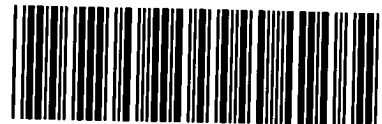


Company registration number SC373059 (Scotland)

HFD PROPERTY GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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HFD PROPERTY GROUP LIMITED

COMPANY INFORMATION

Directors	Mr W D Hill Mr S Lewis
Company number	SC373059
Registered office	177 Bothwell Street Glasgow G2 7ER
Auditor	Johnston Carmichael LLP 227 West George Street Glasgow G2 2ND

HFD PROPERTY GROUP LIMITED

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HFD PROPERTY GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The directors present the strategic report for the year ended 30 June 2023.

Review of the business

The company acts as the holding company of a trading group whose principal activities are commercial property development.

Property Group turnover in the period amounted to £12,255,000 (2022 £12,089,000). At the year end the group had shareholders' funds of £49,843,000 (2022 £43,204,000).

As a result of our long-term reinvestment strategy the Group continues to trade profitably with the realisation of developments increasing gross profits during the year, Profitability is expected to continue into next financial year as the Group moves into a new phase of development activity following the success of the 177 Bothwell Street development

Principal risks and uncertainties

The group finances its operations through a mixture of retained profits and secure bank deposits. The group does not rely upon any bank debt to finance its current development activities.

The objectives are to:

- Maximise returns on funds employed through development activities;
- Retain sufficient funds for day-to-day obligations;
- Ensure sufficient funds are available to cover potential unforeseen risks and liabilities;

Key performance indicators

The directors use a number of indicators to monitor and improve the position of the business. These indicators include profitability, cashflow and return on capital employed.

On behalf of the board



Mr W D Hill
Director

21 December 2023

HFD PROPERTY GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The directors present their annual report and financial statements for the year ended 30 June 2023.

Principal activities

The principal activity of the company and group continued to be that of commercial property development.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr W D Hill

Mr S Lewis

Energy and carbon report

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



Mr W D Hill

Director

21 December 2023

HFD PROPERTY GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2023

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HFD PROPERTY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HFD PROPERTY GROUP LIMITED

Opinion

We have audited the financial statements of HFD Property Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2023 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 state of the group's and the parent company's affairs as at 30 June 2023 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 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.

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's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 the directors' report have been prepared in accordance with applicable legal requirements.

HFD PROPERTY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HFD PROPERTY GROUP LIMITED

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

HFD PROPERTY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HFD PROPERTY GROUP LIMITED

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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the parent company and the sector in which they operate, focusing on those provisions that had a direct effect on the determination of material amounts and the disclosures in the financial statements. The most relevant frameworks we identified include:

- UK Generally Accepted Accounting Practice (FRS 102)
- Companies Act 2006;
- UK Corporation Tax legislation; and
- UK VAT legislation.

We gained an understanding of how the group and the parent company are complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the group's financial statements to material misstatement including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the group's procurement of legal and professional services
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

HFD PROPERTY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HFD PROPERTY GROUP LIMITED

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.

*Johnston
Carmichael LLP*

James Hamilton (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

Date: 21/12/2023

Chartered Accountants
Statutory Auditor

227 West George Street
Glasgow
G2 2ND

HFD PROPERTY GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2023

		Year ended 30 June 2023 £000	Period ended 30 June 2022 £000
	Notes		
Turnover	3	12,255	12,089
Cost of sales		(160)	(314)
Gross profit		12,095	11,775
Administrative expenses		(2,285)	(68)
Impairment	4	(1,775)	(5,027)
Operating profit	5	8,035	6,680
Interest receivable and similar income	8	1,341	1,914
Interest payable and similar expenses	9	(611)	(1,838)
Profit before taxation		8,765	6,756
Tax on profit	10	(2,030)	(1,266)
Profit for the financial year	21	6,735	5,490

Profit for the financial year is all attributable to the owners of the parent company.

HFD PROPERTY GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Year ended 30 June 2023 £000	Period ended 30 June 2022 £000
Profit for the year	6,735	5,490
	<u> </u>	<u> </u>
Other comprehensive income		
Cash flow hedges gain arising in the year	-	128
Tax relating to other comprehensive income	-	(32)
	<u> </u>	<u> </u>
Other comprehensive income for the year	-	96
	<u> </u>	<u> </u>
Total comprehensive income for the year	6,735	5,586
	<u> </u>	<u> </u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

HFD PROPERTY GROUP LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2023

	Notes	2023 £000	2022 £000	2022 £000
Current assets				
Stocks	13	4,078	3,291	
Debtors	14	58,326	81,375	
Cash at bank and in hand		1,207	754	
		<u>63,611</u>	<u>85,420</u>	
Creditors: amounts falling due within one year	15	<u>(13,768)</u>	<u>(40,134)</u>	
Net current assets			49,843	45,286
Creditors: amounts falling due after more than one year	16		-	(2,050)
Provisions for liabilities				
Deferred tax liability	18	<u>-</u>	<u>32</u>	<u>(32)</u>
Net assets			<u>49,843</u>	<u>43,204</u>
Capital and reserves				
Called up share capital	20		1	1
Hedging reserve	21		-	96
Profit and loss reserves	21		49,842	43,107
Total equity			<u>49,843</u>	<u>43,204</u>

The financial statements were approved by the board of directors and authorised for issue on 21 December 2023 and are signed on its behalf by:

W Hill

Mr W D Hill
Director

Company registration number SC373059 (Scotland)

HFD PROPERTY GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 30 JUNE 2023

	Notes	2023 £000	2022 £000
Current assets			
Stocks	13	2,585	86
Debtors	14	57,933	80,420
Cash at bank and in hand		1,004	527
		<u>61,522</u>	<u>81,033</u>
Creditors: amounts falling due within one year	15	<u>(5,403)</u>	<u>(33,099)</u>
Net current assets		<u>56,119</u>	<u>47,934</u>
Capital and reserves			
Called up share capital	20	1	1
Profit and loss reserves	21	<u>56,118</u>	<u>47,933</u>
Total equity		<u>56,119</u>	<u>47,934</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £8,184,290 (2022 - £7,803,953 profit).

The financial statements were approved by the board of directors and authorised for issue on 21 December 2023 and are signed on its behalf by:

W Hill

Mr W D Hill

Director

Company registration number SC373059 (Scotland)

HFD PROPERTY GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Share capital	Hedging reserve	Profit and loss reserves	Total
Notes	£000	£000	£000	£000
Balance at 24 June 2021	1	-	37,977	37,978
Period ended 30 June 2022:				
Profit for the period	-	-	5,490	5,490
Other comprehensive income:				
Cash flow hedges gains	-	128	-	128
Tax relating to other comprehensive income	-	(32)	-	(32)
Total comprehensive income	-	96	5,490	5,586
Dividends	-	-	(360)	(360)
Balance at 30 June 2022	1	96	43,107	43,204
Year ended 30 June 2023:				
Profit and total comprehensive income	-	-	6,735	6,735
Balance at 30 June 2023	1	-	49,842	49,843

HFD PROPERTY GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Share capital £000	Profit and loss reserves £000	Total £000
Balance at 24 June 2021	1	40,129	40,130
	<hr/>	<hr/>	<hr/>
Period ended 30 June 2022:			
Profit and total comprehensive income for the period	-	7,804	7,804
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2022	1	47,933	47,934
	<hr/>	<hr/>	<hr/>
Year ended 30 June 2023:			
Profit and total comprehensive income	-	8,185	8,185
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2023	1	56,118	56,119
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HFD PROPERTY GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 £000	2022 £000
Cash flows from operating activities			
Cash generated from operations	24	874	2,928
Interest paid		(611)	(1,838)
Income taxes paid		(1,151)	(2,746)
Net cash outflow from operating activities		(888)	(1,656)
Investing activities			
Interest received		1,341	1,914
Net cash generated from investing activities		1,341	1,914
Financing activities			
Intercompany borrowing		2,130	-
Repayment of borrowings		-	(2,146)
Repayment of bank loans		(2,130)	(154)
Dividends paid to equity shareholders		-	(360)
Net cash used in financing activities		-	(2,660)
Net increase/(decrease) in cash and cash equivalents		453	(2,402)
Cash and cash equivalents at beginning of year		754	3,156
Cash and cash equivalents at end of year		<u>1,207</u>	<u>754</u>

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

Company information

HFD Property Group Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is 177 Bothwell Street, Glasgow, G2 7ER.

The group consists of HFD Property Group Limited and all of its subsidiaries.

1.1 Reporting period

The current period financial statements cover the period from 1 July 2022 to 30 June 2023 with the company utilising the option to draw up financial statements to a date not more than 7 days after the accounting reference date (23 June). This option is made available under s390(3) of the Companies Act 2006.

The prior period financial statements cover the period from 24 June 2021 to 30 June 2022, with the accounting reference date extended in the prior period to align this with the wider group.

As a result, comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

1.2 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

1.3 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated group financial statements consist of the financial statements of the parent company HFD Property Group Limited together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 30 June 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

1.4 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover represents the invoiced value of goods and services sold, less allowances and excluding value added tax, and was derived from activities carried on wholly in the United Kingdom.

Turnover includes:

- Income from property construction and development
- Income from property rental

1.6 Fixed asset investments

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Stocks

Work in progress is valued at the lower of cost and net realisable value.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Hedge accounting

The company designates certain hedging instruments, including derivatives as either fair value hedges or cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instruments highly effective in offsetting changes in fair values or cash flows of the hedged item.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Impairment

The directors periodically review the carrying value of work in progress for any indicators of impairment. This involves an assessment of the recoverable amount of work in progress, being the higher of the anticipated fair value less cost to sell and its value in use.

3 Turnover and other revenue

	2023 £000	2022 £000
Turnover analysed by class of business		
Commercial property development	12,255	12,089
	<u> </u>	<u> </u>
	2023 £000	2022 £000
Other revenue		
Interest income	1,341	1,914
	<u> </u>	<u> </u>

4 Exceptional item

	2023 £000	2022 £000
Expenditure		
Exceptional item - Admin costs (incl in Admin range)	-	(2,067)
Stock impairment	1,775	5,027
	<u> </u>	<u> </u>
	1,775	2,960
	<u> </u>	<u> </u>

5 Operating profit

	2023 £000	2022 £000
Operating profit for the year is stated after charging:		
Operating lease charges	107	216
	<u> </u>	<u> </u>

6 Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	15	10
Audit of the financial statements of the company's subsidiaries	15	10
	<u> </u>	<u> </u>
	30	20
	<u> </u>	<u> </u>

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

Group 2023 Number	2022 Number	Company 2023 Number	2022 Number
-	1	-	1
<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

Their aggregate remuneration comprised:

	Group 2023 £000	2022 £000	Company 2023 £000	2022 £000
Wages and salaries	137	37	137	37
Social security costs	15	4	15	4
Pension costs	5	2	5	2
	<u>157</u>	<u>43</u>	<u>157</u>	<u>43</u>

Contractually all employees of HFD Group Limited sit within HFD Payroll Limited. However an average of 3 employees were dedicated to providing services on behalf of HFD Property Group Limited during the year ended 30 June 2023 (2022: 1 employees).

Remuneration costs were borne by HFD Payroll Limited and recharged to the relevant HFD Property Group Limited group entities.

8 Interest receivable and similar income

	2023 £000	2022 £000
Interest income		
Other interest income	1,341	1,914
	<u>1,341</u>	<u>1,914</u>

9 Interest payable and similar expenses

	2023 £000	2022 £000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2	70
Other interest on financial liabilities	609	1,768
	<u>611</u>	<u>1,838</u>

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

10 Taxation

	2023 £000	2022 £000
Current tax		
UK corporation tax on profits for the current period	1,437	385
Adjustments in respect of prior periods	232	3
Group tax relief	361	878
Total current tax	2,030	1,266

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £000	2022 £000
Profit before taxation	8,765	6,756
Expected tax charge based on the standard rate of corporation tax in the UK of 20.50% (2022: 19.00%)	1,797	1,284
Tax effect of expenses that are not deductible in determining taxable profit	2	47
Tax effect of income not taxable in determining taxable profit	-	(68)
Adjustments in respect of prior years	232	3
Other	(1)	-
Taxation charge	2,030	1,266

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2023 £000	2022 £000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	-	32

11 Subsidiaries

Details of the company's subsidiaries at 30 June 2023 are as follows:

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

11 Subsidiaries

(Continued)

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
HFD City Park 2 Limited	1	Property development	Ordinary	100.00
HFD City Park 3 Limited	1	Property development	Ordinary	100.00
HFD Glasgow Limited	1	Property development	Ordinary	100.00
HFD SETP Limited	1	Property development	Ordinary	100.00
High Blantyre Development Limited	1	Property development	Ordinary	100.00
Newhouse North Developments Limited	1	Property development	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

1 177 Bothwell Street, Glasgow, Scotland, G2 7ER

HFD City Park 2 Limited, HFD City Park 3 Limited, HFD Glasgow Limited, HFD SETP Limited, High Blantyre Development Limited and Newhouse North Developments Limited have taken the exemption from the requirement to have their individual financial statements audited. The exemption is available under section 479A of the Companies Act 2006.

12 Financial instruments

	Group 2023 £000	2022 £000	Company 2023 £000	2022 £000
Carrying amount of financial assets				
Instruments measured at fair value through profit or loss	-	128	-	-

The derivative is in relation to an interest rate SWAP entered into by the company.

13 Stocks

	Group 2023 £000	2022 £000	Company 2023 £000	2022 £000
Work in progress	4,078	3,291	2,585	86

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

14 Debtors

	Group 2023 £000	2022 £000	Company 2023 £000	2022 £000
Amounts falling due within one year:				
Trade debtors	226	-	225	-
Corporation tax recoverable	370	-	-	-
Amounts owed by group undertakings	15,005	17,944	15,004	17,301
Derivative financial instruments	-	128	-	-
Other debtors	29,828	63,119	29,826	63,078
Prepayments and accrued income	12,897	184	12,878	41
	<u>58,326</u>	<u>81,375</u>	<u>57,933</u>	<u>80,420</u>

Amounts owed by group undertakings are repayable on demand and are interest free.

Included in other debtors are £28,934k of amounts due from related parties.

15 Creditors: amounts falling due within one year

	Notes	Group 2023 £000	2022 £000	Company 2023 £000	2022 £000
Bank loans	17	-	80	-	-
Trade creditors	28	126	6	2	
Amounts owed to group undertakings		10,113	37,807	1,881	31,113
Corporation tax payable		1,690	409	1,690	408
Other taxation and social security		-	94	-	-
Other creditors		300	86	300	86
Accruals and deferred income		1,637	1,532	1,526	1,490
		<u>13,768</u>	<u>40,134</u>	<u>5,403</u>	<u>33,099</u>

Amounts owed to group undertakings are repayable on demand and attract no interest.

Other creditor include £1,000k (2022: £86k) of amounts payable to related parties. These amounts are also repayable on demand and attract no interest.

16 Creditors: amounts falling due after more than one year

	Notes	Group 2023 £000	2022 £000	Company 2023 £000	2022 £000
Bank loans and overdrafts	17	-	2,050	-	-

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

17 Loans and overdrafts

	Group 2023 £000	2022 £000	Company 2023 £000	2022 £000
Bank loans	-	2,130	-	-
Payable within one year	-	80	-	-
Payable after one year	-	2,050	-	-

Bank loans are secured by a bond and floating charge over the assets of a subsidiary company and a standard fixed charge over certain land.

During the year, the bank loan facility was repaid in full.

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2023 £000	Liabilities 2022 £000
Revaluations	-	32

The company has no deferred tax assets or liabilities.

	Group 2023 £000	Company 2023 £000
Movements in the year:		
Liability at 1 July 2022	32	-
Other	(32)	-
Asset at 30 June 2023	-	-

19 Retirement benefit schemes

Defined contribution schemes	2023 £000	2022 £000
Charge to profit or loss in respect of defined contribution schemes	5	2

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

19 Retirement benefit schemes

(Continued)

A defined contribution pension scheme is operated for all qualifying employees through HFD Payroll Limited and all charges recharged to HFD Property Group Limited. The assets of the scheme are held separately from those of the group in an independently administered fund.

20 Share capital

Group and company	2023	2022	2023	2022
Ordinary share capital	Number	Number	£000	£000
Issued and fully paid				
Ordinary shares of £1 each	1,003	1,003	1	1

21 Reserves

Profit and loss reserves

Profit and loss reserves represent accumulated comprehensive income or expenditure for the year and prior periods less dividends paid.

22 Related party transactions

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Sales 2023 £000	Sales 2022 £000	Purchases 2023 £000	Purchases 2022 £000
Group				
Other related parties	15,270	12,515	1,844	209
Company				
Other related parties	15,270	12,515	1,844	209
	Management fees 2023 £000	2022 £000	Interest received 2023 £000	2022 £000
Group				
Other related parties	1,069	1,439	1,198	1,768
Company				
Other related parties	1,069	1,439	1,198	1,768

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

22 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2023 £000	2022 £000
Group		
Other related parties	1,000	86
	<u>1,000</u>	<u>86</u>
Company		
Other related parties	1,000	86
	<u>1,000</u>	<u>86</u>

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2023 Balance £000	2022 Balance £000
Group		
Other related parties	28,934	78,634
	<u>28,934</u>	<u>78,634</u>
Company		
Other related parties	28,934	78,634
	<u>28,934</u>	<u>78,634</u>

23 Controlling party

The controlling party and ultimate parent undertaking is HFD Group Limited which is the largest group of companies for which group financial statements are prepared. Copies of group financial statements are available to the public from Companies House. HFD Property Group Limited is the smallest group for which group financial statements are prepared.

The Hill 2011 Trust and Alexander Trust and their members are considered to be the ultimate controlling party due to their majority shareholding in HFD Group Limited.

HFD PROPERTY GROUP LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

24 Cash generated from group operations

	2023 £000	2022 £000
Profit for the year after tax	6,735	5,490
Adjustments for:		
Taxation charged	2,030	1,266
Finance costs	611	1,838
Investment income	(1,341)	(1,914)
Depreciation and impairment of tangible fixed assets	1,775	2,960
Movements in working capital:		
Increase in stocks	(787)	-
Decrease/(increase) in debtors	23,291	(3,895)
Decrease in creditors	(31,440)	(2,817)
Cash generated from operations	874	2,928

25 Analysis of changes in net funds/(debt) - group

	1 July 2022 £000	Cash flows £000	Market value movements £000	30 June 2023 £000
Cash at bank and in hand	754	453	-	1,207
Borrowings excluding overdrafts	(2,130)	2,130	-	-
Derivatives relating to debt	-	(128)	128	-
	<u>(1,376)</u>	<u>2,455</u>	<u>128</u>	<u>1,207</u>