

Malcolm Properties (Holdings) Limited

Report and Financial Statements

31 January 2021

Registered No: SC283167



Malcolm Properties (Holdings) Limited

Registered No: SC283167

Corporate information

Directors

A B Malcolm
W H Malcolm
Mrs A M McGregor

Secretary

C R Stewart

Auditors

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

Bankers

HSBC UK Bank plc
141 Bothwell Street
Glasgow
G2 7EQ

Solicitors

Burness Paull 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: SC283167

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.

The company 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 2021 was £1,486,000.

A subsidiary undertaking, Malcolm Properties Ltd, also 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 2021 was £3,577,000.

All of the above investment properties were valued on 31 January 2021 by an independent valuer resulting in an increase on revaluation of £10,830,000.

Since March 2020 the threat posed by global coronavirus pandemic has 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.

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

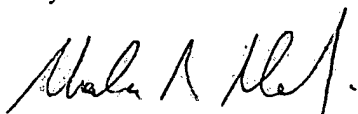
As the Group's operations are all situated within the United Kingdom, the principal financial risk is associated with interest rates.

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

23 July 2021

Directors' report

Registered No: SC283167

The directors present their report and accounts for the year ended 31 January 2021.

Results and dividends

The profit for the year, after taxation, amounted to £14,244,000 (2020 - £8,430,000). 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

Mrs A M McGregor (appointed 22 May 2020)

G E Mitchell (resigned 22 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.

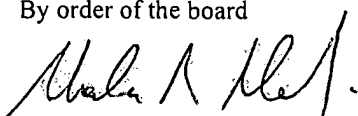
The directors have assessed the covenant strength of the companies who have entered into long term property leases with the Group. This rental income forms all of the Group's turnover. Following this review, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Malcolm Properties (Holdings) Limited group to continue as a going concern until at least 31 January 2023 or its ability to continue with the Group's banking arrangements.

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

23 July 2021

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 2021 which comprise the Group Income Statement, the Group Statement of Comprehensive Income and Expense, 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 21, 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 2021 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. We are independent of the group 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.

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 group and parent company's ability to continue as a going concern until at least 31 January 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

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 this 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 there is 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 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

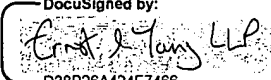
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK GAAP). In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employees and GDPR.
- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue recognition to be a fraud risk. We incorporated unpredictability into our testing of manual journals and tested 100% of revenue to rental agreement, and cash receipt. We traced all material transaction to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria and making enquiries with those charged with governance to confirm no matters of which we were previously unaware.

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.

DocuSigned by:

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Paul Copland

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

Glasgow

23 July 2021

Group Income Statement

For the year ended 31 January 2021

	Notes	2020/21 £000	2019/20 £000
Turnover	2	5,063	4,946
Administrative expenses		(77)	(77)
Operating profit	3	4,986	4,869
Gain on revaluation of investment properties	7	10,830	5,430
Profit on ordinary activities before interest and taxation		15,816	10,299
Net gain on financial liabilities at fair value through profit and loss account		62	116
Net interest payable	5	(836)	(1,279)
Profit on ordinary activities before taxation		15,042	9,136
Tax on profit on ordinary activities	6	(798)	(706)
Profit for the financial year		14,244	8,430

Group Statement of Comprehensive Income & Expense

for the year ended 31 January 2021

	Notes	2020/21 £000	2019/20 £000
Profit for the financial year		14,244	8,430
Total other comprehensive income		—	—
Total comprehensive income for the year		14,244	8,430

There are no items of comprehensive income other than the profit for the year of £14,244,000 (2019/20 - £8,430,000).

Statement of Changes in Equity

For the year ended 31 January 2021

Group

		Share capital	Capital redemption reserve	Non distributable reserve	Profit and loss account	Total share holders' funds
	Notes	£000	£000	£000	£000	£000
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		229	211	14,162	28,451	43,053
Profit for the financial year		–	–	10,830	3,414	14,244
At 31 January 2021	14, 15	229	211	24,992	31,865	57,297

Shareholders' funds are entirely attributable to equity interests.

Company

		Share capital	Capital redemption reserve	Non distributable reserve	Profit and loss account	Total share holders' funds
	Notes	£000	£000	£000	£000	£000
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		229	211	4,382	7,886	12,708
Profit for the financial year		–	–	4,710	1,256	5,966
At 31 January 2021	14, 15	229	211	9,092	9,142	18,674

Shareholders' funds are entirely attributable to equity interests.

Group Statement of Financial Position

at 31 January 2021

		2021		2020	
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets – investment properties	7		85,355		74,525
			<u>85,355</u>		<u>74,525</u>
Current assets					
Debtors	9	106		211	
Cash at bank and in hand		4,133		1,121	
		<u>4,239</u>		<u>1,332</u>	
Creditors: amounts falling due within one year	10	(1,463)		(1,558)	
Net current (liabilities) / assets			<u>2,776</u>		<u>(226)</u>
Total assets less current liabilities			<u>88,131</u>		<u>74,299</u>
Creditors: amounts falling due after one year	11		(30,834)		(31,246)
Net assets			<u><u>57,297</u></u>		<u><u>43,053</u></u>
Capital and reserves					
Called up share capital	14		229		229
Capital redemption reserve			211		211
Non-distributable reserve			24,992		14,162
Profit and loss account			31,865		28,451
Shareholders' funds			<u><u>57,297</u></u>		<u><u>43,053</u></u>

The financial statements were approved by the Board of Directors on 23 July 2021 and were signed on its behalf by:



A B Malcolm
Director

Company Statement of Financial Position

at 31 January 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets – investment properties	7	25,790	21,080
Investments	8	18,353	18,353
Current assets			
Debtors:			
amounts falling due within one year	9	262	368
amounts falling due after one year	9	2,005	4,235
Cash at bank and in hand		4,099	1,024
		<u>6,366</u>	<u>5,627</u>
Creditors: amounts falling due within one year	10	(1,001)	(1,106)
Net current assets		<u>5,365</u>	<u>4,521</u>
Total assets less current liabilities		<u>49,508</u>	<u>43,954</u>
Creditors: amounts falling due after one year	11	(30,834)	(31,246)
Net assets		<u><u>18,674</u></u>	<u><u>12,708</u></u>
Capital and reserves			
Called up share capital	14	229	229
Capital redemption reserve		211	211
Non-distributable reserve		9,092	4,382
Profit and loss account		9,142	7,886
Shareholders' funds		<u><u>18,674</u></u>	<u><u>12,708</u></u>

The financial statements were approved by the Board of Directors on 23 July 2021 and were signed on its behalf by:



A B Malcolm
Director

Group Statement of Cash Flows

For the year ended 31 January 2021

	Notes	2020/21 £000	2019/20 £000
Cash inflow / (outflow) from operating activities	17	4,329	(3,983)
Investing activities	17	–	(5,020)
Financing activities	17	(1,317)	(9,704)
(Decrease) / increase in cash and cash equivalents		3,012	(18,707)
Opening cash and cash equivalents	20	1,121	19,828
Closing cash and cash equivalents	20	4,133	1,121

Notes to the Financial Statements

at 31 January 2021

1. Accounting policies

The financial statements of Malcolm Properties (Holdings) Limited were approved for issue by the Board of Directors on 23 July 2021.

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 2021.

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 2021 was £5,966,000 (2020 – £2,747,000).

Basis of preparation

The Group accounts deal with the state of affairs of the Company and its subsidiary undertakings as at 31 January 2021 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 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.

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) Limited group to continue as a going concern until at least 31 January 2023 or its ability to continue with the Group's banking arrangements.

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 2021

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 2021.

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 2021

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:

	2020/21	2019/20
	£000	£000
Auditors' remuneration - audit services *	12	12
Auditors' fees for taxation services	5	5
	<u>17</u>	<u>17</u>

* £2,000 (2019/20 - £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:

	2020/21	2019/20
	No.	No.
Office and management	3	3
	<u>3</u>	<u>3</u>

Notes to the Financial Statements

at 31 January 2021

5. Net interest payable

	2020/21	2019/20
	£000	£000
Bank loans and overdrafts	836	1,279

6. Taxation

(a) Tax on profit on ordinary activities

	2020/21	2019/20
	£000	£000
The tax charge is made up as follows:		
Corporation tax – on profit for the year	791	710
– prior year adjustments	–	2
Current tax total	791	712
Deferred taxation:		
Originating and reversal of timing differences	7	(6)
– prior year adjustments	–	–
Deferred tax total	7	(6)
	798	706

(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% (2019/20 – 19.0%). The differences are reconciled below:

	2020/21	2019/20
	£000	£000
The charge for the year comprises:		
Profit on ordinary activities before taxation	15,042	9,136
Tax on profit on ordinary activities @ 19.0% (2019/20 – 19.0%)	2,858	1,736
Effects of:		
Adjustments relating to prior year corporation tax		2
Changes in tax rate - deferred tax	(2)	–
(Gain) on revaluation of investment properties	(2,058)	(1,032)
Total tax charge for the year	798	706

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 2021

7. Tangible assets – investment properties

Group	Freehold Buildings £000	Freehold Warehousing £000	Total £000
Cost:			
At 1 February 2020	340	74,185	74,525
Gain on revaluation of investment properties	–	10,830	10,830
At 31 January 2021	340	85,015	85,355
Depreciation:			
At 1 February 2020 and 31 January 2021	–	–	–
Carrying amount:			
At 31 January 2021	340	85,015	85,355
At 1 February 2020	340	74,185	74,525

Company	Freehold Buildings £000	Freehold Warehousing £000	Total £000
Cost:			
At 1 February 2020	340	20,740	21,080
Gain on revaluation of investment properties	–	4,710	4,710
At 31 January 2021	340	25,450	25,790
Depreciation:			
At 1 February 2020 and 31 January 2021	–	–	–
Net book value:			
At 31 January 2021	340	25,450	25,790
At 1 February 2020	340	20,740	21,080

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 2020	60,363	16,675
Additions	–	–
At 31 January 2021	60,363	16,675

Notes to the Financial Statements

at 31 January 2021

7. Tangible assets – investment properties (continued)

The investment properties were valued on 31 January 2021 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 2020	74,525	21,080
Gain on revaluation of investment properties	10,830	4,710
At 31 January 2021	85,355	25,790

8. Investments

Company	Cost £000	Provisions £000	Net book value £000
At 1 February 2020 and 31 January 2021	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

	2021		2020	
	Group £000	Company £000	Group £000	Company £000
Prepayments and accrued income	23	–	22	–
Other debtors due within one year	71	250	170	349
Amounts due from subsidiary due outwith one year	–	2,005	–	4,235
Deferred tax asset (note 13)	12	12	19	19
	106	2,267	211	4,603

10. Creditors: amounts falling due within one year

	2021		2020	
	Group £000	Company £000	Group £000	Company £000
Current instalments due on bank loans (note 12)	480	480	480	480
Other taxes and social security costs	–	–	–	–
Other creditors and accruals	501	291	582	384
Corporation tax	482	230	434	180
Derivative financial instruments	–	–	62	62
	1,463	1,001	1,558	1,106

Notes to the Financial Statements

at 31 January 2021

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

	2021		2020	
	Group £000	Company £000	Group £000	Company £000
Bank loans (note 12)	30,834	30,834	31,246	31,246
	<u>30,834</u>	<u>30,834</u>	<u>31,246</u>	<u>31,246</u>

12. Bank loans and overdrafts

	2021		2020	
	Group £000	Company £000	Group £000	Company £000
Bank loans and overdrafts	31,570	31,570	32,052	32,052
Less issue costs	(256)	(256)	(326)	(326)
	<u>31,314</u>	<u>31,314</u>	<u>31,726</u>	<u>31,726</u>
Amounts due at the period end are repayable as follows:				
Term Loan A	<u>31,314</u>	<u>31,314</u>	<u>31,726</u>	<u>31,726</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.

13. Provisions for liabilities

Deferred taxation		Group £000	Company £000
At 1 February 2020		(19)	(19)
Arising during the year		7	7
		<u>(12)</u>	<u>(12)</u>
At 31 January 2021		(12)	(12)

	2021		2020	
	Group £000	Company £000	Group £000	Company £000
The provision for deferred taxation comprises:				
Accelerated capital allowances	39	39	34	34
Other timing differences	(51)	(51)	(53)	(53)
	<u>(12)</u>	<u>(12)</u>	<u>(19)</u>	<u>(19)</u>

Notes to the Financial Statements

at 31 January 2021

14. Share capital

	31 January 2021		31 January 2020	
	Number (000)	Amount £000	Number (000)	Amount £000
Authorised				
Ordinary shares of £1 each	229	229	229	229
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Allotted, issued and fully paid				
Ordinary shares of £1 each	229	229	229	229
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Movements in share capital during the period were as follows:				
			<i>Ordinary Shares Number (000)</i>	<i>Nominal Amount £000</i>
Shares in issue at 1 February 2020 and 31 January 2021			229	229
			<u> </u>	<u> </u>

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.

16. Financial instruments

	2021		2020	
	Group	Company	Group	Company
Financial assets at fair value through profit or loss				
Investment properties	85,355	25,790	74,525	21,080
Financial assets that are debt instruments measured at amortised cost				
Other debtors	71	2,255	170	4,584
Financial liabilities measured at amortised cost				
Bank loans (note 12)	31,314	31,314	31,726	31,726
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	—	—	62	62

Notes to the Financial Statements

at 31 January 2021

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

	2020/21 £000	2019/20 £000
a) Operating activities		
Profit for the financial year before taxation	15,042	9,136
Adjustments to reconcile profit for the year to net cash flow from operating activities		
Gain on revaluation of investment properties	(10,830)	(5,430)
Interest paid	836	1,279
Arrangement fees amortised	69	128
(Decrease) / increase in creditors	(143)	(8,304)
(Increase) / decrease in debtors	98	(56)
	<u>5,072</u>	<u>(3,247)</u>
Corporation tax paid	(743)	(736)
Net cash (outflow) / inflow from operating activities	<u>4,329</u>	<u>(3,983)</u>
b) Investing activities		
Purchase of tangible fixed assets	–	(5,020)
Net cash (outflow) / inflow from investing activities	<u>–</u>	<u>(5,020)</u>
c) Financing activities		
Interest paid	(836)	(1,279)
Repayment of long term loans	(481)	(8,425)
Net cash outflow from financing activities	<u>(1,317)</u>	<u>(9,704)</u>

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 2021 was £1,401,000. 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 2021 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:

	2021		2020	
	Group	Company	Group	Company
	£000	£000	£000	£000
Bank loans (note 12)	31,570	31,570	32,052	32,052

Notes to the Financial Statements

at 31 January 2021

20. Analysis of cash and cash equivalents

	At 1 February 2020 (£000)	Cash flow (£000)	At 31 January 2021 (£000)
Cash			
Cash at bank and in hand	1,121	3,012	4,133
	<u> </u>	<u> </u>	<u> </u>

21. 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.