Horizon Capital 2000 Limited

Report and Financial Statements

For the year ended 31 December 2017

Company Number SC144653

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Company Information

Board of Directors	N S Burnett A Hulme
Company Secretary	D D Hennessey
Registered office	The Mound Edinburgh EH1 1YZ
Independent Auditors	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	Lloyds Bank plc 25 Gresham Street London EC2V 7HN
Company Number	SC144653

Directors' Report

The Directors are pleased to present their report and audited financial statements for Horizon Capital 2000 Limited ('the Company') for the year ended 31 December 2017. The Company is a limited company both incorporated and domiciled in the United Kingdom.

Principal activities and review of business

The Company is an investment holding company. During the year the Company continued to manage investments acquired in previous years. No change is expected in those activities.
The Company is registered in Scotland, United Kingdom and is a private company limited by shares.

Results and dividends

The Company made a profit after tax for the financial year of £22,341 (2016: loss of £189,830). During 2017, the Company received a dividend of £294,197 from Horizon Resources Limited (2016: £nil), which drove the profit for the year.
No dividends were paid during the year (2016: £nil).

Financial Instruments

The financial risk management objectives and policies of the Company and the exposure to market risk, credit risk and liquidity risk are covered in note 20 to the financial statements.

Going concern

As set out in note 3 of the financial statements, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future through continued funding provided by its parent company. Consequently the going concern basis continues to be appropriate in preparing the financial statements.

Strategic report: small companies exemption

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

Directors and their interests

The Directors of the company who are in office at the date of signing the financial statements and this report are as stated on page 3.

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

Director	Date of Appointment	Date of Resignation
A C Bone	-	23 February 2018
A Hulme	23 February 2018	-

Directors' indemnities

Lloyds Banking Group plc has granted to the Directors of the Company, including former Directors who retired during the year, a deed of indemnity through deed poll which constituted *'third party indemnity provisions'* and *'qualifying pension scheme indemnity provisions'* for the purposes of the Companies Act 2006. The deeds were in force during the whole of the financial year 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 contract of indemnity during that period of service. The indemnities remain in force for the duration of a Director's period of office. The deeds indemnify the Directors to the maximum extent permitted by law. Deeds for existing Directors are 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.

Directors' Report (continued)
Company Secretary

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

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

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

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

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

Signed on behalf of Horizon Capital 2000 Limited:

....
Neil Burnett

Director
13th September 2018

Independent auditors' report to the members of Horizon Capital 2000 Limited

Report on the audit of the financial statements

Opinion

In our opinion, Horizon Capital 2000 Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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

Christopher Meyrick

Christopher Meyrick (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
13 September 2018

Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017	2016
		£	£
Operating income	4	15,294	830
Other expenses	5	(2,901)	(13,710)
Distributions received	6	294,179	-
Net income/(other expense)		306,572	(12,880)
Write off of subsidiary investments	7	(2)	(104)
Impairment (increase)/write back	8	(360,000)	(225,000)
Operating loss before financing income		(53,430)	(237,984)
Financial income	9	10,968	722
Loss before tax		(42,462)	(237,262)
Income tax credit	10	64,803	47,432
Profit/(Loss) after tax		22,341	(189,830)

There are no other items of comprehensive income (2016: expense) other than those shown above. Accordingly the profit (2016: loss) after tax is the same as the total comprehensive income (2016: expense) for the year.

The accompanying notes on pages 12 to 24 form part of these financial statements.

Statement of Financial Position

As at 31 December 2017

	Note	2017	2016
		£	£
Assets			
Non-current assets			
Amounts due from jointly controlled entities	11	1,592,639	1,942,722
Investments in subsidiary undertakings	12	2,278,538	350,102
Investments in jointly controlled entities	13	100	100
Total non-current assets		3,871,277	2,292,924
Current assets			
Cash and cash equivalents	14	12,213,434	6,593,644
Amounts due from subsidiary undertaking	15	-	7,220,700
Income tax receivable	16	64,803	47,432
Other debtors	17	15,469	722
Total current assets		12,293,706	13,862,498
Total assets		16,164,983	16,155,422
Equity and Liabilities			
Equity			
Issued capital	18	35,001,000	35,001,000
Accumulated Losses		(18,836,767)	(18,859,108)
Total equity		16,164,233	16,141,892
Current liabilities			
Trade and other payables	19	750	13,530
Total current liabilities		750	13,530
Total equity and liabilities		16,164,983	16,155,422

The financial statements on pages 8 to 24 were approved by the Board of Directors at a meeting on 13th September 2018 and signed on its behalf by:

....

Neil Burnett

Director
Horizon Capital 2000 Limited

Company Number SC144653

The accompanying notes on pages 12 to 24 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2017

	Issued Capital £	Accumulated Losses £	Total Equity £
Balance at 1 January 2017	35,001,000	(18,859,108)	16,141,892
Profit after tax and total comprehensive income for the year	-	22,341	22,341
Balance at 31 December 2017	35,001,000	(18,836,767)	16,164,233

For the year ended 31 December 2016

	Issued Capital £	Accumulated Losses £	Total Equity £
Balance at 1 January 2016	35,001,000	(18,669,278)	16,331,722
Loss after tax and total comprehensive expense for the year	-	(189,830)	(189,830)
Balance at 31 December 2016	35,001,000	(18,859,108)	16,141,892

The accompanying notes on pages 12 to 24 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017	2016
		£	£
Cash flows from operating activities			
Operating loss before financing income		(53,430)	(237,984)
Impairment provision increase		360,000	225,000
Write off of subsidiary investments		2	104
Loan repaid		7,220,700	-
Decrease in trade and other receivables		(3,779)	-
Increase in trade and other payables		(12,780)	13,530
Cash generated from operations		7,510,713	650
Income tax refund		47,432	6,866
Net cash generated from operating activities		7,558,145	7,516
Cash flows from investing activities			
Increase in funding to subsidiary		(1,928,438)	(350,000)
Capitalised interest on loan granted to jointly controlled entities		(9,917)	-
Net cash used in investing activities		(1,938,355)	(350,000)
Cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		5,619,790	(342,484)
Cash and cash equivalents at 1 January		6,593,644	6,936,128
Cash and cash equivalents at 31 December	14	12,213,434	6,593,644

The accompanying notes on pages 12 to 24 form part of these financial statements.

Notes to the financial statements

1.Basis of preparation

The financial statements have been prepared in accordance with:

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

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

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

The company is a wholly-owned subsidiary of Bank of Scotland plc and is included in the consolidated financial statements of Lloyds Banking Group plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Standards and interpretations in issue but not adopted early

The following standards and amendments to published standards are optional for the current accounting year beginning on 1 January 2017 but the Company has not elected to adopt early:
- Amendments to IFRS 2, 'Share based payments' (effective 1 January 2018).
- Amendments to IFRS 9, 'Financial instruments' (effective 1 January 2018).
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2018).
- IFRS 16 'Leases' (effective 1 January 2019).

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

Standards and interpretations in issue but not relevant

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

Currency

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies

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

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

(a) Investments

i) Investments in subsidiary undertakings
Subsidiary undertakings held for investment are stated at cost less impairment.

ii) Investments in jointly controlled entities
Jointly controlled entities are entities over which the Company has joint control under a contractual arrangement with other parties.

The Company records such investments at historic cost less provision for impairment.

iii) Amounts due from jointly controlled entities
Debt securities consist of loanstock issued. These are classified as loans and receivables 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. Income on debt securities is taken to interest receivable through the Statement of Comprehensive Income.

iv) Amounts due from subsidiaries
These are classified as loans and receivables 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. No interest is charged.

(b) 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.

(c) 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 assets' recoverable amount is estimated.

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

Impairment (continued)

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.

In applying the accounting policy we have assessed the carrying value of underlying assets and whether these amounts are reasonable to approximate the recoverability of the asset

(d) Trade and other payables

Trade and other payables are stated at cost.

(e) Net finance costs

Financial income relates to interest income 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 receipts through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

(f) Taxation

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

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

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

Notes to the financial statements (continued)

2. Summary of significant accounting policies

(g) Critical accounting estimates and judgements

The preparation of financial statements 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The significant judgements 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:

Impairments

As explained in the accounting policy, investment securities are continually reviewed at the specific investment level for impairment. Impairment is recognised where there is objective evidence that a financial asset is impaired. Objective evidence of impairment might include the carrying amount of an asset exceeding its recoverable amount. In applying the accounting policy we have assessed the carrying value of underlying assets and whether these amounts are reasonable to approximate the recoverability of the asset.

3. Going concern – Principles underlying going concern assumption

The Company is reliant on funding provided by Bank of Scotland plc, which is a wholly owned subsidiary of Lloyds Banking Group plc. The Directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the Company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

4. Operating income

	2017	2016
	£	£
Management fees	15,000	-
Miscellaneous income	294	830
	15,294	830

Management fee income is received from each of the jointly controlled entities, Stewart Milne (Glasgow) and Stewart Milne (West) Limited. In prior years, this was billed by Horizon Resources Limited, which is in liquidation.

Notes to the financial statements (continued)

5. Other expenses

	2017	2016
	£	£
Professional fees	2,706	13,588
Miscellaneous expenses	195	122
	2,901	13,710

The auditors received no fees in respect of non-audit services to the Company (2016: £nil). The auditors' fee for the audit of the 2017 and prior year financial statements has been borne by the ultimate parent company and has not been recharged to the company. The Company had no employees during the year (2016: none).

6. Distributions received

The distribution received of £294,179 represents a final distribution received from Horizon Resources Limited before it was placed in liquidation.

7. Write-off of subsidiary investments

This represents the write-down of investments in subsidiary entities which are dissolved or in liquidation at the 31 December 2017.

Name of entity	Issued share capital	Value at 31/12/16	Value of write-off in SOCI	Value at 31/12/17	Status at 31/12/17
Horizon Resources Limited	2 Ordinary Shares of £1	£2	£2	-	Liquidation

8. Impairment provision

	2017	2016
	£	£
At 1 January	3,840,000	3,615,000
Net increase in the year	360,000	225,000
At 31 December	4,200,000	3,840,000

The impairment provision is related to amounts due from jointly controlled entities £4,200,000 (2016: £3,840,000).

9. Financial income

	2017	2016
	£	£
Interest income – jointly controlled undertaking	10,968	722
Finance income	10,968	722

Notes to the financial statements (continued)

10. Income tax credit

a) Analysis of credit for the year

	2017	2016
	£	£
UK corporation tax:		
Current tax on taxable loss for the year	64,803	47,432
Adjustments in respect of prior years	-	-
Current tax credit	64,803	47,432
Tax credit	64,803	47,432

Corporation tax is calculated at a rate of 19.25% (2016: 20%) of the taxable profit for the year.

b) Factors affecting the tax charge for the year

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

Reconciliation of effective tax rate

	2017	2016
	£	£
Loss before tax	(42,462)	(237,262)
Tax credit thereon at UK corporation tax rate of 19.25% (2016: 20.00%)	8,174	47,452
Factors affecting charge:		
Disallowed items	-	(20)
Non-taxable items	56,629	-
Tax credit on loss on ordinary activities	64,803	47,432
Effective tax rate	152.61%	20.00%

11. Amounts due from jointly controlled entities

	2017	2016
	£	£
At 1 January	5,782,722	4,932,722
Additions	-	850,000
Capitalised loan interest	9,917	-
Impairment	(4,200,000)	(3,840,000)
As at 31 December	1,592,639	1,942,722

Further details of the impairment provision are found in note 8.

Within the balance is £4,524,654 (2016: £4,524,654) of unsecured redeemable loan stock provided to Stewart Milne (West) Limited which 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 Ordinary shares.

Notes to the financial statements (continued)

11. Amounts due from jointly controlled entities (continued)

Also within the balance is £408,068 (2016: £408,068) funding provided to Stewart Milne (Glasgow) Limited. No interest is charged on this balance and there are no repayment terms.

During the prior year, Horizon Resources Limited, the Company's subsidiary, assigned its standard security funding of £850,000 provided to Stewart Milne (Glasgow) Limited, to the Company. There is no fixed maturity date and interest is charged at 1% over the Bank of England Base rate.

As at 31 December 2017, the Bank of England base rate was 0.5% (2016: 0.25%).

12. Investments in subsidiary undertakings

	2017	2016
	£	£
At 1 January	350,102	206
Increase in investment in West Craigs Limited	1,928,438	350,000
Write-down of subsidiary investments	(2)	(104)
At 31 December	2,278,538	350,102

The increase in investment comprises the assignation of a loan of £1,578,438 provided to West Craigs Limited by Horizon Resources Limited, which is now in liquidation, to the Company. The effect of this assignation was to transfer all rights and obligations under this loan to the Company. A further £350,000 (2016: £350,000) was also provided to West Craigs Limited by the Company during the year.

Details of the Company's subsidiary is as follows:

Name of entity	**Nature of business**	**Issued share capital**	**Proportion of ownership**	**Reporting Year End**	**Incorporated**
West Craigs Limited	Property development	100 Ordinary Shares of £1	100%	31 December	Scotland

The registered address of the subsidiary is The Mound, Edinburgh, EH1 1YZ.

13. Investments in jointly controlled entities

	2017	2016
	£	£
At 1 January	100	100
At 31 December	100	100

Notes to the financial statements (continued)

13. Investments in jointly controlled entities (continued)

The Company's investments in jointly controlled entities relate to the following:

Name of entity	Principal business	Issued share and loan capital	Proportion of ownership	Reporting Year end	Incorporated
Stewart Milne (Glasgow) Limited	Property development	50 "A" Ordinary shares and 50 "B" Ordinary shares of £1 each	100% A shares	31 December	Scotland
Stewart Milne (West) Limited	Property development	50 "A" Ordinary shares and 50 "B" Ordinary shares of £1 each	100% A shares	31 December	Scotland

The registered address of both jointly controlled entities is Level 1, Citymark, 150 Fountainbridge, Edinburgh, EH3 9PE

All B shares are owned by Stewart Milne Group Limited.

14. Cash and cash equivalents

	2017	2016
	£	£
Bank balances	12,213,434	6,593,644

15. Amounts due from subsidiary undertaking

	2017	2016
	£	£
Horizon Resources Limited	-	7,220,700
	-	7,220,700

On 30 June 2017, a special resolution was passed to wind up Horizon Resources Limited. Prior to this date, the amount due from Horizon Resources Limited of £7,220,700 was repaid in full.

16. Income tax receivable

The current tax asset of £64,803 (2016: asset of £47,432) represents the amount of income taxes receivable in respect of the current and prior year.

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017.

Finance Act 2016 further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

Notes to the financial statements (continued)

17. Other debtors

	2017	2016
	£	£
Management fees receivable	4,500	-
Stewart Milne Glasgow Loan interest	10,969	722
	15,469	722

18. Issued capital

The distributable reserves of the Company are managed through the Lloyds Banking Group Capital and Funding Policy in order to maximise capital efficiency within the Group. Dividends are paid from reserves available for distribution to the parent undertaking twice a year according to parameters set out at a Group level so as to avoid any build up of reserve balances within the Company.

Issued capital	Ordinary shares	
	2017	2016
	£	£
Issued		
35,001,000 Ordinary Shares of £1 each	35,001,000	35,001,000

The holder of the ordinary shares is entitled to receive dividends as declared from time to time and is entitled to vote at meetings of the Company.

19. Trade and other payables

	2017	2016
	£	£
Trade and other payables	750	13,530

20. *Financial instruments*

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

a) *Governance framework*

The Company's intermediate parent is Bank of Scotland plc ("BOS") whose ultimate parent is Lloyds Banking Group plc ("Group"). BOS has established a financial risk management function with clear terms of reference and with the responsibility for implementing the Lloyds Banking Group plc framework and monitoring the policies on financial risks.
The risks related to the Company's activities are regularly evaluated.

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

Notes to the financial statements (continued)

20. Financial instruments (continued)

b) Financial risks

i) Credit risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from cash and cash equivalent balances with another Group company.

The table below sets out the maximum exposure to credit risk at the Statement of Financial Position date.

	2017	2016
	£	£
Amounts due from jointly controlled entities	1,592,639	1,942,722
Amounts due from subsidiary undertaking	-	7,220,700
Cash and cash equivalents	12,213,434	6,593,644
	13,806,073	15,757,066

These instruments are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value and consist of investments in debt securities of associated undertakings, intercompany lending to subsidiaries and bank balances with the Lloyds Banking Group plc.

Amounts due from joint ventures are debt securities in issue and are carried at amortised cost adopting the impairment policy described within note 2(c). The reported values of debt securities and amounts due from subsidiary undertakings above include provisions of £4,200,000 (2016: £3,840,000).

The table below sets out the credit quality of the financial assets presented within the Statement of Financial Position:

	2017	2016
	£	£
Neither past due or impaired	12,213,434	6,593,644
Past due but not impaired	-	7,220,700
Impaired	1,592,639	1,942,722
	13,806,073	15,757,066

There are no other amounts at the Statement of Financial Position date that are considered past due or impaired.

ii) Market risk

Market risk is defined as the potential loss in value or earnings of the Company arising from fluctuations in market prices, interest rates or foreign exchange rates.

At the reporting date the Company's only exposure to market risk arose from interest rate risk, as all transactions and balances were denominated in Sterling and no equity share investments were held.

Notes to the financial statements (continued)

20. Financial instruments (continued)

b) Financial risks (continued)

(iii) Interest rate risk

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

As a result of the funding provided to jointly controlled undertakings, the Company is exposed to interest rate fluctuations. Interest is charged on the funding provided at 1% over the Bank of England base rate. At 31 December 2017, the base rate was 0.5% (2016: 0.25%) A sensitivity analysis has been prepared to illustrate the impact of a change in interest rates on the interest income receivable on this funding.

If base rates increased by 0.50% and all other variables remain constant this would increase interest income by £26,873 (2016: £26,873).

As at the 31 December 2017 the Company held £12,213,434 (2016: £6,593,644) in corporate current accounts. These accounts do not pay interest.

iv) Liquidity Risk

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

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 2017

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other payable	750	-	-	-	750
Loan interest	-	-	-	-	-
Total liabilities	750	-	-	-	750

As at 31 December 2016

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	Over 1 year	Total
	£	£	£	£	£
Trade and other payable	13,530	-	-	-	13,530
Loan interest	-	-	-	-	-
Total liabilities	13,530	-	-	-	13,530

Notes to the financial statements (continued)

21. Immediate and ultimate parent undertakings

The Company's immediate parent company is Uberior Investments Limited. The undertaking of the smallest group to consolidate these financial statements is Bank of Scotland plc.

The company regarded by the Directors as the ultimate parent undertaking and controlling party is Lloyds Banking Group plc which is incorporated in Scotland. This is the parent undertaking of the largest group to consolidate these financial statements. Lloyds Banking Group plc will produce consolidated financial statements for the year ended 31 December 2017. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2017 may be obtained from Lloyds Banking Group's office at The Mound, Edinburgh, EH1 1YZ or, alternatively, these can be downloaded at www.lloydsbankinggroup.com.

22. Related parties

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

Lloyds Banking Group plc

- A related party relationship arises as Lloyds Banking Group plc is the Company's ultimate parent company.
- As at the 31 December 2017 the Company had £12,213,434 (2016: £6,593,644) on deposit in a Lloyds Banking Group corporate current account.
- During the year the Company had received no interest from this account (2016: £nil).
- The Company's audit fees are also settled by LBG. These fees are not recharged. The audit fee is part of a larger allocation that is not split out by each entity.

Stewart Milne (West) Limited

- A related party relationship arises as Stewart Milne (West) Limited is jointly controlled by the Company.
- As at the 31 December 2017 a total of £4,524,654 (2016: £4,524,654) unsecured redeemable loan stock was receivable from Stewart Milne (West) Limited.
- In the financial statements, this balance is stated net of a provision of £3,200,000 (2016: £3,140,000).
- The Company charges management fees to Stewart Milne (West) Limited. For the year to 31 December 2017 £10,000 (2016: £10,000) was charged in respect of Management fees to Stewart Milne (West) Limited of which £2,500 (2016: £5,000) remains receivable at the year end. These amounts are stated net of VAT.

Stewart Milne (Glasgow) Limited

- A related party relationship arises as Stewart Milne (Glasgow) Limited is jointly controlled by the Company.
- As at 31 December 2017 a total of £408,068 (2016: £408,068) was receivable from Stewart Milne (Glasgow) Limited in respect of funding provided.
- During the prior year, Horizon Resources Limited assigned standard security funding of £850,000 provided to Stewart Milne (Glasgow) Limited, to the Company.
- In the financial statements, these balances are stated net of a provision of £1,000,000 (2016: £700,000).
- At 31 December 2017, £10,969 (2016: £722) was receivable from Stewart Milne (Glasgow) Limited in relation to interest accrued on the standard security funding during the year. During the year, the Company provided £9,918 (2016: £nil) to Stewart Milne Glasgow Limited and £1,510 remains payable at the year-end (2016: £nil).
- The Company charges management fees to Stewart Milne (Glasgow) Limited. For the year to 31 December 2017 £5,000 (2016: £5,000) was charged in respect of Management fees to Stewart Milne (Glasgow) Limited of which £1,250 (2016: £2,500) remains receivable at the year end. These amounts are stated net of VAT.

Notes to the financial statements (continued)

22. Related parties (continued)

Horizon Resources Limited

- A related party relationship arises as Horizon Resources Limited is a subsidiary entity.
- On 30 June 2017, a resolution was passed to wind up Horizon Resources Limited. At the end of 2016 a total of £7,220,700 was receivable from Horizon Resources Limited. This amount was repaid in full during 2017.

West Craigs Limited

- A related party relationship arises as West Craigs Limited is a subsidiary entity.
- On 23 May 2017, Horizon Resources Limited assigned its loan of £1,578,438 provided to West Craigs Limited to Horizon Capital 2000 Limited. The effect of this assignation was to transfer all rights and obligations under this loan to Horizon Capital 2000 Limited.
- A further £350,000 funding was transferred to West Craigs Limited during the year (2016: £350,000)

Other

- 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 Lloyds Banking Group plc and are also substantially engaged in the managing of their respective business areas within the Commercial Division of Lloyds Banking Group plc.
- Given this, it is not possible to make an accurate apportionment of Directors' emoluments in respect of the services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors.
- The total emoluments of the Directors are included in the financial statements of the ultimate parent company, Lloyds Banking Group plc.