

Company Registration No. SC032176

Tulloch Homes Ltd.

Annual Report and Unaudited Financial Statements

For the year ended 30 June 2017

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Tulloch Homes Ltd.

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Tulloch Homes Ltd.

Officers and Professional Advisers

Directors

G G Fraser
I J Macdonald
A J Grant

Company Number

SC032176

Registered Office

Stoneyfield House
Stoneyfield Business Park
Inverness
IV2 7PA

Solicitors

Brodies LLP
110 Queen Street
Glasgow
G1 3BX

Harper Macleod LLP
45 Gordon Street
Glasgow
G1 3PE

Tulloch Homes Ltd.

Strategic Report

The directors present their strategic report for the year ended 30 June 2017.

Business review

The company's results for the year are shown on page 5 and the financial position of the company is shown within the balance sheet on page 6.

The company made an operating profit for the financial year of £3,399,000 (2016: £5,914,000) on turnover of £33.7m (2016: £39.4m). The company was in a net asset position of £50.2m at 30 June 2017 (2016: £46.9m).

Key performance indicators

Tulloch Homes Ltd. 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. The company does however control private development sites outside of the Highland region, specifically Aberdeenshire and the Central Belt of Scotland.

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. At present we have 859 units with planning consent, principally in the Highlands.

In addition there is the potential for a further 348 units on sites owned by us, which are zoned but currently without planning permission.

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 our bankers is both strong and positive with good support and enthusiasm for our business model and our locations. The Company 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.

The Group maintains long term finance facilities at variable rates to ensure that it has sufficient funds available for the Group's activities.

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'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.

Tulloch Homes Ltd.

Strategic Report (continued)

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.

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



A J Grant

Director

Date: 8/12/17

Tulloch Homes Limited.

Directors' Report

The directors present their report and financial statements for the year ended 30 June 2017.

Principal activities

The principal activities of the company comprise private and affordable housing development, property development, leisure and related services.

Future developments

Details of future developments can be found in the strategic report on pages 2 and 3 and form part of this report by cross reference.

Dividends

No dividends (2016: £nil) were paid in the year and none are proposed.

Directors

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

G G Fraser

I J Macdonald

A J Grant

A MacMaster (Resigned 3 March 2017)

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

Date: 8/12/17

Tulloch Homes Ltd.

Profit and Loss Account Year ended 30 June 2017

	Notes	30 June 2017 £'000	30 June 2016 £'000
Turnover	2	33,726	39,416
Cost of sales		(29,556)	(30,060)
Gross profit		4,170	9,356
Administrative expenses		(3,676)	(3,426)
Other operating income		2,905	(16)
Operating profit		3,399	5,914
Interest payable and similar expenses		(152)	-
Profit on ordinary activities before taxation		3,247	5,914
Tax on profit on ordinary activities	4	-	-
Profit and total comprehensive income for the financial year		3,247	5,914

The results for the current and prior year have been derived wholly from continuing operations.

Tulloch Homes Ltd.

Balance Sheet As at 30 June 2017

	Notes	30 June 2017 £'000	30 June 2016 £'000
Fixed assets			
Tangible assets	5	37	-
Current assets			
Stocks	6	44,325	53,685
Debtors – due within one year	7	7,589	4,113
– due after more than one year	7	3,335	2,920
Cash at bank and in hand		3,112	6,844
		<u>58,361</u>	<u>67,562</u>
Current liabilities			
Creditors: amounts falling due within one year	8	(8,203)	(20,614)
Net current assets		<u>50,158</u>	<u>46,948</u>
Total assets less current liabilities being net assets		<u>50,195</u>	<u>46,948</u>
Capital and reserves			
Called up share capital	9	26,172	26,172
Profit and loss account		24,023	20,776
Net equity		<u>50,195</u>	<u>46,948</u>

For the financial period ended 30 June 2017 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 Tulloch Homes Ltd. (Company registration No. SC032176) were approved by the Board of Directors on 8/12/17

Signed on behalf of the Board of Directors



A J Grant
Director

Tulloch Homes Ltd.

Statement of Changes in Equity Year ended 30 June 2017

	Share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 July 2015	<u>26,172</u>	<u>14,862</u>	<u>41,034</u>
Year ended 30 June 2016:			
Profit and total comprehensive income for the year	-	5,914	5,914
Balance at 1 July 2016	<u>26,172</u>	<u>20,776</u>	<u>46,948</u>
Year ended 30 June 2017:			
Profit and total comprehensive income for the year	-	3,247	3,247
Balance at 30 June 2017	<u>26,172</u>	<u>24,023</u>	<u>50,195</u>

Tulloch Homes Ltd.

Notes to the Financial Statements Year ended 30 June 2017

1. Accounting policies

Company Information

Tulloch Homes Ltd. is a private company limited by shares incorporated in Scotland. The registered office is at Stoneyfield House, Stoneyfield Business Park, Inverness, IV2 7PA.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK" ("FRS 102") and the requirements of the Companies Act 2006. The disclosure requirements of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the reduced disclosure framework of FRS 102 available to certain qualifying subsidiaries; namely:

- The requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the financial period;
- The requirement to present a statement of cash flows;
- Certain disclosure requirements in relation to financial instruments;
- The requirement to disclose transactions with the company's parent or fellow subsidiaries;
- The requirement to disclose key management personnel compensation in total.

Going concern

The Group have prepared forecasts, including certain sensitivities taking into account the principal risks identified. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Company and Group to conduct its business for at least the next 12 months from the date the financial statements are signed. Accordingly, the financial statements have been prepared on a going concern basis.

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 discounted to reflect the time value of money and unwound over the term of the loan. They are also reviewed regularly and provisions are recorded for any amounts not deemed recoverable.

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

Impairment of fixed assets

At each reporting date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Stocks

Stocks 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. At each reporting date an assessment is made for impairment and any impairment is recognised in profit and loss.

Tulloch Homes Ltd.

Notes to the Financial Statements (continued) **Year ended 30 June 2017**

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit and loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Basic financial liabilities

Basic financial liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Basic financial liabilities are subsequently carried at amortised cost, using the effective interest rate method. Financial liabilities payable within one year are not amortised.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases are recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Pensions

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Taxation

Current taxation

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

Tulloch Homes Ltd.

Notes to the Financial Statements (continued) Year ended 30 June 2017

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors consider there to be no judgements, critical assumptions or key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year.

2. Turnover

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

3. Information regarding directors and employees

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.

	30 June 2017 No.	30 June 2016 No.
Average number of employees, including directors:		
Production	105	106
Administration	27	27
Directors	3	4
	<u>135</u>	<u>137</u>
	30 June 2017 £'000	30 June 2016 £'000
Staff costs (including directors):		
Wages and salaries	4,666	4,852
Social security costs	496	572
Pension costs	156	178
	<u>5,318</u>	<u>5,602</u>

Tulloch Homes Ltd.

Notes to the Financial Statements (continued) Year ended 30 June 2017

4. Tax on profit on ordinary activities

	30 June 2017 £'000	30 June 2016 £'000
Current tax		
Corporation tax charge for the year	-	-

The UK corporation tax rate applicable during the current was 19.75% and prior year was 20%. During the year the UK corporation tax rate changed from 20% to 19%. The average tax rate for the year was therefore 19.75%. The following reconciliation of the tax charge is presented:

	30 June 2017 £'000	30 June 2016 £'000
Profit on ordinary activities before tax	3,247	5,914
Expected tax charge based on the standard rate of corporation tax in the UK of 20% (2016: 20%)	642	1,183
<i>Factors affecting charge:</i>		
Utilisation of group tax losses	(642)	(1,183)
Current tax charge for the year	-	-

Tulloch Homes Ltd.

Notes to the Financial Statements (continued) Year ended 30 June 2017

5. Tangible assets

	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
Cost			
At 1 July 2016	316	59	375
Additions	-	41	41
At 30 June 2017	<u>316</u>	<u>100</u>	<u>416</u>
Accumulated depreciation			
At 1 July 2016	316	59	375
Depreciation charged in the year	-	4	4
At 30 June 2017	<u>316</u>	<u>63</u>	<u>379</u>
Net book value			
At 30 June 2017	<u>-</u>	<u>37</u>	<u>37</u>
At 30 June 2016	<u>-</u>	<u>-</u>	<u>-</u>

6. Stocks

	30 June 2017 £'000	30 June 2016 £'000
Work-in-progress	<u>44,325</u>	<u>53,685</u>

The cost of stock recognised as an expense amounts to £29,556,000 (2016 - £30,060,000).

Tulloch Homes Ltd.

Notes to the Financial Statements (continued) Year ended 30 June 2017

7. Debtors

	30 June 2017 £'000	30 June 2016 £'000
Trade debtors	238	236
Amounts owed by group companies	7,153	2,982
Other debtors	3,403	3,229
Prepayments and accrued income	130	586
	<u>10,924</u>	<u>7,033</u>

Amounts owed by group companies are interest free and repayable on demand.

Amounts due after more than one year included within debtors balance above:

	30 June 2017 £'000	30 June 2016 £'000
Other debtors	<u>3,335</u>	<u>2,920</u>

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.

8. Creditors: amounts falling due within one year

	30 June 2017 £'000	30 June 2016 £'000
Trade creditors	2,072	4,011
Amounts owed to group companies	2,116	12,791
Other taxation and social security	181	159
Accruals and other creditors	3,834	3,653
	<u>8,203</u>	<u>20,614</u>

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

Tulloch Homes Ltd.

Notes to the Financial Statements (continued) Year ended 30 June 2017

9. Called up share capital

	30 June 2017 £'000	30 June 2016 £'000
Called up, allotted and fully paid:		
13,600 Ordinary shares of £1 each	14	14
26,158,579 B Ordinary shares of £1 each	26,158	26,158
	<u>26,172</u>	<u>26,172</u>

The Ordinary shares carry full voting rights but no right to fixed income or repayment of capital. Distributions are at the discretion of the company.

The B Ordinary shares do not confer on the holders thereof the right to vote at any general meetings of the company or on any written resolutions of the company. The B Ordinary shares confer on the holders thereof as A class: the right to participate pari passu in any distribution or dividend payable to members of the company. The right on a winding up or other return of capital to receive a return of the nominal amount paid up on the B Ordinary shares and to participate pari passu in any further distribution of assets on a winding up or return of capital. The B Ordinary shares are not liable to be redeemed.

10. Financial commitments

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

	Land and buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Not later than one year	130	76	-	-
Later than one year and not later than five years	189	158	-	-
	<u>319</u>	<u>234</u>	<u>-</u>	<u>-</u>

Total lease payments recognised as an expense amount £130,000 (2016 - £283,000).

11. 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 year end amounted to £nil (2016: £6,288,000).

12. Related party transactions

The company has taken advantage of the exemptions available to those subsidiaries that are 100% owned under FRS 102. Accordingly, disclosure is not made of any related party transactions with the company's parent company or fellow wholly owned subsidiaries.

The parent undertaking has guaranteed all outstanding liabilities to which the subsidiary company is subject at 30 June 2017, until they are satisfied in full, in order for the company to be a qualifying subsidiary for the purposes of S479A of the Companies Act 2006.

13. Ultimate parent company

At 30 June 2017, the immediate parent company was Tulloch Homes Group Holdings Limited, a company registered in Scotland.

The ultimate parent company at 30 June 2017 was Tulloch Homes Group Limited, a company registered in Scotland, and this is the smallest and largest group in which the results of the 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.