

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2018  
FOR  
SWAN REAL ESTATE PLC

SWAN REAL ESTATE PLC

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for the Year Ended 31 JANUARY 2018

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SWAN REAL ESTATE PLC  
COMPANY INFORMATION  
for the Year Ended 31 JANUARY 2018

<b>DIRECTORS:</b>	P McGinlay G Flint D Smith I Stewart
<b>SECRETARY:</b>	Caprayal Trust SA
<b>REGISTERED OFFICE:</b>	58 Waterloo Street Glasgow G2 7DA
<b>REGISTERED NUMBER:</b>	SC525416 (Scotland)
<b>SENIOR STATUTORY AUDITOR:</b>	Sanjay Parmar
<b>AUDITORS:</b>	Jeffreys Henry LLP 5-7 Cranwood Street London EC1V 9EE

SWAN REAL ESTATE PLC  
STRATEGIC REPORT  
for the Year Ended 31 JANUARY 2018

The directors present their strategic report for the year ended 31 January 2018.

**REVIEW OF BUSINESS**

On behalf of the Board I am pleased to present the Audited Financial Statements for Swan Real Estate PLC (the "Company") for the period from 1st February 2017 to 31 January 2018.

The Company was incorporated on the 28th January 2016 as a Property Development Holding company, established to identify and develop residential property in Scotland.

On the 19th July 2017 the Company purchased the entire issued share capital of SL Scotland Ltd, a company incorporated in Scotland, Company No: SC48005.

The Company has issued £3,399,812 worth of bonds during the period to 31st January 2018. As at the 31st January 2018 aggregate value of funds were held in cash was £247,874. These funds are being held for future investment in to Law Place, East Kilbride, Littlemill Court Bowling, Garscube Road, Glasgow and Avon House, Cumbernauld which are all affordable housing sites.

Following on from the Scottish Governments announcements in 2016 to deliver 50,000 affordable homes by 2021 the Company has continued to develop it's strategy by working closely with Registered Social Landlords and Councils to understand their specific needs and requirements for delivering affordable homes within their key target areas.

On the 21st November 2017 the Company entered into a Design & Build Contract with Link Housing Association to develop 106 units on the Law Place, East Kilbride. The contract Value is £15,538,000 and is scheduled to start early 2018 and be completed by mid-2019.

The Company has also entered final negotiations with Link Group to deliver affordable housing at Littlemill Court, Bowling. The development will comprise of 35-40 units, subject to Link Group approval. The Design & Build contract is due to be finalised early 2018.

On the 8th December the Company concluded the purchase of the former Avon House, Cumbernauld which is an existing office block. The building will be converted to 35 duplex flats that will be for affordable housing. There is also the potential for a further 24 units on phase 2 of the project.

The Company will continue to issue further Bonds with a 3-year maturity to complete all the existing sites held. The Company will also be looking to issue a further 15,000,000 Bonds on this offering.

The Company has agreed terms and secured a further 5 sites that will see the delivery of 680 affordable homes built across Central Scotland.

Company updates will be available on the Emerging Companies Market, Cyprus Stock Exchange and the Company's Website.

SWAN REAL ESTATE PLC

STRATEGIC REPORT  
for the Year Ended 31 JANUARY 2018

**PRINCIPAL RISKS AND UNCERTAINTIES**

The directors are acutely aware of the need to review all aspects of risk which are likely to affect the financial stability of the Company, whether it be from either a revenue or cost side of the business. On an ongoing basis the directors carry out a detailed internal risk assessment analysis of all aspects of the business.

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 connected Companies: SL Scotland Ltd and Swan Holding PCC Limited for working capital requirements and any further capital expenditure programmes.

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.

**KEY PERFORMANCE INDICATORS**

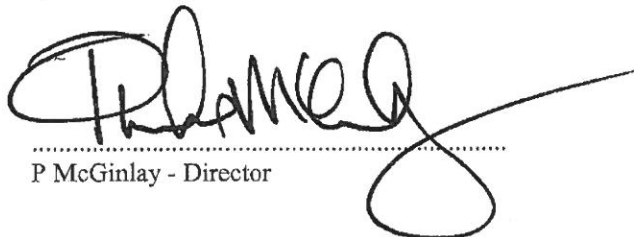
There are no financial key performance indicators for this period as the Company did not commence its trading activity.

The directors regard obtaining outline planning permission and readying individual sites for development as the non-financial key performance indicator of the business.

**FUTURE DEVELOPMENTS**

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

**ON BEHALF OF THE BOARD:**



.....  
P McGinlay - Director

Date: 05 June 2018

SWAN REAL ESTATE PLC

REPORT OF THE DIRECTORS  
for the Year Ended 31 JANUARY 2018

The directors present their report with the financial statements of the Company for the year ended 31 January 2018.

**PRINCIPAL ACTIVITY**

The principal activity of the Company in the year under review was that of land and property development.

The main activity of the Company is to identify suitable land and property for development, obtain outline planning permission and sell the land to preferred developer or lease developed properties.

**DIVIDENDS**

No dividends were paid or proposed for the period to 31 January 2018.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 February 2017 to the date of this report.

P McGinlay

I Stewart

Other changes in directors holding office are as follows:

G Flint - appointed 31 March 2017

D Smith - appointed 27 July 2017

J Kirkwood - resigned 31 March 2017

**DISCLOSURE IN THE STRATEGIC REPORT**

The information regarding the view of business, risks and uncertainties, key performance indicators and future developments is shown in the strategic report and not the Director's report.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards 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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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

SWAN REAL ESTATE PLC  
REPORT OF THE DIRECTORS  
for the Year Ended 31 JANUARY 2018

**AUDITORS**

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

**ON BEHALF OF THE BOARD:**

A large, stylized handwritten signature in black ink, appearing to read 'P McGinlay', is written over a horizontal dotted line. The signature is fluid and cursive, with a long, sweeping tail that loops back under the main body of the signature.

P McGinlay - Director

Date: 05 June 2018

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
SWAN REAL ESTATE PLC

**Opinion**

We have audited the financial statements of Swan Real Estate PLC (the 'Company') for the year ended 31 January 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

**Opinion 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
SWAN REAL ESTATE PLC

**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 Report of the Directors.

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

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

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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.

**Our 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.



Sanjay Parmar (Senior Statutory Auditor)  
for and on behalf of Jeffrey's Henry LLP  
5-7 Cranwood Street  
London  
EC1V 9EE

Date: 05 June 2018

SWAN REAL ESTATE PLC  
INCOME STATEMENT  
for the Year Ended 31 JANUARY 2018

	Notes	Year Ended 31.1.18 £	Period 28.1.16 to 31.1.17 £
<b>CONTINUING OPERATIONS</b>			
Revenue		-	-
Administrative expenses		<u>(512,094)</u>	<u>(223,976)</u>
<b>OPERATING LOSS</b>		<b>(512,094)</b>	<b>(223,976)</b>
Finance costs	4	(206,609)	(31,842)
Finance income	4	<u>59,981</u>	<u>-</u>
<b>LOSS BEFORE INCOME TAX</b>	<b>5</b>	<b>(658,722)</b>	<b>(255,818)</b>
Income tax	6	<u>-</u>	<u>-</u>
<b>LOSS FOR THE YEAR</b>		<b><u>(658,722)</u></b>	<b><u>(255,818)</u></b>
Earnings per share expressed in pence per share:			
Basic	7	-1317.44	-511.64
Diluted		<u>-1317.44</u>	<u>-511.64</u>

The notes form part of these financial statements

SWAN REAL ESTATE PLC

STATEMENT OF COMPREHENSIVE INCOME  
for the Year Ended 31 JANUARY 2018

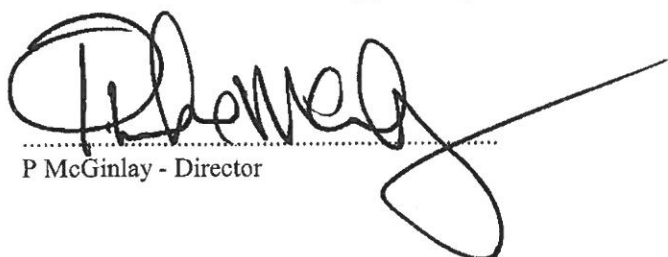
	Year Ended 31.1.18 £	Period 28.1.16 to 31.1.17 £
<b>LOSS FOR THE YEAR</b>	(658,722)	(255,818)
<b>OTHER COMPREHENSIVE INCOME</b>	—	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>(658,722)</u>	<u>(255,818)</u>

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION  
31 JANUARY 2018

	Notes	31.1.18 £	31.1.17 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments	8	299,290	100
Trade and other receivables	10	<u>1,204,709</u>	<u>-</u>
		<u>1,503,999</u>	<u>100</u>
<b>CURRENT ASSETS</b>			
Inventories	9	5,760,701	4,055,864
Trade and other receivables	10	217,615	166,296
Cash and cash equivalents	11	<u>247,874</u>	<u>-</u>
		<u>6,226,190</u>	<u>4,222,160</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	508,505	55,494
Financial liabilities - borrowings			
Interest bearing loans and borrowings	13	<u>350,211</u>	<u>-</u>
		<u>858,716</u>	<u>55,494</u>
<b>NET CURRENT ASSETS</b>		<u>5,367,474</u>	<u>4,166,666</u>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	13	<u>7,736,013</u>	<u>4,372,584</u>
<b>NET LIABILITIES</b>		<u>(864,540)</u>	<u>(205,818)</u>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	15	50,000	50,000
Retained earnings	16	<u>(914,540)</u>	<u>(255,818)</u>
<b>TOTAL EQUITY</b>		<u>(864,540)</u>	<u>(205,818)</u>

The financial statements were approved by the Board of Directors on 05 June 2018 and were signed on its behalf by:

  
.....  
P McGinlay - Director

SWAN REAL ESTATE PLC

STATEMENT OF CHANGES IN EQUITY  
for the Year Ended 31 JANUARY 2018

	Called up share capital £	Retained earnings £	Total equity £
<b>Changes in equity</b>			
Issue of share capital	50,000	-	50,000
Total comprehensive income	<u>-</u>	<u>(255,818)</u>	<u>(255,818)</u>
<b>Balance at 31 January 2017</b>	<u>50,000</u>	<u>(255,818)</u>	<u>(205,818)</u>
<b>Changes in equity</b>			
Total comprehensive income	<u>-</u>	<u>(658,722)</u>	<u>(658,722)</u>
<b>Balance at 31 January 2018</b>	<u>50,000</u>	<u>(914,540)</u>	<u>(864,540)</u>

The notes form part of these financial statements

SWAN REAL ESTATE PLC

STATEMENT OF CASH FLOWS  
for the Year Ended 31 JANUARY 2018

		Year Ended 31.1.18 £	Period 28.1.16 to 31.1.17 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(2,024,764)	(353,142)
Interest paid		<u>(106,045)</u>	<u>-</u>
Net cash from operating activities		<u>(2,130,809)</u>	<u>(353,142)</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed asset investments		(299,190)	(100)
Intercompany loan		<u>(1,196,047)</u>	<u>-</u>
Net cash from investing activities		<u>(1,495,237)</u>	<u>(100)</u>
<b>Cash flows from financing activities</b>			
Debenture issue		3,399,812	541,000
Transaction costs paid		(136,947)	(200,258)
Other loans		350,211	-
Intercompany loan		260,844	-
Share issue		<u>-</u>	<u>12,500</u>
Net cash from financing activities		<u>3,873,920</u>	<u>353,242</u>
<b>Increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year	2	247,874	-
		<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	2	<u>247,874</u>	<u>-</u>

The notes form part of these financial statements

SWAN REAL ESTATE PLC

NOTES TO THE STATEMENT OF CASH FLOWS  
for the Year Ended 31 JANUARY 2018

1. **RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	Year Ended 31.1.18 £	Period 28.1.16 to 31.1.17 £
Loss before income tax	(658,722)	(255,818)
Shares unpaid	-	37,500
Increase in deferred consideration	-	4,000,000
Amortisation (Transaction cost)	48,421      16,013	
Finance costs	158,188	15,829
Finance income	<u>(59,981)</u>	<u>-</u>
	(512,094)	3,813,524
Increase in inventories	(1,704,837)	(4,055,864)
Increase in trade and other receivables	-	(166,296)
Increase in trade and other payables	<u>192,167</u>	<u>55,494</u>
<b>Cash generated from operations</b>	<u><b>(2,024,764)</b></u>	<u><b>(353,142)</b></u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Period ended 31 January 2018

	31/1/18 £	31/1/17 £
Cash and cash equivalents	<u>247,874</u>	<u>-</u>

Period ended 31 January 2017

	31/1/17 £	31/1/16 £
Cash and cash equivalents	<u>-</u>	<u>-</u>

The notes form part of these financial statements

SWAN REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 JANUARY 2018

1. **STATUTORY INFORMATION**

Swan Real Estate PLC is a public company, registered in Scotland. The Company's registered number and registered office address can be found on the Company information page.

2. **ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

**Preparation of 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 in Note 4.

**Going Concern**

The financial statements have been prepared on a going concern basis, the validity of which is dependent on the Company obtaining additional long-term financing from external investment, or from other connected companies: SL Scotland Ltd and Swan Holding PCC Limited.

The Company made a loss of £658,722 (2017 - £255,885) in the period and has net liabilities of £864,540 (2017 - £205,818) at the period end. As the property is currently being developed, there is no income, however, the Company will continue to seek additional long-term financing and further funding from the connected companies, SL Scotland Ltd and Swan Holding PCC Limited for a period of 12 months following the date of approval of the financial statements.

The Directors believe that the necessary funding will be 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 secured by the Company and if the above support to the Company was withdrawn.

**International Financial Reporting Standards**

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for this financial year that would be expected to have a material impact on the Company.

Standards, interpretations and amendments to published standards that are not yet effective.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 2016 and have not been early adopted:

Reference	Title	Summary	Application date of standard	Application date of Company
IFRS 2	Share-based payments	Amendments to clarify the classification and measurement of share-based payment transactions	Periods commencing on or after 1 January 2018	1 February 2018
IFRS 4	Insurance Contracts	Amendments regarding the interaction of IFRS 4 and IFRS 9	Periods commencing on or after 1 January 2018	1 February 2018



SWAN REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 JANUARY 2018

IFRS 9	Financial Instruments	Requirements on the classification and measurement of financial assets and liabilities and includes an expected credit losses model. Also includes the hedging amendment that was issued in 2013	Periods commencing on or after 1 January 2018	1 February 2018
IFRS 16	Leases	Original issue	Periods commencing on or after 1 January 2019	1 February 2019
IAS 28	Investments in Associates and Joint Ventures	Amendments resulting from Annual Improvements 2014-2016 cycle (Clarifying certain fair value measurements)	Periods commencing on or after 1 January 2018	1 February 2018
IAS 39	Financial Instruments: Recognition and measurement	Amendments to permit entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Periods commencing on or after 1 January 2018	1 February 2018
IAS 40	Investment Property	Amendments to clarify transfers or property to or from investment property	Periods commencing on or after 1 January 2018	1 February 2018

The directors anticipate that the adoption of these standards and the interpretations in future periods will have no material impact on the financial statements of the Company.

**Investments**

Investments in subsidiaries are held at cost less any impairment. The Company acquired a special purpose entity during the year which own plots of land. According to IFRS 3 to qualify as a business there must be identifiable inputs and processes and the ability to create outputs which these entities do not. The acquisitions qualify as asset acquisitions rather than business combinations; hence, the two special purpose entities have not been treated as investments.

**Financial instruments**

The Company classifies its financial assets at fair value through profit and loss or as loans and receivables and classifies its financial liabilities as other financial liabilities. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction costs that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability.

(a) Loans and receivables

Loans and receivables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recognised when the funds are advanced to customers. Loans and receivable are carried at amortised cost using the effective interest method (see below).

## SWAN REAL ESTATE PLC

### NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 31 JANUARY 2018

#### **(b) Other financial liabilities**

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments. Other financial liabilities are recognised when cash is received from the depositors. Other financial liabilities are carried at amortised cost using the effective interest method. The fair value of other liabilities repayable on demand is assumed to be the amount payable on demand at the Statement of Financial Position date.

#### **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all of the risks and rewards of ownership. In transactions in which the Company's neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partly derecognised. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

#### **Amortised cost measurement**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

#### **Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of assets and liabilities in active markets are based on current bid and offer prices respectively. If the market is not active the Company establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

#### **Cash and cash equivalents**

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

#### **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.

#### **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.

#### **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.

#### **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.

## SWAN REAL ESTATE PLC

### NOTES TO THE FINANCIAL STATEMENTS - continued for the Year Ended 31 JANUARY 2018

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that 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.

#### **Borrowing costs**

General and specific borrowing costs directly attributable to 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 of 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.

#### **Critical accounting judgments and key sources of estimation uncertainty**

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.

#### **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.

#### **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 2017	166,296
At 31 January 2018	1,422,324

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NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 JANUARY 2018

(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.

**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.

**Segment information**

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

**Preparation of consolidated financial statements**

The financial statements contain information about Swan Real Estate PLC as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Fedland Limited, 58 Waterloo Street, Glasgow, Scotland, G2 7DA.

**Inventories**

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

Cost includes all direct expenditure.

No inventory is pledged as security for liabilities.

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NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 JANUARY 2018

2. **ACCOUNTING POLICIES - continued**

**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 consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial goodwill; deferred income tax is not accounted for if it 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 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.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

**Revenue recognition**

Turnover represents invoiced sales, excluding value added tax, except in respect of contracts where turnover is recognised when the Company earns the right to a consideration.

3. **EMPLOYEES AND DIRECTORS**

	Year Ended 31.1.18	Period 28.1.16 to 31.1.17
	£	£
Wages and salaries	311,717	156,000
Social security costs	<u>27,169</u>	<u>-</u>
	<u>338,886</u>	<u>156,000</u>

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

	Year Ended 31.1.18	Period 28.1.16 to 31.1.17
Directors	4	3
Staff	<u>3</u>	<u>-</u>
	<u>7</u>	<u>3</u>

	Year Ended 31.1.18	Period 28.1.16 to 31.1.17
	£	£
Directors' remuneration	<u>228,500</u>	<u>156,000</u>

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NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 JANUARY 2018

3. **EMPLOYEES AND DIRECTORS - continued**

Information regarding the highest paid director for the year ended 31 January 2018 is as follows:

	Year Ended 31.1.18 £
Emoluments etc	<u>90,000</u>

4. **NET FINANCE COSTS**

	Year Ended 31.1.18 £	Period 28.1.16 to 31.1.17 £
Finance income:		
Loan interest	<u>59,981</u>	<u>-</u>
Finance costs:		
Interest payable	<u>206,609</u>	<u>31,842</u>
Net finance costs	<u>146,628</u>	<u>31,842</u>

5. **LOSS BEFORE INCOME TAX**

The loss before income tax is stated after charging:

	Year Ended 31.1.18 £	Period 28.1.16 to 31.1.17 £
Other operating leases	15,500	15,500
Auditors' remuneration	<u>12,996</u>	<u>6,000</u>

6. **INCOME TAX**

**Analysis of tax expense**

No liability to UK corporation tax arose for the year ended 31 January 2018 nor for the period ended 31 January 2017.

SWAN REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 JANUARY 2018

6. **INCOME TAX - continued**

**Factors affecting the tax expense**

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

	Year Ended 31.1.18 £	Period 28.1.16 to 31.1.17 £
Loss before income tax	<u>(658,722)</u>	<u>(255,818)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	(125,157)	(51,164)
Effects of:		
Tax losses carried forward	<u>125,157</u>	<u>51,164</u>
Tax expense	<u>-</u>	<u>-</u>

The Company has estimated tax losses of £658,722 (2017: £255,818) available for carry forward against future trading profits.

The deferred tax asset at the period end of £125,157 (2017: £51,164) has not been recognised in the financial statements due to uncertainty of the recoverability of the amount at a rate of 19% (2017: 20%).

7. **EARNINGS PER SHARE**

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.

Reconciliations are set out below.

	Earnings £	31.1.18 Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(658,722)	50,000	-1317.44
Effect of dilutive securities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Diluted EPS</b>			
Adjusted earnings	<u>(658,722)</u>	<u>50,000</u>	<u>-1317.44</u>

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NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 JANUARY 2018

7. **EARNINGS PER SHARE - continued**

	Earnings £	31.1.17 Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(255,818)	50,000	-511.64
Effect of dilutive securities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Diluted EPS</b>			
Adjusted earnings	<u>(255,818)</u>	<u>50,000</u>	<u>-511.64</u>

8. **INVESTMENTS**

	Unlisted investments £
<b>COST</b>	
At 1 February 2017	100
Additions	<u>299,190</u>
At 31 January 2018	<u>299,290</u>
<b>NET BOOK VALUE</b>	
At 31 January 2018	<u>299,290</u>
At 31 January 2017	<u>100</u>

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

**SL Scotland Ltd**

Registered office: 58 Waterloo Street, Glasgow, Scotland, G2 7DA

Nature of business: Land and property development

	%		
Class of shares:	holding		
Ordinary	100.00	30.6.17	30.6.16
		£	£
Aggregate capital and reserves		(1,550,957)	(674,601)
Loss for the year		<u>(876,355)</u>	<u>(674,602)</u>

**Swan Developments Management Limited**

Registered office: 58 Waterloo Street, Glasgow, Scotland, G2 7DA

Nature of business: Development of building projects

	%	
Class of shares:	holding	
Ordinary	100.00	31.3.17
		£
Aggregate capital and reserves		(34,314)
Loss for the period/year		<u>(34,414)</u>



SWAN REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 JANUARY 2018

9.	<b>INVENTORIES</b>	31.1.18 £	31.1.17 £
	Work-in-progress	<u>5,760,701</u>	<u>4,055,864</u>
10.	<b>TRADE AND OTHER RECEIVABLES</b>	31.1.18 £	31.1.17 £
	Current:		
	Amounts owed by group undertakings	180,115	128,796
	Called up share capital not paid	<u>37,500</u>	<u>37,500</u>
		<u>217,615</u>	<u>166,296</u>
	Non-current:		
	Amounts owed by group undertakings	<u>1,204,709</u>	<u>-</u>
	Aggregate amounts	<u>1,422,324</u>	<u>166,296</u>
11.	<b>CASH AND CASH EQUIVALENTS</b>	31.1.18 £	31.1.17 £
	Bank accounts	<u>247,874</u>	<u>-</u>
12.	<b>TRADE AND OTHER PAYABLES</b>	31.1.18 £	31.1.17 £
	Current:		
	Amounts owed to group undertakings	260,844	-
	Accruals and deferred income	<u>247,661</u>	<u>55,494</u>
		<u>508,505</u>	<u>55,494</u>
13.	<b>FINANCIAL LIABILITIES - BORROWINGS</b>	31.1.18 £	31.1.17 £
	Current:		
	Other loans	<u>350,211</u>	<u>-</u>
	Non-current:		
	Deferred consideration – Swan Holding PCC Ltd	4,000,000	4,000,000
	Debenture Issued	<u>3,736,013</u>	<u>372,584</u>
		<u>7,736,013</u>	<u>4,372,584</u>

SWAN REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 JANUARY 2018

13. **FINANCIAL LIABILITIES - BORROWINGS - continued**

Terms and debt repayment schedule

	1 year or less £	2-5 years £	Totals £
Other loans	350,211	-	350,211
Deferred consideration – Swan Holding PCC Ltd	-	4,000,000	4,000,000
Debenture Issued	-	<u>3,736,013</u>	<u>3,736,013</u>
	<u>350,211</u>	<u>7,736,013</u>	<u>8,086,224</u>

Borrowings contains a deferred consideration of £4,000,000. The deferred consideration to related party is secured by a floating charge over the assets of the Company. Deferred payment is payable in 5 years and bears no interest.

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 will expire in 2021 and are due for repayment at that date.

Included within debentures are capitalised transaction costs of £272,953 (2017: £184,429)

14. **LEASING AGREEMENTS**

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

	31.1.18 £	31.1.17 £
Between one and five years	<u>15,500</u>	<u>15,500</u>

15. **CALLED UP SHARE CAPITAL**

Allotted and issued:

Number:	Class:	Nominal value: £1	31.1.18 £	31.1.17 £
50,000	Ordinary shares	£1	<u>50,000</u>	<u>50,000</u>

16. **RESERVES**

	Retained earnings £
At 1 February 2017	(255,818)
Deficit for the year	<u>(658,722)</u>
At 31 January 2018	<u>(914,540)</u>

17. **CONTINGENT LIABILITIES**

The Company has no contingent liabilities.

SWAN REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 31 JANUARY 2018

**18. CAPITAL COMMITMENTS**

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

**19. RELATED PARTY DISCLOSURES**

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 (2017: £128,796)

SL Scotland Ltd

SL Scotland Ltd is a company of which Phil McGinlay is a director.

1. The Company paid SL Scotland Ltd £15,500 (2017: £15,500) rent during the year.

2. The amount receivable from SL Scotland Limited at the year end was £1,204,709 (2017: £nil).

2. The amount payable by SL Scotland Limited at the year end was £260,844 (2017: £nil).

**20. ULTIMATE CONTROLLING PARTY**

As at 22 September 2016, the Company became wholly owned by Fedland Limited, a company incorporated in the United Kingdom. Fedland Limited is controlled by Phil McGinlay and Brian Weal.