

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2017
FOR
SCOTIA HOMES LIMITED**



SCT *S6XNLMMI* 15/01/2018 #154
COMPANIES HOUSE



CHARTERED ACCOUNTANTS

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SCOTIA HOMES LIMITED

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FOR THE YEAR ENDED 30 APRIL 2017**

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SCOTIA HOMES LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 APRIL 2017**

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 Lonic

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 2017

The directors present their strategic report for the year ended 30 April 2017.

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 company is a wholly owned subsidiary of Scotia Homes (Holdings) Limited. 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

	2017	2016	Movement %
Turnover	£37.21m	£57.99m	(35.83)
Gross profit margin	20.72%	17.25%	3.47
Earnings before interest, tax, depreciation, amortisation and impairment	£3.66m	£5.00m	(26.80)
Operating profit	£2.93m	£4.33m	(32.33)
Net assets	£23.66m	£21.90m	£1.76m

Turnover for the period ended 30th April 2017 was significantly below the previous year largely due to the challenging market conditions prevailing across Aberdeen and North East Scotland. Completions fell to 161 units (2016: 219 units) and there were no land sales during the year (2016: 199 land sale units). Notwithstanding the reduced sales volumes, operating profits remained robust at £2.93m due to the actions taken by the board in light of the continuing downturn in the oil and gas sector. Gross margins improved by 3.47% as the company started to benefit from the land impairment made in the period ended 30th April 2016, despite reduced selling prices. In addition, selling expenses and overheads were also reduced by £0.95m during 2016/17, as the board sought to align these costs to the reduction in activity levels.

The balance sheet remains strong with net assets increased to £23.66m and there was again no bank debt outstanding at the year end. The company generated positive cash flow during the year with cash balances increasing to £2.85m. During 2016/17 the company achieved the ISO 9001 accreditation which is a significant milestone and recognition of the improved systems and processes that have been implemented to help improve business and operational risk management. There is much work still to be done but this required a huge effort from all colleagues across the business to whom we are very grateful.

Future Outlook

The local market in Aberdeen and North East Scotland remains difficult as a consequence of the depressed oil and gas sector. Despite the oil price having stabilised to around \$50 per barrel, confidence remains fragile and we have yet to see any uplift in house prices and sales volumes. We are continuing to use incentives such as part-exchange, assisted sale, discounts, Help-to-Buy etc., to support sales levels as the market conditions are unlikely to improve in the short term. The board continues to monitor the level of incentives being utilised very closely, in particular our exposure to part-exchange properties. As at 30th April 2017, the company has only 4 part-exchange properties under ownership.

The company continues to invest in its existing landbank and we currently have a number of exciting new development opportunities in the pipeline. These are spread across the Highland and Angus regions as the board seeks to geographically diversify the business to reduce our reliance on Aberdeen and North East Scotland. Despite the reduction in revenues experienced during 2016/17, the company remains in good shape financially and operationally, and has an excellent platform from which to continue to grow the business against a backdrop of increasing activity levels as our new sites come on stream with continued margin improvement being forecast. The board's continued focus on cost discipline will ensure that a satisfactory level of profit and cashflow is maintained for the year ending 30 April 2018.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 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.

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

14th September 2017

SCOTIA HOMES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 APRIL 2017

The directors present their report with the financial statements of the company for the year ended 30 April 2017.

DIVIDENDS

An interim dividend of £284,415 was paid during the financial year. A final dividend of £421,920 has been authorised, making a total of £706,335 in respect of the year ended 30th April 2017.

DIRECTORS

The directors set out in the table below have held office during the whole of the period from 1 May 2016 to the date of this report unless otherwise stated.

Other changes in directors holding office are as follows:

Mr R S Dryburgh - resigned 31/8/16

The directors shown below were in office at 30 April 2017 but did not hold any interest in the Ordinary shares of £1 each at 1 May 2016 or 30 April 2017.

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

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.

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.

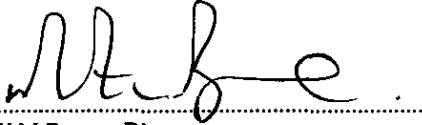
SCOTIA HOMES LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 APRIL 2017**

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

14th September 2017

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 2017 on pages seven to twenty three. 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, 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, and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the company and its environment, we have not identified any material misstatements in the Strategic Report or the Report of the Directors.

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

14th September 2017

SCOTIA HOMES LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2017**

	Notes	2017 £	2016 £
TURNOVER		37,207,651	57,995,133
Cost of sales		<u>(29,496,771)</u>	<u>(47,991,996)</u>
GROSS PROFIT		7,710,880	10,003,137
Selling expenses		(904,743)	(1,065,700)
Other operating expenses		<u>(4,220,609)</u>	<u>(5,013,291)</u>
		2,585,528	3,924,146
Other operating income		<u>348,733</u>	<u>410,223</u>
OPERATING PROFIT	4	2,934,261	4,334,369
Impairment of development work in progress	5	-	(15,477,874)
Fair value gains/(losses) on investment property	5	<u>-</u>	<u>(205,000)</u>
		2,934,261	(11,348,505)
Interest receivable and similar income		<u>69,568</u>	<u>128,275</u>
		3,003,829	(11,220,230)
Interest payable and similar expenses	6	<u>(251,737)</u>	<u>(896,159)</u>
PROFIT/(LOSS) BEFORE TAXATION		2,752,092	(12,116,389)
Tax on profit/(loss)	7	<u>(280,074)</u>	<u>1,608,532</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>2,472,018</u>	<u>(10,507,857)</u>

The notes form part of these financial statements



SCOTIA HOMES LIMITED**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2017**

	Notes	2017 £	2016 £
PROFIT/(LOSS) FOR THE YEAR		2,472,018	(10,507,857)
OTHER COMPREHENSIVE LOSS			
Realisation of gain on revaluation of heritable property		-	(311,874)
Deferred taxation		-	62,375
Cost of shares in group undertakings transferred to parent company		-	(1,329,887)
Income tax relating to components of other comprehensive loss		-	-
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		-	(1,579,386)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>2,472,018</u>	<u>(12,087,243)</u>

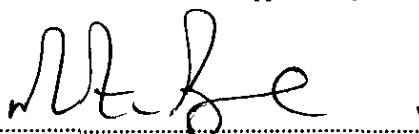
The notes form part of these financial statements



BALANCE SHEET
30 APRIL 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Intangible assets	9	207,470	414,830
Tangible assets	10	972,200	1,618,899
Investments	11	50	50
Investment property	12	-	149,950
		<u>1,179,720</u>	<u>2,183,729</u>
CURRENT ASSETS			
Stocks	13	18,656,285	26,016,976
Debtors	14	10,907,581	7,961,939
Cash at bank and in hand		<u>2,849,047</u>	<u>1,579,050</u>
		32,412,913	35,557,965
CREDITORS			
Amounts falling due within one year	15	<u>(9,891,486)</u>	<u>(15,555,903)</u>
NET CURRENT ASSETS		<u>22,521,427</u>	<u>20,002,062</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		23,701,147	22,185,791
CREDITORS			
Amounts falling due after more than one year	16	<u>(39,663)</u>	<u>(289,991)</u>
NET ASSETS		<u>23,661,484</u>	<u>21,895,800</u>
CAPITAL AND RESERVES			
Called up share capital	20	3,976,547	3,976,547
Share premium	21	3,435,961	3,435,961
Retained earnings	21	<u>16,248,976</u>	<u>14,483,292</u>
SHAREHOLDERS' FUNDS		<u>23,661,484</u>	<u>21,895,800</u>

The financial statements were approved by the Board of Directors on 1st August 2017 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 2017**

	Called up share capital £	Retained earnings £	Share premium £	Revaluation reserve £	Total equity £
Balance at 1 May 2015	3,976,547	26,880,680	3,435,961	249,499	34,542,687
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>
Changes in equity					
Dividends	-	(706,335)	-	-	(706,335)
Total comprehensive income	-	2,472,018	-	-	2,472,018
Balance at 30 April 2017	<u>3,976,547</u>	<u>16,248,975</u>	<u>3,435,961</u>	<u>-</u>	<u>23,661,483</u>

The notes form part of these financial statements



1. 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.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions 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;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

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.

2. 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 goods and from the rendering of services.

Sale of goods:

Sale of goods 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.

The company also sells development land. Sales of development land are recognised when there is a legally binding obligation to pay by the customer.

Rendering of services:

Rendering of services represent contracting sales. Revenue is recognised in the accounting period in which the services are rendered.

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
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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:

Plant and machinery	- 25% on reducing balance and 25 - 33% straight line
Fixtures and fittings	- 25 - 33% 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.

2. 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.

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.

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

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.

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.

2. 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.

3. EMPLOYEES AND DIRECTORS

	2017 £	2016 £
Wages and salaries	6,736,543	7,965,995
Social security costs	718,519	875,571
Other pension costs	215,829	250,699
	<u>7,670,891</u>	<u>9,092,265</u>

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

	2017	2016
Production	118	124
Administration	97	106
	<u>215</u>	<u>230</u>

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

	2017 £	2016 £
Directors' remuneration	847,537	1,106,044
Directors' pension contributions to money purchase schemes	48,882	74,269
Compensation to director for loss of office	<u>30,000</u>	<u>30,000</u>

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

	2017	2016
Money purchase schemes	<u>7</u>	<u>8</u>

Information regarding the highest paid director is as follows:

	2017 £	2016 £
Emoluments etc	134,094	136,463
Pension contributions to money purchase schemes	<u>3,518</u>	<u>9,668</u>

SCOTIA HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2017**

4. OPERATING PROFIT

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

	2017 £	2016 £
Other operating leases	176,558	177,320
Depreciation - owned assets	280,083	258,545
Depreciation - assets on hire purchase contracts	237,915	403,721
Loss/(profit) on disposal of fixed assets	789	(285,133)
Goodwill amortisation	207,360	207,360
Auditors' remuneration	25,000	20,000
Auditors' remuneration for non audit work	<u>11,510</u>	<u>5,350</u>

5. IMPAIRMENTS AND FAIR VALUE GAINS/(LOSSES)

	2017 £	2016 £
Impairment of development work in progress	-	(15,477,874)
Fair value gains/(losses) on investment property	<u>-</u>	<u>(205,000)</u>
	<u>-</u>	<u>(15,682,874)</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £	2016 £
Bank interest	-	408,466
Other interest	-	631
Group interest and charges	157,641	162,227
Hire purchase	28,345	35,034
Bank charges	<u>65,751</u>	<u>289,801</u>
	<u>251,737</u>	<u>896,159</u>

7. TAXATION

Analysis of the tax charge/(credit)

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

	2017 £	2016 £
Current tax:		
UK corporation tax	12,385	-
Adjustment re previous years	-	(775,907)
Group relief payable	<u>27,745</u>	<u>-</u>
Total current tax	40,130	(775,907)
Deferred tax	<u>239,944</u>	<u>(832,625)</u>
Tax on profit/(loss)	<u>280,074</u>	<u>(1,608,532)</u>

7. TAXATION - continued

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

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

	2017 £	2016 £
Profit/(loss) before tax	<u>2,752,092</u>	<u>(12,116,389)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19.918% (2016 - 20%)	548,162	(2,423,278)
Effects of:		
Expenses not deductible for tax purposes	(331,864)	886,282
Utilisation of tax losses	-	708,296
Adjustments to tax charge in respect of previous periods	-	(775,907)
Land remediation relief	(7,176)	(21,284)
Amortisation of non-qualifying goodwill	41,302	41,472
Gain on sale of non-qualifying asset	(10)	(65,113)
Fair value adjustment of investment property	-	41,000
Effect of rate change in respect of deferred tax	<u>29,660</u>	<u>-</u>
Total tax charge/(credit)	<u>280,074</u>	<u>(1,608,532)</u>

Tax effects relating to effects of other comprehensive income

There were no tax effects for the year ended 30 April 2017.

	Gross £	2016 Tax £	Net £
Realisation of gain on revaluation of heritable property	(311,874)	-	(311,874)
Deferred taxation	62,375	-	62,375
Cost of shares in group undertakings transferred to parent company	<u>(1,329,887)</u>	<u>-</u>	<u>(1,329,887)</u>
	<u>(1,579,386)</u>	<u>-</u>	<u>(1,579,386)</u>

8. DIVIDENDS

	2017 £	2016 £
Final	421,920	380,700
Interim	<u>284,415</u>	<u>178,944</u>
	<u>706,335</u>	<u>559,644</u>

SCOTIA HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2017**

9. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 May 2016	
and 30 April 2017	<u>1,036,910</u>
AMORTISATION	
At 1 May 2016	622,080
Amortisation for year	<u>207,360</u>
At 30 April 2017	<u>829,440</u>
NET BOOK VALUE	
At 30 April 2017	<u>207,470</u>
At 30 April 2016	<u>414,830</u>

10. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 May 2016	1,449,506	562,984	1,218,643	3,231,133
Additions	-	13,075	17,548	30,623
Disposals	<u>(126,335)</u>	<u>(147,447)</u>	<u>(245,594)</u>	<u>(519,376)</u>
At 30 April 2017	<u>1,323,171</u>	<u>428,612</u>	<u>990,597</u>	<u>2,742,380</u>
DEPRECIATION				
At 1 May 2016	658,602	351,913	601,719	1,612,234
Charge for year	204,025	123,787	190,186	517,998
Eliminated on disposal	<u>(69,475)</u>	<u>(147,447)</u>	<u>(143,130)</u>	<u>(360,052)</u>
At 30 April 2017	<u>793,152</u>	<u>328,253</u>	<u>648,775</u>	<u>1,770,180</u>
NET BOOK VALUE				
At 30 April 2017	<u>530,019</u>	<u>100,359</u>	<u>341,822</u>	<u>972,200</u>
At 30 April 2016	<u>790,904</u>	<u>211,071</u>	<u>616,924</u>	<u>1,618,899</u>

SCOTIA HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2017**

10. 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 2016	1,084,061	51,328	801,520	1,936,909
Disposals	(119,545)	-	(143,810)	(263,355)
Transfer to ownership	(268,695)	-	(303,152)	(571,847)
At 30 April 2017	<u>695,821</u>	<u>51,328</u>	<u>354,558</u>	<u>1,101,707</u>
DEPRECIATION				
At 1 May 2016	386,454	14,258	270,221	670,933
Charge for year	138,764	17,109	82,042	237,915
Eliminated on disposal	(56,073)	-	(52,859)	(108,932)
Transfer to ownership	(127,402)	-	(156,767)	(284,169)
At 30 April 2017	<u>341,743</u>	<u>31,367</u>	<u>142,637</u>	<u>515,747</u>
NET BOOK VALUE				
At 30 April 2017	<u>354,078</u>	<u>19,961</u>	<u>211,921</u>	<u>585,960</u>
At 30 April 2016	<u>697,607</u>	<u>37,070</u>	<u>531,299</u>	<u>1,265,976</u>

11. FIXED ASSET INVESTMENTS

	Interest in joint venture £
COST	
At 1 May 2016 and 30 April 2017	<u>50</u>
NET BOOK VALUE	
At 30 April 2017	<u>50</u>
At 30 April 2016	<u>50</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

SCOTIA HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2017**

12. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 May 2016	149,950
Disposals	<u>(149,950)</u>
At 30 April 2017	-
NET BOOK VALUE	
At 30 April 2017	<u>-</u>
At 30 April 2016	<u>149,950</u>

13. STOCKS

	2017 £	2016 £
Work in progress	14,579,641	21,225,199
Shared purchase properties	264,456	264,456
Properties for resale	<u>3,812,188</u>	<u>4,527,321</u>
	<u>18,656,285</u>	<u>26,016,976</u>

14. DEBTORS

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	180,308	257,598
Amounts owed by group undertakings	5,601,941	502,928
Other debtors and prepayments	2,360,997	2,537,553
Amounts owed by joint venture	205,000	204,000
Tax	-	1,131,800
	<u>8,348,246</u>	<u>4,633,879</u>

Amounts falling due after more than one year:

Trade debtors	1,979,558	2,508,340
Other debtors	32,055	32,055
Deferred tax asset	<u>547,722</u>	<u>787,665</u>
	<u>2,559,335</u>	<u>3,328,060</u>

Aggregate amounts

<u>10,907,581</u>	<u>7,961,939</u>
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Deferred tax asset

	2017 £	2016 £
Accelerated capital allowances	(29,372)	(100,003)
Other timing differences	<u>577,094</u>	<u>887,668</u>
	<u>547,722</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 £1,875,049 (2016: £2,412,168). The cost value of secured loans amounted to £1,886,985 (2016: £2,475,292). Included within trade debtors due within one year are secured loans amounting to £nil (2016: £250).

SCOTIA HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2017**

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Hire purchase contracts (see note 17)	234,633	508,988
Deposits in advance	290,193	663,514
Trade creditors	7,834,170	11,486,630
Amounts owed to group undertakings	24,964	1,127,140
Tax	12,385	-
Social security and other taxes	181,201	258,307
Proposed dividends	421,920	380,700
Accruals and deferred income	892,020	1,130,624
	<u>9,891,486</u>	<u>15,555,903</u>

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

	2017	2016
	£	£
Hire purchase contracts (see note 17)	<u>39,663</u>	<u>289,991</u>

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2017	2016
	£	£
Gross obligations repayable:		
Within one year	247,211	535,968
Between one and five years	<u>41,828</u>	<u>305,614</u>
	<u>289,039</u>	<u>841,582</u>

Finance charges repayable:		
Within one year	12,578	26,980
Between one and five years	<u>2,165</u>	<u>15,623</u>
	<u>14,743</u>	<u>42,603</u>

Net obligations repayable:		
Within one year	234,633	508,988
Between one and five years	<u>39,663</u>	<u>289,991</u>
	<u>274,296</u>	<u>798,979</u>

	Non-cancellable operating leases	
	2017	2016
	£	£
Within one year	140,744	162,234
Between one and five years	<u>41,172</u>	<u>179,793</u>
	<u>181,916</u>	<u>342,027</u>

SCOTIA HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 APRIL 2017

18. SECURED DEBTS

The following secured debts are included within creditors:

	2017 £	2016 £
Hire purchase contracts	<u>274,296</u>	<u>798,979</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.

19. DEFERRED TAX

	£
Balance at 1 May 2016	(787,665)
Charge to Income Statement during year	<u>239,943</u>
Balance at 30 April 2017	<u>(547,722)</u>

20. CALLED UP SHARE CAPITAL

Allotted and issued: Number:	Class:	Nominal value:	2017 £	2016 £
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.

21. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 May 2016	14,483,293	3,435,961	17,919,254
Profit for the year	2,472,018	-	2,472,018
Dividends	<u>(706,335)</u>	<u>-</u>	<u>(706,335)</u>
At 30 April 2017	<u>16,248,976</u>	<u>3,435,961</u>	<u>19,684,937</u>

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.

Retained earnings

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

22. 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.

23. CONTINGENT LIABILITIES

Group borrowing facility

At 30th April 2017 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 (2016: £nil).

SCOTIA HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 APRIL 2017

24. 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:

	2017 £	2016 £
GJG Portfolio Services (Aberdeen) Limited		
Services provided		2,000
Outstanding at balance sheet date	-	-
Burnett Property Management		
Rent	75,040	75,040
Outstanding at balance sheet date	7,504	6,253

25. 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