Company Registration No. SC525416 (Scotland)

SWAN REAL ESTATE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2020

SWAN REAL ESTATE PLC

COMPANY INFORMATION

Directors	Mr P McGinlay Mr D Smith
Secretary	Mr P McGinlay
Company number	SC525416
Registered office	58 Waterloo Street Glasgow United Kingdom G2 7DA
Auditor	Jeffreys Henry LLP 5-7 Cranwood Street London EC1V 9EE

SWAN REAL ESTATE PLC

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SWAN REAL ESTATE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2020

The directors present the strategic report and financial statements for the year ended 31 January 2020.

Results and dividends
The Loss before taxation amounted to £526,762 (2019: profit of £1,880,581).

The directors recommended an interim dividend of £187,500 (2019: £ NIL). No final dividend is recommended.

As at 31 January 2020 the total assets of the company were £7,866,538 an increase of £122,062 from 31 Jan 2019.

Principal activities and review of the business
The company's principal activity during the year was property development.

During the year the main construction at Law Place continued, by the year end the build project was 6 months ahead. Land was also purchased in Royston and planning agreed, a subsequent sale to a Housing Association has been agreed with a total contract value will be in excess £14m.

On 1 August 2019 the company signed a term sheet with an institutional investor to secure a £50m growth capital facility, the deal will allow the company the ability to accelerate the development of more than 3,000 affordable homes.

The Company remains committed to assisting housing associations and local councils to deliver the Scottish Government's target of 50,000 homes by 2021.

Principal risks and uncertainties
The company's principal risk and uncertainties are land availability and planning process timescales. The company identifies land opportunities and works alongside existing clients to ensure available land can obtain the relevant the planning applications in line with business plan. The company is exposed to a low level of price risk, credit risk and moderate levels of cash flow risk. The Company manages these risks by financing its operations through external investment, supplemented by the support of related companies.

The management objectives are to retain sufficient liquid funds to enable it to meet its day to day working capital requirements and minimise its exposure to fluctuating interest rates, match repayment schedules of liabilities with future cash flows expected to arise from the Company's day to day activities.

The company makes little use of financial instruments other than an operational bank account and so its exposure to price risk, credit risk, currency risk and cash flow risk is not considered material for the assessment of assets, liabilities and financial position of the profit or loss of the company.

Future developments
The directors will continue to identify and acquire suitable land for residential or commercial development.

Section 172 statement

Section 172(1) of the Companies Act 2006 provides that a director of a company must act in a way that he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to various other stakeholder interests – below are the six key factors:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

Shareholders

Operational and finance meetings are held regularly with directors and senior staff, these meetings provide a basis for well-informed decision making.

Supplier engagement

We fully support the collaboration with our suppliers as it reduces the risk in our supply chain and strengthens the platform from which we provide a service to our customers.
We also interact with our suppliers through tenders, agreements, and purchase orders.
A quality and sustainable supply chain is key to our competitiveness and product certification through well-managed forests is vital.

Customers

We value our customers highly and service to them is of high importance, at regular intervals throughout the year we seek feedback to ensure our performance levels have not dropped.

On behalf of the board

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Mr P McGinlay

Director

7 September 2021

SWAN REAL ESTATE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2020

The directors present their annual report and financial statements for the year ended 31 January 2020.

Results and dividends

The results for the year are set out on page 12.

Ordinary dividends were paid amounting to £187,500. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Mr P McGinlay	
Mr D Smith	
Mr G Flint	(Resigned 29 July 2020)
Mr I Stewart	(Resigned 29 July 2020)

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Auditor

In accordance with the company's articles, a resolution proposing that Jeffreys Henry LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

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

On behalf of the board

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Mr P McGinlay

Director

Date: 7 September 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SWAN REAL ESTATE PLC

Opinion

We have audited the financial statements of Swan Real Estate Plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 January 2020 which comprise the consolidated statement of income and other comprehensive income, the consolidated and parent Company statements of financial position, the consolidated and parent Company statements of cash flows, the consolidated and parent Company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 as applied to listed entities, 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

We draw attention to note 1.2 in the financial statements which explains that the Group incurred losses of £576,672 in the year and have net liabilities of £544,825. The impact of Covid-19 has resulted in a slow-down in the development of projects, and the Group is seeking to accelerate the ongoing projects to generate sufficient liquidity to meet its working capital requirements. The Directors are also in the process of discussing the deferral of the repayment of the remaining bond balance of £5m due for repayment in December 2021, however this has not been agreed at the date of this report.

These events or conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our approach to the audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of two reporting units, comprising the Group’s operating businesses and holding companies.

We performed audits of the complete financial information of Swan Real Estate Plc and Swan Development Management Limited, which accounted for 100% of the Group’s revenue and 100% of the Group’s absolute loss before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over account balances and transaction classes that we regarded as material to the Group at two reporting units.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	**How our audit addressed the key audit matter**
Valuation of inventory The Company held £3,404,143 of inventory as at 31 January 2020 (2019: £3,811,077), with no provisions in the current or prior year. Inventory comprises multiple sites that are held in trust by the subsidiaries. These are in various stages of development, or in a small number of cases an option to purchase is held pending planning approval. As inventory is to be held at the lower of cost and NRV, management assert that the amounts recoverable on sale are higher than the total cost incurred to date, for each site.	We agreed the costs incurred by site to supporting documentation to substantiate the cost included in the accounts. As no sales are currently under negotiation, the net realisable values were substantiated by third party valuations, or director estimations of expected sale proceeds. We reviewed director inputs and evaluated the reasonableness of the assumptions used in their valuations for the property sites.

Going concern assumption The Company is dependent upon its ability to generate sufficient cash flows to meet continued operational and finance costs and hence continue trading. Given the scale of cash outflows, the Company needs to be generating sufficient revenues to sustain its position.	Management's review of going concern placed significant emphasis on their ability to secure further funding, the commencement of projects under agreement, and the extension of the bond term by up to 24 months. Our work has focused on evaluating and challenging the reasonableness of the assumptions underlying the forecast and their impact on the forecast period. Sensitivities were performed on the base case, whereby expected revenues were delayed, or reduced. For the Group's borrowing needs we reviewed management's plans to refinance, with consideration given to managements plans to defer repayment of the bond maturing in 2021.
Revenue recognition As the Company has generated revenues for the first time, revenue growth is now a key performance indicator of the Company. This may place pressure on management to distort revenue recognition. The complex nature of development projects may result in overstatement or deferral of revenues.	In testing revenue we have reviewed and documented the two different revenue streams in the year- being the sale of land, and acting as a main contractor on a construction contract. The transactions have been agreed to contracts, and in the case of the construction contract, to ongoing third-party valuations. The underlying contract has been reviewed for any further obligations or necessary provisions that would impact the completeness of revenue. In particular, the overall net result on the contract.
Recoverability of debtor balances The Group has amounts due from related parties totalling £2,152,318. The recoverability of these balances is reliant on the development and eventual sale of properties held within these entities. The Directors consider these loans are fully recoverable.	We have reviewed the carrying value of the investments in and loans to the related parties. The review considered the current value of the properties held, and any existing 3rd party debt which would take priority over that of the Group. We have considered the Group's assessments, and the results of audit work conducted on these balances for any unrecognised indicators of impairment.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£80,000 (31 January 2019: NA).	£80,000 (31 January 2019: £103,000).
How we determined it	1% of gross assets	1% of gross assets
Rationale for benchmark applied	We believe that gross assets is an acceptable auditing benchmark, being a primary measure used by shareholders in assessing the Group's performance.	We believe that gross assets is an acceptable auditing benchmark, being a primary measure used by shareholders in assessing the Company's performance.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £80,000.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £4,000 (Group audit) (2019: NA) and £4,000 (Company audit) (2019: £5,150) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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.

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 1 were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- Obtaining confirmation of compliance from the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Other matters which we are required to address

The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group or the parent Company and we remain independent of the Group and the parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of this 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.

Sanjay Parmar (Senior Statutory Auditor)
for and on behalf of Jeffreys Henry LLP .... 7 September 2021
(Statutory Auditors)

Finsgate
5-7 Cranwood Street
London
EC1V 9EE

SWAN REAL ESTATE PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY 2020

	Notes	2020 £	2019 £
Revenue	**4**	8,926,943	3,878,607
Cost of sales		(7,817,004)	(4,351,264)
Gross profit/(loss)		1,109,939	(472,657)
Administrative expenses		(1,465,398)	(1,466,513)
Operating loss		(355,459)	(1,939,170)
Investment revenues	**8**	83,914	75,294
Finance costs	**8**	(305,217)	(255,543)
Other gains and losses	**9**	-	4,000,000
(Loss)/profit before taxation	**5**	(576,762)	1,880,581
Income tax expense	**10**	-	-
(Loss)/profit and total comprehensive income for the year	**22**	(576,762)	1,880,581

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There are no other gains or losses in the current year or in the comparative period other than those shown above, hence a separate statement of other comprehensive income is not presented.

SWAN REAL ESTATE PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2020

	Notes	2020 £	2019 £
Non-current assets			
Right of use asset	13	43,409	-
Investments	14	299,290	299,290
Other receivables	17	1,542,450	1,280,003
		1,885,149	1,579,293
Current assets			
Inventories	16	3,404,143	3,811,077
Trade and other receivables	17	2,407,423	739,231
Cash and cash equivalents	18	169,823	1,614,875
		5,981,389	6,165,183
Total assets		7,866,538	7,744,476
Equity			
Called up share capital	21	50,000	50,000
Retained earnings	22	(594,825)	174,981
Total equity		(544,825)	224,981
Non-current liabilities			
Borrowings	19	5,754,294	5,704,621
Lease liabilities	13	89,148	-
		5,843,442	5,704,621
Current liabilities			
Trade and other payables	20	2,521,277	1,429,069
Lease liabilities	13	46,644	-
Borrowings	19	-	385,805
		2,567,921	1,814,874
Total liabilities		8,411,363	7,519,495
Total equity and liabilities		7,866,538	7,744,476

The financial statements were approved by the board of directors and authorised for issue on 7 September 2021 and are signed on its behalf by:

....
Mr P McGinlay
Director
Company Registration No. SC525416

SWAN REAL ESTATE PLC

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2020

	Notes	2020 £	2019 £
Non-current assets			
Right of use asset	13	43,409	-
Investments	14	299,290	299,290
Other receivables	17	1,542,450	1,280,003
		1,885,149	1,579,293
Current assets			
Inventories	16	3,404,143	3,811,077
Trade and other receivables	17	2,407,423	739,231
Cash and cash equivalents	18	168,777	1,614,657
		5,980,343	6,164,965
Total assets		7,865,492	7,744,258
Equity			
Called up share capital	21	50,000	50,000
Retained earnings	22	196,235	966,041
Total equity		246,235	1,016,041
Non-current liabilities			
Borrowings	19	5,754,294	5,704,621
Lease liabilities	13	89,148	-
		5,843,442	5,704,621
Current liabilities			
Trade and other payables	20	1,729,171	637,791
Lease liabilities	13	46,644	-
Borrowings	19	-	385,805
		1,775,815	1,023,596
Total liabilities		7,619,257	6,728,217
Total equity and liabilities		7,865,492	7,744,258

The Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income. The Company made a loss in the year of £576,762.

The financial statements were approved by the board of directors and authorised for issue on 7 September 2021 and are signed on its behalf by:

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Mr P McGinlay
Director
Company Registration No. SC525416

SWAN REAL ESTATE PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2020

	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 February 2018		50,000	(1,705,600)	(1,655,600)
Year ended 31 January 2019:				
Profit and total comprehensive income for the year		-	1,880,581	1,880,581
Balance at 31 January 2019		50,000	174,981	224,981
Year ended 31 January 2020:				
Loss and total comprehensive income for the year		-	(576,762)	(576,762)
Dividends	**11**	-	(187,500)	(187,500)
Right of use assets recognition - effect on retained earnings		-	(5,544)	(5,544)
Balance at 31 January 2020		50,000	(594,825)	(544,825)

SWAN REAL ESTATE PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2020

	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 February 2018		50,000	(914,540)	(864,540)
Year ended 31 January 2019:				
Profit and total comprehensive income for the year		-	1,880,581	1,880,581
Balance at 31 January 2019		50,000	966,041	1,016,041
Year ended 31 January 2020:				
Loss and total comprehensive income for the year		-	(576,762)	(576,762)
Dividends	**11**	-	(187,500)	(187,500)
Right of use assets recognition - effect on retained earnings		-	(5,544)	(5,544)
Balance at 31 January 2020		50,000	196,235	246,235

SWAN REAL ESTATE PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Cash flows from operating activities					
Cash absorbed by operations	**28**		(1,392,581)		(102,353)
Interest paid			(305,217)		(255,543)
Net cash outflow from operating activities			(1,697,798)		(357,896)
Investing activities					
Intercompany loan		-		(303,610)	
Net cash used in investing activities			-		(303,610)
Financing activities					
Issue of debentures		49,673		1,968,608	
Transaction costs paid		-		(255,543)	
Repayment of borrowings		(385,805)		285,712	
Related party loans		633,574		29,730	
Payment of lease obligations		(44,696)		-	
Net cash generated from financing activities			252,746		2,028,507
Net (decrease)/increase in cash and cash equivalents			(1,445,052)		1,367,001
Cash and cash equivalents at beginning of year			1,614,875		247,874
Cash and cash equivalents at end of year			169,823		1,614,875

SWAN REAL ESTATE PLC

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Cash flows from operating activities					
Cash absorbed by operations	**28**		(1,392,581)		(102,353)
Interest paid			(305,217)		(255,543)
Net cash outflow from operating activities			(1,697,798)		(357,896)
Investing activities					
Intercompany loan		-		(303,610)	
Net cash used in investing activities			-		(303,610)
Financing activities					
Issue of debentures		49,673		1,968,608	
Transaction costs paid		-		(255,543)	
Repayment of borrowings		(385,805)		285,712	
Related party loans		632,746		29,512	
Payment of lease obligations		(44,696)		-	
Net cash generated from financing activities			251,918		2,028,289
Net (decrease)/increase in cash and cash equivalents			(1,445,880)		1,366,783
Cash and cash equivalents at beginning of year			1,614,657		247,874
Cash and cash equivalents at end of year			168,777		1,614,657

1 Accounting policies

Company information

Swan Real Estate PLC is a public company limited by shares incorporated in Scotland. The registered office is 58 Waterloo Street, Glasgow, United Kingdom, G2 7DA.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis except for loans held at amortised cost. The principal accounting policies adopted are set out below.

The financial statements are presented in the Company's functional currency, the British Pound (GBP). The accounting policies set out below, have, unless otherwise stated, been applied consistently to all periods presented in the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own income statement and related notes.

The company made a loss in the year of £576,762 (2019: profit £1,880,581).

1.2 Going concern

The financial statements have been prepared on a going concern basis, the validity of which is dependent on the Company obtaining further funding to finance continued operations. On 1 August 2019 the Company reached an agreement with an institutional investor, whereby significant portions of their operational costs would be covered. The ongoing development revenues for the Group and SL Scotland (see note 26), and drawdown of bridging facilities which are currently under heads of terms is expected to provide sufficient working capital for costs not covered by the above-mentioned agreement. As is common for the sector the business operates in, there is the risk of delays in the approval of planning permissions, and commencement of the construction work.

The Company made a loss of £576,762 (2019 - profit of £1,880,581) in the period and has net liabilities of £544,825 (2019 - net assets of £224,981) at the period end. The Company will continue to seek additional long-term financing and further funding from the related companies, SL Scotland Ltd for a period of 12 months following the date of approval of the financial statements.

Due to Covid 19, work on the construction sites slowed as they did for everyone in this sector, the Company was due to repay bonds totalling £5 million on December 2021. At this stage the Directors have communicated the position to the bond holders, and have commenced discussions on deferring the bond repayment until such a time as development profits have been realised on properties currently held as security. The directors are confident this will be the case. However, in the event that the bondholders don't agree to the deferral, the Directors have the option of utilising the existing rolling facilities to make the repayment.

The Directors believe that the necessary funding is available to the Company to enable them to trade for the foreseeable future.

The financial statements do not include any adjustments that would result if the long-term financing was not maintained by the Company and if the above support to the Company was withdrawn.

1 Accounting policies

1.3 Revenue

Revenue comprises the fair value of the consideration received or receivable in relation to the proceeds from property development. Revenue is shown net of value-added tax, returns, rebates and discounts. Revenue is recognised by reference to the stage of completion of the projects. This is calculated by surveyors on a regular basis. The directors consider this in line with when the Company's performance obligations are satisfied. Standard payment terms are that invoices are paid within 1 month of issue.

The directors consider that income from property development relate exclusively to income in the UK and so no further segmentation is required.

1.4 Investments

Investments in subsidiaries are held at cost less any impairment.

1.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.6 Inventories

Inventories consist of development property available for sale which is stated at the lower of cost or net realisable value. It also includes borrowing costs which have been capitalised as they relate to a loan obtained specifically for the purpose of purchasing a qualifying asset.

1.7 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1 Accounting policies

1.8 Financial instruments

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets
On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has only financial assets measured at amortised cost. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

1 Accounting policies

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non recourse features).

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities, including trade and other payables and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments, discounted at a market rate of interest.

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

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

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company’s obligations are discharged, cancelled, or they expire.

Equity Instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1.9 Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

1 Accounting policies

1.10 Financial risk factors

The Company's activities may expose it to a variety of financial risks and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Credit risk

The Company's take on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also maintained by obtaining collateral. The loans to customers include debentures and personal guarantees and the Directors therefore believe there is a low risk of customer default.

The maximum exposure to credit risk for the Company was as follows:

Other receivables	£
At 31 January 2019	(1,280,003)
At 31 January 2020	(1,542,450)

Receivable after 12 months and included within the above balance is £180,115, owed from Swan Holding PCC Limited.

(b) Cash flow and interest rate risk

The company's borrowings are at a fixed rate of interest exposing the Company to fair value interest rate risk. The Company does not manage any cash flow interest rate risk.

(c) Liquidity risk

The company is careful to ensure that its loans and investments can be realised prior to the due date for the repayment of the debentures. This applies equally to the underlying investments of the companies or projects in which the Company invests.

(d) Capital risk

The Company takes great care to protect its capital investments. Significant due diligence is undertaken prior to making any investment. These investments are closely monitored.

(e) Market risk

A general economic downturn at a global level, or in one of the world's leading economies, could impact on the Company. In addition, terrorism and other hostilities, as well disturbances in worldwide financial markets, could have a negative effect on the Company. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could also limit the Company's operations. These risks are also applicable to most companies and the risk that the Company will be more affected than the majority of companies is assessed as small.

(f) Price risk

The Company does not have a diversified portfolio of assets and is therefore at risk.

1 Accounting policies

1.11 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure appropriate for its growth plans.

In order to maintain or adjust the capital structure, the Company may issue new shares or alter debt levels.

1.12 Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise. Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial goodwill; deferred income tax is not accounted for it if arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.13 Retirement benefits

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

1.14 Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 February 2019

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

1 Accounting policies

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.
Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

1 Accounting policies

1.15 Segment information

The Company's single line of business is buying, developing and selling real estate.

1.16 Basis of consolidation

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

The consolidated group financial statements consist of the financial statements of the parent company Swan Real Estate PLC together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 January 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

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

1.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in the equity as deduction, net of tax, from the proceeds.

1.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

1.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing consist of a long-term loan from debentures.

2 Adoption of new and revised standards and changes in accounting policies

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 February 2019:

- IFRS 16 "Leases";
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle; and
- Interpretation 23 'Uncertainty over Income Tax Treatments'

The Company had to change its accounting policies as a result of adopting IFRS 16. The Company elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 February 2019. This is disclosed in note 12. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 January 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods on any foreseeable future transactions.

2 Adoption of new and revised standards and changes in accounting policies

Change in accounting policy

Impact of initial application of IFRS 16 Leases
In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policies.

The impact of the adoption of IFRS 16 on the Company's financial statements is described below.
The date of initial application of IFRS 16 for the Company is 1 February 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

- Requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 February 2019.
The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.
The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 February 2019. In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting

(i) Former operating leases
IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

(a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

2 Adoption of new and revised standards and changes in accounting policies

Impact of initial application of IFRS 16 Leases (continued)

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.
For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17:

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

c) Financial impact of the initial application of IFRS 16
The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 February 2019 is 5%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 January 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on retained earnings as at 1 February 2019

	£
Operating Lease commitments at 31 January 2019	199,973
Effect of discounting the above amounts	(19,485)
Lease liabilities recognised at 1 February 2019	180,488

The Company has recognised £89,584 of right-of-use assets and £180,488 of lease liabilities upon transition to IFRS 16. £5,544 has been recognised in retained earnings.

3 Critical accounting estimates and judgements

The Company makes certain judgments and estimates that affect the reported amount of assets and liabilities. Critical judgments and the assumptions used in calculating estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company assets include loans made to related and third-party companies. The Directors do not believe the loans require any provisions against recovery of the principal or interest at the period end. The Company assets also include inventory. The Directors do not believe that the asset requires any adjustment for impairment to the carrying value of the inventory.

4 Revenue

	2020	**2019**
	£	**£**
Revenue from contracts with customers	8,926,943	3,878,607

5 Profit before income tax

The profit before income tax is stated after charging:

	2020 £	2019 £
Auditors' remuneration	13,000	19,236
Depreciation of right of use asset	46,175	-
Cost of inventories recognised as an expense	7,817,004	4,351,264
Expense relating to short-term leases	33,296	-
Other operating leases	-	91,989
Hire of plant and machinery	-	1,221

6 Employees

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

	2020	2019
Directors	4	4
Staff	5	5
	9	9

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	541,665	460,304
Social security costs	66,442	29,396
Pension costs	8,777	-
	616,884	489,700

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	224,500	286,666
Company pension contributions to defined contribution schemes	2,462	-
	226,962	286,666

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

7 Directors' remuneration

Remuneration disclosed above include the following amounts paid to the highest paid director:

Emoluments etc	151,316	130,245

8 Net finance costs

	2020 £	2019 £
Finance income		
Loan interest:	83,914	75,294
Finance costs:		
Interest payable	305,217	255,543
Net finance costs	221,303	180,249

9 Exceptional items

The exceptional item relates to a waiver of a deferred consideration of £Nil from a related company (2019: £4,000,000).

10 Income tax expense

Analysis of tax expense
No liability to UK corporation tax arose for the year ended 31 January 2020 nor for the year ended 31 January 2019.

Factors affecting the tax expense
The tax assessed for the year is lower (2019 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
(Loss)/profit before taxation	(576,762)	1,880,581
Expected tax (credit)/charge based on a corporation tax rate of 19.00%	(109,585)	357,310
Effect of expenses not deductible in determining taxable profit	19,864	-
Other	-	(357,310)
Losses carried forward	89,721	-
Taxation charge for the year	-	-

10 Income tax expense

The Company has estimated tax losses of £3,540,000 (2019: £3,068,506) available for carry forward against future trading profits.

The deferred tax asset at the period end of £672,600 (2019: £521,646) at a rate of 19% (2019: 17%) has not been recognised in the financial statements due to uncertainty of the recoverability of the amount.

11 Dividends

	2020 per share	2019 per share	2020 £	2019 £
Amounts recognised as distributions to equity holders:				
Ordinary Shares				
Interim dividend paid	3.75	-	187,500	-

12 Earnings per share

	2020 £	2019 £
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	50,000	50,000
Earnings		
Continuing operations		
Loss/profit for the period from continued operations	(576,762)	1,880,581
Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the company for continued operations	(576,762)	1,880,581
Earnings per share for continuing operations		
Basic and diluted earnings per share (pence)	(1,153.52)	3,761.16
Basic and diluted earnings per share		
From continuing operations (pence)	(1,153.52)	3,761.16
	(1,153.52)	3,761.16

Earnings per share are from continuing operations attributable to ordinary shareholders.

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

13 Lease arrangements

Group and company

Right of use assets

	Property	Total
	£	£
Cost		
At 31 January 2019	-	-
Additions	89,584	89,584
At 31 January 2020	89,584	89,584
Accumulated depreciation		
At 31 January 2019	-	-
Charge for the year	(46,175)	(46,175)
At 31 January 2020	(46,175)	46,175
Net book value		
At 31 January 2020	43,409	43,409
At 31 January 2019	-	-

Lease liabilities

Finance lease obligations are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	Current		Non-current	
	2020	2019	2020	2019
	£	£	£	£
Property	46,644	-	89,148	-
Total	46,644	-	89,148	-

	Within 1 year	2-5 years	5+ years	Total
	£	£	£	£
Property	46,644	89,148	-	135,792
Total	46,644	89,148	-	135,792

14 Investments

Group	**2020**	**2019**
	£	**£**
Cost		
Unlisted investments	299,290	299,290
Net book value		
Unlisted investments	299,290	299,290

Company	**2020**	**2019**
	£	**£**
Cost		
Unlisted investments	299,290	299,290
Net book value		
Unlisted investments	299,290	299,290

The company's investments at the Statement of Financial Position date is the equity portion of a loan to related party, SL Scotland Limited. The repayment period is 4 years and the interest rate is 6.25%. SL Scotland Limited was not included as subsidiary as the transfer of ownership was not formally completed.

15 Subsidiaries

The company's investments at the Statement of Financial Position date in the share capital or companies include the following:

Name of undertaking	**Registered office**	**Holding (%)**	**Nature of business**
Swan Developments Management Limited	58 Waterloo Street, Glasgow, G2 7DA	100	Development of building projects
Hurtwood Limited	Third floor, 10-12 Prospect Hill, Douglas, Isle of Man, IM1 1EJ	100	Land and property development
Fedland Limited	Third floor, 10-12 Prospect Hill, Douglas, Isle of Man, IM1 1EJ	100	Land and property development

Swan Developments Management Limited	**31/03/2019**	**31/03/2018**
	£	**£**
Aggregate capital and reserves	(791,061)	(327,513)
Profit/Loss for period	(463,548)	(293,199)

16 Inventories

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Work in progress	3,404,143	3,811,077	3,404,143	3,811,077

The inventories pledged as security for the bond are:
- Garscube Road
- Bowling
- Lochore
- Avon House, Cumbernauld

The total work in progress for the above properties is valued at £2,238,831.

17 Trade and other receivables

Group

	Current		Non-current	
	2020 £	**2019 £**	**2020 £**	**2019 £**
Amounts owed by contract customers	1,112,357	-	-	-
Unpaid share capital	37,500	37,500	-	-
Other receivables	35,736	174,864	-	-
VAT recoverable	527,763	-	-	-
Amounts owed by related parties	609,867	489,150	1,542,450	1,280,003
Prepayments	84,200	37,717	-	-
	2,407,423	739,231	1,542,450	1,280,003

Company

	Current		Non-current	
	2020 £	**2019 £**	**2020 £**	**2019 £**
Amounts owed by contract customers	1,112,357	-	-	-
Unpaid share capital	37,500	37,500	-	-
Other receivables	35,736	174,864	-	-
VAT recoverable	527,763	-	-	-
Amounts owed by related parties	609,867	489,150	1,542,450	1,280,003
Prepayments	84,200	37,717	-	-
	2,407,423	739,231	1,542,450	1,280,003

18 Cash and cash equivalents

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Bank accounts	169,823	1,614,875	168,777	1,614,657

19 Borrowings

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Current liabilities:				
Other loans	-	385,805	-	385,805
Non-current liabilities:				
Debenture issued	5,754,294	5,704,621	5,754,294	5,704,621

For the debentures issued, all transaction costs have been included within non-current borrowings. All non-current borrowings are wholly repayable within five years.

The debentures are secured by first floating charge over all of the assets of the Company, bear interest of 6.25% per annum. The debentures were due to expire in 2021 and it is planned will be extended for another term.

Included within debentures are capitalised transaction costs of £145,891 (2019 - £205,513).

20 Trade and other payables

Group	Current 2020 £	2019 £
Trade payables	298,680	1,500
Amounts owed to contract customers	-	166,381
Amounts owed to parent company	30,075	-
Amounts owed to related parties	1,921,298	769,894
Accruals	20,000	182,054
Other payables	251,224	309,240
	2,521,277	1,429,069

Company	Current 2020 £	2019 £
Trade payables	297,180	-
Amounts owed to contract customers	-	166,381
Amounts owed to fellow group undertakings	243,873	-
Amounts owed to related parties	1,167,639	290,356
Accruals	19,000	181,054
Other payables	1,479	-
	1,729,171	637,791

21 Share capital

Group and company	**2020 £**	**2019 £**
Ordinary share capital		
Issued and not fully paid		
50,000 Ordinary Shares of £1 each	50,000	50,000

As at 31 January 2020, all the shares issued have not been fully paid. Only 25p per share has been paid leaving the total value of unpaid share capital at £37,500.

The rights attached to the ordinary shares are:

1. The right to vote at all general meetings of the company and on all written resolutions of the company in respect of which the holder of the share is an eligible member (as defined in the Companies Act 2006).

2. The ordinary shares confer on the holders thereof as a class:
- The right to participate pari passu in any distribution or dividend payable to members of the company.
- The right on a winding up or other return of capital to receive a return of the nominal amount paid up on the ordinary shares and to participate pari passu in any further distribution of assets on a winding up or return of capital.

3. The ordinary shares are not liable to be redeemed.

22 Retained earnings

Group	**2020 £**	**2019 £**
At the beginning of the year	174,981	(1,705,600)
(Loss)/profit for the year	(576,762)	1,880,581
Dividends	(187,500)	-
Right of use assets recognition	(5,544)	-
At the end of the year	(594,825)	174,981

Company	**2020 £**	**2019 £**
At the beginning of the year	966,041	(914,540)
(Loss)/profit for the year	(576,762)	1,880,581
Dividends	(187,500)	-
Right of use assets recognition	(5,544)	-
At the end of the year	196,235	966,041

23 Contingent liabilities

The Company has no contingent liabilities.

24 Operating lease commitments

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2020 £	2019 £
Between one and five years	-	319,956

25 Capital commitments

There was no capital expenditure contracted for but not yet incurred at the end of the accounting period.

26 Related party transactions

During the period, there were the following related party transactions:

Swan Holding PCC Limited
Swan Holding PCC is a company of which Phil McGinlay is a director.
1. The amount receivable from Swan Holding PCC Limited at the year end was £180,115 (2019: £180,115). The deferred consideration of £4,000,000 was waived in the prior year. Swan PCC also holds £175,000 bonds in the company.

SL Scotland Ltd
SL Scotland Ltd is a company of which Phil McGinlay is a director and sole shareholder,

1. The amount receivable from SL Scotland Ltd at the year end was £1,972,203 (2019: £1,280,003). This is being amortised at 6.25% over 4 years. The recoverability of the debtor is dependent upon the sucessful development of properties owned by, or held under option by SL Scotland. In common with the sector, the Company is subject to development risk.
2. The amount payable to SL Scotland Ltd at the year end was £Nil (2019: £290,356).

As at the year end, the company was owed the following £nil (2019: £45,000) from P McGinlay (a director), £nil (2019: £45,000) from B. Weal (a director of the ultimate parent company) and £35,736 (2019: £34,864) from D Smith (a director). Interest is charged at 2.5%. These loans are unsecured and repayable on demand.

Fedland Limited
Fedland Ltd is the parent company of Swan Real Estate Plc.

1.The amount receivable at the year end was £Nil (2019: £273,695).
2. The amount payable at the year end was £30,075 (2019: £Nil).

Swan LN Limited
Swan LN Limited is a company of which Phil McGinlay is a director and sole shareholder.

1. The amount payable at the year end was £411,465 (2019: £Nil)

Swan Edinburgh Road Ltd
A company of which Brian Weal and Phil McGinlay are both directors and shareholders.

1. The amount payable at the year end was £756,174 (2019: £Nil).

Swan Developments Management Ltd
Swan Developments Management Ltd is a 100% subsidiary company.

1. The amount payable at the year end was £213,798 (2019: £Nil).

WF Management DWC LLC
A company of which Brian Weal is a director and shareholder.

1. The company paid fees of £120,045 (2019: £114,864) for consultancy work.

USRA Consultancy
A company of which Phil McGinlay is the sole shareholder.

1. The company paid fees of £123,100 (2019: £93,000) for consultancy work.

Related party balances
Balances with related parties as above, are interest free and unsecured. As noted above, interest has been imputed on the SL Scotland loan balance.

26 Related party transactions

Other notes

Included within professional fees are amounts totalling £Nil (2019: £53,205) paid to B.Weal for consultancy services. The gross salary paid to B.Weal during the year amounts to a total of £150,000 (2019: £62,500).

27 Ultimate controlling party

The Company is wholly owned by Fedland Limited, a company incorporated in the United Kingdom. Fedland Limited is controlled by Phil McGinlay and Brian Weal.

28 Cash generated from operations

	2020 £	2019 £
(Loss)/profit for the year after tax	(576,762)	1,880,581
Adjustments for:		
Finance costs	305,217	255,543
Investment income	(83,914)	(75,294)
Depreciation of right of use asset	46,175	-
Waiver of a deferred consideration	-	(4,000,000)
Movements in working capital:		
Decrease in inventories	406,934	1,949,624
Increase in trade and other receivables	(1,847,597)	(212,581)
Increase in trade and other payables	357,366	99,774
Cash absorbed by operations	(1,392,581)	(102,353)

29 Post balance sheet events

In July 2020, £692,000 of bonds were transferred to Swan Real Estate Plc and are held in treasury.