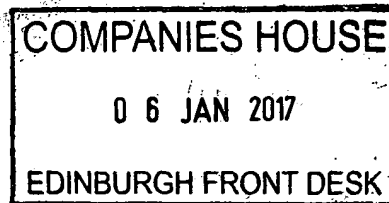


STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016
FOR
SCOTIA HOMES LIMITED



CHARTERED ACCOUNTANTS

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SCOTIA HOMES LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**

	Page
Company Information	1
Strategic Report	2 to 3
Report of the Directors	4 to 5
Report of the Independent Auditors	6
Income Statement	7
Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 to 24
Reconciliation of Equity	25 to 27
Reconciliation of Profit	28

SCOTIA HOMES LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 APRIL 2016**

DIRECTORS:

Mr W H Bruce
Mr W M Bruce
Mr S Burnett
Mr F D Fairlie
Mr W L McLeod
Mr D W Watt
Mr M L Zanre
Mrs C Beaton
Mr R G Begbie
Mr P J Boyle
Mr G J Gerrard
Mr A Lonie

SECRETARY:

Burness Paull LLP

REGISTERED OFFICE:

50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

REGISTERED NUMBER:

SC141011 (Scotland)

AUDITORS:

Bain Henry Reid
Statutory Auditors
Chartered Accountants
28 Broad Street
Peterhead
Aberdeenshire
AB42 1BY

BANKERS:

Bank of Scotland
3 - 5 Albyn Place
Aberdeen
AB10 1PY

SOLICITORS:

Burness Paull LLP
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

SCOTIA HOMES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2016

The directors present their strategic report for the year ended 30 April 2016.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the acquisition and development of land and the construction and sale of residential property.

GROUP STRUCTURE

The entire issued share capital of the company was acquired by Scotia Homes (Holdings) Limited as part of a restructuring of the group. Scotia Homes Limited remains the key subsidiary of the group. Copies of the group accounts can be obtained from The Registrar of Companies, Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

REVIEW OF BUSINESS

Results

The results for the year and the financial position of the company are as shown in the annexed financial statements.

Key Performance Indicators

	2016	2015	Movement %
Turnover	£57.99m	£41.04m	41.3
Gross profit margin	17.25%	24.84%	(7.6)
Earnings before interest, tax, depreciation, amortisation and impairment	£4.63m	£4.82m	(3.9)
Operating profit	£3.96m	£4.08m	(2.9)
			£
Net bank debt	£1.58m	(£10.90m)	£12.48m
Net assets	£21.90m	£34.54m	(£12.64m)

The company delivered a substantial increase in turnover for the year ended 30th April 2016 largely due to the high level of forward reservations at the start of the financial year in addition to the disposal of surplus land. This has enabled the company to continue to reduce debt levels with the Bank Revolving Credit Facility being repaid in full as at 30th April 2016 and a cash balance of £1.58m held. Operating profit has remained robust at £3.96m which is only marginally down on 2015. However, during 2015/16, we have experienced a significant shift in market conditions as a result of the continuing downturn in the Oil and Gas sector and this has led to a reduction in gross profit margins and forward reservation levels. It was the case that throughout 2015 there had been a considerable slowing of the upper end of the market (particularly above £400,000), however, all price brackets are now being affected.

In light of the continuing economic pressures facing Aberdeen and North East Scotland, and in accordance with accounting standards, the Directors have carried out a detailed sensitivity analysis and review of the net realisable value of land and work in progress. As a result of this review, an impairment loss of £15.48m has been recognised in the year to 30th April 2016. This amount is stated separately in the financial statements in order not to distort comparability of trading performance between financial periods.

Future Outlook

The local market in Aberdeen and North East Scotland is suffering considerable headwinds as a consequence of the depressed Oil and Gas sector. This challenging economic climate has been exacerbated by the recent Brexit vote following the EU Referendum which has created an additional layer of uncertainty on a national basis. We have therefore assumed that market conditions are unlikely to improve in the short term and the actions being taken by the Board at this time will future proof the business during these challenging years which lie ahead.

In addition to the land write-downs detailed above, the Board has also implemented various cost saving measures to reduce overheads. Despite a projected reduction in revenues, these actions will protect gross margins and reduce our cost base resulting in a forecast satisfactory profit and cashflow position for the year ended 30th April 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's objectives are subject to a number of risks. The key business risks and uncertainties affecting the company relate to periodic downturns in the housing market and the delays in the planning system and in the production of local authority development plans. These risks are formally reviewed by the board and processes are put in place to monitor them and to deal with them as appropriate.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2016**

FINANCIAL RISK MANAGEMENT

The company's financial instruments comprise borrowings, cash and short-term deposits, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to fund the company's operations as well as to manage its working capital and liquidity.

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and related finance costs. The company does not use derivative financial instruments. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

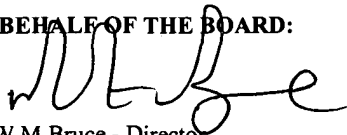
Price Risk

The company is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services it purchases. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Liquidity Risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that it has sufficient available funds for operations and planned expansions.

ON BEHALF OF THE BOARD:



Mr W M Bruce - Director

28th September 2016

SCOTIA HOMES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 APRIL 2016

The directors present their report with the financial statements of the company for the year ended 30 April 2016.

DIVIDENDS

An interim dividend of £178,944 was paid during the financial year. A final dividend of £380,700 has been authorised, making a total of £559,644 in respect of the year ended 30th April 2016.

DIRECTORS

The directors set out in the table below have held office during the whole of the period from 1 May 2015 to the date of this report unless otherwise stated.

Other changes in directors holding office are as follows:

Mr D R C Thomson - resigned 30/9/15

Mr R S Dryburgh ceased to be a director after 30 April 2016 but prior to the date of this report.

The beneficial interests of the directors holding office at 30 April 2016 in the shares of the company, according to the register of directors' interests, were as follows:

	30.4.16	1.5.15
Ordinary shares of £1 each		
Mr W H Bruce	-	244,643
Mr W M Bruce	-	528,868
Mr S Burnett	-	198,828
Mr F D Fairlie	-	200,000
Mr W L McLeod	-	341,753
Mr D W Watt	-	365,865
Mr M L Zanre	-	370,011
Mrs C Beaton	-	-
Mr R G Begbie	-	-
Mr P J Boyle	-	-
Mr R S Dryburgh	-	-
Mr G J Gerrard	-	-
Mr A Lonie	-	-

These directors did not hold any non-beneficial interests in the shares of the company.

The entire issued share capital of the company was acquired during the year by Scotia Homes (Holdings) Limited as part of a restructuring of the group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 APRIL 2016**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Bain Henry Reid, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



Mr W M Bruce - Director

28th September 2016

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SCOTIA HOMES LIMITED

We have audited the financial statements of Scotia Homes Limited for the year ended 30 April 2016 on pages seven to twenty eight. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

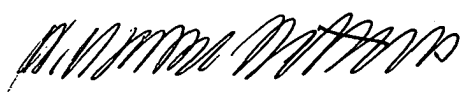
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


W Graeme Rattray MA CA (Senior Statutory Auditor)
for and on behalf of Bain Henry Reid
Statutory Auditors
Chartered Accountants
28 Broad Street
Peterhead
Aberdeenshire
AB42 1BY

28 September 2016

SCOTIA HOMES LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2016**

	Notes	2016 £	2015 £
TURNOVER		57,995,133	41,039,904
Cost of sales		<u>(47,991,996)</u>	<u>(30,845,928)</u>
GROSS PROFIT		10,003,137	10,193,976
Selling expenses		<u>(1,065,700)</u>	<u>(1,092,269)</u>
Other operating expenses		<u>(5,383,092)</u>	<u>(5,621,039)</u>
		3,554,345	3,480,668
Other operating income		<u>410,223</u>	<u>599,027</u>
OPERATING PROFIT	3	3,964,568	4,079,695
Impairment of development work in progress	3	<u>(15,477,874)</u>	-
Fair value gains/(losses) on investment property	3	<u>(205,000)</u>	-
		(11,718,306)	4,079,695
Interest receivable and similar income		<u>128,275</u>	<u>432,575</u>
		(11,590,031)	4,512,270
Interest payable and similar expenses	4	<u>(526,358)</u>	<u>(825,499)</u>
(LOSS)/PROFIT BEFORE TAXATION		(12,116,389)	3,686,771
Tax on (loss)/profit	5	<u>1,608,532</u>	<u>(840,480)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(10,507,857)</u>	<u>2,846,291</u>

The notes form part of these financial statements

SCOTIA HOMES LIMITED

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2016**

	Notes	2016 £	2015 £
(LOSS)/PROFIT FOR THE YEAR		(10,507,857)	2,846,291
OTHER COMPREHENSIVE LOSS			
Realisation of gain on revaluation of heritable property		(311,874)	(110,940)
Deferred taxation		62,375	22,188
Cost of shares in group undertakings transferred to parent company		<u>(1,329,887)</u>	<u>-</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		<u>(1,579,386)</u>	<u>(88,752)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(12,087,243)</u>	<u>2,757,539</u>

The notes form part of these financial statements

BALANCE SHEET
30 APRIL 2016

	Notes	2016 £	2015 £
FIXED ASSETS			
Intangible assets	7	414,830	622,190
Tangible assets	8	1,618,899	2,208,408
Investments	9	50	1,329,937
Investment property	10	149,950	1,496,850
		<u>2,183,729</u>	<u>5,657,385</u>
CURRENT ASSETS			
Stocks	11	26,016,976	49,919,931
Debtors	12	7,961,939	4,819,989
Cash at bank and in hand		1,579,050	3,101,108
		<u>35,557,965</u>	<u>57,841,028</u>
CREDITORS			
Amounts falling due within one year	13	(15,555,903)	(14,455,420)
NET CURRENT ASSETS		<u>20,002,062</u>	<u>43,385,608</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,185,791</u>	<u>49,042,993</u>
CREDITORS			
Amounts falling due after more than one year	14	(289,991)	(14,392,971)
PROVISIONS FOR LIABILITIES	18	-	(107,335)
NET ASSETS		<u>21,895,800</u>	<u>34,542,687</u>
CAPITAL AND RESERVES			
Called up share capital	19	3,976,547	3,976,547
Share premium	20	3,435,961	3,435,961
Revaluation reserve	20	-	249,499
Retained earnings	20	14,483,292	26,880,680
SHAREHOLDERS' FUNDS		<u>21,895,800</u>	<u>34,542,687</u>

The financial statements were approved by the Board of Directors on 6th September 2016 and were signed on its behalf by:



Mr W M Bruce - Director

SCOTIA HOMES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2016**

	Called up share capital £	Retained earnings £	Share premium £	Revaluation reserve £	Total equity £
Balance at 1 May 2014	3,976,547	24,929,113	3,435,961	338,251	32,679,872
Changes in equity					
Dividends	-	(894,724)	-	-	(894,724)
Total comprehensive income	-	2,846,291	-	(88,752)	2,757,539
Balance at 30 April 2015	<u>3,976,547</u>	<u>26,880,680</u>	<u>3,435,961</u>	<u>249,499</u>	<u>34,542,687</u>
Changes in equity					
Dividends	-	(559,644)	-	-	(559,644)
Total comprehensive loss	-	(11,837,744)	-	(249,499)	(12,087,243)
Balance at 30 April 2016	<u>3,976,547</u>	<u>14,483,292</u>	<u>3,435,961</u>	<u>-</u>	<u>21,895,800</u>

The notes form part of these financial statements

STATUTORY INFORMATION

Scotia Homes Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historic cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

These financial statements for the year ended 30 April 2016 are the first financial statements that comply with FRS 102. The date of transition is 1 May 2014. The transition to FRS 102 has resulted in a small number of changes in accounting policies to those used previously. The nature of these changes and their impact on opening equity and profit for the comparative period are explained in note 25.

The financial statements are presented in Sterling (£).

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows.

Preparation of consolidated financial statements

The financial statements contain information about Scotia Homes Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Scotia Homes (Holdings) Limited, whose registered office is 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of work in progress

The company's work in progress comprises development land and building cost for the construction of residential properties, which is sensitive to changes in market conditions due to consumer demand and wider economic factors. As a result it is necessary to consider the recoverability of the cost of work in progress and the associated provisioning required. When calculating any work in progress impairment, management considers the current market conditions in the construction industry and the anticipated saleability in the future.

Impairments of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

1. ACCOUNTING POLICIES - continued

Revenue recognition

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover represents amounts receivable from the sale of residential properties recognised on completion. Completion occurs when properties are completed and an agreement is in place to transfer the significant risks and rewards of ownership to the customer.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income is recognised as interest accrues using the effective interest method.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight line method. The intangible assets are amortised over the following economic useful lives:

Goodwill	5 years
----------	---------

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their estimated useful life or, if held under a finance lease, over the term of the lease, whichever is the shorter. The rates applicable are:

Heritable property	- 2% straight line
Plant and machinery	- 25% on reducing balance and 25 - 50% straight line
Fixtures and fittings	- 25 - 50% straight line
Motor vehicles	- 25% on reducing balance and 25% straight line

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Work in progress is also assessed for impairment at each reporting date. The carrying amount if compared with its selling price less costs to complete and sell. If work in progress is impaired, its carrying amount is reduced to its selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Fixed asset investments

Investments held are stated at cost less accumulated impairment losses.

1. ACCOUNTING POLICIES - continued

Investment property

Investment properties are initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently, investment properties whose fair value can be measured reliably without undue cost or effort on an on-going basis are measured at fair value. The gains or losses on revaluation are recognised in the Income Statement in the period in which they arise.

Deferred taxation is provided on gains at the rate expected to apply when the property is sold and on losses where these losses are expected to reverse in the future.

Stocks and work in progress

Stocks, including land held for development and completed and part exchange houses and residential work in progress are stated at the lower of cost and selling price less costs to complete and sell.

Shared purchase properties are stated at the lower of cost and selling price less costs to complete and sell of the equity retained by the company.

Amounts recoverable on contracts are included in debtors and stated at cost plus attributable profit less any foreseeable losses. Attributable profit is recognised in proportion to the stage of completion reached when the outcome of the contract can be assessed with reasonable certainty.

Payments received on account of contracts are deducted from the amounts recoverable on contracts.

Viability reports which include an estimation of costs to complete and remaining revenues are carried out at regular intervals throughout the year during which site development costs are allocated between units built in the current year and those to be built in future years. These reports assess the profitability of each site and any impairment provisions which may be required.

Trade debtors

Trade debtors on normal terms are stated at their nominal value and are assessed for recoverability on an ongoing basis.

Trade debtors on extended terms granted as part of a sales transaction are secured by way of a legal charge on the respective properties and are stated at net present value.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only 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.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of timing differences.

The tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2016

1. ACCOUNTING POLICIES - continued

Leases

Leases are classified as finance leases or hire purchase contracts whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Assets held under finance lease or hire purchase contracts are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease or hire purchase contract obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases or hire purchase contracts are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the profit or loss on a straight line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the company recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Employee benefits

Contributions in respect of the company's defined contribution pension scheme are charged to the profit and loss account for the year in which they are payable to the scheme. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year end.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments like loans and other accounts receivable and payable are initially measured at the present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate, or in the case of an outright short term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the net present value of estimated cash flows discounted at the assets original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation, of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk to changes in value.

1. ACCOUNTING POLICIES - continued

Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next twelve months. The provision is measured at the salary cost payable for the period of absence.

2. EMPLOYEES AND DIRECTORS

	2016 £	2015 £
Wages and salaries	7,965,995	7,234,747
Social security costs	875,571	811,307
Other pension costs	250,699	236,919
	<u>9,092,265</u>	<u>8,282,973</u>

The average monthly number of employees during the year was as follows:

	2016	2015
Production	124	108
Administration	106	102
	<u>230</u>	<u>210</u>

Key management are considered to be the directors of the company. The compensation paid or payable to directors is as follows:

	2016 £	2015 £
Directors' remuneration	1,106,044	1,155,736
Directors' pension contributions to money purchase schemes	74,269	73,545
Compensation to director for loss of office	<u>30,000</u>	<u>-</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2016	2015
Money purchase schemes	<u>8</u>	<u>8</u>

Information regarding the highest paid director is as follows:

	2016 £	2015 £
Emoluments etc	136,463	135,952
Pension contributions to money purchase schemes	<u>9,668</u>	<u>9,478</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2016

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2016	2015
	£	£
Hire of plant and machinery	177,320	171,991
Depreciation - owned assets	258,545	137,004
Depreciation - assets on hire purchase contracts	403,721	399,071
Profit on disposal of fixed assets	(285,133)	(154,769)
Goodwill amortisation	207,360	207,360
Auditors' remuneration	20,000	16,500
Auditors' remuneration for non audit work	<u>5,350</u>	<u>13,175</u>

IMPAIRMENTS AND FAIR VALUE GAINS/(LOSSES)

	2016	2015
	£	£
Impairment of development work in progress	(15,477,874)	-
Fair value gains/(losses) on investment property	<u>(205,000)</u>	<u>-</u>
	<u>(15,682,874)</u>	<u>-</u>

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016	2015
	£	£
Bank interest	408,466	792,876
Other interest	631	597
Group interest	82,227	-
Hire purchase	<u>35,034</u>	<u>32,026</u>
	<u>526,358</u>	<u>825,499</u>

5. TAXATION**Analysis of the tax (credit)/charge**

The tax (credit)/charge on the loss for the year was as follows:

	2016	2015
	£	£
Current tax:		
UK corporation tax	-	775,907
Adjustment re previous years	<u>(775,907)</u>	<u>-</u>
Total current tax	<u>(775,907)</u>	<u>775,907</u>
Deferred tax	<u>(832,625)</u>	<u>64,573</u>
Tax on (loss)/profit	<u>(1,608,532)</u>	<u>840,480</u>

5. TAXATION - continued

Reconciliation of total tax (credit)/charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £	2015 £
(Loss)/profit before tax	<u>(12,116,389)</u>	<u>3,686,771</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.918%)	(2,423,278)	771,199
Effects of:		
Expenses not deductible for tax purposes	886,282	54,704
Utilisation of tax losses	708,296	-
Adjustments to tax charge in respect of previous periods	(775,907)	-
Land remediation relief	(21,284)	(23,759)
Amortisation of non-qualifying goodwill	41,472	43,376
Gain on sale of non-qualifying asset	(65,113)	(22,451)
Capital gain	-	20,375
Fair value adjustment of investment property	41,000	-
Effect of rate change in respect of deferred tax	-	(2,964)
Total tax (credit)/charge	<u>(1,608,532)</u>	<u>840,480</u>

Tax effects relating to effects of other comprehensive income

	£
Realisation of gain on revaluation of heritable property	(311,874)
Deferred taxation	62,375
Cost of shares in group undertakings transferred to parent company	<u>(1,329,887)</u>
	<u>(1,579,386)</u>

	£
Realisation of gain on disposal of heritable property	(110,940)
Deferred taxation	<u>22,188</u>
	<u>(88,752)</u>

6. DIVIDENDS

	2016 £	2015 £
Final	380,700	556,717
Interim	<u>178,944</u>	<u>338,007</u>
	<u>559,644</u>	<u>894,724</u>

SCOTIA HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2016**

7. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 May 2015	
and 30 April 2016	<u>1,036,910</u>
AMORTISATION	
At 1 May 2015	414,720
Amortisation for year	<u>207,360</u>
At 30 April 2016	<u>622,080</u>
NET BOOK VALUE	
At 30 April 2016	<u>414,830</u>
At 30 April 2015	<u>622,190</u>

8. TANGIBLE FIXED ASSETS

	Heritable property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 May 2015	390,000	1,638,047	440,320	1,102,488	3,570,855
Additions	-	187,795	144,461	320,831	653,087
Disposals	-	(376,336)	(21,797)	(204,676)	(602,809)
Transfer to group undertakings	<u>(390,000)</u>	-	-	-	<u>(390,000)</u>
At 30 April 2016	-	<u>1,449,506</u>	<u>562,984</u>	<u>1,218,643</u>	<u>3,231,133</u>
DEPRECIATION					
At 1 May 2015	-	613,946	230,118	518,383	1,362,447
Charge for year	-	288,834	143,587	229,845	662,266
Eliminated on disposal	-	<u>(244,179)</u>	<u>(21,791)</u>	<u>(146,509)</u>	<u>(412,479)</u>
At 30 April 2016	-	<u>658,601</u>	<u>351,914</u>	<u>601,719</u>	<u>1,612,234</u>
NET BOOK VALUE					
At 30 April 2016	-	<u>790,905</u>	<u>211,070</u>	<u>616,924</u>	<u>1,618,899</u>
At 30 April 2015	<u>390,000</u>	<u>1,024,101</u>	<u>210,202</u>	<u>584,105</u>	<u>2,208,408</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2016

8. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 May 2015	1,319,296	-	776,041	2,095,337
Additions	187,795	51,328	320,831	559,954
Disposals	(273,160)	-	(53,076)	(326,236)
Transfer to ownership	(149,870)	-	(242,276)	(392,146)
At 30 April 2016	<u>1,084,061</u>	<u>51,328</u>	<u>801,520</u>	<u>1,936,909</u>
DEPRECIATION				
At 1 May 2015	356,866	-	266,462	623,328
Charge for year	238,551	14,258	150,912	403,721
Eliminated on disposal	(155,234)	-	(19,815)	(175,049)
Transfer to ownership	(71,715)	-	(129,588)	(201,303)
At 30 April 2016	<u>368,468</u>	<u>14,258</u>	<u>267,971</u>	<u>650,697</u>
NET BOOK VALUE				
At 30 April 2016	<u>715,593</u>	<u>37,070</u>	<u>533,549</u>	<u>1,286,212</u>
At 30 April 2015	<u>962,430</u>	<u>-</u>	<u>509,579</u>	<u>1,472,009</u>

9. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Interest in joint venture £	Totals £
COST			
At 1 May 2015	1,329,887	50	1,329,937
Transfer to parent company	(1,329,887)	-	(1,329,887)
At 30 April 2016	<u>-</u>	<u>50</u>	<u>50</u>
NET BOOK VALUE			
At 30 April 2016	<u>-</u>	<u>50</u>	<u>50</u>
At 30 April 2015	<u>1,329,887</u>	<u>50</u>	<u>1,329,937</u>

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Joint venture**Countesswells Limited**

Registered office:

Nature of business: Property Development

Class of shares:

Ordinary 'B' shares

%
holding
100.00

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2016

10. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 May 2015	1,496,850
Disposals	(46,601)
Fair value adjustment	(205,000)
Transfer to group undertakings	<u>(1,095,299)</u>
At 30 April 2016	<u>149,950</u>
NET BOOK VALUE	
At 30 April 2016	<u>149,950</u>
At 30 April 2015	<u>1,496,850</u>

11. STOCKS

	2016 £	2015 £
Work in progress	21,225,199	45,946,157
Shared purchase properties	264,456	303,908
Properties for resale	<u>4,527,321</u>	<u>3,669,866</u>
	<u>26,016,976</u>	<u>49,919,931</u>

12. DEBTORS

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	257,598	670,144
Amounts owed by group undertakings	502,928	-
Other debtors and prepayments	2,537,553	826,133
Amounts owed by joint venture	204,000	203,000
Tax	<u>1,131,800</u>	-
	<u>4,633,879</u>	<u>1,699,277</u>
Amounts falling due after more than one year:		
Trade debtors	2,508,340	3,088,657
Other debtors	32,055	32,055
Deferred tax asset	<u>787,665</u>	-
	<u>3,328,060</u>	<u>3,120,712</u>
Aggregate amounts	<u>7,961,939</u>	<u>4,819,989</u>
Deferred tax asset		
	2016 £	
Accelerated capital allowances	(100,003)	
Other timing differences	<u>887,668</u>	
	<u>787,665</u>	

Trade debtors and other debtors due after more than one year represent the net present value of secured loans amounting to £2,412,168 (2015: £3,000,311). The cost value of secured loans amounted to £2,475,292 (2015: £3,152,228). Included within trade debtors due within one year are secured loans amounting to £250 (2015: £3,250).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2016

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Hire purchase contracts (see note 16)	508,988	529,554
Deposits in advance	663,514	1,714,947
Trade creditors	11,486,630	8,162,315
Amounts owed to group undertakings	1,127,140	1,285,376
Tax	-	476,987
Social security and other taxes	258,307	286,923
Proposed dividends	380,700	556,717
Accruals and deferred income	1,130,624	1,442,601
	<u>15,555,903</u>	<u>14,455,420</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £	2015 £
Bank loans (see note 15)	-	14,000,000
Hire purchase contracts (see note 16)	289,991	392,971
	<u>289,991</u>	<u>14,392,971</u>

15. LOANS

An analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due between one and two years:		
Bank loans	-	14,000,000

16. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2016 £	2015 £
Gross obligations repayable:		
Within one year	535,968	557,279
Between one and five years	305,614	414,039
	<u>841,582</u>	<u>971,318</u>
Finance charges repayable:		
Within one year	26,980	27,725
Between one and five years	15,623	21,068
	<u>42,603</u>	<u>48,793</u>
Net obligations repayable:		
Within one year	508,988	529,554
Between one and five years	289,991	392,971
	<u>798,979</u>	<u>922,525</u>

SCOTIA HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2016

16. LEASING AGREEMENTS - continued

	Non-cancellable operating leases	
	2016	2015
	£	£
Within one year	162,234	158,537
Between one and five years	<u>179,793</u>	<u>275,940</u>
	<u>342,027</u>	<u>434,477</u>

17. SECURED DEBTS

The following secured debts are included within creditors:

	2016	2015
	£	£
Bank loans	-	14,000,000
Hire purchase contracts	798,979	922,525
Trade creditors	<u>-</u>	<u>1,840,000</u>
	<u>798,979</u>	<u>16,762,525</u>

Bank loans and overdrafts are secured by standard securities over development land and a bond and floating charge over the assets of the company.

18. PROVISIONS FOR LIABILITIES

	2015
	£
Deferred tax	
Accelerated capital allowances	116,700
Other timing differences	<u>(9,365)</u>
	<u>107,335</u>

	Deferred tax
	£
Balance at 1 May 2015	107,335
Provided during year	<u>(895,000)</u>
Balance at 30 April 2016	<u>(787,665)</u>

19. CALLED UP SHARE CAPITAL

Allotted and issued:			2016	2015
Number:	Class:	Nominal value:	£	£
3,976,547	Share capital 1	£1	<u>3,976,547</u>	<u>3,976,547</u>

Each share is entitled to one vote in any circumstances and each share is also entitled pari passu to dividend payments or any other distributions, including a distribution arising from a winding up of the company.

20. RESERVES

	Retained earnings £	Share premium £	Revaluation reserve £	Totals £
At 1 May 2015	26,880,680	3,435,961	249,499	30,566,140
Deficit for the year	(10,507,857)	-	-	(10,507,857)
Dividends	(559,644)	-	-	(559,644)
Revaluation on disposals	-	-	(311,874)	(311,874)
Cost of shares in group undertakings transferred to parent company	(1,329,887)	-	-	(1,329,887)
Deferred tax provision	-	-	62,375	62,375
At 30 April 2016	<u>14,483,292</u>	<u>3,435,961</u>	<u>-</u>	<u>17,919,253</u>

Retained earnings include non-distributable earnings amounting to £nil (2015: £11,876), in respect of revaluations of investment properties.

Share premium reserve

This reserve records any premiums received on the issue of share capital. Any transaction costs associated with issuing the shares are deducted for the share premium reserve.

Revaluation reserve

This reserve records any surplus or deficit arising on the valuation of an asset with the exception of investment property.

Retained earnings

This reserve records all current and prior period retained profit and loss.

21. ULTIMATE PARENT COMPANY

Scotia Homes (Holdings) Limited is regarded by the directors as being the company's ultimate parent company.

Copies of the parent company accounts can be obtained from The Registrar of Companies, Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

22. CONTINGENT LIABILITIES

Group borrowing facility

At 30th April 2016 the company has entered into a composite guarantee with its subsidiaries in connection with group borrowings and advances from the Bank of Scotland Plc net of cash at bank totalling £nil (2015: £10,893,393).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2016

23. RELATED PARTY DISCLOSURES

Material interests of directors

Services are provided to the company as follows:

Management services are provided by GJG Portfolio Services (Aberdeen) Limited, in which G J Gerrard has an interest. Rents are paid to Burnett Management, in which S Burnett has an interest. Consultancy services are provided by D Fairlie Partnership, in which F D Fairlie has an interest.

During the year the following transactions were made:

	2016 £	2015 £
GJG Portfolio Services (Aberdeen) Limited		
Services provided	2,000	22,000
Outstanding at balance sheet date	-	-
Burnett Property Management		
Rent	75,040	75,040
Outstanding at balance sheet date	6,253	7,504
D Fairlie Partnership		
Services provided	-	7,933
Outstanding at balance sheet date	-	-

24. ULTIMATE CONTROLLING PARTY

W H Bruce, together with members of his family, control the company by virtue of an interest (directly or indirectly) in 58% of the issued ordinary share capital of Scotia Homes (Holdings) Limited.

25. FIRST YEAR ADOPTION

The company has adopted FRS 102 for the year ended 30 April 2016 and has restated the comparative year amounts.

Statement of cash flows

The company's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.

Transitional relief

On transition to FRS 102, the company has taken advantage of the following transitional relief:

- to measure investment in subsidiaries and joint ventures at cost determined in accordance with Section 9 Consolidated and Separate Financial Statements and Section 15 Investments in Joint Ventures.

SCOTIA HOMES LIMITED

RECONCILIATION OF EQUITY

1 MAY 2014

(DATE OF TRANSITION TO FRS 102)

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Intangible assets		829,550	-	829,550
Tangible assets		1,967,349	-	1,967,349
Investments		1,329,937	-	1,329,937
Investment property		1,496,850	-	1,496,850
		<u>5,623,686</u>	<u>-</u>	<u>5,623,686</u>
CURRENT ASSETS				
Stocks		50,356,269	-	50,356,269
Debtors	(i)	11,199,788	(373,543)	10,826,245
Cash at bank and in hand		2,500,797	-	2,500,797
		<u>64,056,854</u>	<u>(373,543)</u>	<u>63,683,311</u>
CREDITORS				
Amounts falling due within one year		(10,183,601)	-	(10,183,601)
NET CURRENT ASSETS		<u>53,873,253</u>	<u>(373,543)</u>	<u>53,499,710</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		59,496,939	(373,543)	59,123,396
CREDITORS				
Amounts falling due after more than one year		(26,378,574)	-	(26,378,574)
PROVISIONS FOR LIABILITIES	(iii)	<u>(52,127)</u>	<u>(12,823)</u>	<u>(64,950)</u>
NET ASSETS		<u>33,066,238</u>	<u>(386,366)</u>	<u>32,679,872</u>
CAPITAL AND RESERVES				
Called up share capital		3,976,547	-	3,976,547
Share premium		3,435,961	-	3,435,961
Revaluation reserve	(ii, iii)	437,659	(99,408)	338,251
Retained earnings		25,216,071	(286,958)	24,929,113
SHAREHOLDERS' FUNDS		<u>33,066,238</u>	<u>(386,366)</u>	<u>32,679,872</u>

The notes form part of these financial statements

SCOTIA HOMES LIMITED

RECONCILIATION OF EQUITY - continued
30 APRIL 2015

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Intangible assets		622,190	-	622,190
Tangible assets		2,208,408	-	2,208,408
Investments		1,329,937	-	1,329,937
Investment property		1,496,850	-	1,496,850
		<u>5,657,385</u>	<u>-</u>	<u>5,657,385</u>
CURRENT ASSETS				
Stocks		49,919,931	-	49,919,931
Debtors	(i)	5,025,699	(205,710)	4,819,989
Cash at bank and in hand		3,101,108	-	3,101,108
		<u>58,046,738</u>	<u>(205,710)</u>	<u>57,841,028</u>
CREDITORS				
Amounts falling due within one year		<u>(14,420,313)</u>	<u>(35,107)</u>	<u>(14,455,420)</u>
NET CURRENT ASSETS				
		<u>43,626,425</u>	<u>(240,817)</u>	<u>43,385,608</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
		49,283,810	(240,817)	49,042,993
CREDITORS				
Amounts falling due after more than one year		(14,392,971)	-	(14,392,971)
PROVISIONS FOR LIABILITIES				
	(iii)	<u>(116,700)</u>	<u>9,365</u>	<u>(107,335)</u>
NET ASSETS				
		<u>34,774,139</u>	<u>(231,452)</u>	<u>34,542,687</u>
CAPITAL AND RESERVES				
Called up share capital		3,976,547	-	3,976,547
Share premium		3,435,961	-	3,435,961
Revaluation reserve	(ii, iii)	326,719	(77,220)	249,499
Retained earnings		27,034,912	(154,232)	26,880,680
SHAREHOLDERS' FUNDS				
		<u>34,774,139</u>	<u>(231,452)</u>	<u>34,542,687</u>

The notes form part of these financial statements

RECONCILIATION OF EQUITY - continued
30 APRIL 2015

Notes to the reconciliation of equity

(i) Net present value of shared equity loans

Under the old UK GAAP financial instruments were shown at cost in the Balance Sheet. FRS 102 requires that where the financial instrument is provided interest free, the instrument be shown in the Balance Sheet at its net present value using a market rate of interest. As a result interest free shared equity loans to customers included in the financial statements have been restated to net present value at 30 April 2015.

On adoption of the requirement of FRS 102 the adjustment to debtors at 1 May 2014 and 30 April 2015 was £373,543 and £205,710, respectively, with a finance income adjustment to the Income Statement for the year ended 30 April 2015 being £167,833.

(ii) Investment property

Under old UK GAAP revaluation gains on investment properties were recognised in the revaluation reserve. Under FRS 102, such gains are recognised within the Income Statement. As a result, a gain of £14,845 has been transferred from the revaluation reserve to non-distributable retained earnings on transition to FRS 102.

(iii) Deferred taxation

The company has accounted for deferred taxation on transition as follows:

Net present value of shared equity loans

FRS 102 requires the provision of deferred taxation on the net present value adjustments to financial instruments, for which provision was not required prior to the adoption of FRS 102.

Consequently, the provision for deferred tax at 1 May 2014 and 30 April 2015 has decreased by £74,709 and by £74,709, respectively.

Heritable property

FRS 102 requires the provision of deferred taxation on revaluation surpluses arising on heritable properties, for which provision was not required prior to the adoption of FRS 102. The provision for deferred taxation at 1 May 2014 and 30 April 2015 has been increased by £84,563 and £62,375, respectively. The movement in the provision is accounted for in the Other Comprehensive Income Statement.

Investment property

FRS 102 requires the provision of deferred taxation on revaluation surpluses arising on investment properties, for which provision was not required prior to the adoption of FRS 102. The provision for deferred taxation at 1 May 2014 and 30 April 2015 has been increased by £2,969 and £2,969, respectively.

SCOTIA HOMES LIMITED

RECONCILIATION OF PROFIT
FOR THE YEAR ENDED 30 APRIL 2015

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
TURNOVER		41,039,904	-	41,039,904
Cost of sales		(30,845,928)	-	(30,845,928)
GROSS PROFIT		10,193,976	-	10,193,976
Selling expenses		(1,092,269)	-	(1,092,269)
Other operating expenses		(5,621,039)	-	(5,621,039)
Other operating income		599,027	-	599,027
OPERATING PROFIT		4,079,695	-	4,079,695
Interest receivable and similar income	(i)	264,742	167,833	432,575
Interest payable and similar expenses		(825,499)	-	(825,499)
PROFIT BEFORE TAXATION		3,518,938	167,833	3,686,771
Tax on profit		(805,373)	(35,107)	(840,480)
PROFIT FOR THE FINANCIAL YEAR		<u>2,713,565</u>	<u>132,726</u>	<u>2,846,291</u>

The notes form part of these financial statements

