

Stewart Milne (Glasgow) Limited
Report and Financial Statements
For the year ended 31 December 2012

Company Number SC191167

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Stewart Milne (Glasgow) Limited

Report and Financial Statements

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Stewart Milne (Glasgow) Limited

Report and Financial Statements

Company Information

Board of Directors

G F W Allison
A W J Wilson
G C Loudon

Company Secretary

Lloyds Secretaries Ltd

Registered office

Level 1
Citymark
150 Fountainbridge
Edinburgh
EH3 9PE

Independent Auditors

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Bankers

Bank of Scotland plc
The Mound
Edinburgh
EH1 1YZ

Company Number

SC191167

Stewart Milne (Glasgow) Limited

Report and Financial Statements

Directors' Report

The Directors are pleased to present their report and audited financial statements for Stewart Milne (Glasgow) Limited ('the Company') for the year ended 31 December 2012. The Company is a limited company both incorporated and domiciled in Scotland.

Principal activity and review of the business

The Company's principal activity is the acquisition and development of land for residential housing. There have been no property transactions during the year (2011: none).

Results and dividends

The loss after tax for the Company for the year to 31 December 2012 was £15,155 (2011: £19,393). No dividends were paid during the year (2011: 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 16 to the financial statements.

Going Concern

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

Directors and their interests

The Directors of the company who were in office at the date of signing the financial statements and this report are as stated on page 2.

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

Director	Date of Appointment	Date of Resignation
James C O'Neil	-	2 nd October 2012
Paul R Harries	-	25 th September 2013
Andrew W J Wilson	27 th September 2013	-

Company Secretary

The Company Secretary at the date of this report is as stated on page 2.

Dates of appointment and resignation during the year and up to the date of this report were as follows:

Company Secretary	Date of Appointment	Date of Resignation
L J Edwards	-	1 st October 2012
Lloyds Secretaries Ltd	1 st October 2012	-

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the next meeting.

Stewart Milne (Glasgow) Limited

Report and Financial Statements

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

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


They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to independent auditors

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

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

Signed on behalf of Stewart Milne (Glasgow) Limited:



A W J Wilson
Director

18 October 2013

Report and Financial Statements

Independent Auditors' Report to the Members of Stewart Milne (Glasgow) Limited

We have audited the financial statements of Stewart Milne (Glasgow) Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

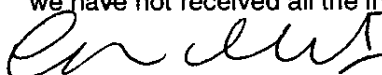
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.


Gillian McCort (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
22 October 2013

Stewart Milne (Glasgow) Limited

Report and Financial Statements

Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 £	2011 £
Administration expenses	4	(6,000)	(6,000)
Other income	5	2,400	2,400
Other expenses	6	<u>(2,000)</u>	<u>(8,556)</u>
Net other income/(expenses)		<u>400</u>	<u>(6,156)</u>
Operating loss		(5,600)	(12,156)
Financial income	7	243	294
Financial expense	7	<u>(12,785)</u>	<u>(12,750)</u>
Net financing costs		<u>(12,542)</u>	<u>(12,456)</u>
Loss before tax		<u>(18,142)</u>	<u>(24,612)</u>
Income tax credit	8	<u>2,987</u>	<u>5,219</u>
Loss after tax		<u>(15,155)</u>	<u>(19,393)</u>

There are no other items of comprehensive income other than those shown above. Accordingly the loss for the year is the same as the total comprehensive loss for the year.

The accompanying notes on pages 10 to 19 form part of these financial statements.

Stewart Milne (Glasgow) Limited

Report and Financial Statements

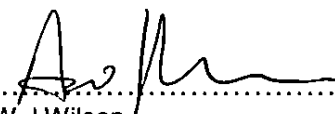
Statement of Financial Position

As at 31 December 2012

	Note	2012 £	2011 £
Assets			
Inventories	10	1,038,282	1,038,282
Trade and other receivables	15	11,196	11,178
Cash and cash equivalents	11	29,667	63,479
Income tax receivable	9	22,994	20,007
Total assets		<u>1,102,139</u>	<u>1,132,946</u>
Equity and Liabilities			
Equity			
Issued capital	12	100	100
Accumulated losses		<u>(490,420)</u>	<u>(475,265)</u>
Total equity		<u>(490,320)</u>	<u>(475,165)</u>
Liabilities			
Loans and borrowings	13	1,590,459	1,591,530
Trade and other payables	14	2,000	16,581
Total liabilities		<u>1,592,459</u>	<u>1,608,111</u>
Total equity and liabilities		<u>1,102,139</u>	<u>1,132,946</u>

Company Number: SC191167

The financial statements on pages 6 to 19 were approved by the Board of Directors at a meeting on 9 October 2013 and signed on its behalf by:


..... 18/10/13
A W J Wilson
Director

The accompanying notes on pages 10 to 19 form part of these financial statements.

Stewart Milne (Glasgow) Limited

Report and Financial Statements

Statement of Changes in Equity

For the year ended 31 December 2012

	Issued Capital £	Accumulated losses £	Total £
Balance at 1 January 2012	100	(475,265)	(475,165)
Loss after taxation	-	(15,155)	(15,155)
Balance at 31 December 2012	<u>100</u>	<u>(490,420)</u>	<u>(490,320)</u>

	Issued Capital £	Accumulated losses £	Total £
For the year ended 31 December 2011			
Balance at 1 January 2011	100	(455,872)	(455,772)
Loss after taxation	-	(19,393)	(19,393)
Balance at 31 December 2011	<u>100</u>	<u>(475,265)</u>	<u>(475,165)</u>

The accompanying notes on pages 10 to 19 form part of these financial statements.

Stewart Milne (Glasgow) Limited

Report and Financial Statements

Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012	2011
		£	£
Cash flows from operating activities			
Operating loss		(5,600)	(12,156)
(Decrease)/increase in trade and other payables		(14,581)	13,706
Increase in Trade and other receivables		(18)	(11,178)
Cash used in operations		<u>(20,199)</u>	<u>(9,628)</u>
 Interest paid		<u>(12,785)</u>	<u>(12,750)</u>
Net cash used in operating activities		<u>(32,984)</u>	<u>(22,378)</u>
 Cash flows from investing activities			
Interest received		<u>243</u>	<u>294</u>
Net cash from investing activities		<u>243</u>	<u>294</u>
 Cash flows from financing activities			
(Decrease)/Increase in borrowings		<u>(1,071)</u>	<u>25,500</u>
Net cash from financing activities		<u>(1,071)</u>	<u>25,500</u>
 Net (decrease)/increase in cash and cash equivalents		(33,812)	3,416
Cash and cash equivalents at 1 January		<u>63,479</u>	<u>60,063</u>
Cash and cash equivalents at 31 December	11	<u><u>29,667</u></u>	<u><u>63,479</u></u>

The accompanying notes on pages 10 to 19 form part of these financial statements.

Report and Financial Statements

Notes to the financial statements

1. Basis of preparation

The financial statements have been prepared in accordance with:

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

(2) those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

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 Companies should it require to meet its liabilities.

Standards and amendments to existing standards effective 1 January 2012

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

- Amendment to IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012)

Standards and interpretations in issue but not adopted early

The following standards and amendments to published standards are optional for the current accounting period beginning on 1 January 2012 but the Company has not elected to adopt early:

- IFRS 13, 'Fair value measurement' (effective 1 January 2013)
- Amendment to IFRS 7, 'Financial instruments: Disclosures' (effective 1 January 2013)
- Amendment to IAS 1, 'Presentation of financial statements' on OCI (effective 1 July 2012)
- Amendments to IFRS 7 on Financial instruments asset and liability offsetting (effective 1 January 2013)
- Amendments to IAS 32 on Financial instruments asset and liability offsetting (effective 1 January 2014)

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 period beginning on 1 January 2012 that are relevant to the Company.

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

Report and Financial Statements

Notes to the financial statements (continued)

2. Summary of significant accounting policies

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

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

a) Critical accounting estimates and 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 years 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 year in which the estimate is revised and in any future years 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:

i) Deferred tax

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

b) Revenue and expenses

Revenue income is recognised in the Statement of Comprehensive Income on a cash basis. The Company leases out land on an operating lease and the revenue relates to rental income due to the Company under this operating lease. Expenses are recognised on an accruals basis

c) Inventories

Inventories are stated at lower of cost and net realisable value. The inventories relate to land held for development in Glasgow. Net realisable value for the land has been assessed by an independent valuations expert after taking account of any relevant available market information. The land is held for its long term development potential and therefore the value of the inventory is not expected to be realised within the next 12 months. It is not possible to determine with accuracy when the inventory will be realised as this will be subject to a number of issues such as consumer demand and planning permissions.

d) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than investing or other purposes. Cash and cash equivalents consist of cash balances at banks that are freely available.

Report and Financial Statements

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

e) Impairment

The carrying amounts of the Company's assets, and deferred tax assets, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

i) Calculation of recoverable amount

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

ii) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f) Trade and other payables

Trade and other payables are stated at cost.

g) Net financing costs

Net finance costs relate to interest income and interest payable on borrowings and are recognised in the Statement of Comprehensive Income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

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

h) Taxation

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

Report and Financial Statements

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

h) Taxation (continued)

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

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

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

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

3. Going concern – Principles underlying going concern assumption

The Company is reliant on funding provided by Bank of Scotland plc and the Stewart Milne Group Ltd. In May 2011, the Directors received approval from Bank of Scotland plc to extend the Joint Venture agreement for a further 10 years. As such, the Directors are satisfied that the Company has adequate support to continue in business for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

4. Administration expenses

	2012	2011
	£	£
Management fees	<u>6,000</u>	<u>6,000</u>

5. Other income

	2012	2011
	£	£
Rental income	<u>2,400</u>	<u>2,400</u>

6. Other expenses

	2012	2011
	£	£
Valuation fees	500	-
Legal fees	-	6,326
Audit fees	1,500	1,380
Late filing penalty	-	750
Tax penalty	-	100
	<u>2,000</u>	<u>8,556</u>

The auditors received no fees in respect of non-audit services to the Company (2011: £nil).

The Company had no employees during the year (2011: none).

Stewart Milne (Glasgow) Limited**Report and Financial Statements****Notes to the financial statements (continued)****7. Net financing costs**

	2012	2011
	£	£
Interest income	243	294
Interest expense	(12,785)	(12,750)
Net financing costs	<u>(12,542)</u>	<u>(12,456)</u>

8. Income tax**Recognised in the Statement of Comprehensive Income**

	2012	2011
	£	£
Current tax credit		
Current year credit	<u>2,987</u>	<u>5,219</u>
Total income tax credit in Statement of Comprehensive Income	<u>2,987</u>	<u>5,219</u>

Reconciliation of effective tax rate

	2012	2011
	£	£
Loss on ordinary activities before tax	<u>(18,142)</u>	<u>(24,612)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	4,445	6,522
Adjustments to tax in respect of previous years	2,987	5,219
Deferred tax not recognised on losses carried forward	<u>(4,445)</u>	<u>(6,522)</u>
Total income tax credit in Statement of Comprehensive Income	<u>2,987</u>	<u>5,219</u>

The deferred tax asset in respect of trade losses carried forward has not been recognised as there is insufficient evidence of suitable future taxable profits.

9. Income tax receivable

The current tax asset of £22,994 (2011: £20,007) represents the amount of income taxes receivable in respect of current and prior years. The Company is subject to the UK current rate of Corporation Tax.

On 21 March 2012, the Government announced that the main rate of corporation tax will be reduced from 26% to 24% with effect from 1 April 2012. The reduction was enacted under the Provisional Collection of Taxes Act 1968 on 26 March 2012. In addition, the Finance Act 2012, which passed into law on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013.

On 5 December 2012, the Government announced a further reduction in the main rate of corporation tax to 21% from 1 April 2014. In addition, on 20 March 2013 the Government announced a further reduction in the main rate of corporation tax to 20% from 1 April 2015.

Stewart Milne (Glasgow) Limited**Report and Financial Statements****Notes to the financial statements (continued)****10. Inventories**

	2012	2011
	£	£
At 1 January	1,038,282	1,038,282
Additions	-	-
At 31 December	<u>1,038,282</u>	<u>1,038,282</u>

11. Cash and cash equivalents

	2012	2011
	£	£
Bank balances	29,667	63,479
Cash and cash equivalents in the Statement of Cash Flows	<u>29,667</u>	<u>63,479</u>

12. Share Capital

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

	Ordinary shares	
	2012	2011
	£	£
Authorised		
500,000 "A" Ordinary shares of £1 each	500,000	500,000
500,000 "B" Ordinary shares of £1 each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>
Issued		
50 "A" Ordinary shares of £1 each	50	50
50 "B" Ordinary shares of £1 each	50	50
	<u>100</u>	<u>100</u>

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

13. Loans and borrowings

	2012	2011
	£	£
Current liabilities		
Standard loan facility	850,000	863,856
Unsecured loan facility	740,459	727,674
	<u>1,590,459</u>	<u>1,591,530</u>

This note provides information about the contractual terms of the Company's loans and borrowings. For more information about the Company's exposure to interest rate risk, see note 16.

Stewart Milne (Glasgow) Limited

Report and Financial Statements

Notes to the financial statements (continued)

13. Loans and borrowings (continued)

The loan facility is secured by a standard security and a Bond and Floating charge. Interest is chargeable at 1% over the Bank of England base rate. The unsecured loan facilities are interest free. The secured loan facility is repayable on termination of the Management and Development Agreement on any such date as may be agreed by the lender, or from the sale of the developments.

The unsecured facilities are repayable from the sale of the developments, if this does not occur the facilities will be converted into the relevant "A" or "B" Ordinary Shares.

14. Trade and other payables

	2012	2011
	£	£
Professional fees payable	500	12,326
Audit fees payable	1,500	4,255
	<u>2,000</u>	<u>16,581</u>

15. Trade and other receivables

	2012	2011
	£	£
Receivable from JV Partners	<u>11,196</u>	<u>11,178</u>

16. Financial instruments

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

a) Governance framework

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

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

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

b) Financial risks

i) Credit risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. All amounts relate to entities which are subsidiaries of the same ultimate parent company and therefore credit risk is not deemed to be significant.

The table below sets out the maximum exposure to credit risk at the Balance Sheet date.

	2012	2011
	£	£
Cash and cash equivalents	<u>29,667</u>	<u>63,479</u>

Report and Financial Statements

Notes to the financial statements (continued)

16. Financial instruments (continued)

Cash and cash equivalents are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value. These instruments consist of bank balances with the Lloyds Banking Group and have an internal credit rating of better than satisfactory. At the reporting date none of these balances were considered past due or impaired, neither were there any financial assets that would otherwise be past due or impaired had their terms not have been renegotiated.

ii) Market risk

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

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

iii) Interest rate risk

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

The Company's cash and cash equivalent balances generate variable interest income and arise from the reinvestment of surplus liquid funds. The financial liabilities comprise variable rate borrowings provided by a related Company and they are used to finance the Company's inventories

As at the 31 December 2012 the Company held £29,667 (2011: £63,479) in a Bank of Scotland bank account. The account pays interest however due to size interest rate risk is not deemed to be significant.

iv) Liquidity risk

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

The Company's short term liquidity requirements are supported by a facility with a related company subject to internal limits. Overall liquidity risk is managed in line with the Lloyds Banking Group High Level Group Liquidity and Funding Policy.

All funding is provided by related companies 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 2012

Maturity of contractual liabilities	1-3 months	3-12 months	1-2 years	2-5 years	Total
	£	£	£	£	£
Loans and borrowings	-	-	-	1,590,459	1,590,459
Trade and other payables	2,000	-	-	-	2,000
Total liabilities	2,000	-	-	1,590,459	1,592,459

Stewart Milne (Glasgow) Limited

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Notes to the financial statements (continued)

16. Financial instruments (continued)

As at 31 December 2011

Maturity of contractual liabilities	1-3 months	3-12 months	1-2 years	2-5 years	Total
	£	£	£	£	£
Loans and borrowings	-	-	-	1,591,530	1,591,530
Trade and other payables	16,581	-	-	-	16,581
Total liabilities	16,581	-	-	1,591,530	1,608,111

17. Operating leases

The Company leases land on an operating lease. The lease commenced on 15th May 2000 with no defined expiry date. If required vacant possession of the land can be obtained via a statutory notice to quit once the Company has obtained a change of use consent. The rent is £2,400 per annum.

18. Immediate and ultimate parent undertakings

As at 31 December 2012 the Company's immediate parent companies were Horizon Capital 2000 Ltd and Stewart Milne Homes (Southern) Ltd.

The company regarded by the Directors as the ultimate parent undertaking of Horizon Capital 2000 Ltd is Lloyds Banking Group plc which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated financial statements for the year ended 31 December 2012. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2012 may be obtained from Lloyds Banking Group's office at The Mound, Edinburgh, EH1 1YZ.

The company regarded as the ultimate parent company of Stewart Milne Homes (Southern) Ltd is Stewart Milne Group Ltd which is incorporated in Scotland. Stewart Milne Group Ltd will prepare consolidated financial statements for the year ended 30 June 2012.

19. Related parties

The Company has a related party relationship with Bank of Scotland plc, the immediate parent of Horizon Capital 2000 Limited. A number of banking transactions are entered into with the Bank of Scotland plc in the normal course of business including loans and deposits. As at the 31 December 2012 the Company had £29,667 (2011: £63,479) on deposit in a corporate current account. During the year to 31 December 2012 the Company had received £243 (2011: £294) of interest from this account.

The Company also has a related party relationship with Horizon Resources Limited (a subsidiary undertaking of the holder of the "A" Ordinary shares). This relationship has arisen due to the provision of funding to the Company. For the year ended 31 December 2012 £12,785 (2011: £12,750) was payable in respect of intercompany loan interest. As at the 31 December 2012 a total of £850,000 (2011: £863,856) was payable to Horizon Resources Ltd by the Company. Management fees are also paid to Horizon Resources Limited for running the Company. For the year to 31 December 2012 £6,000 (2011: £6,000) were paid in management fees.

The Company also has a related party relationship with its immediate parent company Horizon Capital 2000 Limited, holder of the "A" Ordinary shares. This relationship has arisen due to the provision of funding to the Company. As at the 31 December 2012 a total of £388,943 (2011: £382,550) was payable to Horizon Capital 2000 Limited by the Company.

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Notes to the financial statements (continued)

19. Related parties (continued)

The Company also has a related party relationship with its immediate parent company Stewart Milne Homes (Southern) Limited, holder of the "B" Ordinary shares. This relationship has arisen due to the provision of funding to the Company. As at the 31 December 2012 a total of £351,516 (2011: £345,124) was payable to Stewart Milne Homes (Southern) Limited by the Company.

The Directors received no emoluments in the year from the company for services to the company.