

SLACKBUIE LIMITED

Annual Report and Financial Statements

31 December 2007

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SLACKBUIE LIMITED

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SLACKBUIE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D. F. Sutherland, CBE CA
A. Marshall
A. J. Grant

SECRETARY

C. A. Sutherland

REGISTERED OFFICE

Stoneyfield House
Stoneyfield Business Park
Inverness
IV2 7PA

BANKERS

Bank of Scotland
Edinburgh

SOLICITORS

Harper MacLeod, Glasgow

INDEPENDENT AUDITORS

Deloitte LLP
Edinburgh, United Kingdom

SLACKBUIE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

ACTIVITIES

The principal activity of the company during the period was that of property development.

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The financial position of the company is shown within the balance sheet on page 8. The company has at 31 December 2007 net assets of £251,711 (2006: £48,329).

The company made a profit for the financial year of £203,382 (2006: £52,527) on turnover of £8,487,560 (2006: £4,309,870). The increases in turnover and profit against the prior year resulted from increased activity in Slackbuie Limited in the current year. More detail regarding the performance and financial position of Tulloch Homes Group Limited (formerly Inverness Holdings Limited), the company's parent, and its subsidiaries is set out in the annual report of Tulloch Homes Group Limited.

The directors do not propose the payment of a dividend (2006: £nil).

CURRENT TRADING AND OUTLOOK

Given the extreme challenges that all businesses and certainly all housebuilders have faced from the second half of 2008 onwards as a result of the general economic conditions, it is likely that the Tulloch Homes Group Limited and its subsidiaries ("the Group"), will report an operating loss for the year ended 31 December 2008 and the company's results for the year and for the period to date in 2009 will be similarly impacted. The directors believe that the outlook presents significant challenges and uncertainties for all housebuilders in respect of sales volumes, pricing and related cashflows and the availability of appropriate funding facilities over the short to medium term.

As outlined above, the directors are taking appropriate action to mitigate the effects of the poor market conditions and to ensure that the Group has adequate liquidity and financing to support its projected level of trading and related funding requirements. Action has been taken to rationalise the Group's cost base appropriately and to revise the Group's strategy and plans in line with the change in market conditions. Further details regarding the Group's current funding position, as well as an ongoing process working with the Group's bankers to put in place renewed and continued debt facilities to meet the Group's funding requirements for a period of at least the next 12 months, are set out in note 1.

DIRECTORS

The directors who held office during the year and to the date of this report were:

D. F. Sutherland, CBE CA	
N Cameron, FRICS	(resigned 21 April 2008)
M. B. Muir	(resigned 3 March 2009)
A. Marshall	(appointed 30 March 2007)
A. J. Grant	(appointed 1 May 2008)

DIRECTORS' AND OFFICERS' LIABILITY

The company maintains insurance to cover all directors and other officers indemnifying them against certain liabilities incurred by them while acting as officers of the company.

PRINCIPAL RISKS AND UNCERTAINTIES

Private housing development is affected by a number of economic factors such as changes in general and local economic conditions and market confidence. The cost and availability of mortgage financing could also adversely affect market demand. Socio-economic factors can significantly affect demand although historically these factors have stimulated demand, however, there is no guarantee that this will continue in the future. Land investments held by the company may decline in value subsequent to purchase and competitive conditions could compromise the future acquisition of suitable land at acceptable prices.

SLACKBUIE LIMITED

DIRECTORS' REPORT (CONTINUED)

FINANCIAL INSTRUMENTS

The company's principal financial assets are inter-group debtors. Inter-group debtors are receivable under standard terms. The company's principle financial liabilities are bank borrowings, trade creditors and inter-group borrowings. Trade creditors and inter-group borrowings are payable under standard terms of payment. The company does not enter into any derivative financial instruments for hedging, speculative or for any other purpose.

INFORMATION TO AUDITORS

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

- as far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

AUDITORS

A resolution to re-appoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



D F SUTHERLAND
Director

21 SEPTEMBER 2009

SLACKBUIE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 estimates that are reasonable and prudent; and
- 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 proper accounting records that 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 1985. 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 AUDITORS' REPORT TO THE MEMBERS OF SLACKBUIE LIMITED

We have audited the financial statements of Slackbuie Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

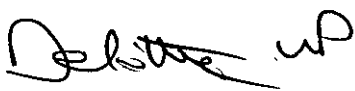
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SLACKBUIE LIMITED (CONTINUED)

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The parent company, Tulloch Homes Group Limited, is currently working with its bankers to put in place continued debt facilities for the Group. While the bank has confirmed that its current intention is to continue to work with the Group for the agreement of appropriate terms and conditions for the renewal and continuation of the facilities at an acceptable level and for an appropriate term, the timing and circumstances of conclusion of this process are not currently known. These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



Deloitte LLP

Chartered Accountants and Registered Auditors
Edinburgh, United Kingdom

27 September 2009

SLACKBUIE LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2007

	Note	2007 £	2006 £
TURNOVER: continuing operations	1	8,487,560	4,309,870
Cost of sales		(6,558,645)	(3,679,670)
GROSS PROFIT		1,928,915	630,200
Administrative expenses		(1,267,958)	(305,162)
OPERATING PROFIT: continuing operations	2	660,957	325,038
Interest payable	3	(400,000)	(250,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		260,957	75,038
Tax on profit on ordinary activities	5	(57,575)	(22,511)
PROFIT FOR THE YEAR	12, 13	203,382	52,527

The notes on pages 9 to 14 form an integral part of these financial statements.

There are no recognised gains or losses in the current or prior period, other than the profit set out above. Accordingly, a statement of total recognised gains and losses has not been presented.

SLACKBUIE LIMITED


BALANCE SHEET 31 December 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Investments	6	<u>2</u>	<u>2</u>
CURRENT ASSETS			
Stock	7	15,606,712	16,581,218
Debtors	8	<u>422,378</u>	<u>172,818</u>
		16,029,090	16,754,036
CREDITORS: amounts falling due within one year	9	<u>(4,891,537)</u>	<u>(3,685,257)</u>
NET CURRENT ASSETS		11,137,553	13,068,779
TOTAL ASSETS LESS CURRENT LIABILITIES		11,137,555	13,068,781
CREDITORS: amounts falling due after more than one year	10	<u>(10,885,844)</u>	<u>(13,020,452)</u>
NET ASSETS		<u>251,711</u>	<u>48,329</u>
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	<u>251,709</u>	<u>48,327</u>
SHAREHOLDERS' FUNDS	13	<u>251,711</u>	<u>48,329</u>

The notes on pages 9 to 14 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on **21 SEPTEMBER** 2009.

Signed on behalf of the Board of Directors


D F SUTHERLAND
Director

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation

Comments regarding trading conditions since 31 December 2007, together with the funding position of the company and group, are set out in the directors' report on pages 2 to 3.

The company meets its day to day working capital requirements through its own cash reserves and through the cash flow generated from its principal activities, while also being reliant on funding from related group undertakings. The company is party to a cross-guarantee arrangement with certain other group companies in respect of bank borrowings.

The parent company, Tulloch Homes Group Limited, and its subsidiaries ("the Group") have been funded through a multi-option facility with Bank of Scotland plc which was scheduled to expire in 2010 and which totalled £180 million, within which there has been an overdraft facility of £50 million renewable annually.

The multi-option facility includes certain financial covenants relating to interest and asset cover. At 31 December 2007 the terms of the facilities, including applicable covenants, were met and therefore the debt was shown as due in more than one year from the balance sheet date. The Group was in breach of certain financial covenants at 30 September 2008, however these breaches were formally waived by the bank and the covenants for the period ended 31 December 2008 were revised in line with the Group's updated financial position. Consequently the Group was in compliance with the revised terms of the facility, including the financial covenants, at 31 December 2008 and the debt remained due in more than one year at that date.

The overdraft facility of £50 million was extended by the bank from its original renewal date of 31 October 2008 to 28 February 2009 with a further renewed facility being granted to 31 May 2009. No breach of covenants occurred in that period. Subsequent to 31 May 2009 and to the current date, the bank has maintained its financial support to the Group at the existing level, although the bank has classified the multi-option facility, including the overdraft facility, as subject to review while discussions have been ongoing regarding the formalisation of renewed longer term facilities and related amendments to the facility terms.

The directors have prepared trading and cash-flow projections for a period in excess of one year from the date of approval of these financial statements. Under these projections and allowing for reasonable sensitivity scenarios, which necessarily include assumptions based on information available to the directors at the time of approval of the financial statements regarding future trading conditions, operational improvements and the timing of future cash-flows, the total financing level available to the Group under the previous multi-option facility and under the draft new facility terms reviewed with the bank is not exceeded.

The discussions with the Bank of Scotland plc regarding the proposed renewal of facilities are progressing positively and are now at an advanced stage. Consequently, the directors are confident that appropriate facilities and covenants will be agreed.

In the event of a change in the current stated intentions of the Group's bankers, such that the negotiations did not conclude satisfactorily, the directors would need to replace the previous bank facilities with new facilities appropriate to the Group's ongoing requirements and the availability of such alternative facilities remains uncertain. The directors have concluded that the combination of these circumstances represents a material uncertainty that may cast significant doubt upon the company's and the Group's ability to continue as a going concern. If the going concern basis was not appropriate, the Group and the company may be unable to continue to realise their assets and to discharge their liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2007

1. ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

Based on the projections, the ongoing negotiations with the Group's bankers and the strong landbank assets of the Group, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company and Group will have adequate resources to continue in operational existence for the foreseeable future and they believe that the company and Group are positioned for future profitability and improved cash-flows in the medium to long term. Consequently, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Turnover

Turnover is recognised when sales have been contractually completed.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Stock and work in progress

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

For work in progress and finished goods, cost is taken as construction cost which includes an appropriate proportion of overheads. Work in progress also includes the financing costs during the period of development, which is defined as ending when the specific sites become complete and ready for sale.

Group financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Tulloch Homes Group Limited (formerly Inverness Holdings Limited), a company incorporated in Scotland, and is included in the consolidated financial statements of that company.

Housebuilding developments

Sales of newly constructed private houses are included in turnover upon the procurement of legally binding contracts and habitation certificates.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement

The company has not presented a cash flow statement. It has taken advantage of the exemption contained in Financial Reporting Standard 1 (Revised 1996) - "Cash Flow Statements", as the ultimate parent, Tulloch Homes Group Limited (formerly Inverness Holdings Limited), has included a consolidated cash flow statement within its group financial statements.

SLACKBUIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2007

2. OPERATING PROFIT

	2007 £	2006 £
Operating profit is stated after charging:		
Auditors' remuneration	-	5,043

The auditors' remuneration for the current year has been borne by another group company; the directors estimate the amount as £5,000.

3. INTEREST PAYABLE

	2007 £	2006 £
Bank interest	893,158	855,982
Amounts capitalised in work in progress	(493,158)	(605,982)
	<u>400,000</u>	<u>250,000</u>

4. DIRECTORS' REMUNERATION AND EMPLOYEES

There were no employees during the year apart from the directors. The directors' remuneration is borne by another group company.

5. TAXATION

	2007 £	2006 £
Current year tax		
UK corporation tax	78,287	22,511
Adjustments in respect of prior year	(20,712)	-
Current tax charge	<u>57,575</u>	<u>22,511</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>260,957</u>	<u>75,038</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2006 – 30%)	78,287	22,511
Effects of:		
Adjustments in respect of prior years	(20,712)	-
Current tax charge	<u>57,575</u>	<u>22,511</u>

SLACKBUIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2007

6. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 January 2007 and at 31 December 2007	<u>3</u>
Provisions for diminution in value	
At 1 January 2007 and at 31 December 2007	<u>1</u>
Net book value	
At 31 December 2007 and at 31 December 2006	<u><u>2</u></u>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Inverness Caledonian Thistle Properties (2004) Ltd	Scotland	Ordinary	100.00

The above Company's principal activity is the trading and development of property.

7. WORK IN PROGRESS

	2007 £	2006 £
Work in progress	<u>15,606,712</u>	<u>16,581,218</u>

Included within the work in progress is £493,158 (2006: £605,982) of capitalised interest.

8. DEBTORS

	2007 £	2006 £
Amounts due from group companies	368,777	-
Corporation tax	22,512	-
Other debtors	<u>31,089</u>	<u>172,818</u>
	<u><u>422,378</u></u>	<u><u>172,818</u></u>

SLACKBUIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2007

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Trade creditors	164,269	180,170
Other taxation and social security	1,747	23,594
Accruals and deferred income	1,750	-
Amounts due to group companies	4,522,857	-
Other creditors	200,914	3,481,493
	<u>4,891,537</u>	<u>3,685,257</u>

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

	2007 £	2006 £
Bank multi-option facility	10,885,844	-
Bank term loan	-	13,020,452
	<u>10,885,844</u>	<u>13,020,452</u>

Analysis of loans

Wholly repayable within five years	<u>10,885,844</u>	<u>13,020,452</u>
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The bank multi-option facility is secured by standard securities over the Tulloch Homes Group Limited (formerly Inverness Holdings Limited) group's heritable properties and by a bond and floating charge over its assets. In addition, unlimited intercompany guarantees exist between the company, its immediate parent and certain fellow subsidiaries. The facility is repayable in 2010 if not renewed beforehand.

The company became part of the group multi-option facility on 16 October 2007 and the term loan was repaid on this date.

11. SHARE CAPITAL

	2007 £	2006 £
Authorised:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>
Allotted, called-up and fully paid:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2007

12. STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	Profit and loss account £
Balance at 1 January 2007	48,327
Profit for the year	203,382
	<hr/>
Balance at 31 December 2007	251,709
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13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit for the year	203,382	52,527
	<hr/>	<hr/>
Net addition to shareholders' funds	203,382	52,527
Opening shareholders' funds/(deficit)	48,329	(4,198)
	<hr/>	<hr/>
Closing shareholders' funds	251,711	48,329
	<hr/>	<hr/>

14. TRANSACTIONS WITH DIRECTORS

During the period the company was charged consultancy fees of £nil (2006 – £50,000) by an unincorporated entity in which director D F Sutherland is a partner. At 31 December 2007, there were no amounts due to or from the unincorporated entity.

15. ULTIMATE PARENT UNDERTAKING

The company's immediate and ultimate parent undertaking is Tulloch Homes Group Limited (formerly Inverness Holdings Limited), a company registered in Scotland. Copies of the group accounts are available from Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB.

The largest and smallest group in which the results of this company are consolidated is that headed by the ultimate parent company, Tulloch Homes Group Limited (formerly Inverness Holdings Limited).

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available to those subsidiaries that are greater than 90% owned under Financial Reporting Standard No 8. Accordingly, disclosure is not made of any related party transactions with the company's parent company or fellow subsidiaries.