastructure costs required to meet the sales obligations £2,950,620 (2020: £nil). Gross property sales in the year amounted to £25,270,000 of which £5,816,000 was received during the year (2020: nil). The unwinding of this discount is classified as Finance income (see note 4).

12. Trade and other Receivables

	2021	2020
	£	£
Other Receivables	**3,224**	6,666
VAT	**945,432**	280,127
	948,656	286,793

13. Inventories

	2021	2020
	£	£
At 1 January	**9,799,218**	6,852,456
Additions	**14,684,997**	2,946,762
Work In Progress transferred to statement of comprehensive income	**(7,403,825)**	-
	17,080,390	9,799,218

During the year the Company incurred costs of £14,684,997 (2020: £2,946,762) on the further development of the land in preparation for sale, these cost were in relation to approving matters in the planning consent for the main site, progressing the site enabling and infrastructure provision for the main site and progressing planning for West Craigs North.

14. Borrowed funds

	2021	2020
	£	£
Amounts due to group undertakings (see note 19)	**7,508,315**	-
	7,508,315	-

The Company has a loan from LBG Equity Investments Limited. The effective date of the funding was 1 February 2021 and the final repayment date per the agreement is 31 December 2024. The total facility amount is £22,000,000. At 31 December 2021 £7,508,315 was drawn. This comprises £6,648,396 of drawdowns and £859,919 of interest and charges. The debt arrangement fee of £440,000 is being amortised over the duration of the facility. Interest is charged on the drawn element at 12% per annum and on the undrawn element at 2.8% per annum.

15. Trade and other payables

	2021	2020
	£	£
Trade and other payables	**470,826**	112,674
Deferred income	**207,535**	-
	678,361	**112,674**

16. Share capital

	2021 £	2020 £
Allotted, issued and fully paid		
100 ordinary shares of £1 each	**100**	100

All ordinary shares rank pair passé in all respects including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company.

17. Capital Reserve

	2021 £	2020 £
At 1 January	**9,892,474**	6,978,438
Investment from Horizon Capital 2000 Limited	**3,721,770**	2,914,036
Closing balance at 31 December	**13,614,244**	9,892,474

18. Financial Risk Management

This note summarises the risks associated with the activities of the Company and the way in which these are managed.

18.1 Governance framework

The Company's ultimate parent is Lloyds Banking Group plc ("Group"). The Group has established a risk management function and framework for monitoring its policies on financial risks.

The risks related to the Company's activities are regularly evaluated.

The key financial risks relevant to the Company are credit risk, market risk, interest rate risk and liquidity risk.

18.2 Financial risks

The Company is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are credit, market and financial soundness risk.

Financial assets and financial liabilities are measured on an ongoing basis at amortised cost. Descriptions of how the various classes of financial instruments are measured, as well as how income and expenses are recognised, can be found under note 1.6.

The sensitivity analyses given throughout this note in respect of interest rate risk is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in an assumption may be correlated. The sensitivity analysis presented also represents, in accordance with the requirements of IFRS 7, management's assessment of the most likely other outcomes in respect of each sensitivity, rather than worst case scenario positions.

Notes to the financial statements (continued)

For the year ended 31 December 2021

18. Financial Risk Management

18.2 Financial risks (continued)

Credit risk

Credit risk is the risk of financial loss from counterparty's failure to settle financial obligations as they fall due. The table below sets out the maximum exposure to credit risk at the Statement of Financial Position date.

	2021	2020
	£	£
Cash and cash equivalents	727,883	112,987
Property sales receivables	12,722,369	-
Trade and other receivables	948,656	286,793
Prepayment	337,160	-
	14,736,068	**399,780**

Cash and cash equivalents are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value. These instruments consist of bank balances with the Group. At the reporting date none of these balances were considered past due or impaired, neither were there any trade and other receivables that would otherwise be past due or impaired had their terms not been renegotiated. At the reporting date there were no impaired or past due receivables.

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 arose from potential fluctuations in house prices, which could impact future land sale values and interest rate risk. 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.

The financial liabilities comprise fixed rate borrowings provided by another Group company and they are used to finance the Company's inventories. The Company has a loan from LBG Equity Investments Limited. The effective date of the funding was 1 February 2021 and the final repayment date per the agreement is 31 December 2024. The total facility amount is £22,000,000. At 31 December 2021 £7,508,315 was drawn. This comprises £6,648,396 of drawdowns and £859,919 of interest and charges. The debt arrangement fee of £440,000 is being amortised over the duration of the facility. Interest is charged on the drawn element at 12% per annum and on the undrawn element at 2.8% per annum.

As at the 31 December 2021 the Company held a total of £727,883 (2020: £112,987) in a Lloyds Bank account. The Lloyds Bank account does not pay interest therefore this interest rate risk is not deemed to be significant.

Financial soundness risk

Financial soundness risk covers the risk of financial failure, reputational loss or loss of earnings and/or value arising from a lack of liquidity, funding or capital and/or the inappropriate recording, reporting or disclosure of financial, taxation and regulatory information.

Financial and regulatory reporting, tax and disclosure risk

The Company is exposed to the risk that policies and procedures are not sufficient to maintain adequate books and records to support statutory, regulatory and tax reporting and to prevent and detect financial reporting fraud.

Lloyds Banking Group plc has developed procedures to ensure that compliance with both current and potential future requirements are understood and that policies are aligned to its risk appetite. Lloyds Banking Group plc maintains a system of internal controls, consistently applied, providing reasonable assurance that transactions are recorded and undertaken in accordance with delegated authorities that permit the preparation and disclosure of financial statements and tax returns in accordance with IFRSs, statutory and regulatory requirements.

Lloyds Banking Group plc undertakes a programme of work designed to support an annual assessment of the effectiveness of internal controls over financial reporting, to identify tax liabilities and to assess emerging legislation and regulation.

Notes to the financial statements (continued)
For the year ended 31 December 2021

18. Financial Risk Management

18.2 Financial risks (continued)

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 another Group company subject to internal limits. Overall liquidity risk is managed in line with the Lloyds Banking Group High Level Group Liquidity and Funding Policy.

Lloyds Banking Group plc manages its liquidity risk within the risk appetite as defined by its Board and to ensure that it can in all circumstances meet its obligations as they fall due.
All funding is provided by the Group 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 2021

Maturity of contractual liabilities	Up to 1 mth	1-3 mths	3-12 mths	>12 mths	Total
	£	£	£	£	£
Trade and other payables	678,361	-	-	-	678,361
Borrowed funds		-	-	7,508,315	7,508,315
Total liabilities	**678,361**	-	-	**7,508,315**	**8,186,676**

As at 31 December 2020

Maturity of contractual liabilities	Up to 1 mth	1-3 mths	3-12 mths	>12 mths	Total
	£	£	£	£	£
Trade and other payables	112,674	-	-	-	112,674
Total liabilities	**112,674**	-	-	-	**112,674**

18.3 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

19. Related party transactions

The Company is controlled by the LBG Equity Investments Limited. A number of transactions are entered into with related parties in the normal course of business. A summary of the outstanding balances at the year end and the related income for the year is set out below.

	2021 £	2020 £
Amounts due to group undertakings		
LBG Equity Investments Limited		
Drawndowns	**6,648,396**	-
Drawn Interest	**379,792**	-
Under utilisation fee	**480,127**	-
Total Amounts due to group undertakings (see note 14)	**7,508,315**	-

The Company has a loan from LBG Equity Investments Limited. The effective date of the funding was 1 February 2021 and the final repayment date per the agreement is 31 December 2024. The total facility amount is £22,000,000.

	2021 £	2020 £
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc	**727,883**	112,987
Prepayment		
LBG Equity Investments Limited		
Arrangement Fee	**337,160**	-
Total Prepayment (see note 9)	**337,160**	-
Capital Reserve		
Horizon Capital 2000 Limited		
Investment received during the year	**3,721,770**	2,914,036
Total investment received during the year	**3,721,770**	2,914,036
Finance income		
Lloyds Bank plc		
Bank Interest	**-**	154
Total Finance income (see note 4)	**-**	154
Operating Expenses		
Lloyds Bank plc		
Bank Charges	**68**	54
Total Operating Expenses	**68**	54
Finance Cost		
LBG Equity Investments Limited		
Loan Interest	**379,792**	-
Under Utilisation Fee	**480,127**	-
Arrangement Fee	**102,841**	-
Total Finance Cost (see note 5)	**962,760**	-

19. Related party transactions (continued)
Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company, the directors of Lloyds Banking Group plc and the members of the Lloyds Banking Group plc board. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group or the and consider that their services to the Company are incidental to their other activities within those groups.

20. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

21. Contingent liabilities and capital commitments

Following the granting of Construction consent by the City of Edinburgh Council, the Company will be required to construct private roads in connection with proposed housing, school servicing and site wide infrastructure. The estimated cost of these roadworks is £1,866,036.
A Guarantee Facility between Lloyds Bank Plc and West Craigs Limited was put in place during the prior year to satisfy the "Road Bond" requirement of City of Edinburgh Council. The Council required this as part of the application for Road Construction Consent, a key element of the wider infrastructure work. The bond provides collateral to the Council in the event that the Company was to fail to complete the roadworks due to be carried out.
The bond amount is £1,866,036 and can be terminated at Lloyds Bank plc's discretion, likely to be when infrastructure works are complete.

22. Post balance sheet events

There has been an additional property sale in March 2022 with negotiations ongoing for further sales.

In March 2022, the Company withdrew its principle asset from an asset management agreement which has resulted in a fee payable. The fee amount has yet to be contractually agreed but is expected to be cash settled before the end of 2022.

23. Future developments

The following pronouncements are not applicable for the year ending 31 December 2021 and have not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company and reliable estimates cannot be made at this stage. With the exception of certain minor amendments, as at the date of signing these financial statements these pronouncements have been endorsed for use in the United Kingdom.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2022 and in later years (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets). These amendments are not expected to have a significant impact on the Company.

24. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Horizon Capital 2000 Limited. The immediate parent company of Horizon Capital 2000 Limited is Uberior Investments Limited. The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member.
Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Independent auditor's report to the members of West Craigs Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of West Craigs Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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

Independent auditor's report to the members of West Craigs Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

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

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

Independent auditor's report to the members of West Craigs Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud
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.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of West Craigs Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

L Cowie

Lyn Cowie CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Union Plaza
1 Union Wynd
Aberdeen AB10 1SL, United Kingdom

24 August 2022