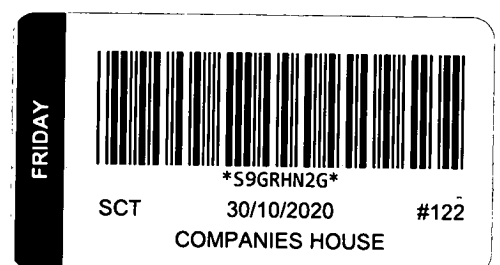


Malcolm Properties (Holdings) Limited

Report and Financial Statements

31 January 2020

Registered No: SC283167



Malcolm Properties (Holdings) Limited

Registered No: SC 283167

Corporate information

Directors

A B Malcolm
W H Malcolm
G E Mitchell

Secretary

C R Stewart

Auditors

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

Bankers

HSBC Bank plc
141 Bothwell Street
Glasgow
G2 7EQ

Solicitors

Burness Paul LLP
120 Bothwell Street
Glasgow
G2 7JL

Registered Office

Brookfield House
2 Burnbrae Drive
Linwood Industrial Estate
Linwood
Renfrewshire
PA3 3BU

Strategic report

Registered No: SC 283167

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. All of the loan notes were redeemed in full on 21 February 2019.

During the year Malcolm Properties (Holdings) Ltd acquired an additional warehouse for a consideration of £5,020,194. The company therefore now rents three properties to W H Malcolm Ltd at an annual rental of £1,401,000 per annum and one property to Charles Lawrence Surfaces Ltd at an annual rental of £85,000 per annum. All rentals are covered by long term leases. The rental charged in the year to 31 January 2020 was £1,369,080. The investment properties were valued on 31 January 2020 by an independent valuer resulting in an increase on revaluation of £5,430,000.

During March 2020 the threat posed by global coronavirus pandemic had an unprecedented impact on the operations of the Company. However, 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 now rents seven freehold warehouse properties to W H Malcolm Ltd at an annual rental of £3,577,000 per annum. The rental charged in the year to 31 January 2020 was £3,577,000.

Group Business Risks

The directors have assessed the covenant strength of the Malcolm Group who the Group has entered into long term property leases with. This review took account of the financial forecasts and stress test analysis which specifically modelled the potential impact of the coronavirus pandemic on the Malcolm Group financial performance. The Malcolm Group banking facilities were also successfully renewed for a five year period ending in July 2025.

Following this review, the directors have no reason to believe that the Malcolm Group will not be able to service its lease obligations. Providing the Malcolm Group continues to pay its rent to the Group, there should be little financial impact on the Group due to the coronavirus pandemic.

Financial risk management objectives and policies

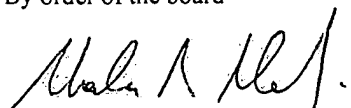
As the Group's operations are all situated within the United Kingdom, the principal financial risk is associated with interest rates.

The Board has agreed policies for interest rate 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 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 profiles.

Derivatives used for this purpose are primarily interest rate swaps.

By order of the board



C R Stewart
Secretary

21 August 2020

Directors' report

Registered No: SC 283167

The directors present their report and accounts for the year ended 31 January 2020.

Results and dividends

The profit for the year, after taxation, amounted to £8,430,000 (2019 - £12,019,000). The directors did not recommend an ordinary dividend.

Directors of the company

The directors during the year were as follows:

A B Malcolm

W H Malcolm

G E Mitchell (resigned 31 May 2020)

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The directors have assessed the covenant strength of the Malcolm Group Ltd who the Group has entered into long term property leases with. This review took account of the financial forecasts and stress test analysis which specifically modelled the potential impact of the coronavirus pandemic on the Malcolm Group financial performance. The Malcolm Group banking facilities were also successfully renewed for a five year period ending in July 2025. Following this review, the directors have no reason to believe that the Malcolm Group will not be able to service its lease obligations. Providing the Malcolm Group continues to pay its rent to the Group, there should be little financial impact on the Group due to the coronavirus pandemic.

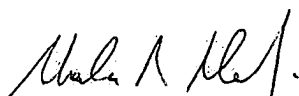
As noted in the Directors' Report, the Group successfully secured new fully committed banking facilities for a five year period ending in January 2025.

On the basis of their assessment of the Group's financial position, the directors have a reasonable expectation that the Group 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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

By order of the board



C R Stewart
Secretary

21 August 2020

Statement of directors' responsibilities in respect of the accounts

The directors are responsible for preparing the Strategic Report, 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 including FRS 102 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 AUDITOR'S REPORT TO THE MEMBERS OF Malcolm Properties (Holdings) Limited

Opinion

We have audited the financial statements of Malcolm Properties (Holdings) Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 January 2020 which comprise the group Income Statement, the group Statement of comprehensive income, the group and parent Statement of changes in equity, the group and parent company Statement of financial position, group Statement of cash flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 January 2020 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.

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 below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

Emphasis of matter – effects of COVID-19

We draw attention to Note 1 (Going Concern) and Note 21 (Non-adjusting Subsequent Events) in the financial statements, which describes the economic and social disruption the Company is facing as a result of the coronavirus pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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 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

Responsibilities of directors

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, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

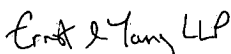
Auditor's responsibilities for the audit of the financial statements

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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Paul Copland (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow, 21 August 2020

Group Income Statement

For the year ended 31 January 2020

	Notes	2019/20 £000	2018/19 £000
Turnover	2	4,946	5,328
Administrative expenses		(77)	(81)
Operating profit	3	4,869	5,247
Gain on disposal of investment property		–	2,150
Gain on revaluation of investment properties	7	5,430	6,795
Profit on ordinary activities before interest and taxation		10,299	14,192
Net gain on financial liabilities at fair value through profit and loss account		116	217
Net interest payable	5	(1,279)	(1,667)
Profit on ordinary activities before taxation		9,136	12,742
Tax on profit on ordinary activities	6	(706)	(723)
Profit for the financial year		8,430	12,019

Group Statement of Comprehensive Income & Expense

for the year ended 31 January 2020

	Notes	2019/20 £000	2018/19 £000
Profit for the financial year		8,430	12,019
Total other comprehensive income		–	–
Total comprehensive income for the year		8,430	12,019

There are no items of comprehensive income other than the profit for the year of £8,430,000 (2018/19 - £12,019,000)

Statement of Changes in Equity

For the year ended 31 January 2020

Group

		Share capital £000	Capital redemption reserve £000	Non distributable reserve £000	Profit and loss account £000	Total share holders' funds £000
	Notes					
At 1 February 2018		229	211	9,103	13,061	22,604
Profit for the financial year		–	–	6,795	5,224	12,019
Revaluation reserve realised on disposal		–	–	(7,166)	7,166	–
At 31 January 2019		229	211	8,732	25,451	34,623
Profit for the financial year		–	–	5,430	3,000	8,430
At 31 January 2020	14, 15	229	211	14,162	28,451	43,053

Shareholders' funds are entirely attributable to equity interests.

Company

		Share capital £000	Capital redemption reserve £000	Non distributable reserve £000	Profit and loss account £000	Total share holders' funds £000
	Notes					
At 1 February 2018		229	211	933	1,326	2,699
Profit for the financial year		–	–	1,904	5,358	7,262
At 31 January 2019		229	211	2,837	6,684	9,961
Profit for the financial year		–	–	1,545	1,202	2,747
At 31 January 2020	14, 15	229	211	4,382	7,886	12,708

Shareholders' funds are entirely attributable to equity interests.

Group Statement of Financial Position

at 31 January 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets – investment properties	7	74,525	64,075
		<u>74,525</u>	<u>64,075</u>
Current assets			
Debtors	9	211	149
Cash at bank and in hand		1,121	19,828
		<u>1,332</u>	<u>19,977</u>
Creditors: amounts falling due within one year	10	(1,558)	(9,899)
Net current (liabilities) / assets		<u>(226)</u>	<u>10,078</u>
Total assets less current liabilities		<u>74,299</u>	<u>74,153</u>
Creditors: amounts falling due after one year	11	(31,246)	(39,530)
Net assets		<u><u>43,053</u></u>	<u><u>34,623</u></u>
Capital and reserves			
Called up share capital	14	229	229
Capital redemption reserve		211	211
Non-distributable reserve		14,162	8,732
Profit and loss account		28,451	25,451
Shareholders' funds		<u><u>43,053</u></u>	<u><u>34,623</u></u>

The financial statements were approved by the Board of Directors on 21 August 2020 and were signed on its behalf by:



A B Malcolm
Director

Company Statement of Financial Position

at 31 January 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets – investment properties	7	21,080	14,515
Investments	8	18,353	18,353
Current assets			
Debtors:			
amounts falling due within one year	9	368	785
amounts falling due after one year	9	4,235	11,626
Cash at bank and in hand		1,024	9,666
		5,627	22,077
Creditors: amounts falling due within one year	10	(1,106)	(5,454)
Net current assets		4,521	16,623
Total assets less current liabilities		43,954	49,491
Creditors: amounts falling due after one year	11	(31,246)	(39,530)
Net assets		12,708	9,961
Capital and reserves			
Called up share capital	14	229	229
Capital redemption reserve		211	211
Non-distributable reserve		4,382	2,837
Profit and loss account		7,886	6,684
Shareholders' funds		12,708	9,961

The financial statements were approved by the Board of Directors on 21 August 2020 and were signed on its behalf by:



A B Malcolm
Director

Group Statement of Cash Flows

For the year ended 31 January 2020

		2019/20		2018/19	
	Notes	£000	£000	£000	£000
Cash inflow from operating activities	17		(3,983)		12,653
Investing activities	17		(5,020)		19,250
Financing activities	17		(9,704)		(12,984)
(Decrease) / increase in cash and cash equivalents			(18,707)		18,919
Opening cash and cash equivalents	20		19,828		909
Closing cash and cash equivalents	20		1,121		19,828

Notes to the Financial Statements

at 31 January 2020

1. Accounting policies

The financial statements of Malcolm Properties (Holdings) Limited were approved for issue by the Board of Directors on 21 August 2020.

Statement of compliance

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 January 2020.

Accounting convention

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

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. In accordance with Section 408 of the Companies Act 2006, no profit and loss account is presented for the Company. The profit after tax of the parent Company for the year ended 31 January 2020 was £2,747,414 (2019 – £7,263,503).

Basis of preparation

The Group accounts deal with the state of affairs of the Company and its subsidiary undertakings as at 31 January 2020 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. A summary of the principal accounting policies, which have been consistently applied, is set out in the following paragraphs.

Going Concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The directors have assessed the covenant strength of the Malcolm Group Ltd who the Group have entered into long term property leases with the Group. This review took account of the financial forecasts and stress test analysis which specifically modelled the potential impact of the coronavirus pandemic on the Malcolm Group financial performance. The Malcolm Group banking facilities were also successfully renewed for a five year period ending in July 2025. Following this review, the directors have no reason to believe that the Malcolm Group will not be able to service its lease obligations. Providing the Malcolm Group continues to pay its rent to the Group, there should be little financial impact on the Group due to the coronavirus pandemic.

As noted in the Directors' Report, the Group successfully secured new fully committed banking facilities for a five year period ending in January 2025. The Group is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Group operates centralised treasury arrangements and during the year its banking facilities were renewed for a further five years until 28 January 2025.

On the basis of their assessment of the Group's financial position, the directors have a reasonable expectation that the Group 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.

Turnover

Turnover represents rental income to third parties, excluding value added tax.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Notes to the Financial Statements

at 31 January 2020

1. Accounting policies (continued)

Tangible fixed assets - Investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value at 31 January 2020.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Operating lease commitments

The Group has entered into commercial property leases as a lessor on its investment property portfolio and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Significant accounting policies:

Tangible fixed assets - Investment properties

All of the company's properties are held for long-term investment. Investment properties are accounted for as follows:

Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.

Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in the profit and loss account accumulated in the profit and loss reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

Investments

Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

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 in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Notes to the Financial Statements

at 31 January 2020

1. Accounting policies (continued)

Derivative instruments

The group uses interest rate swaps to adjust interest rate exposures.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

The company does not undertake any hedge accounting transactions.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Loan notes

Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

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:

	2019/20	2018/19
	£000	£000
Auditors' remuneration - audit services *	12	12
Auditors' fees for taxation services	5	5
	<u>17</u>	<u>17</u>

* £2,000 (2018/19 - £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:

	2019/20	2018/19
	No.	No.
Office and management	3	3
	<u>3</u>	<u>3</u>

Notes to the Financial Statements

at 31 January 2020

5. Net interest payable

	2019/20	2018/19
	£000	£000
Bank loans and overdrafts	1,279	1,667

6. Taxation

(a) Tax on profit on ordinary activities

	2019/20	2018/19
	£000	£000
The tax charge is made up as follows:		
Corporation tax – on profit for the year	710	730
– prior year adjustments	2	–
Current tax total	712	730
Deferred taxation:		
Originating and reversal of timing differences	(6)	(7)
– prior year adjustments	–	–
Deferred tax total	(6)	(7)
	706	723

(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 19.0% (2018/19 – 19.0%). The differences are reconciled below:

	2019/20	2018/19
	£000	£000
The charge for the year comprises:		
Profit on ordinary activities before taxation	9,136	12,742
Tax on profit on ordinary activities @ 19.0% (2019 – 19.0%)	1,736	2,421
Effects of:		
Adjustments relating to prior year corporation tax	2	–
Adjustments relating to prior year deferred tax	–	–
(Gain) on disposal of investment properties	–	(408)
(Gain) on revaluation of investment properties	(1,032)	(1,290)
Total tax charge for the year	706	723

No corporation tax should be payable on the disposal of investment properties at their carrying value due to capital losses available of £34.6million.

(c) Factors that may affect future tax charges

The Finance Act 2016, substantively enacted on 6 September 2016, included legislation that would reduce the main rate of corporation tax to 17%, effective from 1 April 2020. However, in his budget speech on 11 March 2020, the Chancellor announced the cancellation of the reduction in the main UK corporation tax rate to 17%. As such, the main UK corporation tax rate will remain at 19% from 1 April 2020.

As the cancellation of the reduction in the rate to 17% was not substantively enacted at the balance sheet date, deferred tax continues to be recognised at 17%. The reversal of the rate reduction would have the impact of increasing the deferred tax asset within the company by £2,000.

Notes to the Financial Statements

at 31 January 2020

7. Tangible assets – investment properties

Group	<i>Freehold Buildings £000</i>	<i>Freehold Warehousing £000</i>	<i>Total £000</i>
Cost:			
At 1 February 2019	340	63,735	64,075
Additions	–	5,020	5,020
Gain on revaluation of investment properties	–	5,430	5,430
At 31 January 2020	340	74,185	74,525
Depreciation:			
At 1 February 2019 and 31 January 2020	–	–	–
Carrying amount:			
At 31 January 2020	340	74,185	74,525
At 1 February 2019	340	63,735	64,075
Company			
Cost:			
At 1 February 2019	340	14,175	14,515
Additions	–	5,020	5,020
Gain on revaluation of investment properties	–	1,545	1,545
At 31 January 2020	340	20,740	21,080
Depreciation:			
At 1 February 2019 and 31 January 2020	–	–	–
Net book value:			
At 31 January 2020	340	20,740	21,080
At 1 February 2019	340	14,175	14,515
Group and Company			
The net book value of land and buildings at the year-end comprised:		Group £000	Company £000
Investment properties at fair value:			
Freehold properties		74,525	21,080
The historical cost of investment properties held at fair value is as follows:			
		Group £000	Company £000
At 1 February 2019		55,343	11,655
Additions		5,020	5,020
At 31 January 2020		60,363	16,675

Notes to the Financial Statements

at 31 January 2020

7. Tangible assets – investment properties (continued)

The investment properties were valued on 31 January 2020 by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued, on the basis of fair value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

Movements in the fair value of investment properties are as follows:

	Group £000	Company £000
Investment properties at fair value:		
At 1 February 2019	64,075	14,515
Additions	5,020	5,020
Gain on revaluation of investment properties	5,430	1,545
At 31 January 2020	74,525	21,080

8. Investments

Company	Cost £000	Provisions £000	Net book value £000
At 1 February 2019 and 31 January 2020	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

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Prepayments and accrued income	22	–	22	–
Other debtors due within one year	170	349	114	772
Amounts due from subsidiary due outwith one year	–	4,235	–	11,626
Deferred tax asset (note 13)	19	19	13	13
	211	4,603	149	12,411

10. Creditors: amounts falling due within one year

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Current instalments due on bank loans (note 12)	480	480	493	493
Other taxes and social security costs	–	–	4,081	–
Other creditors and accruals	582	384	4,689	4,488
Corporation tax	434	180	458	295
Derivative financial instruments	62	62	178	178
	1,558	1,106	9,899	5,454

Notes to the Financial Statements

at 31 January 2020

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

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Bank loans (note 12)	31,246	31,246	35,480	35,480
Unsecured Redeemable Loan Notes 2019 (*)	–	–	4,050	4,050
	<u>31,246</u>	<u>31,246</u>	<u>39,530</u>	<u>39,530</u>

* All of the loan notes were redeemed in full on 21 February 2019.

12. Bank loans and overdrafts

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Bank loans and overdrafts	32,052	32,052	36,101	36,101
Less issue costs	(326)	(326)	(128)	(128)
	<u>31,726</u>	<u>31,726</u>	<u>35,973</u>	<u>35,973</u>
Amounts due at the period end are repayable as follows:				
Term Loan A	<u>31,726</u>	<u>31,726</u>	<u>35,973</u>	<u>35,973</u>

The Term Loan A facility is repayable at £120,193 per quarter commencing on 30 April 2020. Interest is charged on the Term Loan A facility at LIBOR plus a margin.

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 Financial Statements

at 31 January 2020

13. Provisions for liabilities

Deferred taxation	Group £000	Company £000
At 1 February 2019	(13)	(13)
Arising during the year	(6)	(6)
At 31 January 2020	(19)	(19)

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
The provision for deferred taxation comprises:				
Accelerated capital allowances	34	34	33	33
Other timing differences	(53)	(53)	(46)	(46)
	(19)	(19)	(13)	(13)

14. Share capital

	31 January 2020		31 January 2019	
	Number (000)	Amount £000	Number (000)	Amount £000
Authorised				
Ordinary shares of £1 each	229	229	229	229
Allotted, issued and fully paid				
Ordinary shares of £1 each	229	229	229	229
Movements in share capital during the period were as follows:				
			Ordinary Shares Number (000)	Nominal Amount £000
Shares in issue at 1 February 2019 and 31 January 2020			229	229

15. Reserves

Capital redemption reserve

This reserve records the nominal amount of shares repurchased by the company.

Non distributable reserve

This reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset.

Notes to the Financial Statements

at 31 January 2020

16. Financial instruments

	2020		2019	
	Group	Company	Group	Company
Financial assets at fair value through profit or loss				
Investment properties	74,525	21,080	64,345	14,525
Financial assets that are debt instruments measured at amortised cost				
Other debtors	170	4,584	114	12,398
Financial liabilities measured at amortised cost				
Bank loans (note 12)	31,726	31,726	35,973	35,973
Unsecured Redeemable Loan Notes	–	–	4,050	4,050
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	62	62	178	178

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

	2019/20	2018/19
	£000	£000
a) Operating activities		
Profit for the financial year before taxation	9,136	12,742
Adjustments to reconcile profit for the year to net cash flow from operating activities		
Gain on revaluation of investment properties	(5,430)	(6,795)
Gain on disposal of investment properties	–	(2,150)
Interest paid	1,279	1,667
Arrangement fees amortised	128	122
(Decrease) / increase in creditors	(8,304)	7,811
(Increase) / decrease in debtors	(56)	–
	(3,247)	13,397
Corporation tax paid	(736)	(744)
Net cash (outflow) / inflow from operating activities	(3,983)	12,653
b) Investing activities		
Purchase of tangible fixed assets	(5,020)	(3,500)
Sale of tangible fixed assets	–	22,750
Net cash (outflow) / inflow from investing activities	(5,020)	19,250
c) Financing activities		
Interest paid	(1,279)	(1,667)
Repayment of long term loans	(8,425)	(11,317)
Net cash outflow from financing activities	(9,704)	(12,984)

Notes to the Financial Statements

at 31 January 2020

18. Related party transactions

A B Malcolm and W H Malcolm 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 hold material interests in The Malcolm Group Ltd, the ultimate parent undertaking of W H Malcolm Ltd.

Malcolm Properties (Holdings) Ltd rent three freehold warehouse properties to W H Malcolm Ltd. The storage charged in the year to 31 January 2020 was £1,284,080. The annual rental is £1,401,000 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 2020 was £85,000. The annual rental is £85,000 and is at normal commercial rates.

19. 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 group's banks, as follows:

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Bank loans (note 12)	32,052	32,052	36,101	36,101

20. Analysis of cash and cash equivalents

	At 1 February 2019 (£000)	Cash flow (£000)	At 31 January 2020 (£000)
Cash			
Cash at bank and in hand	19,828	(18,707)	1,121

21. Events after the reporting date - COVID-19

During March of this year the threat posed by global coronavirus pandemic had an unprecedented impact on the lives of our employees, both personally and professionally. Our first priority was to look after the health, safety and well-being of our employees. Informed by a suitable risk assessment, we acted quickly to introduce a series of control measures to protect our people, including:

- Promoting and continually reinforcing excellent personal and respiratory hygiene
- Enhancing workplace cleaning protocols
- Ensuring all staff have appropriate PPE
- Installation of thermal imaging cameras at main sites
- Installation of sneeze guards in office spaces where appropriate
- Altered shift patterns to allow greater social distancing
- Staggering meal and break times
- Banning non-essential visitors at our locations with new technology facilitating virtual meetings
- Allowing homeworking where practical

The directors have assessed the covenant strength of the Malcolm Group Ltd who the Group has entered into long term property leases with. This review took account of the financial forecasts and stress test analysis which specifically modelled the potential impact of the coronavirus pandemic on the Malcolm Group financial performance. The Malcolm Group banking facilities were also successfully renewed for a five year period ending in July 2025. Following this review, the directors have no reason to believe that the Malcolm Group will not be able to service its lease obligations. Providing the Malcolm Group continues to pay its rent to the Group, there should be little financial impact on the Group due to the coronavirus pandemic.

Notes to the Financial Statements

at 31 January 2020

21. Events after the reporting date - COVID-19 (continued)

As of the signing date of these financial statements, remote working and other social distancing arrangements have not adversely affected our financial reporting systems, internal control over financial reporting or disclosure controls and procedures.

Importantly, as noted in the Directors' Report, the Group successfully secured new fully committed banking facilities for a five year period ending in January 2025.

22. Controlling Party

The company is under the joint control of A B Malcolm and W H Malcolm, who together hold 96.15% of the issued ordinary shares.