Company Registration No. SC272477

SLACKBUIE LIMITED

Directors' Report and Unaudited Financial Statements

For the year ended 30 June 2013

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SLACKBUIE LIMITED

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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

SLACKBUIE LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 2013.

PRINICPAL ACTIVITIES

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

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The financial position of the company is shown within the balance sheet on page 5.

The company made a profit for the year of £1,066,190 (2012: loss of £1,071,905) on turnover of £5.3m (2012: £10.3m). 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 (2012: £nil).

The company was in a net asset position of £1,229,494 at 30 June 2012 (2012: £163,304). 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-corporate guarantee with certain other companies within the Tulloch Homes Group Limited group, (the "Group") in respect of certain bank borrowings. During the course of the year the Group's existing lender (the "Bank") agreed to transfer its rights and obligations under the existing banking facilities (the "facilities") to ELQ Investors II Limited ("ELQ") (or a nominee of ELQ) pursuant to a sale and purchase agreement dated 13th August 2012 (As amended on 7 December 2012) (the "SPA"). Legal transfer of the facilities has yet to occur and therefore until such time as the facilities do transfer, the Bank remains lender of record under the facilities and holds the related security, albeit economic risk has passed to Remich Holding II, S.a.r.l. (an entity nominated by ELQ under the SPA) under a master funded participation agreement dated 22 May 2013 between Remich Holding II, S.a.r.l. and the Bank. Credit decisions and lender consents set out in the Facility Agreement fall to Remich Holding II, Sarl under the terms of its participation arrangements with the Bank.

The terms of the facilities currently remain unchanged. Under the terms of the facilities the Group is required to repay £25m within 12 months with £9m due to be repaid on or before 30 June 2013, under the PIK facility.

Although there was sufficient headroom in the facilities to meet the PIK step down at 30 June 2013, the Group and the Bank (in consultation with Remich Holding II, S.a.r.l.) agreed to not implement the PIK step down. Instead the Group has used the headroom available to invest in development and land. This is a departure from the original intention of the facilities.

As a result, the PIK facility is technically in default at year end, and through the investment in land and acceleration of development opportunities, certain financial covenants are forecast to be breached over the next twelve months.

The directors have discussed these actual and forecast breaches with the lenders who are aware of the change in strategy, and who the directors consider continue to be supportive of the Group. Through these discussions the lenders have indicated a desire to restructure the facilities enabling the Group to maximise the value from the existing assets. At this time the Group is in the process of agreeing a timetable to re-structure the facilities. The directors have assumed that a revised facility would be negotiated on terms that will allow the Group to continue to trade in the ordinary course while allowing the Group to maximise the value of the existing asset base.

These conditions result in the existence of a material uncertainty which may cast significant doubt about the Groups ability to continue as a going concern and therefore that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquires and considering the uncertainties outlined above, the directors have a reasonable expectation that the Group has 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.

SLACKBUIE LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

G.G. Fraser
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.

PRINCIPAL RISKS AND UNCERTAINTIES

Market and economic risk

House building and market demand are 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 and socio-economic factors. Historically these factors have stimulated demand. The directors have considered these factors in assessing the market and economic risk and currently regard this risk as low, given the Government supported housing initiatives and the apparent strength in the housing market.

Financial risk policy

The company's principal financial assets are bank balances and cash, trade debtors and other debtors. The balance of other debtors includes funds receivable under the company's shared equity sales scheme as described in note 7. 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 trade creditors, accruals and inter-group borrowings. Trade creditors, accruals 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.

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

A J Grant
Director
18 March 2014

SLACKBUIE LIMITED

PROFIT AND LOSS ACCOUNT
For the Year ended 30 June 2013

	Notes	Year to 30 June 2013	18 months to 30 June 2012
		£	£
TURNOVER – continuing operations	1	5,303,800	10,267,093
Cost of sales		(4,622,580)	(9,663,602)
GROSS PROFIT		681,220	603,491
Exceptional item – work in progress provision movement		385,416	(1,675,000)
Administrative expenses		(446)	(396)
OPERATING PROFIT / (LOSS): continuing operations		1,066,190	(1,071,905)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,066,190	(1,071,905)
Tax on profit / (loss) on ordinary activities	4	-	-
PROFIT /(LOSS) FOR THE FINANCIAL PERIOD	10	1,066,190	(1,071,905)

The notes on pages 6 to 10 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 profit / (loss) set out above. Accordingly, a statement of total recognised gains and losses has not been presented.

SLACKBUIE LIMITED

BALANCE SHEET
As at 30 June 2013

	Note	30 June 2013 £	30 June 2012 £
FIXED ASSETS			
Investments	5	2	2
CURRENT ASSETS			
Stock	6	10,299,797	11,674,002
Debtors – due within one year	7	103,986	15,777
– due after more than one year	7	837,578	690,689
Bank and cash in hand		758,165	-
		11,999,526	12,380,468
CREDITORS: amounts falling due within one year	8	(10,770,034)	(12,217,166)
NET CURRENT ASSETS		1,229,492	163,302
TOTAL ASSETS LESS CURRENT LIABILITIES		1,229,494	163,304
NET ASSETS		1,229,494	163,304
CAPITAL AND RESERVES			
Called up share capital	9	2	2
Profit and loss account	10	1,229,492	163,302
SHAREHOLDER'S FUNDS	11	1,229,494	163,304

The notes on pages 6 to 10 form an integral part of these financial statements.

For the financial period ended 30 June 2013 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to qualifying subsidiaries. No member of the company has deposited a notice, pursuant to section 476, requiring an audit of these financial statements under the requirements of the Companies Act 2006.

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial period and of its profit or loss for the financial period in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the company.

The financial statements of Slackbuie Limited (Company registration No. SC272477) were approved by the Board of Directors on 18 March 2014.

Signed on behalf of the Board of Directors

A J Grant
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 throughout the current year and prior period.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation

The company is party to a cross-corporate guarantee with certain other companies within the Tulloch Homes Group Limited group, (the "Group") in respect of certain bank borrowings. During the course of the year the Group's existing lender (the "Bank") agreed to transfer its rights and obligations under the existing banking facilities (the "facilities") to ELQ Investors II Limited ("ELQ") (or a nominee of ELQ) pursuant to a sale and purchase agreement dated 13th August 2012 (As amended on 7 December 2012) (the "SPA"). Legal transfer of the facilities has yet to occur and therefore until such time as the facilities do transfer, the Bank remains lender of record under the facilities and holds the related security, albeit economic risk has passed to Remich Holding II, S.a.r.l. (an entity nominated by ELQ under the SPA) under a master funded participation agreement dated 22 May 2013 between Remich Holding II, S.a.r.l. and the Bank. Credit decisions and lender consents set out in the Facility Agreement fall to Remich Holding II, Sarl under the terms of its participation arrangements with the Bank.

The terms of the facilities currently remain unchanged. Under the terms of the facilities the Group is required to repay £25m within 12 months with £9m due to be repaid on or before 30 June 2013, under the PIK facility.

Although there was sufficient headroom in the facilities to meet the PIK step down at 30 June 2013, the Group and the Bank (in consultation with Remich Holding II, S.a.r.l.) agreed to not implement the PIK step down. Instead the Group has used the headroom available to invest in development and land. This is a departure from the original intention of the facilities.

As a result, the PIK facility is technically in default at year end, and through the investment in land and acceleration of development opportunities, certain financial covenants are forecast to be breached over the next twelve months.

The directors have discussed these actual and forecast breaches with the lenders who are aware of the change in strategy, and who the directors consider continue to be supportive of the Group. Through these discussions the lenders have indicated a desire to restructure the facilities enabling the Group to maximise the value from the existing assets. At this time the Group is in the process of agreeing a timetable to re-structure the facilities. The directors have assumed that a revised facility would be negotiated on terms that will allow the Group to continue to trade in the ordinary course while allowing the Group to maximise the value of the existing asset base.

These conditions result in the existence of a material uncertainty which may cast significant doubt about the Groups ability to continue as a going concern and therefore that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquires and considering the uncertainties outlined above, the directors have a reasonable expectation that the Group has 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 year ended 30 June 2013

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 RESULTS

Auditor's remuneration in the prior financial period was borne by another group company. The directors estimate that the balance relating to the company was £2,500.

3. DIRECTORS' REMUNERATION AND EMPLOYEES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2013

4. TAXATION

	Year to 30 June 2013 £	18 months to 30 June 2012 £
Current tax	-	-

During the year, the UK corporation tax rate changed from 24% to 23%. The average rate for the year is 24%. The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	Year to 30 June 2013 £	18 months to 30 June 2012 £
Profit / (loss) on ordinary activities before taxation	1,066,190	(1,071,905)
Tax on profit / (loss) on ordinary activities at average UK corporation tax of 24% (2012 – 26%)	255,885	(278,695)
Factors affecting charge:		
Tax losses carried forward	-	278,695
Utilisation of tax losses	(255,885)	-
Current tax	-	-

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 July 2012 and at 30 June 2013	3
Provisions for impairment	
At 1 July 2012 and at 30 June 2013	(1)
Net book value	
At 30 June 2013 and at 30 June 2012	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 2013 £	30 June 2012 £
Work in progress	10,299,797	11,674,002

Included within the work in progress is £24,000 (2012: £299,000) of capitalised interest.

7. DEBTORS

	30 June 2013 £	30 June 2012 £
Trade debtors	92,950	-
VAT	11,036	15,777
Other debtors	837,578	690,689
	941,564	706,466

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

Other debtors	837,578	690,689

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 year ended 30 June 2013

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2013 £	30 June 2012 £
Bank overdraft	-	129,962
Trade creditors	321,382	217,125
Accruals and deferred income	142,009	151,429
Amounts due to group companies	10,306,643	11,718,650
	10,770,034	12,217,166

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

9. SHARE CAPITAL

	30 June 2013 £	30 June 2012 £
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 July 2012	163,302
Profit for the year	1,066,190
Balance at 30 June 2013	1,229,492

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Year to 30 June 2013 £	18 months to 30 June 2012 £
Profit/(loss) for the period	1,066,190	(1,071,905)
Capital contributions	-	1,034,000
Opening shareholder's funds	163,304	201,209
Closing shareholder's funds	1,229,494	163,304

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.

The parent undertaking has guaranteed all outstanding liabilities to which the subsidiary company is subject at 30 June 2013, until they are satisfied in full.

13. CONTINGENT LIABILITIES

The company was party to a cross guarantee arrangement with other group companies in respect of the group's multi-option bank borrowing facility which, at 30 June 2013, amounted to £95,000,000 (2012: £89,588,000).

14. ULTIMATE PARENT UNDERTAKING

At 30 June 2013, 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.