

Stewart Milne (Glasgow) Limited

Annual report and financial statements for the year ended 31 December 2022

Registered office

The Mound
Edinburgh
EH1 1YZ

Registered number

SC191167

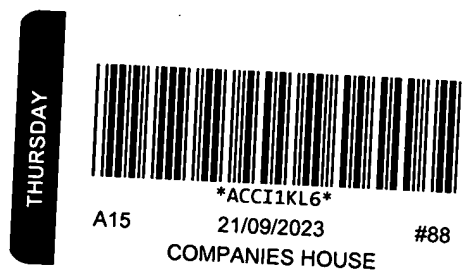
Current directors

G C More
G Kirkhope
M S J Daly

Company Secretary

D D Hennessey

Member of Lloyds Banking Group



Directors' report

For the year ended 31 December 2022

The directors present their Annual report and the audited financial statements of Stewart Milne (Glasgow) Limited (the "Company") for the year ended 31 December 2022.

General information

The Company is a private limited company, limited by shares, incorporated in United Kingdom, registered and domiciled in Scotland (registered number: SC191167).

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic report.

The Company's principal activity is the acquisition of land for development. There have been no property transactions during the year (2021: none) and no change is expected in that activity.

Business Review

The directors consider that the Company's activities will continue but may be impacted by the end of the JV agreement on 31 December 2023.

The Company's loss before tax for the financial year was £28,553 (2021: £16,743).

The Balance Sheet shows a net liability position as of 31 December 2022 £1,259,579 (2021: £1,231,026).

The Company's actions are governed by the Codes of Business Responsibility of the ultimate parent undertaking, Lloyds Banking Group plc ("the Group"), 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 (2021: 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 14 to the financial statements.

The external risks faced by the Company, but not limited to macroeconomic uncertainty; high interest rates and high inflation which are contributing to the cost of living increases and associated implications for UK customers and businesses. Any further deterioration in the global macroeconomic conditions, including as a result of geopolitical events, global health issues such as the Covid-19 pandemic or acts of war or terrorism including the Ukraine/Russia conflict, could have an adverse effect on the Company's results.

Dividends

No dividends were paid or proposed during the year ended 31 December 2022 (2021: £nil).

Going concern

The financial statements have been prepared on a going concern basis. The current joint venture agreement is due to end on 31 December 2023 and future options will be explored. There is a Net Liability position as at 31 December 2022 of £1,259,579 (2021: £1,231,026).

The directors are satisfied that it is the intention of the ultimate parents of the Joint Venture holding Companies that the Company will continue to have access to adequate liquidity and capital resources for at least the next 12 months and, accordingly, the financial statements have been prepared on a going concern basis. The Company is covered by the letters of support from LBG Equity Investments Limited dated 21st February 2023 and Stewart Milne Group Limited dated 18th August 2023, which confirms that they will support the Company in meeting its financial liabilities as they fall due.

As a result, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and financial statements.

Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements.

Directors' report (continued)

For the year ended

Future developments

The directors expect the general level of activity to remain consistent with 2022 in the forthcoming year. This is as a result of there having been no change to the planning status for the land that the Company holds.

Directors

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

There have been no changes to directors between the beginning of the reporting period and the approval of the Annual report and financial statements.

Directors' indemnities

Stewart Milne Group Limited had in place, throughout the year and at the date the financial statements were approved, a Directors and Officers indemnity insurance policy for the benefit of G C More and G Kirkhope.

Lloyds Banking Group plc ("LBG") has granted to Mr M S J Daly, the Director of the Company appointed by and representing LBG, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Director to the maximum extent permitted by law. The Deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

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 prepared the Company's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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' 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 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.

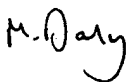
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

This report has been prepared in accordance with the special provisions relating to small companies within section 415A of Part 15 of the Companies Act 2006.

Deloitte LLP are deemed to be re-appointed as auditor under section 487(2) of the Companies Act 2006.

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



M S J Daly

Director

18th September 2023

Statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £	2021 £
Other income		-	32
Operating expenses	4	(6,000)	(6,000)
Other expenses	5	(1,443)	(1,228)
Operating loss		(7,443)	(7,196)
Finance costs	3	(21,110)	(9,547)
Loss before tax		(28,553)	(16,743)
Taxation	6	-	-
Loss for the financial year being total comprehensive loss		(28,553)	(16,743)

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

All results derive from continuing operations.

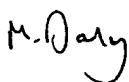
Balance sheet

As at 31 December 2022

	Note	2022 £	2021 £
ASSETS			
Cash and cash equivalents	7	24,150	24,497
Trade and other receivables	9	29	17
Amounts due from joint venture holding companies	8	-	2,504
Inventories	10	520,000	520,000
Total assets		544,179	547,018
LIABILITIES			
Borrowed funds	11	1,697,563	1,700,067
Loan from group undertaking	15	30,128	30,128
Trade and other payables	12	76,067	47,849
Total liabilities		1,803,758	1,778,044
EQUITY			
Share capital	13	100	100
Accumulated losses		(1,259,679)	(1,231,126)
Total equity		(1,259,579)	(1,231,026)
Total equity and liabilities		544,179	547,018

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 S J Daly
Director
18th September 2023

Statement of changes in equity

For the year ended 31 December 2022

	Share capital £	Accumulated Losses £	Total equity £
At 1 January 2021	100	(1,214,383)	(1,214,283)
Loss for the year being total comprehensive Loss	-	(16,743)	(16,743)
At 31 December 2021	100	(1,231,126)	(1,231,026)
As at 1 January 2022	100	(1,231,126)	(1,231,026)
Loss for the year being total comprehensive loss	-	(28,553)	(28,553)
At 31 December 2022	100	(1,259,679)	(1,259,579)

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

Cash flow statement

For the year ended 31 December 2022

	Note	2022 £	2021 £
Cash flows generated from operating activities			
Loss before tax		(28,553)	(16,743)
Adjustments for:			
- Finance costs	3	21,110	9,547
- Net increase trade and other receivables		(12)	(2)
- Net increase trade and other payables		28,218	5,238
Cash generated from/(used in) operations		20,763	(1,960)
Net cash generated from/(used in) operating activities		20,763	(1,960)
Cash flows (used in)/generated from financing activities			
Secured loan interest		(21,110)	(9,547)
Increase in borrowed funds		(2,504)	9,547
(Increase)/decrease in amounts due from joint venture holding companies		2,504	13,570
Net cash (used in)/generated from financing activities		(21,110)	13,570
Change in cash and cash equivalents		(347)	11,610
Cash and cash equivalents at beginning of year		24,497	12,887
Cash and cash equivalents at end of year		24,150	24,497

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 2022

1. Accounting policies

1.1 Basis of preparation

Stewart Milne (Glasgow) Limited (the Company) is a private Company limited by shares incorporated in Scotland under the Companies Act 2006 and is registered in Scotland. The registered office can be found on the front page and its principal activity is included in the directors report.

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.

The financial statements for the year ended 31 December 2022 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 2022 and which have not been applied in preparing these financial statements are given in note 18. No standards have been early adopted.

The financial statements have been prepared under the historical cost convention and on a going concern basis. The current joint venture agreement is due to end on 31 December 2023 and future options will be explored. There is a Net liability position as at 31 December 2022 of £1,259,579 (2021: £1,231,026).

The directors are satisfied that it is the intention of the ultimate parents of the Joint Venture holding Companies that the Company will continue to have access to adequate liquidity and capital resources for at least the next 12 months and, accordingly, the financial statements have been prepared on a going concern basis. The Company is covered by the letters of support from LBG Equity Investments Limited dated 21st February 2023 and Stewart Milne Group Limited dated 18th August 2023, which confirms that they will support the Company in meeting its financial liabilities as they fall due.

As a result, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and financial statements.

1.2 Income recognition

Other income represents insurance commission received.

1.3 Expenses recognition

Interest expense for all interest bearing financial instruments is recognised in the Statement of comprehensive income as it accrues, within Finance costs.

Management fees and Other expenses are recognised in the Statement of comprehensive income on an accruals basis, within Operating expense and Other expenses.

1.4 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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

1. Accounting policies (continued)

1.5 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 His 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.

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

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

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

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

1.6 Inventory

The inventories relate to land held for development and are stated at the lower of cost and net realisable value. Net realisable value is the estimated future selling price less estimated costs necessary to make the sale.

The net realisable value of the land is reviewed annually and in the event that the status of the land was to change and the net realisable value was to fall below the carrying value of the land, an impairment loss would be recognised against the inventory value. Impairment losses are recognised in the Statement of Comprehensive Income.

When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed, limited to the amount of the original write-down, so that the new carrying amount is the lower of the cost and the revised net realisable value.

The fair market valuations which are provided by an external Valuation Advisor, are reviewed and where appropriate challenged by management 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.

1.7 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.

1.8 Borrowed Funds

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.

1.9 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.

1.10 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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

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.

The Company has made no critical judgements. The following are critical accounting estimates that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

2.1 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value of the land has been assessed by the Directors with support from an independent valuation expert after taking account of any relevant available market information including the probability that planning permission will be obtained.

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

The net realisable value is determined with support from an independent valuation expert 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 valuer – these are typically market related, such as comparable land transactions, yields and rental value. These are based on their professional judgement and market observation

2.2 Deferred Tax

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

3. Finance costs

	2022 £	2021 £
Secured loan interest	21,110	9,547

4. Operating expense

	2022 £	2021 £
Management Fees	6,000	6,000

5. Other expenses

	2022 £	2021 £
Sundry Fees	-	30
Insurance Premium	333	207
Valuation fees	1,110	990
	1,443	1,227

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 (2021: nil).

Notes to the financial statements (continued)

For the year ended 31 December 2022

6. Taxation

	2022 £	2021 £
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable loss for the year	-	-
Deferred tax charge (see note 6b)	-	-
Tax charge	-	-

Corporation tax is calculated at a rate of 19.00% (2021: 19.00%) of the taxable loss 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 loss before tax to the actual tax charge for the year is given below:

	2022 £	2021 £
Loss before tax	(28,553)	(16,743)
Tax credit thereon at UK corporation tax rate of 19.00% (2021: 19.00%)	(5,425)	(3,181)
Factors affecting credit:		
- Timing differences not recognised	5,425	3,181
Tax charge on loss	-	-
Effective rate	0.00%	0.00%

Deferred Tax

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.

A deferred tax asset of £226,000 relating to trading losses has not been recognised on the basis that the Company has insufficient forecast taxable profits to recover the asset in future periods. Subject to some conditions trading losses can be carried forward indefinitely and offset against future taxable profits.

7. Cash and cash equivalents

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

	2022 £	2021 £
Cash at bank	24,150	24,497

8. Amounts due from joint venture holding companies

	2022 £	2021 £
Horizon Capital 2000 Limited	-	1,252
Stewart Milne Group Limited	-	1,252
	-	2,504

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

9. Trade and other receivables

	2022 £	2021 £
Prepaid insurance	29	17

Notes to the financial statements (continued)

For the year ended 31 December 2022

10. Inventories

	2022 £	2021 £
At 1 January	520,000	520,000
At 31 December	520,000	520,000

11. Borrowed funds

	2022 £	2021 £
Standard secured loan facility	850,000	850,000
Unsecured loan facility	847,562	850,067
	1,697,562	1,700,067

Terms and debt repayment schedule

Interest on the standard secured loan facility is chargeable at 1% over the Bank of England base rate. The standard secured loan facility is repayable on termination of the Management and Development Agreement on 31 December 2023, or from the sale of the developments.

The unsecured loan facilities are interest free. 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.

12. Trade and other payables

	2022 £	2021 £
Secured loan interest payable	66,467	45,357
Management fee accrual	7,500	1,500
Other accruals	2,100	992
	76,067	47,849

13. Share capital

	2022 £	2021 £
Allotted, issued and fully paid		
50 (2021: 50) "A" ordinary shares of £1 each	50	50
50 (2021: 50) "B" ordinary shares of £1 each	50	50
	100	100

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

14. Financial Risk Management

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

14.1 Governance framework

One investor in the company is Horizon Capital 2000 Limited whose ultimate parent is Lloyds Banking Group plc ("Group"). The Group has established a financial risk management function with clear terms of reference and a framework for monitoring the policies on financial risks. The other investor, Stewart Milne Group Limited, similarly has processes in place to manage, monitor and mitigate risks applicable to its business which includes its investments. The risks related to the Company's activities are regularly evaluated. The key financial risks relevant to the Company are credit risk, market risk, interest rate risk and liquidity risk.

Notes to the financial statements (continued)

For the year ended 31 December 2022

14.2 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.

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.

	2022	2021
	£	£
Cash and cash equivalents	24,150	24,497
Trade and other receivables	29	17
Amounts due from joint venture holding companies	-	2,504
	24,179	27,018

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 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.

Interest rate risk

Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases as the Company is exposed to interest rate fluctuations arising from its borrowings.

As the Company is exposed to interest rate fluctuations arising from its borrowings, a sensitivity analysis has been prepared to illustrate the impact of a change in the rates. If base rates increased by 0.25% and all other variables remain constant this would increase the interest expense by £2,125 (2021: £2,125) and accordingly decrease interest expense by £2,125 (2021: £2,125) if base rates decreased by the same amount.

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 is funded by its joint venture holding companies. The table below sets out the cash flows payable by the Company in respect of its financial liabilities at the Balance sheet date.

As at 31 December 2022

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	>12 months	Total
	£	£	£	£	£
Loan and borrowing	1,697,563	-	-	-	1,697,563
Trade and other payable	76,067	-	-	-	76,067
Loan from group undertaking	30,128	-	-	-	30,128
Total liabilities	1,803,758	-	-	-	1,803,758

Notes to the financial statements (continued)

For the year ended 31 December 2022

14.2 Financial risks (continued)

Liquidity risk (continued)

As at 31 December 2021

Maturity of contractual liabilities	Up to 1 months	1-3 months	3-12 months	>12 months	Total
	£	£	£	£	£
Loan and borrowing	1,700,067	-	-	-	1,700,067
Trade and other payable	47,849	-	-	-	47,849
Loan from group undertaking	30,128	-	-	-	30,128
Total liabilities	1,778,044	-	-	-	1,778,044

15. Related party transactions

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.

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, Lloyds Banking Group plc and Stewart Milne Group Limited. 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 and consider that their services to the Company are incidental to their other activities within the Group.

	2022 £	2021 £
Cash and cash equivalents held with group undertakings		
Bank of Scotland Plc	24,150	24,497
Amounts due from joint venture holding companies		
Horizon Capital 2000 Limited	-	1,252
Stewart Milne Group Limited	-	1,252
Total amounts due from joint venture holding companies	-	2,504
Borrowed funds		
Horizon Capital 2000 Limited	1,292,494	1,293,747
Stewart Milne Homes (Southern) Limited	405,068	406,320
Total Borrowed Funds (see note 11)	1,697,562	1,700,067
Loan from Group undertaking		
Stewart Milne (West) Limited	30,128	30,128
Trade and other payables		
Horizon Capital 2000 Limited	73,967	46,857
Operating expenses		
Horizon Capital 2000 Limited	6,000	6,000
Finance cost		
Horizon Capital 2000 Limited	21,110	9,547

Notes to the financial statements (continued)

For the year ended 31 December 2022

16. 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.

17. Future developments

The following pronouncements are not applicable for the year ending 31 December 2022 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 2023 and in later years (including IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors). These amendments are not expected to have a significant impact on the Company.

18. Ultimate parent undertaking and controlling party

The Company's joint venture holding companies are Horizon Capital 2000 Limited and Stewart Milne Homes (Southern) Limited.

The company regarded by the Directors as the ultimate parent undertaking of Horizon Capital 2000 Limited is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which Horizon Capital 2000 Limited is a member. Copies of the financial statements for 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>.

The company regarded as the ultimate parent company of Stewart Milne Homes (Southern) Limited is Stewart Milne Group Limited which is incorporated in Scotland. Stewart Milne Group Limited will prepare consolidated financial statements for the year ended 30 October 2022.

Copies of the annual report and financial statements of Stewart Milne Group Limited for the year ended 30 October 2022 may be obtained from Stewart Milne Group Limited Office at Peregrine House, Aberdeen, AB32 6TQ.

Independent auditor's report to the members of Stewart Milne (Glasgow) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Stewart Milne (Glasgow) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss 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 18.

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 Stewart Milne (Glasgow) 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 Stewart Milne (Glasgow) 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 and directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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 2006 and 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 Stewart Milne (Glasgow) 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 has 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.



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
Date: 18 September 2023