

Company Registration No. 272477 (Scotland)

SLACKBUIE LIMITED

Annual Report and Financial Statements

31 December 2008

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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 2008.

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 7.

The company made a loss for the financial year of £209,000 (2007: profit of £203,382) on turnover of £3,640,790 (2007: £8,487,560). The decrease in turnover against the prior year resulted from decreased activity in Slackbuie Limited in the current year reflecting 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 (2007: £nil).

The company was in a net asset position of £42,711 at 31 December 2008 (2007: net assets £251,711). 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 in respect of bank borrowings.

Subsequent to the year end, Tulloch Homes Group Limited agreed new debt facilities with Bank of Scotland plc. Based on the group's projected trading and cash flows, and in the light of these new debt facilities which are due for repayment in 2012, the directors of Tulloch Homes Group Limited are satisfied that the group will have adequate resources to continue in operational existence and to continue to support its subsidiaries and joint ventures, including the company, for a period of at least one year from this date.

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	
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.

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.

SLACKBUIE LIMITED

DIRECTORS' REPORT (CONTINUED)

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.

As set out above, the company has, like all housebuilders, been affected by the decline in general economic conditions since Summer 2008 with related implications for the cost and availability of mortgage financing which have continued into 2009. While immediate action was taken as outlined in the annual report of Tulloch Homes Group Limited, and while there appear now to be some signs of an easing of such economic factors, the directors believe that the outlook continues to present challenges and uncertainties for all housebuilders in respect of sales volumes, pricing and related cashflows and management's response will need to continue to be robust.

Financial risk policy

The company's principal financial assets are inter-group debtors. Inter-group debtors are receivable under standard terms.

The company's financial liabilities comprise of the bank borrowings, trade creditors and inter-group borrowings. The credit risk on bank borrowings is limited because the counterparties are banks with credit ratings, assigned by international credit rating agencies. 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.

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

9 March 2010

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 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 2008 and of its loss 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.



Deloitte LLP
Chartered Accountants and Registered Auditors
Edinburgh, United Kingdom

10 March 2010

SLACKBUIE LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2008

	Notes	Total 2008 £	Total 2007 £
TURNOVER – continuing operations		3,640,790	8,487,560
Cost of sales	2	(2,722,521)	(6,558,645)
GROSS PROFIT		918,269	1,928,915
Administrative expenses		(375,137)	(1,267,958)
OPERATING PROFIT: continuing operations	2	543,132	660,957
Interest payable	3	(729,620)	(400,000)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(186,488)	260,957
Tax on loss on ordinary activities	5	(22,512)	(57,575)
(LOSS)/PROFIT FOR THE YEAR	12, 13	(209,000)	203,382

The notes on pages 8 to 12 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.

SLACKBUIE LIMITED

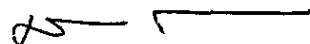
BALANCE SHEET 31 December 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Investments	6	<u>2</u>	<u>2</u>
CURRENT ASSETS			
Stock	7	16,358,819	15,606,712
Debtors	8	<u>70,941</u>	<u>422,378</u>
		16,429,760	16,029,090
CREDITORS: amounts falling due within one year	9	<u>(5,094,996)</u>	<u>(4,891,537)</u>
NET CURRENT ASSETS		11,334,764	11,137,553
TOTAL ASSETS LESS CURRENT LIABILITIES		11,334,766	11,137,555
CREDITORS: amounts falling due after more than one year	10	<u>(11,292,055)</u>	<u>(10,885,844)</u>
NET ASSETS		<u>42,711</u>	<u>251,711</u>
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	<u>42,709</u>	<u>251,709</u>
SHAREHOLDERS' FUNDS	13	<u>42,711</u>	<u>251,711</u>

The notes on pages 8 to 12 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 9 March 2010.

Signed on behalf of the Board of Directors



D F SUTHERLAND
Director

SLACKBUIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

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 in respect of bank borrowings.

Subsequent to the year end, Tulloch Homes Group Limited agreed new debt facilities with Bank of Scotland plc. Based on the group's projected trading and cash flows, and in the light of these new debt facilities which are due for repayment in 2012, the directors of Tulloch Homes Group Limited are satisfied that the group will have adequate resources to continue in operational existence and to continue to support its subsidiaries and joint ventures, including the company, for a period of at least one year from this date.

Consequently, the directors of the company continue to adopt the going concern basis in preparing these financial statements.

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. 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, 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.

SLACKBUIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2008

1. ACCOUNTING POLICIES (CONTINUED)

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 a consolidated cash flow statement within its group financial statements.

2. OPERATING PROFIT AND EXCEPTIONAL ITEMS

The auditors' remuneration for the current and prior year has been borne by another group company; the directors estimate the amount as £5,000 (2007 - £5,000).

3. INTEREST PAYABLE

	2008 £	2007 £
Bank interest	740,575	893,158
Group interest	42,620	-
Amounts capitalised in work in progress	(53,575)	(493,158)
	<u>729,620</u>	<u>400,000</u>

4. DIRECTORS' REMUNERATION AND EMPLOYEES

There were no employees during the 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.

5. TAXATION

	2008 £	2007 £
Current year tax		
UK corporation tax	-	78,287
Adjustments in respect of prior year	22,512	(20,712)
Current tax charge	<u>22,512</u>	<u>57,575</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(186,488)	260,957
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.5% (2007 - 30%)	(53,149)	78,287
Effects of:		
Group relief surrendered	10,383	-
Tax losses carried back	42,766	-
Adjustments in respect of prior years	22,512	(20,712)
Current tax charge	<u>22,512</u>	<u>57,575</u>

SLACKBUIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2008

6. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 January 2008 and at 31 December 2008	<u>3</u>
Provisions for diminution in value	
At 1 January 2008 and at 31 December 2008	<u>1</u>
Net book value	
At 31 December 2008 and at 31 December 2007	<u>2</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

7. WORK IN PROGRESS

	2008 £	2007 £
Work in progress	<u>16,358,819</u>	<u>15,606,712</u>

Included within the work in progress is £1,152,715 (2007: £1,099,140) of capitalised interest.

8. DEBTORS

	2008 £	2007 £
Amounts due from group companies	70,941	368,777
Corporation tax	-	22,512
Other debtors	-	31,089
	<u>70,941</u>	<u>422,378</u>

SLACKBUIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2008

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Trade creditors	114,548	164,269
Taxation and social security	-	1,747
Accruals and deferred income	135,904	1,750
Amounts due to group companies	4,840,647	4,522,857
Other creditors	3,897	200,914
	<u>5,094,996</u>	<u>4,891,537</u>

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

	2008 £	2007 £
Bank multi-option facility	<u>11,292,055</u>	<u>10,885,844</u>
Analysis of loans		
Wholly repayable within five years	<u>11,292,055</u>	<u>10,885,844</u>

The bank multi-option facility was secured by standard securities over the Tulloch Homes Group Limited group's heritable properties and by a bond and floating charge over its assets. In addition, unlimited intercompany guarantees existed between the lead lender under the facility, Tulloch Limited, the company, its immediate parent and certain fellow subsidiaries. The multi option facility was due to expire on 31 December 2010 but has been refinanced subsequent to the year end and new debt facilities have been put in place for the Group for the period to 31 December 2012. The company is a guarantor under this new group facility.

11. SHARE CAPITAL

	2008 £	2007 £
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>

12. STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	Profit and loss account £
Balance at 1 January 2008	251,709
Loss for the year	<u>(209,000)</u>
Balance at 31 December 2008	<u>42,709</u>

SLACKBUIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2008

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
(Loss)/profit for the year	(209,000)	203,382
Net (reduction in)/addition to shareholders' funds	(209,000)	203,382
Opening shareholders' funds	251,711	48,329
Closing shareholders' funds	42,711	251,711

14. ULTIMATE PARENT UNDERTAKING

The company's immediate and ultimate parent undertaking is Tulloch Homes Group 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.

15. 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.