Malcolm Properties (Holdings) Limited

Report and Accounts

31 January 2012

Registered No: SC283167

Registered No: SC 283167

Directors
A B Malcolm
W H Malcolm
G E Mitchell
A J N Hewitt

Secretary
C R Stewart

Auditors
Ernst & Young LLP
G1 Building
5 George Square
Glasgow
G2 1DY

Bankers
Bank of Scotland plc
110 St Vincent Street
Glasgow
G2 5EA

Solicitors
DLA Piper Scotland LLP
249 West George Street
Glasgow
G2 4RB

Registered Office
Brookfield House
2 Burnbrae Drive
Linwood Industrial Estate
Linwood
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PA3 3BU

Directors' report

Registered No: SC 283167

The directors present their report and accounts for the year ended 31 January 2012.

Results and dividends

The profit for the year, after taxation, amounted to £754,000 (2011 - £1,317,000). The directors did not recommend an ordinary dividend.

Principal activity, review of the business and future developments

The company's principal activity is a holding company. The results for the year reflect the funding cost of the company's bank borrowing and Loan Notes. In addition the company rents one property to W H Malcolm Ltd at an annual rental of £310,000 per annum and one property to Charles Lawrence Surfaces Ltd at an annual rental of £85,000 per annum. Both rentals are covered by long term leases.

The directors consider the future prospects of the company to be good as the performance of its principal subsidiary undertaking Malcolm Properties Ltd has been encouraging as its principal activity is property rental. Malcolm Properties Ltd rent eight freehold warehouse properties to W H Malcolm Ltd. The rental charged in the year to 31 January 2012 was £4,457,450. The annual rental is £4,438,300 and is at normal commercial rates. The directors consider the future prospects of the company to be good based on the long term lease arrangements in place.

Group Business Risks

The most significant risk to the Group is the continuing receipt of its rental income. The directors are confident that the risk of default is minimal.

Financial risk management objectives and policies

As the company's operations are all situated within the United Kingdom, the principal financial risk is associated with interest rates.

The Board has agreed policies for interest rate and foreign currency risks to be managed by the central treasury function on a day to day basis. The purpose of these policies is twofold. Firstly, they ensure that the Group has adequate funding at all times. Secondly, the policies are designed to carefully manage all interest rate and any foreign currency exposures. Transactions of a speculative nature are not permitted.

Operations have been financed through a combination of bank borrowings, long-term loans and short-term cash deposits. The Group borrows in Sterling at floating rates of interest and utilises derivative transactions to generate the desired effective interest rate and foreign currency profiles.

Derivatives used for this purpose are primarily interest rate swaps, currency options and forward currency contracts.

Directors of the company

The directors during the year were as follows:

A B Malcolm
W H Malcolm
A J N Hewitt
G E Mitchell

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report (continued)

Registered No: SC 283167

Going Concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report above. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Group operates centralised treasury arrangements and, as noted on page 14 in Note 12 to the financial statements, its banking facilities are not due for renewal until 31 January 2016.

The directors have assessed the covenant strength of the companies who have entered into long term property leases with the Group. This rental income forms all of the Group's turnover. Following this review, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Malcolm Properties (Holdings) group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Group's financial position, the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

C R Stewart
Secretary
31 October 2012

Statement of directors' responsibilities in respect of the accounts

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. 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.

INDEPENDENT AUDITORS' REPORT

to the members of Malcolm Properties (Holdings) Limited

We have audited the financial statements of Malcolm Properties (Holdings) Limited for the year ended 31 January 2012 which comprise Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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 (APB's) Ethical Standards for Auditors.

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 group's and the parent 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 Directors' Report and Accounts to identify material inconsistencies with the audited Accounts. 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 group's and the parent company's affairs as at 31 January 2012 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Ernst & Young LLP

Mark Harvey (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

31 October 2012

Group Profit and Loss Account

For the year ended 31 January 2012

	Notes	2011/12 £000	2010/11 £000
Turnover	2	4,863	4,774
Administrative expenses		(100)	(106)
Operating profit	3	4,763	4,668
Net interest payable	5	(3,736)	(3,807)
Profit on ordinary activities before taxation		1,027	861
Tax on profit on ordinary activities	6	(273)	456
Profit on ordinary activities after taxation	15	754	1,317

Group Statement of total recognised gains and losses

for the year ended 31 January 2012

There are no recognised gains and losses other than the profit for the year of £754,000 (2010/11 – £1,317,000).

Group Balance Sheet
at 31 January 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Tangible fixed assets					
Freehold warehousing	7		62,263		62,263
			62,263		62,263
Current assets					
Debtors	9	325		210	
Cash at bank and in hand		1,532		2,967	
		1,857		3,177	
Creditors: amounts falling due within one year	10	999		1,073	
Net current assets			858		2,104
Total assets less current liabilities			63,121		64,367
Creditors: amounts falling due after one year	11		56,860		58,860
Provisions for liabilities	13		6		6
Net assets			6,255		5,501
Capital and reserves					
Called up share capital	14		440		440
Profit and loss account			5,815		5,061
Shareholders' funds	15		6,255		5,501

A B Malcolm
Director

31 October 2012

Company Balance Sheet
at 31 January 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Tangible fixed assets					
Freehold warehousing	7		5,163		5,163
Investments	8		18,353		18,353
Current assets					
Debtors: amounts due after more than one year	9	33,742		34,810	
Debtors: amounts due within one year	9	303		188	
Cash at bank and in hand		430		2,021	
		34,475		37,019	
Creditors: amounts falling due within one year	10	142		319	
Net current assets			34,333		36,700
Total assets less current liabilities			57,849		60,216
Creditors: amounts falling due after one year	11		56,860		58,860
Provisions for liabilities	13		6		6
Net assets			983		1,350
Capital and reserves					
Called up share capital	14		440		440
Profit and loss account			543		910
Shareholders' funds	15		983		1,350

A B Malcolm
Director

31 October 2012

Group cash flow statement

For the year ended 31 January 2012

		2011/12		2010/11	
	Notes	£000	£000	£000	£000
Cash inflow from operating activities	19		4,753		4,650
Returns on investments and servicing of finance	16		(3,736)		(3,807)
Taxation			(185)		124
Capital expenditure and financial investment	16		(150)		–
Cash inflow before use of liquid resources and financing			682		967
Financing					
Decrease in debt	16	(2,117)		–	
			(2,117)		–
(Decrease) / increase in cash			(1,435)		967

Reconciliation of Net Cash Flow to Movement in Net Debt

		2011/12		2010/11	
	Notes	£000	£000	£000	£000
(Decrease) / increase in cash		(1,435)		967	
Cash outflow from decrease in debt and lease financing		2,117		–	
Decrease in net debt			682		967
Opening net debt	20		(56,010)		(56,977)
Closing net debt	20		(55,328)		(56,010)

Notes to the accounts
at 31 January 2012

1. Accounting policies

The financial statements of Malcolm Properties (Holdings) Limited were approved for issue by the Board of Directors on 31 October 2012.

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of preparation

The Group accounts deal with the state of affairs of the Company and its subsidiary undertakings as at 31 January 2012 together with the profit and loss account and cash flows for the year ended on that date. The accounts have been prepared in accordance with applicable accounting standards. In accordance with Section 408 of the Companies Act 2006, no profit and loss account is presented for the Company. A summary of the principal accounting policies, which have been consistently applied, is set out in the following paragraphs.

Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiaries from the effective dates of acquisition or to the dates of disposal.

Turnover

Turnover represents sales, excluding value added tax, of goods and services to third parties.

Tangible fixed assets

Tangible fixed assets are stated at historical cost or valuation.

Depreciation is not charged on freehold properties as it is not material. In accordance with FRS 15 an annual impairment review under FRS 11 is performed on these properties. The results of this review showed that the recoverable amount is in excess of the carrying amount, supporting the policy. This is a departure from the requirements of the Companies Act 2006 which requires all properties to be depreciated. The directors consider that the policy of not depreciating freehold properties results in the financial statements giving a true and fair view.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for tax and accounting purposes.

Deferred taxation

Deferred tax is recognised on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date with the following two exceptions:

1. Provision is only made for tax on gains which would arise on the disposal of fixed assets where there is a binding commitment to dispose of the assets at the balance sheet date and the gain on disposal will not be rolled over into replacement assets. Similarly, provision is only made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets where there is a binding commitment to dispose of the assets at the balance sheet date; and

2. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis utilising the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the accounts

at 31 January 2012

2. Turnover

Turnover which is stated net of value added tax represents the invoiced amount of goods sold and services provided. All turnover and pre-tax profit is attributable to the continuing activity, namely the provision of warehousing.

3. Operating profit

This is stated after charging:

		2011/12	2010/11
		£000	£000
Auditors' remuneration	- audit services *	12	10

* £2,000 (2010/11 - £2,000) of this relates to the company.

4. Staff costs

(a) The company has no employees apart from the directors. No director received any emoluments during the year.

(b) Average monthly number of employees:

The average weekly number of employees during the year was made up as follows:

	2011/12	2010/11
	No.	No.
Office and management	4	4

5. Net interest payable

	2011/12	2010/11
	£000	£000
Bank loans and overdrafts	3,719	3,789
Other loans	17	18
	3,736	3,807

6. Taxation

(a) Tax on profit on ordinary activities

The tax charge / (credit) is made up as follows:

	2011/12	2010/11
	£000	£000
Corporation tax– on profit for the year	256	62
– prior year adjustments	17	(524)
Current tax total	273	(462)
Deferred taxation– current year	–	6
Deferred tax total	–	6
	273	(456)

Notes to the accounts

at 31 January 2012

6. Taxation (continued)

(b) Factors affecting current tax charge

The tax assessed on the results for the year is higher than the standard rate of corporation tax in the UK of 26.3% (2010/11 – 28%). The differences are reconciled below:

	2011/12	*2010/11*
	£000	£000
The charge for the year comprises:		
Profit on ordinary activities after exceptional items	1,027	861
Tax on profit on ordinary activities @ 26.3% (2011 – 28%)	270	241
Effects of:		
Items not deductible for tax purposes	102	13
Adjustments relating to prior year corporation tax	17	(524)
Difference in tax rates of losses carried back	(116)	–
Utilisation of tax losses brought forward	–	(79)
Other timing differences/capital allowances in excess of depreciation	–	10
Balancing payment regarding transfer pricing adjustment	–	(123)
	273	(462)

(c) Factors that may affect future tax charges

The government has announced that it intends to reduce the rate of UK corporation tax to 22% by 1 April 2014. The current rate of 26% will reduce to 24% from 1 April 2012. A further series of 1% annual reductions will be made until a rate of 22% is reached with effect from 1 April 2014.

7. Tangible fixed assets

Group	*Freehold Buildings*	*Freehold Warehousing*	*Total*
Cost:	*£000*	*£000*	*£000*
At 1 February 2011	1,047	61,216	62,263
Additions	–	–	–
At 31 January 2012	1,047	61,216	62,263
Depreciation:			
At 1 February 2011 and 31 January 2012	–	–	–
Net book value:			
At 1 February 2011	1,047	61,216	62,263
At 31 January 2012	1,047	61,216	62,263

Notes to the accounts
at 31 January 2012

7. Tangible fixed assets (continued)

	Freehold Buildings	*Freehold Warehousing*	*Total*
Company	*£000*	*£000*	*£000*
Cost:			
At 1 February 2011	1,047	4,116	5,163
Additions	–	–	–
At 31 January 2012	1,047	4,116	5,163
Depreciation:			
At 1 February 2011 and 31 January 2012	–	–	–
Net book value:			
At 1 February 2011	1,047	4,116	5,163
At 31 January 2012	1,047	4,116	5,163

Tangible fixed assets are stated at historical cost in both the group and company. Depreciation is not charged on freehold properties as it is not material.

8. Investments
Company

	Cost	*Provisions*	*Net book value*
	£000	*£000*	*£000*
At 1 February 2011 and 31 January 2012	18,353	–	18,353

Details of the company's principal operating subsidiary which is 100% owned, are noted below:

Name of Company	**Country of incorporation or registration**	**Holding**	**Nature of business**
Malcolm Properties Limited	England	Ordinary Shares of 25p each	Holding company

9. Debtors

	2012		*2011*	
	Group	*Company*	*Group*	*Company*
	£000	*£000*	*£000*	*£000*
Prepayments and accrued income	22	–	22	–
Other debtors due within one year	303	303	188	188
Amounts due from subsidiary due outwith one year	–	33,742	–	34,810
	325	34,045	210	34,998

Notes to the accounts
at 31 January 2012

10. Creditors: amounts falling due within one year

	2012		2011	
	Group	*Company*	*Group*	*Company*
	£000	*£000*	*£000*	*£000*
Loan notes	–	–	117	–
Other taxes and social security costs	242	20	239	–
Other creditors and accruals	369	122	532	319
Corporation tax	388	–	185	–
	999	142	1,073	319

11. Creditors: amounts falling due after more than one year

	2012		2011	
	Group	*Company*	*Group*	*Company*
	£000	*£000*	*£000*	*£000*
Bank loans (note 12)	45,860	45,860	47,860	47,860
Unsecured Redeemable Loan Notes 2016 (*)	11,000	11,000	11,000	11,000
	56,860	56,860	58,860	58,860

* Interest is charged on Unsecured Redeemable Loan Notes at 8% per annum. The Unsecured Redeemable Loan Notes are redeemable in full at par on 31 January 2016.

12. Bank loans and overdrafts

	2012		2011	
	Group	*Company*	*Group*	*Company*
	£000	*£000*	*£000*	*£000*
Bank loans and overdrafts	45,860	45,860	47,860	47,860
Amounts due at the period end are repayable as follows:				
Term Loan *	45,860	45,860	47,860	47,860

(*) The term loan of £47,860,000 is repayable in full on 31 January 2016.

Interest is charged on the Term Loan Facility at LIBOR plus a margin of 1.5%.

The variable interest costs associated with the term loan is hedged by means of a ten year fixed interest rate SWAP derivative. The effect of this hedge strategy is to fix the cost of borrowing at 4.8425% plus margin for £45,000,000 of the Group's borrowing until 31 July 2015.

All loans are secured by means of standard securities, legal charges, debentures, floating charges and cross guarantees over all the assets of Malcolm Properties (Holdings) Limited and other group companies.

Notes to the accounts
at 31 January 2012

13. Provisions for liabilities

Deferred taxation	*Group* *£000*	*Company* *£000*
At 1 February 2011	6	6
Arising during the year	–	–
At 31 January 2012	6	6

	2012		*2011*	
	Group *£000*	*Company* *£000*	*Group* *£000*	*Company* *£000*
The provision for deferred taxation comprises:				
Decelerated capital allowances	6	6	6	6
	6	6	6	6

14. Share capital

	31 January 2012		*31 January 2011*	
	Number *(000)*	*Amount* *£000*	*Number* *(000)*	*Amount* *£000*
Authorised				
Ordinary shares of £1 each	440	440	440	440
Allotted, issued and fully paid				
Ordinary shares of £1 each	440	440	440	440

Movements in share capital during the period were as follows:

	Ordinary Shares Number (000)	*Nominal Amount £000*
Shares in issue at 1 February 2011 and 31 January 2012	440	440

15. Reconciliation of movement in shareholders' funds

	Group *£000*	*Company* *£000*
Profit for the year	754	(367)
Total movements during the year	754	(367)
Shareholders' funds at beginning of year	5,501	1,350
Shareholders' funds at end of year	6,255	983

Notes to the accounts

at 31 January 2012

16. Analysis of cash flows for headings netted in the cash flow statement

	2011/12	2010/11
	£000	£000
a) **Financing**		
Repayment of loan notes	(117)	–
Repayment of long term loans	(2,000)	–
Net cash outflow from financing	(2,117)	–

	2011/12	2010/11
	£000	£000
b) **Capital expenditure and financial investment**		
Purchase of tangible fixed assets	(150)	-
Net cash outflow for capital expenditure and financial investment	(150)	-

	2011/12	2010/11
	£000	£000
c) **Returns on investments and servicing of finance**		
Interest paid	(3,736)	(3,807)
Net cash outflow for returns on investments and servicing of finance	(3,736)	(3,807)

17. Related party transactions

A B Malcolm and W H Malcolm together with Uberior Ventures Ltd hold interests in Malcolm Properties (Holdings) Ltd. As part of a re-organisation of The Malcolm Group, a separate company called Malcolm Properties (Holdings) Ltd acquired 100% of the share capital of Malcolm Properties Ltd on 30 January 2006. In addition A B Malcolm and W H Malcolm together with Cavendish Square Partners Ltd hold material interests in The Malcolm Group Ltd, the ultimate parent undertaking of W H Malcolm Ltd.

Malcolm Properties (Holdings) Ltd rent one freehold warehouse property to W H Malcolm Ltd. The storage charged in the year to 31 January 2012 was £320,500. The annual rental is £310,000 and is at normal commercial rates. In addition, Malcolm Properties (Holdings) Ltd rent one commercial office property to Charles Lawrence Surfaces Ltd. The storage charged in the year to 31 January 2012 was £85,000. The annual rental is £85,000 and is at normal commercial rates.

18. Contingent liability

In conjunction with certain other companies in Malcolm Properties (Holdings) Limited group, the company has granted guarantees to secure the bank loans and overdrafts of the companies in the group banking with the Bank of Scotland, as follows:

	2012		2011	
	Group	Company	Group	Company
	£000	£000	£000	£000
Bank loans (note 12)	45,860	45,860	47,860	47,860

Notes to the accounts

at 31 January 2012

19. Reconciliation of operating profit to net cash inflow from operating activities

	2011/12	*2010/11*
	£000	*£000*
Operating profit	4,763	4,668
Increase in debtors	–	(172)
Increase / (decrease) in creditors	(10)	154
Net cash inflow from operating activities	4,753	4,650

20. Analysis of net (debt) / funds

	At 1 February 2011 (£000)	Cash flow (£000)	At 31 January 2012 (£000)
Cash			
Cash at bank and in hand	2,967	(1,435)	1,532
Financing			
Loan notes due within one year	(117)	117	–
Debt due after one year	(47,860)	2,000	(45,860)
Loan notes due outwith one year issued	(11,000)	–	(11,000)
	(58,977)	2,117	(56,860)
	(56,010)	682	(55,328)

21. Ultimate parent undertaking

The company is a joint venture between Uberior Ventures Limited, Walter Malcolm and Andrew Malcolm. No company is considered to be the ultimate parent undertaking.