

**SLACKBUIE LIMITED**

**Directors' Report and Unaudited Financial Statements**

**For the year ended 30 June 2014**

MONDAY



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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

### **SOLICITORS**

Harper MacLeod LLP  
45 Gordon Street  
Glasgow  
G1 3PE

Brodies  
3 Blythswood Square  
Glasgow  
G2 4AD

# SLACKBUIE LIMITED

## STRATEGIC REPORT

The directors present their strategic report for the year ended 30 June 2014.

### REVIEW OF THE BUSINESS

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

The company made a profit for the year of £1,888,092 (2013: £1,066,190) on turnover of £8.7m (2013: £5.3m). 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 company was in a net asset position of £3,117,586 at 30 June 2014 (2013: £1,229,494). The company meets its day to day working capital requirements through cash flow from operating activity and funding from related undertakings.

We have enjoyed a recovering Housing market in the year to June 2014 and while there is some uncertainty over the continuity of the "Help to Buy" scheme, both beyond March 2016 and the longevity of funds for the year to March 2016, the Board are nevertheless confident the Group is well placed to remain profitable and cashflow positive in the current financial year.

On 4 March 2015 the entire issued share capital of Tulloch Homes Group Limited was acquired by Thistle SPV 1 Limited, details of which are contained in note 12 to the financial statements.

### Key performance indicators

The Company operates as a private Housebuilder principally in the North of Scotland. The principal area of operation is the Highland region with the primary focus being the City of Inverness as the capital of the Highlands.

Private Housing Development is a capital intensive process which requires the acquisition of land as the raw material and precursor to the development and sale of private housing. Securing a good quality land bank is key to ensuring the sustainability of the business, as the planning process is often protracted meaning it can take up to two years from identification of a site, to securing it with the appropriate consents. Visibility of deliverable consents is therefore critical in applying adequate resources within the business and in providing the confidence to invest in the future.

As a business we are well placed in terms of having visibility over our raw material, land, with unit numbers of our consented landbank in the Highland region amounting to 95.

### 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, 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.

#### *Funding and liquidity risk*

Our relationship with both Lloyds Banking Group and Remich was both strong and positive with excellent support and enthusiasm for our business model and our locations. Following the year end, on 4 March 2015, the Group's debt funding was restructured as part of an acquisition by Thistle SPV 1 Limited. Further details are contained within note 12. The Group 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 debt facilities.

#### *Financial risk policy*

The Group's principal financial assets are bank balances and cash, trade debtors, other debtors and investments.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings, assigned by international credit rating agencies. The Group maintains long term finance facilities at variable rates to ensure that it has sufficient funds available for the Group's activities. The Group utilises interest rate swaps on its long term finance.

# SLACKBUIE LIMITED

## STRATEGIC REPORT (continued)

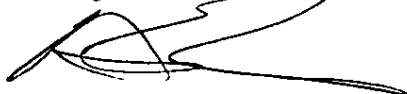
The Group's credit risk is primarily attributable to its trade debtors and amounts owed by participating interests. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

### Future developments

The directors expect the Housing market to remain relatively stable throughout the coming year and as a result anticipate unit numbers and volumes to be consistent with the current year.

A significant development post balance sheet was the sale of the entire issued share capital of Tulloch Homes Group Ltd to a newly formed vehicle funded by Bank of Scotland, other investors and the existing directors. Details of this post balance sheet event are contained in note 12.

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



A J Grant  
Director  
27 March 2015

# **SLACKBUIE LIMITED**

## **DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 30 June 2014.

### **PRINICPAL ACTIVITIES**

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

### **DIVIDENDS**

The directors do not propose the payment of a dividend (2013: £nil).

### **FUTURE DEVELOPMENTS**

See Strategic Report

### **DIRECTORS**

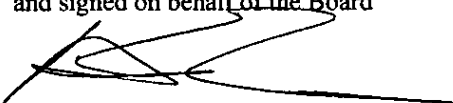
The directors who held office during the year and to the date of this report are:

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.

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



A J Grant  
Director  
27 March 2015

# SLACKBUIE LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2014

	Notes	30 June 2014 £	30 June 2013 £
<b>TURNOVER – continuing operations</b>	1	8,716,042	5,303,800
Cost of sales		(6,826,688)	(4,237,164)
<b>GROSS PROFIT</b>		1,889,354	1,066,636
Administrative expenses		(1,262)	(446)
<b>OPERATING PROFIT: continuing operations</b>	4	1,888,092	1,066,190
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,888,092	1,066,190
Tax on profit on ordinary activities	3	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>	10	1,888,092	1,066,190

The notes on pages 7 to 11 form an integral part of these financial statements.

There are no recognised gains or losses in the current year or prior year, 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 2014

	Note	30 June 2014 £	30 June 2013 £
<b>FIXED ASSETS</b>			
Investments	5	2	2
<b>CURRENT ASSETS</b>			
Stock	6	7,902,999	10,299,797
Debtors – due within one year	7	66,176	103,986
– due after more than one year	7	884,275	837,578
Bank and cash in hand		2,295,402	758,165
		11,148,852	11,999,526
<b>CREDITORS: amounts falling due within one year</b>	8	(8,031,268)	(10,770,034)
<b>NET CURRENT ASSETS</b>		3,117,584	1,229,492
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,117,586	1,229,494
<b>NET ASSETS</b>		3,117,586	1,229,494
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	2	2
Profit and loss account	10	3,117,584	1,229,492
<b>SHAREHOLDER'S FUNDS</b>	11	3,117,586	1,229,494


The notes on pages 7 to 11 form an integral part of these financial statements.

For the financial period ended 30 June 2014 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 27 March 2015.

Signed on behalf of the Board of Directors



A J Grant  
Director



# **SLACKBUIE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2014**

### **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 and prior year.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Basis of preparation**

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report further sets out the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

On 4 March 2015 the Group refinanced its debt as part of an acquisition and restructuring as detailed in note 12. From this date, the Group meets its day to day working capital requirements through an overdraft facility which is due for renewal on 5 March 2016, by which time the directors believe there will be sufficient working capital within the business.

The Company and Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility. The current Group facilities run till August 2017 and discussion will be opened with the bank well in advance of this date, if required.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus 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.

#### **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.

# SLACKBUIE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

### 1. ACCOUNTING POLICIES (Continued)

#### 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. DIRECTORS' REMUNERATION AND EMPLOYEES

There were no employees during the current 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.

### 3. TAXATION

	30 June 2014 £	30 June 2013 £
Current tax	-	-

During the year, the UK corporation tax rate changed from 23% to 21%. The average rate for the year is 22.5%. The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	30 June 2014 £	30 June 2013 £
Profit on ordinary activities before taxation	1,888,092	1,066,190
Tax on profit / (loss) on ordinary activities at average UK corporation tax of 22.5% (2013 – 24%)	424,821	255,885
<i>Factors affecting charge:</i>		
Utilisation of tax losses	(424,821)	(255,855)
Current tax	-	-

# SLACKBUIE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 30 June 2014

### 4. OPERATING PROFIT

	2014 £	2013 £
Operating profit is stated after crediting:		
Stock provision	434,261	385,416

### 5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
<b>Cost</b>	
At 1 July 2013 and at 30 June 2014	3
<b>Provisions for impairment</b>	
At 1 July 2013 and at 30 June 2014	(1)
<b>Net book value</b>	
At 30 June 2014 and at 30 June 2013	2

#### Holdings of more than 20%

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

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

### 6. STOCK

	30 June 2014 £	30 June 2013 £
Work in progress	7,902,999	10,299,797

Included within the work in progress is £nil (2013: £24,000) of capitalised interest.

# SLACKBUIE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

### 7. DEBTORS

	30 June 2014 £	30 June 2013 £
Trade debtors	42,131	92,950
VAT	24,045	11,036
Other debtors	884,275	837,578
	<u>950,451</u>	<u>941,564</u>

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

Other debtors	<u>884,275</u>	<u>837,578</u>
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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.

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2014 £	30 June 2013 £
Trade creditors	561,942	321,382
Accruals and deferred income	16,834	142,009
Amounts due to group companies	7,452,492	10,306,643
	<u>8,031,268</u>	<u>10,770,034</u>

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

### 9. SHARE CAPITAL

	30 June 2014 £	30 June 2013 £
<b>Allotted, called-up and fully paid:</b>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 10. MOVEMENTS IN RESERVES

	Profit and loss account £
Balance at 1 July 2013	1,229,492
Profit for the year	<u>1,888,092</u>
Balance at 30 June 2014	<u>3,117,584</u>

# SLACKBUIE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2014

### 11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	30 June 2014 £	30 June 2013 £
Profit for the year	1,888,092	1,066,190
Opening shareholder's funds	1,229,494	163,304
Closing shareholder's funds	<u>3,117,586</u>	<u>1,229,494</u>

### 12. POST BALANCE SHEET EVENT

On the 4 March 2015 the entire issued share capital of Tulloch Homes Group Limited was acquired by a newly incorporated entity, Thistle SPV 1 Limited, company number SC496362.

Prior to acquisition, a further debt for equity swap was carried out in Tulloch Homes Group Limited, leaving the residual debt in Tulloch Homes Group Limited equal to the consideration to be satisfied.

The consideration was satisfied by the drawing of a £20.0m term loan and an £8.8m revolving credit facility provided by Bank of Scotland in Thistle SPV 1 Limited, along with further equity provided by the shareholders of Thistle SPV 1 Limited.

Therefore, from the 4 March 2015 Tulloch Homes Group Limited became a wholly owned subsidiary of Thistle SPV 1 Limited and is funded through fresh shareholder equity and £28.8m of banking facilities, provided by the Bank of Scotland.

### 13. 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 2014, until they are satisfied in full.

### 14. 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 2014, amounted to £89,000,000 (2013: £95,000,000).

### 15. ULTIMATE PARENT UNDERTAKING

At 30 June 2014, 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, 4<sup>th</sup> Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh EH3 9FF.