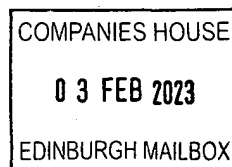


COMPANY REGISTRATION NUMBER: SC141011

Scotia Homes Limited
Financial Statements
For the year ended
30 June 2022



Scotia Homes Limited

Strategic Report

Year ended 30 June 2022

The directors present their strategic report for the year 1 July 2021 to 30 June 2022.

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

The results for the year to 30 June 2022 and the financial position of the company are as shown in the annexed financial statements.

Key Performance Indicators

	2022	2021	Movement
Turnover	£42.14m	£28.79m	46%
Gross Profit margin	14%	19%	(5%)
Operating Profit	£0.47m	£1.75m	(£1.28m)
Cash balances	£1.54m	£2.52m	(£0.98m)
Net Assets	£9.6m	£9.2m	£0.4m

Turnover for the period ended 30th June 2022 was 46% ahead of the previous year, reflecting the substantial uplift in construction activity levels. Scotia Homes Limited is now the principal contractor across majority of projects for the Scotia Group of companies with developments being delivered by the regional subsidiaries. During the year, the company completed the final units at its Dubford, Bridge of Don development and this resulted in a reduction in house sales turnover. The company continues to hold other sites with planning consent and also has various land options and other strategic landbank.

Gross margins reduced to 14% reflecting the changing sales mix with a higher proportion of lower margin construction related activity during the year under review. Sales expenses and Overheads were significantly higher at £5.4m (2021 £4.1m) following the strong recovery from the impact of the COVID-19 pandemic with increased resources being deployed across the business. As a consequence, Operating profits were reduced to £0.47m (2021 £1.75m).

The Balance Sheet remains strong with Net Assets of £9.6m and cash resources of £1.54m as at 30th June 2022. Debtors increased to £10.7m (2021 £8.9m) and these are largely represented by sums due from other Scotia Group companies which are considered readily realisable. The Consolidated Accounts for the Scotia Group for the same period reveal aggregate Operating profits of £4.4m with Net Assets in excess of £25m.

Future Outlook

The company's activities are closely aligned to the scale of operations across the Scotia Group and the number of active sites on which it provides construction support. The housebuilding sector is currently experiencing challenging trading conditions as a consequence of high cost inflation and weaker demand due to the cost of living squeeze and increased mortgage rates. Notwithstanding this, the Scotia Group has a strong level of forward sales and has maintained its target to increase housebuilding activity to 350 units per annum within the next 3 years.

Scotia Homes Limited

Strategic Report *(continued)*

Year ended 30 June 2022

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 statements 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.

Section 172(1) statement

Board Directors are bound by their duties under the Companies Act 2006, "to promote the success of the Company for the benefit of our members as a whole".

Our vision is to be the "Developer of Choice", and as we recover from the global pandemic, balancing the needs and expectations of our stakeholders has never been a more important or challenging task.

As we emerged from lockdown, the business faced unprecedented challenges associated with material availability and cost increases and the board had to consider how to enable our ambition for growth, and improve productivity, without compromising the Health and Wellbeing of our employees during the COVID-19 pandemic. Additional monitoring and reporting mechanisms were immediately put in place, with a working group established to monitor the supply chain and any potential impact on build progress and customer entry dates. Our HSEQ team continued to monitor compliance with our COVIDSAFE guidance during 2021, ensuring that policies and procedures were adhered to and where opportunities for improvement were identified, action plans were put in place to safeguard our employees.

As we look to the future, the growing interest around the subject of Environmental, Social and Governance (ESG) emphasises the necessity to understand the needs and priorities of our stakeholders and keep their interests at the forefront of our decision making. This is demonstrated by efforts to reduce waste from our construction activities and our commitment to reducing carbon through the introduction of alternative heating and hot water systems, EV charging points and Modern Methods of Construction (MMC) such as closed panel timber kits.

The Board of Directors continue to refine our strategy in the context of ESG, create KPI's and set measurable objectives that support our vision and ensure we are a sustainable business for everyone.

The table below identifies our key stakeholder groups, and for each stakeholder we have outlined their interests and how we engage.

Scotia Homes Limited

Strategic Report *(continued)*

Year ended 30 June 2022

This report was approved by the board of directors on 17 January 2023 and signed on behalf of the board by:

G Gerrard

G J Gerrard
Chairman

G Reid

G Reid
Director

Scotia Homes Limited

Directors' Report

Year ended 30 June 2022

The directors present their report and the financial statements of the company for the year ended 30 June 2022.

Principal activity

The principal activity of the company during the year was the acquisition and development of land and the construction and sale of residential property.

Directors

The directors who served the company during the year were as follows:

C A Beaton	
R G Begbie	
P J Boyle	
W M Bruce	(Resigned 31 December 2022)
D J Cameron	
G J Gerrard	
B R Linton	
A J Lonie	(Resigned 30 November 2022)
G Reid	

Dividends

The directors do not recommend the payment of a dividend.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
 - they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.
-

Scotia Homes Limited

Directors' Report *(continued)*

Year ended 30 June 2022

This report was approved by the board of directors on 17 January 2023 and signed on behalf of the board by:

G Gerrard

G J Gerrard
Chairman

G Reid

G Reid
Director

Scotia Homes Limited

Independent Auditor's Report to the Members of Scotia Homes Limited

Year ended 30 June 2022

Opinion

We have audited the financial statements of Scotia Homes Limited (the 'company') for the year ended 30 June 2022 which comprise the income statement, balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Scotia Homes Limited

Independent Auditor's Report to the Members of Scotia Homes Limited *(continued)*

Year ended 30 June 2022

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Scotia Homes Limited

Independent Auditor's Report to the Members of Scotia Homes Limited *(continued)*

Year ended 30 June 2022

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the management and the directors;
- review of minutes of board meetings throughout the period;
- review of legal correspondence and invoices, and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
-

Scotia Homes Limited

Independent Auditor's Report to the Members of Scotia Homes Limited *(continued)*

Year ended 30 June 2022

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Barry Truswell

Barry Truswell (Senior Statutory Auditor)

For and on behalf of

Chiene + Tait LLP

Chartered Accountants & Statutory Auditor

61 Dublin Street

Edinburgh

EH3 6NL

02 February 2023

Scotia Homes Limited**Income Statement****Year ended 30 June 2022**

	Note	2022 £	2021 £
Turnover	4	42,135,452	28,786,530
Cost of sales		36,296,895	23,406,669
Gross profit		5,838,557	5,379,861
Selling expenses		991,208	685,165
Administrative expenses		4,475,737	3,438,949
Other operating income	5	93,609	499,128
Operating profit	6	465,221	1,754,875
Other interest receivable and similar income	10	1	36
Interest payable and similar expenses	11	14,622	33,213
Profit before taxation		450,600	1,721,698
Tax on profit	12	30,935	49,407
Profit for the financial year		419,665	1,672,291

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 12 to 24 form part of these financial statements.

Scotia Homes Limited**Balance Sheet****30 June 2022**

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	14	647,521	735,467
Investments	15	51	51
		<u>647,572</u>	<u>735,518</u>
Current assets			
Stock and work in progress	16	6,369,885	3,128,905
Debtors	17	10,583,760	8,907,157
Cash at bank and in hand		<u>1,542,373</u>	<u>2,524,759</u>
		18,496,018	14,560,821
Creditors: amounts falling due within one year	18	<u>9,457,892</u>	<u>6,092,550</u>
Net current assets		<u>9,038,126</u>	<u>8,468,271</u>
Total assets less current liabilities		<u>9,685,698</u>	<u>9,203,789</u>
Creditors: amounts falling due after more than one year	19	<u>65,013</u>	<u>2,769</u>
Net assets		<u><u>9,620,685</u></u>	<u><u>9,201,020</u></u>
Capital and reserves			
Called up share capital	24	3,976,547	3,976,547
Share premium account	25	3,435,961	3,435,961
Profit and loss account	25	<u>2,208,177</u>	<u>1,788,512</u>
Shareholders funds		<u><u>9,620,685</u></u>	<u><u>9,201,020</u></u>

These financial statements were approved by the board of directors and authorised for issue on 17 January 2023 and are signed on behalf of the board by:

G Gerrard

G J Gerrard
Chairman

G Reid

G Reid
Director

Company registration number: SC141011

The notes on pages 12 to 24 form part of these financial statements.

Scotia Homes Limited

Notes to the Financial Statements

Year ended 30 June 2022

1. General information

The company is a private company limited by shares, registered in Scotland. The address of the business is Balmacassie, Ellon, AB41 8QR. The registered address of the business is The Ca'd'oro, 45 Gordon Street, Glasgow, G1 3PE.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The directors, having made careful enquiry, are of the opinion that the company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statement, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

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; and the requirement of paragraph 33.7.

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

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 lives 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.

Impairment 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.

Revenue recognition

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.

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.

Contracting income:

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

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

3. Accounting policies *(continued)*

Taxation *(continued)*

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured 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 the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Amortisation

Amortisation is charged so as to allocated the cost of intangibles less their residual values over the 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, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

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

Depreciation

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 - 50% straight line
Motor vehicles	- 25% on reducing balance and 25% straight line

Investments

Investments held are stated at cost less accumulated impairment losses.

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

3. Accounting policies *(continued)*

Investments in associates

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

Investments in joint ventures

Investments in joint ventures accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the joint venture arising before or after the date of acquisition.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stock 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 accounts 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.

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

3. Accounting policies *(continued)*

Finance leases and hire purchase contracts

Amounts borrowed under finance leases are secured against the related assets.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Defined contribution plans

Contributions in respect of the company's defined contribution pension scheme are charged to the profit and loss accounts 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.

Employee benefits

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

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

4. Turnover

Turnover arises from:

	2022	2021
	£	£
House sales	7,532,028	9,088,708
Contracting	31,293,303	17,373,479
Construction contracts	3,303,711	2,306,257
Management charges received	6,410	18,086
	<u>42,135,452</u>	<u>28,786,530</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

	2022	2021
	£	£
Government grant income	—	388,070
Other operating income	93,609	111,058
	<u>93,609</u>	<u>499,128</u>

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2022	2021
	£	£
Depreciation of tangible assets	242,738	309,476
Gains on disposal of tangible assets	<u>(30,307)</u>	<u>(22,970)</u>

7. Auditor's remuneration

	2022	2021
	£	£
Fees payable for the audit of the financial statements	<u>20,900</u>	<u>24,500</u>

8. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2022	2021
	No.	No.
Production staff	77	81
Administrative staff	89	83
	<u>166</u>	<u>164</u>

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

8. Staff costs *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022	2021
	£	£
Wages and salaries	3,145,373	2,283,364
Social security costs	383,444	255,945
Other pension costs	192,344	126,150
	<u>3,721,161</u>	<u>2,665,459</u>

Termination benefits paid during the year were £16,320 (2021: £131,437).

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2022	2021
	£	£
Remuneration	1,107,286	686,166
Company contributions to defined contribution pension plans	56,012	32,226
	<u>1,163,298</u>	<u>718,392</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2022	2021
	No.	No.
Defined contribution plans	<u>5</u>	<u>3</u>

Remuneration of the highest paid director in respect of qualifying services:

	2022	2021
	£	£
Aggregate remuneration	<u>229,841</u>	<u>148,683</u>

10. Other interest receivable and similar income

	2022	2021
	£	£
Interest on bank deposits	<u>1</u>	<u>36</u>

11. Interest payable and similar expenses

	2022	2021
	£	£
Interest on obligations under finance leases and hire purchase contracts	10,268	23,044
Other interest payable and similar charges	4,354	10,169
	<u>14,622</u>	<u>33,213</u>

Scotia Homes Limited

Notes to the Financial Statements (continued)

Year ended 30 June 2022

12. Tax on profit

Major components of tax expense

	2022 £	2021 £
Current tax:		
UK current tax income	(205,181)	(177,444)
Adjustments in respect of prior periods	(131,434)	—
Total current tax	<u>(336,615)</u>	<u>(177,444)</u>
Deferred tax:		
Origination and reversal of timing differences	367,550	226,851
Tax on profit	<u>30,935</u>	<u>49,407</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Profit on ordinary activities before taxation	<u>450,600</u>	<u>1,721,698</u>
Profit on ordinary activities by rate of tax	85,614	327,123
Adjustment to tax charge in respect of prior periods	(127,871)	(14,660)
Effect of expenses not deductible for tax purposes	1,074	2,799
Effect of capital allowances and depreciation	—	(11,046)
Effect of different UK tax rates on some earnings	—	1,188
Utilisation of tax losses	—	(34,689)
Income not taxable for tax purposes	(397)	(9,447)
Remeasurement of deferred tax for changes in tax rates	87,452	(210,163)
Fixed asset differences	(14,937)	(1,698)
Group relief surrendered	205,181	177,444
Receipt for group relief	<u>(205,181)</u>	<u>(177,444)</u>
Tax on profit	<u>30,935</u>	<u>49,407</u>

13. Intangible assets

	Goodwill £
Cost	
At 1 July 2021 and 30 June 2022	<u>1,036,910</u>
Amortisation	
At 1 July 2021 and 30 June 2022	<u>1,036,910</u>
Carrying amount	
At 30 June 2022	—
At 30 June 2021	—

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

14. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 July 2021	1,024,048	268,123	801,666	2,093,837
Additions	91,695	126,048	65,670	283,413
Disposals	(223,640)	—	(85,241)	(308,881)
At 30 June 2022	892,103	394,171	782,095	2,068,369
Depreciation				
At 1 July 2021	596,396	162,956	599,018	1,358,370
Charge for the year	88,543	85,294	68,901	242,738
Disposals	(113,117)	—	(67,143)	(180,260)
At 30 June 2022	571,822	248,250	600,776	1,420,848
Carrying amount				
At 30 June 2022	320,281	145,921	181,319	647,521
At 30 June 2021	427,652	105,167	202,648	735,467

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £	Motor vehicles £	Total £
At 30 June 2022	89,785	66,589	156,374
At 30 June 2021	311,362	150,802	462,164

15. Investments

	Shares in participating interests £	Other investments other than loans £	Total £
Cost			
At 1 July 2021 and 30 June 2022	50	1	51
Impairment			
At 1 July 2021 and 30 June 2022	—	—	—
Carrying amount			
At 30 June 2022	50	1	51
At 30 June 2021	50	1	51

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

15. Investments *(continued)*

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

Joint venture

Countesswells Limited

Registered office: Scotland

Nature of business: Property Development

Class of shares:

% holding

Ordinary 'B' shares

100.00

16. Stock and work in progress

	2022 £	2021 £
Work in progress	6,070,510	2,705,663
Shared purchase properties	118,766	157,707
Properties for resale	180,609	265,535
	<u>6,369,885</u>	<u>3,128,905</u>

17. Debtors

	2022 £	2021 £
Trade debtors	576,307	843,454
Amounts owed by group undertakings	8,497,367	6,040,967
Amounts owed by joint venture	210,000	207,000
Deferred tax asset	609,497	977,047
Other debtors and prepayments	230,976	321,569
Corporation tax repayable	52,289	229,734
Other debtors	407,324	287,386
	<u>10,583,760</u>	<u>8,907,157</u>

The debtors above include the following amounts falling due after more than one year:

	2022 £	2021 £
Trade debtors	510,943	787,858
Deferred tax asset	977,047	977,047
Other debtors	–	32,055
	<u>1,487,990</u>	<u>1,796,960</u>

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

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

18. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	4,317,017	3,084,783
Accruals and deferred income	2,838,373	844,218
Social security and other taxes	503,594	377,079
Obligations under finance leases and hire purchase contracts	59,840	173,999
Other creditors	1,739,068	1,612,471
	<u>9,457,892</u>	<u>6,092,550</u>

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

	2022	2021
	£	£
Obligations under finance leases and hire purchase contracts	<u>65,013</u>	<u>2,769</u>

20. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2022	2021
	£	£
Not later than 1 year	59,840	173,999
Later than 1 year and not later than 5 years	<u>65,013</u>	<u>2,769</u>
	<u>124,853</u>	<u>176,768</u>

Amounts borrowed under finance leases and hire purchase are secured against the related assets.

21. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2022	2021
	£	£
Included in debtors (note 17)	<u>609,497</u>	<u>977,047</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022	2021
	£	£
Accelerated capital allowances	105,753	117,512
Other timing differences	<u>(715,250)</u>	<u>(1,094,559)</u>
	<u>(609,497)</u>	<u>(977,047)</u>

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £192,344 (2021: £126,150).

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

23. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2022	2021
	£	£
Recognised in other operating income:		
Government grants recognised directly in income	—	388,070

24. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	3,976,547	3,976,547	3,976,547	3,976,547

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.

25. Reserves

Share Premium Reserve

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

Retained Earnings

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

26. Immediate parent company

Scotia Homes (Holdings) Limited owns 100% of the issued share capital of the company and is regarded by the directors as being the company's immediate parent company.

Scotia Homes (Holdings) Limited prepares consolidated group accounts and this is the smallest group of which the company is a member. Copies of these accounts can be obtained from The Registrar of Companies, Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

27. Ultimate controlling party

Camlin (No4) Limited is the ultimate parent company of the company by virtue of an interest (directly or indirectly) in 85% of the issued ordinary share capital in the company until 15 October 2020 and thereafter 95% of the issued ordinary share capital.

In the opinion of the directors, there is no individual ultimate controlling party.

28. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	2022	2021
	£	£
Tangible assets	776,735	66,548

Scotia Homes Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

29. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2022	2021
	£	£
Not later than 1 year	130,760	122,539
Later than 1 year and not later than 5 years	319,027	115,390
	<u>449,787</u>	<u>237,929</u>

30. Charges on assets

Bank loans and overdrafts are secured by standard securities over development land. There is also a Bond and Floating Charge over the assets of the company. Additionally, there is a Cross Corporate Guarantee between the company and third parties.

31. Contingencies

Group borrowing facility

At 30th June 2022, the ultimate parent 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 £12.98m (2021: £5.56m).

32. Related party transactions

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.