

TULLOCH HOMES LIMITED

Report and Financial Statements

18 month period ended 30 June 2012

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TULLOCH HOMES LIMITED

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	4
Independent auditor's report	6
Profit and loss account	8
Reconciliation of movements in shareholder's funds	9
Balance sheet	10
Notes to the financial statements	11

TULLOCH HOMES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G.G. Fraser
I. J. Macdonald
A. J. Grant
A. MacMaster
A. MacDougall

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

TULLOCH HOMES LIMITED

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 is housebuilding.

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The financial position of the company is shown within the balance sheet on page 10.

The company made a loss for the financial year of £17,724,218 (2010: £380,814) on turnover of £45,071,879 (2010: £17,471,770). The loss was primarily a result of exceptional stock provisions recognised of £21,652,000 (2010: £nil) required as a result of management's estimate of the net realisable value of work in progress due to the continued stagnation of the housing market. 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 was in a net asset position of £998,906 at 30 June 2012 (2010: £1,056,124). During the period the company received capital contributions from a related undertaking totalling £18,067,000 (2010: £nil.)

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 absolute 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.

TULLOCH HOMES LIMITED

DIRECTORS' REPORT

DIRECTORS

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

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

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

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

Tulloch Homes Group Limited, the ultimate parent, manages its operations on a divisional basis. For this reason, the directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business

FINANCIAL INSTRUMENTS

The company's principal financial assets are trade and other debtors and cash. Trade debtors are receivable under standard terms. Amounts recognised in the balance sheet in respect of trade debtors are presented net of allowances for doubtful debts. Other debtors, relating to shared equity arrangements, are receivable under extended contracted terms. The amounts presented in the balance sheet are secured by the assets sold to give rise to the balance. The company's principal financial liabilities comprise trade creditors, and inter-group borrowings. 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 purposes.

CHARITABLE AND POLITICAL DONATIONS

The company made no charitable or political donations during the current period or preceding year.

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.

TULLOCH HOMES LIMITED

DIRECTORS' REPORT

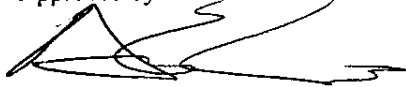
INFORMATION TO AUDITOR

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

TULLOCH HOMES LIMITED

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 TULLOCH HOMES LIMITED

We have audited the financial statements of Tulloch Homes Limited for the 18 month period ended 30 June 2012 which comprise the profit and loss account, the reconciliation of movements in shareholder's funds, the balance sheet and the related notes 1 to 17. 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 TULLOCH HOMES 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.



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

TULLOCH HOMES LIMITED

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	2	45,071,897	17,471,770
Cost of sales		(39,444,974)	(14,450,838)
GROSS PROFIT		5,626,923	3,020,932
Exceptional stock provision		(21,652,000)	-
Administrative expenses		(1,899,141)	(478,729)
Other operating income		200,000	
OPERATING (LOSS)/PROFIT: continuing operations	4	(17,724,218)	2,542,203
Interest receivable	5	-	144,568
Interest payable	6	-	(3,073,958)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(17,724,218)	(387,187)
Tax on loss on ordinary activities	7		6,373
LOSS FOR THE PERIOD	13	(17,724,218)	(380,814)

The notes on pages 11 to 18 form an integral part of these financial statements.

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

TULLOCH HOMES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

For the 18 month period ended 30 June 2012

	Note	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Loss for the period		(17,724,218)	(380,814)
Capital contribution	13	18,067,000	-
Net movement in shareholder's funds		342,782	(380,814)
Opening shareholder's funds		1,056,124	1,436,938
Closing shareholder's funds		<u>1,398,906</u>	<u>1,056,124</u>

The notes on pages 11 to 18 form an integral part of these financial statements.

TULLOCH HOMES LIMITED

BALANCE SHEET

As at 30 June 2012

	Note	30 June 2012 £	31 December 2010 £
FIXED ASSETS			
Tangible assets	8	<u>14,343</u>	<u>57,667</u>
CURRENT ASSETS			
Stock	9	54,424,956	78,133,848
Debtors – due within one year	10	492,173	1,370,978
– due after more than one year	10	3,329,231	1,192,249
Cash at bank and in hand		<u>722,463</u>	<u>-</u>
		58,968,823	80,697,075
CREDITORS: amounts falling due within one year	11	<u>(57,584,260)</u>	<u>(79,698,618)</u>
NET CURRENT ASSETS		<u>1,384,563</u>	<u>998,457</u>
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS		<u>1,398,906</u>	<u>1,056,124</u>
CAPITAL AND RESERVES			
Called up share capital	12	13,600	13,600
Profit and loss account	13	1,385,306	(2,837,476)
Other reserves	13	<u>-</u>	<u>3,880,000</u>
SHAREHOLDER'S FUNDS		<u>1,398,906</u>	<u>1,056,124</u>

The notes on pages 11 to 18 form an integral part of these financial statements.

The financial statements of Tulloch Homes Limited, registered company number SC032176, were approved by the Board of Directors on 18 March 2013.

Signed on behalf of the Board of Directors



A J Grant

Director

TULLOCH HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 period and prior year.

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 absolute 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.

Tangible fixed assets

Tangible fixed assets are stated at cost, less depreciation and provision for any impairment.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Plant and machinery	10 – 50% per annum
Motor vehicles	33% per annum

TULLOCH HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

1. ACCOUNTING POLICIES (CONTINUED)

Stock

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

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 recorded for any amounts not deemed recoverable.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised as fixed assets at their fair value on acquisition and depreciated over the shorter of their lease term or their estimated useful economic lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Pensions

The company contributes to a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable for the year. Differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

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

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

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

Cash flow statement

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

2. TURNOVER

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

TULLOCH HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Directors' emoluments		
Emoluments	281,900	281,325
Pension contributions	19,350	18,797
	<u>301,250</u>	<u>300,122</u>
	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Remuneration of the highest paid director		
Emoluments	190,400	122,545
Pension contributions	13,500	9,000
	<u>203,900</u>	<u>131,545</u>

The remuneration of the directors who are the directors of the parent company, Tulloch Homes Group Limited, and paid by that entity is disclosed in the financial statements of the parent company.

None (2010: none) of the directors of the company were members of a money purchase pension scheme.

	1 January 2011 to 30 June 2012 No.	1 January 2010 to 31 December 2010 No.
Average number of employees	<u>120</u>	<u>136</u>
	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Staff costs (including directors):		
Wages and salaries	5,828,364	4,343,867
Social security costs	554,827	426,401
Pension costs	149,573	106,485
	<u>6,532,764</u>	<u>4,876,773</u>

TULLOCH HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

4. OPERATING (LOSS)/PROFIT

	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Operating (loss)/profit is stated after charging:		
Hire of plant and machinery	101,315	257,663
Depreciation – owned assets	43,324	56,440

Auditor's remuneration was borne by another group company for both the current period and prior year. The directors estimate that the balance relating to the company was £50,000 (2010: £80,000).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Interest on tax overpayment	-	144,568
	-	144,568

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Intercompany interest	-	3,073,958
	-	3,073,958

TULLOCH HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Corporation tax charge for the period	-	-
Adjustments in respect of prior periods	-	(6,373)
Total tax credit for period	-	(6,373)

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 on ordinary activities before tax	(17,724,218)	(387,187)
Tax on loss at 26% (2010: 28%)	(4,608,297)	(108,412)
<i>Factors affecting charge:</i>		
Expenses not deductible for tax purposes	-	4,168
Tax losses carried forward	4,608,297	104,244
Depreciation in excess of capital allowances	-	-
Adjustments in respect of prior year	-	(6,373)
Current tax credit for the period	-	(6,373)

TULLOCH HOMES LIMITED

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

8. TANGIBLE FIXED ASSETS

	Plant and Machinery £	Motor Vehicles £	Total £
Cost			
At 1 January 2011 and 30 June 2012	316,073	59,243	375,316
Accumulated depreciation			
At 1 January 2011	299,581	18,068	317,649
Charge for the year	16,492	26,832	43,324
At 30 June 2012	316,073	44,900	360,973
Net book value			
At 30 June 2012	-	14,343	14,343
At 31 December 2010	16,492	41,175	57,667

9. STOCK

	30 June 2012 £	31 December 2010 £
Work-in-progress	54,424,956	78,133,848

10. DEBTORS

	30 June 2012 £	31 December 2010 £
Trade debtors	126,294	248,068
Amounts owed by group companies	-	81,447
Other debtors	3,431,300	1,984,289
Prepayments and accrued income	263,810	249,423
	3,821,404	2,563,227
Amounts due after more than one year included within debtors balance above:		
Other debtors	3,329,231	1,912,289

The other debtors balance relates to loans provided under the entity'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.

TULLOCH HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2012 £	31 December 2010 £
Bank multi-option facility	-	10,936,202
Trade creditors	1,537,541	1,820,343
Amounts owed to group companies	54,045,333	65,345,720
Other creditors	-	218,226
Other taxation and social security	-	123,186
Accruals and deferred income	2,001,386	1,254,941
	<u>57,584,260</u>	<u>79,698,618</u>

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

12. CALLED UP SHARE CAPITAL

	30 June 2012 £	31 December 2010 £
Allotted, called-up and fully paid:		
13,600 Ordinary shares of £1 each	<u>13,600</u>	<u>13,600</u>

13. MOVEMENT IN RESERVES

	Other reserves £	Profit and loss reserve £
At 1 January 2011	3,880,000	(2,837,476)
Loss for the financial period	-	(17,724,218)
Transfer to profit and loss reserves	(3,880,000)	3,880,000
Capital contributions	-	18,067,000
	<u>-</u>	<u>18,067,000</u>
At 30 June 2012	<u>-</u>	<u>1,385,306</u>

During the period, Tulloch Limited made capital contributions to the company by way of forgiving a total of £18,067,000 of debts owed by the company. These capital 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.

The other reserves relate to capital contributions made in prior periods which resulted from qualifying consideration. They have been transferred to profit and loss reserves in the current period.

TULLOCH HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

14. FINANCIAL COMMITMENTS

At 30 June, the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1 January 2011 to 30 June 2012	1 January 2010 to 31 December 2010	1 January 2011 to 30 June 2012	1 January 2010 to 31 December 2010
	£	£	£	£
Expiry date:				
Within one year	-	82,500	-	1,721
Between two and five years	-	-	-	-
In over five years	79,945	79,545	-	-
	<u>79,945</u>	<u>162,045</u>	<u>-</u>	<u>1,721</u>

15. CONTINGENT LIABILITIES

The company is party to a cross-guarantee arrangement with certain other group companies in respect of bank borrowings. Total borrowings of the group at the period end amounted to £89,588,000 (2010: £132,546,000).

16. 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.

17. ULTIMATE PARENT COMPANY

At 30 June 2012, the immediate parent company was Tulloch Homes Group Holdings Limited, a company registered in Scotland.

The ultimate parent company at 30 June 2012 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.