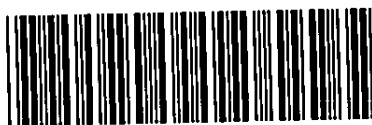


TULLOCH HOMES EXPRESS LIMITED

Annual Report and Financial Statements

18 month period to 30 June 2012

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TULLOCH HOMES EXPRESS LIMITED

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TULLOCH HOMES EXPRESS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G G Fraser
A J Grant
A MacMaster

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 EXPRESS 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 during the current year was low-cost housebuilding.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company made a profit for the period of £153,876 (2010: profit of £365,660) on turnover of £12,323,193 (2010: £12,693,483). More detail regarding the performance and financial position of Tulloch Homes Group Limited, the company's parent, and its subsidiaries, is set out in the annual report of Tulloch Homes Group Limited.

A dividend of £304,000 (2010: £nil) was paid in the current period.

The company was in a net assets position of £231,685 at 30 June 2012 (2010: £381,809). 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 EXPRESS LIMITED

DIRECTORS' REPORT

DIRECTORS

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

G G Fraser (appointed 31 December 2011)

D F Sutherland, CBE CA (resigned 31 December 2011)

A J Grant

A Marshall (resigned 26 April 2011)

A MacMaster

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, this 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.

FINANCIAL INSTRUMENTS

The company's principal financial assets are intercompany debtors and trade debtors. The amounts recognised in the balance sheet in respect of amounts owed by group undertakings are presented net of allowances for doubtful debtors. The credit risk of liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company's financial liabilities comprise of the trade creditors, accruals and the bank overdraft. Trade creditors and accruals are payable under standard terms of payment. The bank overdraft was repaid after the year end. The company does not enter into any derivative financial instruments for hedging, speculative or for any other purpose.

INFORMATION TO AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so 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 provision 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 EXPRESS 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 EXPRESS LIMITED

We have audited the financial statements of Tulloch Homes Express Limited for the 18 month period ended 30 June 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 profit 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 EXPRESS 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 year 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 EXPRESS LIMITED

PROFIT AND LOSS ACCOUNT

For the 18 month period ended 30 June 2012

	Note	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
TURNOVER: continuing operations	2	12,323,193	12,693,483
Cost of sales		(11,577,949)	(11,426,455)
GROSS PROFIT		745,244	1,267,028
Administrative expenses		(591,368)	(984,815)
OPERATING PROFIT: continuing operations	4	153,876	282,213
Interest receivable and similar income		-	83,447
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		153,876	365,660
Tax on profit on ordinary activities	5	-	-
PROFIT FOR THE FINANCIAL PERIOD	11, 12	153,876	365,660

The notes on pages 9 to 13 form an integral part of these financial statements.

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

TULLOCH HOMES EXPRESS LIMITED

BALANCE SHEET

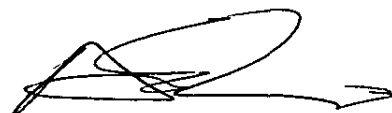
As at 30 June 2012

	Note	30 June 2012 £	31 December 2010 £
FIXED ASSETS			
Tangible assets	6	-	-
CURRENT ASSETS			
Stocks	7	-	106,821
Debtors	8	870,011	742,638
Cash at bank		-	3,516,360
		870,011	4,365,819
CREDITORS: amounts falling due within one year	9	(638,326)	(3,984,010)
NET CURRENT ASSETS		231,685	381,809
NET ASSETS		231,685	381,809
CAPITAL AND RESERVES			
Called up share capital	10	2	2
Profit and loss account	11	231,683	381,807
SHAREHOLDER'S FUNDS	12	231,685	381,809

The notes on pages 9 to 13 form an integral part of these financial statements.

The financial statements of Tulloch Homes Express Limited, registered company number SC225596, 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 EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 30 June 2012

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal 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, (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 EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 30 June 2012

1. ACCOUNTING POLICIES (CONTINUED)

Housebuilding developments

Profit on housebuilding developments is recognised in the period in which turnover is recognised, being upon the procurement of legally binding contracts and habitation certificates, at which stage they are removed from work in progress and included in turnover and cost of sales.

In certain cases the group constructs properties under affordable housing contracts with local council authorities. Where the outcome of such a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is measured by surveys of work performed to date and certificates of payment.

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the period end by recording turnover and related costs as contract activity progresses. Turnover is calculated on the basis of the sales value of work performed by reference to the total sales value and stage of completion of these contracts. Full provision is made for losses on all contracts in the period in which they are foreseen.

Tangible fixed assets

Tangible fixed assets are stated at cost, less depreciation and any provision for 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	20 – 33 1/3 % per annum
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Stock

Developments in progress are stated at the lower of cost and net realisable value. Cost is based on the cost of land and the costs incurred to date in developing that land, including any demolition costs and interest paid in respect of borrowings to finance the relevant developments to completion of construction. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Taxation

Current tax, including 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.

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 Tulloch Homes Group Limited has included the company within its group accounts.

2. TURNOVER

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

TULLOCH HOMES EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 30 June 2012

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors, who were the only employees, did not receive or accrue any remuneration from the company during the current period or prior year.

4. OPERATING PROFIT

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 £2,500 (2010: £4,000).

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Corporation tax charge for the year	-	-
Adjustment in respect of prior periods	-	-
Current tax charge	-	-

Reconciliation of tax charge

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 charge 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 £
Profit before tax	153,876	365,660
Tax on profit on ordinary activities at 24% (2010: 28%)	40,008	102,385
<i>Effects of:</i>		
Group relief claimed for nil consideration	(40,008)	(102,385)
Current tax charge	-	-

6. TANGIBLE FIXED ASSETS

	Plant & Machinery £
Cost	
At 1 January 2011 and 30 June 2012	2,240
Accumulated depreciation	
At 1 January 2011 and 30 June 2012	(2,240)
Net book value	
At 30 June 2012 and 31 December 2010	-

TULLOCH HOMES EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 30 June 2012

7. STOCK

	30 June 2012	31 December 2010
	£	£
Developments in progress	-	106,821

8. DEBTORS

	30 June 2012	31 December 2010
	£	£
Amounts owed by group companies	554,277	-
Trade debtors	315,613	-
Other debtors	121	25,771
Accrued income	-	716,867
	<u>870,011</u>	<u>742,638</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2012	31 December 2010
	£	£
Bank overdraft	71,174	-
Trade creditors	262,456	1,256,580
Amounts owed to other group companies	-	1,846,232
Accruals and deferred income	304,696	881,198
	<u>638,326</u>	<u>3,984,010</u>

Amounts owed to and from other group companies are unsecured, interest free and payable on demand.

10. CALLED UP SHARE CAPITAL

	30 June 2012	31 December 2010
	£	£
Allotted, called up and fully paid:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

TULLOCH HOMES EXPRESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 30 June 2012

11. MOVEMENTS IN RESERVES

	Profit and loss account £
At 1 January 2011	381,807
Profit for the period	153,876
Dividends paid	(304,000)
At 30 June 2012	231,683

During the year the company paid dividends of £304,000 (2010: £nil).

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	1 January 2011 to 30 June 2012 £	1 January 2010 to 31 December 2010 £
Profit for the year	153,876	365,660
Dividends paid	(304,000)	-
Opening shareholder's funds	381,809	16,149
Closing shareholder's funds	231,685	381,809

13. 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 £89,588,000 (2010: £132,546,000).

14. 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.

15. ULTIMATE PARENT COMPANY

At 30 June 2012, the immediate parent company was Tulloch Homes (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.