Company Registration No. SC272477

SLACKBUIE LIMITED

Report and Financial Statements

18 month period ended 30 June 2012

SLACKBUIE LIMITED

CONTENTS

SLACKBUIE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G. G. Fraser
A. J. Grant

REGISTERED OFFICE

Stoneyfield House
Stoneyfield Business Park
Inverness
IV2 7PA

BANKERS

Bank of Scotland plc
Edinburgh

SOLICITORS

Dundas & Wilson
Edinburgh

Harper MacLeod
Glasgow

INDEPENDENT AUDITOR

Deloitte LLP
Belfast
United Kingdom

DIRECTORS' REPORT

The directors' present their annual report and the audited financial statements for the 18 month period ended 30 June 2012.

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 made a loss for the 18 month period of £1,071,905 (2010: profit of £17,856) on turnover of £10.3m (2010: £5.6m). The loss for the period resulted from a stock provision of £1,675,000 (2010: £nil) required as a result of the general decline in trading conditions affecting all housebuilders over the past year. More detail regarding the performance and financial position of Tulloch Homes Group Limited, the company's parent, and all of its subsidiaries, is set out in the annual report of Tulloch Homes Group Limited.

The directors do not propose the payment of a dividend (2010: £nil). The company received a capital contribution of £1m (2010: £nil) from its parent company during the period.

The company was in a net asset position of £163,301 at 30 June 2012 (2010: £201,209). The company meets its day to day working capital requirements through cash flow from operating activity and funding from related undertakings.

The company is party to a cross-guarantee with certain other companies within the Tulloch Homes Group Limited group, (the "Group") in respect of bank borrowings. The directors have, in the context of their consideration of the going concern basis of the financial statements, obtained confirmation of the continued financial support of Tulloch Limited. Subsequent to the year end the Group's existing lender (the "Bank") has transferred its rights and obligations under the existing banking facilities (the "facilities") to ELQ Investors II Limited ("ELQ") pursuant to a sale and purchase agreement dated 13 August 2012 (as amended on 7 December 2012) (the "SPA"). Completion of the absoluter transfer has yet to occur pending the Bank satisfying ELQ that certain conditions in respect of the facility and its management of the connection are satisfied and therefore until such condition is satisfied, the Bank remains as lender of record to the facility and holds the related security, albeit the credit risk has passed to ELQ and all credit decisions and necessary lender consents set out in the Facility Agreement fall to ELQ under the terms of the SPA.

The terms of the facilities currently remain unchanged. Under the terms of the facilities the Group is required to repay £15m within the next 12 months with £9m due to be repaid on or before 30 June 2013. The Directors have prepared cash flow forecasts for a period extending beyond twelve months from the date of approval of these financial statements, which show the Group is able to repay £15m of the loan facility, operate within the financial covenants attached to the facilities and meet their debts as they fall due. These forecasts include estimated cash inflows realised from a number of non-core assets that are currently held for sale. The directors expect to generate sufficient funds from the sale of these assets to allow them to meet the repayment terms as outlined in the facilities. The .directors acknowledge that there is material uncertainty regarding the timing and quantum of amounts realised from these sales and therefore on their ability to meet the repayment terms of their existing facilities

The directors have discussed this uncertainty with ELQ who the directors consider continue to be supportive of the Group and the company and who have indicated a desire to restructure the facilities enabling the Group to maximise the value from the existing assets. At this time the Group are in the process of agreeing a timetable to re-structure the facilities before the end of June 2013. However in the event the Group were unable to meet the repayment terms they would be in breach of the existing facilities and would open negotiations with ELQ at that time; the directors have assumed that a revised facility would be negotiated on terms that will allow the Group to continue to trade normally while allowing the Group to maximise the value of the existing asset base.

These conditions, when placed alongside the cross guarantee between the company and Tulloch Limited, result in the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore that the company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties outlined above, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

DIRECTORS' REPORT

DIRECTORS

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

D. F. Sutherland, CBE CA	(resigned 31 December 2011)
G.G. Fraser	(appointed 31 December 2011)
A. Marshall	(resigned 26 April 2011)
A. J. Grant	

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.

SUPPLIER PAYMENT POLICY

The company has agreed specific payment terms with its major suppliers. For other suppliers, the company's policy is to pay generally no later than the end of the month following that in which the supplier's invoice is received. The policy is made known to the staff who handle payments to suppliers and is made known to all suppliers on request.

PRINCIPAL RISKS AND UNCERTAINTIES

Market and economic risk

House building is affected by a number of economic factors such as changes in general and local economic conditions and market confidence, as well as movements in land values and changes in the related demand for and pricing of land. The cost and availability of mortgage financing can also adversely affect market demand. Socio-economic factors can significantly affect demand; whilst historically these factors have stimulated demand, there is no guarantee that this will continue in the future.

Financial risk policy

The company's principal financial assets are other debtors. The balance of other debtors includes funds receivable under the company's shared equity sales scheme as described in note 8. Such balances are secured by the property assets to which they relate. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Other debtors relating to shared equity arrangements are receivable under extended contracted terms.

The company's financial liabilities comprise of the bank overdraft, trade creditors, accruals and inter-group borrowings. Trade creditors, accruals and inter-group borrowings are payable under standard terms of payment. The bank overdraft was repaid post year end and is no longer in place. The company does not enter into any derivative financial instruments for hedging, speculative or for any other purpose.

INFORMATION TO AUDITOR

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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

A J Grant
Director

18 March 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

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). 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 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 SLACKBUIE LIMITED

We have audited the financial statements of Slackbuie Limited for the 18 month period ended 30 June 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures in the financial statements concerning the company's ability to continue as a going concern. The company is subject to a letter of support from Tulloch Limited and is also subject to a cross guarantee relating to the Group's debt facilities held in the name of Tulloch Limited. Under the terms of the facilities the Group is required to repay £15m within the next 12 months with £9m due to be repaid on or before 30 June 2013. The Directors have prepared cash flow forecasts for a period extending beyond twelve months from the date of approval of these financial statements, which show the Group is able to repay £15m of the loan facility, operate within the financial covenants attached to the facilities and meet their debts as they fall due. These forecasts include estimated cash inflows realised from a number of non-core assets that are currently held for sale. The directors expect to generate sufficient funds from the sale of these assets to allow them to meet the repayment terms as outlined in the facilities. The directors acknowledge that there is material uncertainty regarding the timing and quantum of amounts realised from these sales and therefore on their ability to meet the repayment terms of their existing facilities. These conditions, along with the details provided 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.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

David Crawford CA, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Belfast, United Kingdom
18 March 2013

PROFIT AND LOSS ACCOUNT
For the 18 month period ended 30 June 2012

	Notes	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
TURNOVER – continuing operations	1	10,267,093	5,584,050
Cost of sales		(9,663,602)	(5,407,930)
GROSS PROFIT		603,491	176,120
Exceptional stock provision		(1,675,000)	-
Administrative expenses		(396)	(169,194)
OPERATING (LOSS)/PROFIT: continuing operations	2	(1,071,905)	6,926
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,071,905)	6,926
Tax on (loss)/profit on ordinary activities	4	-	10,930
(LOSS)/PROFIT FOR THE PERIOD	10, 11	(1,071,905)	17,856

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 year or prior period, other than the (loss)/profit set out above. Accordingly, a statement of total recognised gains and losses has not been presented.

BALANCE SHEET
As at 30 June 2012

	Note	30 June 2012 £	31 December 2010 £
FIXED ASSETS			
Investments	5	2	2
CURRENT ASSETS			
Stock	6	11,674,002	15,912,050
Debtors – due within one year	7	15,777	318,666
– due after more than one year	7	690,689	-
		12,380,468	16,230,716
CREDITORS: amounts falling due within one year	8	(12,217,166)	(16,029,509)
NET CURRENT ASSETS		163,302	201,207
TOTAL ASSETS LESS CURRENT LIABILITIES		163,304	201,209
NET ASSETS		163,304	201,209
CAPITAL AND RESERVES			
Called up share capital	9	2	2
Profit and loss account	10	163,302	201,207
SHAREHOLDER'S FUNDS	11	163,304	201,209

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

The financial statements of Slackbuie Limited, registered company number SC272477, were approved by the Board of Directors on 18 March 2013.

Signed on behalf of the Board of Directors

A J Grant
Director

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the period ended 30 June 2012

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below, and have been applied consistently in the current and prior periods.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation

The company meets its day to day working capital requirements through cash flow from operating activity and funding from related undertakings.

The company is party to a cross-guarantee with certain other companies within the Tulloch Homes Group Limited group, (the "Group") in respect of bank borrowings. The directors have, in the context of their consideration of the going concern basis of the financial statements, obtained confirmation of the continued financial support of Tulloch Limited. Subsequent to the year end the Group's existing lender (the "Bank") has transferred its rights and obligations under the existing banking facilities (the "facilities") to ELQ Investors II Limited ("ELQ") pursuant to a sale and purchase agreement dated 13 August 2012 (as amended on 7 December 2012) (the "SPA"). Completion of the absoluter transfer has yet to occur pending the Bank satisfying ELQ that certain conditions in respect of the facility and its management of the connection are satisfied and therefore until such condition is satisfied, the Bank remains as lender of record to the facility and holds the related security, albeit the credit risk has passed to ELQ and all credit decisions and necessary lender consents set out in the Facility Agreement fall to ELQ under the terms of the SPA.

The terms of the facilities currently remain unchanged. Under the terms of the facilities the Group is required to repay £15m within the next 12 months with £9m due to be repaid on or before 30 June 2013. The Directors have prepared cash flow forecasts for a period extending beyond twelve months from the date of approval of these financial statements, which show the Group is able to repay £15m of the loan facility, operate within the financial covenants attached to the facilities and meet their debts as they fall due. These forecasts include estimated cash inflows realised from a number of non-core assets that are currently held for sale. The directors expect to generate sufficient funds from the sale of these assets to allow them to meet the repayment terms as outlined in the facilities. The .directors acknowledge that there is material uncertainty regarding the timing and quantum of amounts realised from these sales and therefore on their ability to meet the repayment terms of their existing facilities

The directors have discussed this uncertainty with ELQ who the directors consider continue to be supportive of the Group and the company and who have indicated a desire to restructure the facilities enabling the Group to maximise the value from the existing assets. At this time the Group are in the process of agreeing a timetable to re-structure the facilities before the end of June 2013. However in the event the Group were unable to meet the repayment terms they would be in breach of the existing facilities and would open negotiations with ELQ at that time; the directors have assumed that a revised facility would be negotiated on terms that will allow the Group to continue to trade normally while allowing the Group to maximise the value of the existing asset base.

These conditions, when placed alongside the cross guarantee between the company and Tulloch Limited, result in the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore that the company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties outlined above, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments

Fixed asset investments are stated at cost less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the period ended 30 June 2012

1. ACCOUNTING POLICIES (CONTINUED)

Stock and work in progress

Work in progress is valued at the lower of cost and net realisable value. Cost is taken as construction cost which includes an appropriate proportion of overheads. Cost 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. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Consolidation

The company is exempt from preparing group accounts under s400 of the Companies Act 2006 as it is a subsidiary of an EEA parent company which is preparing group accounts.

Housebuilding developments

Sales of newly constructed private houses are included in turnover upon the procurement of legally binding contracts and habitation certificates. Where sales are made under a shared equity scheme, the full sales price of the property is recognised on the procurement of a legally binding contract and habitation certificate. A proportion of the sales value is offered to customers by way of an interest free loan. These loans are secured over the properties to which they relate and are due for repayment at the earlier of the tenth anniversary of the shared equity sale and the re-sale of the property. The loans are reviewed regularly and provisions made for any amount not deemed to be recoverable.

Taxation

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.

Turnover

Turnover relates to the company's sole activity within the United Kingdom and is stated net of value added tax.

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, has included the company within its group financial statements.

2. OPERATING (LOSS)/PROFIT

The auditor's remuneration for the current priod and prior year has been borne by another group company. The directors estimate the amount as £2,500 (2010: £4,000).

3. DIRECTORS' REMUNERATION AND EMPLOYEES

There were no employees during the current period or prior year apart from the directors. The directors' received and accrued no remuneration in respect of their services to the company in the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the period ended 30 June 2012

4. TAXATION

	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Current year tax		
UK corporation tax	-	-
Adjustments in respect of prior year	-	(10,930)
Current tax credit	-	(10,930)

Reconciliation of tax credit

During the period, the UK corporation tax rate changed from 28% to 26%, and then reduced further to 24%. The average rate for the period is 26%. The actual tax change varies from 26% (2010:28%) for the reasons set out in the following reconciliation:

	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
(Loss)/profit on ordinary activities before taxation	(1,071,905)	6,926
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26 % (2010 – 28%)	(278,695)	1,939
Factors affecting charge:		
Group relief claimed for nil consideration	-	(1,939)
Adjustments in respect of prior years	-	(10,930)
Tax losses carried forward	278,695	-
Current tax credit	-	(10,930)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the period ended 30 June 2012

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 January 2011 and at 30 June 2012	3
Provisions for impairment	
At 1 January 2011 and at 30 June 2012	(1)
Net book value	
At 30 June 2012 and at 31 December 2010	2

Holdings of more than 20%

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

Company	Country of registration or incorporation	Shares held Class	%
Inverness Caledonian Thistle Properties (2004) Ltd	Scotland	Ordinary	100

6. STOCK

	30 June 2012 £	31 December 2010 £
Work in progress	11,674,002	15,912,050

Included within the work in progress is £299,000 (2010: £1,977,000) of capitalised interest.

7. DEBTORS

	30 June 2012 £	31 December 2010 £
VAT	15,777	10,506
Other debtors	690,689	308,160
	706,466	318,666

Included above are amounts due greater than one year as follows:

Other debtors	690,692	-

The other debtors balance relates to loans provided under the company's shared equity scheme, whereby up to 25% of the sales value of the property is offered to the customer by way of an interest free loan. These loans are secured over the properties to which they relate and repayable at the earlier of the resale of the property and ten years from the date of sale by the company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the period ended 30 June 2012

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2012 £	31 December 2010 £
Bank overdraft	129,962	8,747,445
Trade creditors	217,125	474,783
Accruals and deferred income	151,429	-
Amounts due to group companies	11,718,650	6,807,281
	12,217,166	16,029,509

Amounts due to group companies are interest free, unsecured and repayable on demand.

9. SHARE CAPITAL

	30 June 2012 £	31 December 2010 £
Allotted, called-up and fully paid:		
2 Ordinary shares of £1 each	2	2

10. MOVEMENTS IN RESERVES

	Profit and loss account £
Balance at 1 January 2011	201,207
Loss for the period	(1,071,905)
Capital contributions	1,034,000
Balance at 30 June 2012	163,302

In the current period the company received capital contributions of £1,034,000 from the ultimate parent company by way of forgiveness of intercompany debt. These contributions are non-refundable, hold no restrictions and are non-interest bearing. The capital contribution has resulted in 'qualifying considerations' being received by the company in circumstances where no consideration was given and therefore is considered to be realised profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the period ended 30 June 2012

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
(Loss)/profit for the period	(1,071,905)	17,856
Capital contributions	1,034,000	-
Opening shareholder's funds	201,209	183,353
Closing shareholder's funds	163,304	201,209

12. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available to those subsidiaries that are 100% owned under FRS 8 "Related Party Disclosures". Accordingly, disclosure is not made of any related party transactions with the company's parent company or fellow subsidiaries.

13. CONTINGENT LIABILITIES

As at 30 June 2012 the company was party to a cross-guarantee arrangement with certain other group companies in respect of bank borrowings. Total borrowings of the group at the year end amounted to £89,588,000 (2010: £132,546,000).

14. ULTIMATE PARENT UNDERTAKING

At 30 June 2012, the immediate and ultimate parent company was Tulloch Homes Group Limited, a company registered in Scotland, and this is the smallest and largest group in which the results of this company are consolidated. Copies of the group financial statements of Tulloch Homes Group Limited are available from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh EH3 9FF.