

REGISTERED NUMBER: 05814316 (England and Wales)

BIRTLEY HOUSE GROUP LIMITED
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2012

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BIRTLEY HOUSE GROUP LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2012

DIRECTORS.

S R L Whalley
C E Whalley
F R A Whalley
T S D Whalley

SECRETARY:

N J Blake

REGISTERED OFFICE:

Birtley House
Birtley Road
Bramley
Guildford
Surrey
GU5 0LB

REGISTERED NUMBER:

05814316 (England and Wales)

AUDITORS.

Wilkins Kennedy LLP
Statutory Auditor
Chartered Accountants
Mount Manor House
16 The Mount
Guildford
Surrey
GU2 4HN

BANKERS:

Lloyds TSB Bank PLC
1st Floor Navigation House
Walnut Tree Close
Guildford
Surrey
GU1 4TR

SOLICITORS.

Stevens & Bolton LLP
The Billings
Guildford
Surrey
GU1 4YD

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 AUGUST 2012**

The directors present their report with the financial statements of the company and the group for the year ended 31 August 2012

PRINCIPAL ACTIVITY

management of a nursing home and close care apartments

REVIEW OF BUSINESS

The group's principal trading subsidiaries are involved in the management of a nursing home, Birtley House, and the development and management of close care apartments. The parent company's principal activity is that of a holding company.

The Group showed a pre-tax profit for the year of £155,559 (2011 - £954,348). The Group's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is £609,940 (2011 - £1,400,139), the majority of the decrease being due to fewer apartment sales.

The company continues to invest substantially in its property and facilities for the clients (residents) of its subsidiary businesses to maximise asset value and reinforce the quality and ambience of the property which has always been the unique selling point for the businesses. At the same time the board have continued to review and drive down costs wherever efficiency savings are compatible with maintenance of the quality of service to which the company aspires.

Results of Subsidiaries

The nursing home business continued to perform well in the year, producing income of £2,829,946 (2011 - £2,632,340) and a pre-tax profit of £216,219 (2011 - £176,208).

The company involved in the management of the close care apartments also traded successfully. Turnover was £1,097,204 (2011 - £1,850,089), which was enhanced by the sale of two apartments during the year (four in 2011) and the company generated a pre-tax profit of £49,841 (2011 - £417,451).

Birtley House Group Limited itself made sales of two apartments in the year (three in 2011), bringing revenue of £610,000 (2011 - £975,000) and direct cost of sales of £Nil (2011 - £Nil). This business stream has arisen as a result of a change in terms in the previous year, of the licences offered to residents in the West Wing apartments, and a resultant change in policy to treat these amounts as income (2009 - treated as returnable debentures within long-term liabilities).

Birtley House Group also incurred administrative expenses of £365,798 (2011 - £302,875) in connection with the management of the group and the Birtley House property. In addition, the company paid interest of £232,002 (2011 - £241,674) in respect of group bank borrowings. Investment income of £Nil (2011 - £305,000) was received from other group companies. The company showed an overall pre-tax profit of £101,499 (2011 - £732,633).

The key financial performance indicators used by the board in monitoring the performance of the business are occupancy rate and income generated by the nursing home and close care apartments, the valuation of the company's properties in relation to the level of bank borrowing, and the level of administrative and financing costs incurred.

The board is mindful of the potential impact of the current economic climate on its business and on the financial status of its customers and suppliers. The board considers that appropriate processes are in place to manage the group's relationships with all third parties to ensure the group's exposure to potential losses is minimised. Specific financial risks and how these are mitigated are discussed further below in this report.

DIVIDENDS

The total distribution of dividends for the year ended 31 August 2012 will be £30,000.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 AUGUST 2012**

DIRECTORS

The directors shown below have held office during the whole of the period from 1 September 2011 to the date of this report.

S R L Whalley
C E Whalley
F R A Whalley
T S D Whalley

FINANCIAL INSTRUMENTS

The group's significant financial instruments at the balance sheet date comprised bank loans and overdrafts, debentures and loans from group undertakings. Operations are financed by a mixture of retained profits, bank borrowings and long term loans. Long term loans are at fixed rates and are used to finance capital investment. Working capital requirements are met principally out of floating rate overdrafts and retained profits.

It is, and has been throughout the year under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk.

Interest rate risk

The group has a policy to manage any exposure to interest rate fluctuations so as to finance its operations through retained profits. In support of this policy, the group has in place a fixed interest rate swap agreement with Lloyds Financial Markets effectively capping the interest payable.

Liquidity risk

The group's objectives are to maintain a balance between continuity of funding and the flexible use of funding by way of overdrafts, loans and similar financial arrangements. Short term flexibility is achieved by overdraft facilities.

Financial assets

The group have no financial assets other than short-term debtors and cash at bank.

Borrowing facilities

The group has no undrawn committed borrowing facilities.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 AUGUST 2012**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information

ON BEHALF OF THE BOARD:


S R L Whalley - Director

Date

28/3/13

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BIRTLEY HOUSE GROUP LIMITED

We have audited the financial statements of Birtley House Group Limited for the year ended 31 August 2012 on pages seven to thirty. 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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 group's and the parent 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 Report of the Directors 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 group's and of the parent company's affairs as at 31 August 2012 and of the group's profit for the year 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BIRTLEY HOUSE GROUP LIMITED**

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Wilkins Kennedy LLP

Mrs Michaela Izquierdo (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy LLP
Statutory Auditor
Chartered Accountants
Mount Manor House
16 The Mount
Guildford
Surrey
GU2 4HN

Date *5 April 2013*

BIRTLEY HOUSE GROUP LIMITED (REGISTERED NUMBER: 05814316)**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2012**

| | Notes | 2012 £ | 2011 £ |
|---|-------|-----------------------|-----------------------|
| TURNOVER | | 4,312,327 | 5,314,146 |
| Cost of sales | | <u>3,038,827</u> | <u>3,309,969</u> |
| GROSS PROFIT | | 1,273,500 | 2,004,177 |
| Administrative expenses | | <u>904,098</u> | <u>824,844</u> |
| | | 369,402 | 1,179,333 |
| Other operating income | | <u>26,461</u> | <u>26,922</u> |
| OPERATING PROFIT | 3 | 395,863 | 1,206,255 |
| Interest receivable and similar income | | <u>562</u> | <u>623</u> |
| | | 396,425 | 1,206,878 |
| Interest payable and similar charges | 4 | <u>240,866</u> | <u>252,529</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 155,559 | 954,349 |
| Tax on profit on ordinary activities | 5 | <u>41,295</u> | <u>198,942</u> |
| PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION | | 114,264 | 755,407 |
| Minority interest - equity | | <u>(26,165)</u> | <u>(16,734)</u> |
| RETAINED PROFIT FOR THE FINANCIAL YEAR FOR THE GROUP | | <u>140,429</u> | <u>772,141</u> |

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous year

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 AUGUST 2012**

| | 2012 £ | 2011 £ |
|---|-------------------------|-----------------------|
| PROFIT FOR THE FINANCIAL YEAR | 140,429 | 772,141 |
| Unrealised surplus on revaluation of properties | 1,308,818 | - |
| TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR | <u>1,449,247</u> | <u>772,141</u> |

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 AUGUST 2012**

| | 2012 £ | 2011 £ |
|--|-------------------------|-----------------------|
| REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 155,559 | 954,349 |
| Realisation of property revaluation gains of previous years | 1,308,818 | - |
| Excess depreciation on revalued property | 46,611 | 37,642 |
| HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | <u>1,510,988</u> | <u>991,991</u> |
| HISTORICAL COST PROFIT FOR THE YEAR RETAINED AFTER TAXATION, MINORITY INTERESTS AND DIVIDENDS | <u>1,465,858</u> | <u>809,783</u> |

The notes form part of these financial statements

BIRTLEY HOUSE GROUP LIMITED (REGISTERED NUMBER: 05814316)

**CONSOLIDATED BALANCE SHEET
31 AUGUST 2012**

| | Notes | 2012 | | 2011 | |
|--|-------|------------------|---------------------------|----------------|-------------------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 8 | | 9,606,461 | | 8,354,952 |
| Investments | 9 | | - | | - |
| | | | <u>9,606,461</u> | | <u>8,354,952</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 10 | 3,500 | | 3,500 | |
| Debtors | 11 | 371,142 | | 63,463 | |
| Cash at bank and in hand | | 31,655 | | 456,328 | |
| | | <u>406,297</u> | | <u>523,291</u> | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 12 | 1,449,352 | | 919,779 | |
| NET CURRENT LIABILITIES | | | <u>(1,043,055)</u> | | <u>(396,488)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 8,563,406 | | 7,958,464 |
| CREDITORS | | | | | |
| Amounts falling due after more than one year | 13 | | (4,637,120) | | (5,426,259) |
| PROVISIONS FOR LIABILITIES | 17 | | (54,143) | | (53,143) |
| MINORITY INTERESTS | 18 | | (163,967) | | (190,133) |
| NET ASSETS | | | <u>3,708,176</u> | | <u>2,288,929</u> |

The notes form part of these financial statements

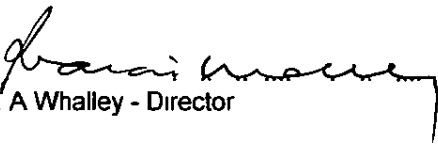
BIRTLEY HOUSE GROUP LIMITED (REGISTERED NUMBER: 05814316)

**CONSOLIDATED BALANCE SHEET - continued
31 AUGUST 2012**

| | Notes | 2012 | 2011 |
|-----------------------------|-------|------------------|------------------|
| | | £ | £ |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 2,300 | 2,300 |
| Share premium | 20 | 814,559 | 814,559 |
| Revaluation reserve | 20 | 2,581,870 | 1,317,331 |
| Capital redemption reserve | 20 | 998 | 998 |
| Profit and loss account | 20 | 308,449 | 153,741 |
| SHAREHOLDERS' FUNDS | 25 | <u>3,708,176</u> | <u>2,288,929</u> |

The financial statements were approved by the Board of Directors on 28.8.12 and were signed on its behalf by


S R L Whalley - Director


F R A Whalley - Director

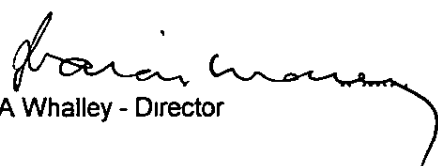
The notes form part of these financial statements

COMPANY BALANCE SHEET
31 AUGUST 2012

| | Notes | 2012 | 2011 |
|--|-------|-------------------------|-------------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Tangible assets | 8 | 8,378,830 | 7,152,771 |
| Investments | 9 | 398,149 | 398,149 |
| | | <u>8,776,979</u> | <u>7,550,920</u> |
| CURRENT ASSETS | | | |
| Debtors | 11 | 334,109 | 77,981 |
| Cash at bank and in hand | | 10,042 | 385,664 |
| | | <u>344,151</u> | <u>463,645</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 12 | 1,479,746 | 783,006 |
| NET CURRENT LIABILITIES | | <u>(1,135,595)</u> | <u>(319,361)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 7,641,384 | 7,231,559 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 13 | (4,284,717) | (5,039,412) |
| PROVISIONS FOR LIABILITIES | 17 | (54,143) | (53,143) |
| NET ASSETS | | <u><u>3,302,524</u></u> | <u><u>2,139,004</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 2,300 | 2,300 |
| Share premium | 20 | 99 | 99 |
| Revaluation reserve | 20 | 2,581,870 | 1,317,331 |
| Capital redemption reserve | 20 | 998 | 998 |
| Profit and loss account | 20 | 717,257 | 818,276 |
| SHAREHOLDERS' FUNDS | 25 | <u><u>3,302,524</u></u> | <u><u>2,139,004</u></u> |

The financial statements were approved by the Board of Directors on 28 3 13 and were signed on its behalf by


 S R L Whalley - Director


 F R A Whalley - Director

The notes form part of these financial statements

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012**

| | Notes | 2012 £ | 2011 £ |
|--|-------|--------------------|--------------------|
| Net cash inflow from operating activities | 1 | 713,201 | 1,922,225 |
| Returns on investments and servicing of finance | 2 | (240,304) | (251,906) |
| Taxation | | (125,910) | (21,874) |
| Capital expenditure | 2 | (93,483) | (90,294) |
| Equity dividends paid | | (30,000) | - |
| | | <u>223,504</u> | <u>1,558,151</u> |
| Financing | 2 | (648,177) | (1,050,077) |
| (Decrease)/increase in cash in the period | | <u>(424,673)</u> | <u>508,074</u> |
| Reconciliation of net cash flow to movement in net debt | 3 | | |
| (Decrease)/increase in cash in the period | | (424,673) | 508,074 |
| Cash outflow from decrease in debt and lease financing | | <u>807,667</u> | <u>1,013,056</u> |
| Change in net debt resulting from cash flows | | 382,994 | 1,521,130 |
| New finance leases | | (30,474) | - |
| Movement in net debt in the period | | <u>352,520</u> | <u>1,521,130</u> |
| Net debt at 1 September | | <u>(5,053,148)</u> | <u>(6,574,278)</u> |
| Net debt at 31 August | | <u>(4,700,628)</u> | <u>(5,053,148)</u> |

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012**

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2012 £ | 2011 £ |
|--|----------------|------------------|
| Operating profit | 395,863 | 1,206,255 |
| Depreciation charges | 213,515 | 193,885 |
| Profit on disposal of fixed assets | (1,776) | (3,279) |
| (Increase)/decrease in debtors | (308,763) | 491,443 |
| Increase in creditors | 414,362 | 33,921 |
| Net cash inflow from operating activities | 713,201 | 1,922,225 |

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | 2012 £ | 2011 £ |
|---|------------------|--------------------|
| Returns on investments and servicing of finance | | |
| Interest received | 562 | 623 |
| Interest paid | (240,778) | (251,528) |
| Interest element of hire purchase payments | (88) | (1,001) |
| Net cash outflow for returns on investments and servicing of finance | (240,304) | (251,906) |
| Capital expenditure | | |
| Purchase of tangible fixed assets | (97,605) | (103,375) |
| Sale of tangible fixed assets | 4,122 | 13,081 |
| Net cash outflow for capital expenditure | (93,483) | (90,294) |
| Financing | | |
| Loan repayments in year | (804,562) | (994,798) |
| Capital repayments in year | (33,579) | (18,258) |
| Amount introduced by directors | 212,644 | - |
| Amount withdrawn by directors | (22,680) | (37,021) |
| Net cash outflow from financing | (648,177) | (1,050,077) |

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012**

3 ANALYSIS OF CHANGES IN NET DEBT

| | At 1.9.11 £ | Cash flow £ | Other non-cash changes £ | At 31.8.12 £ |
|--------------------------------------|--------------------|------------------|-----------------------------------|--------------------|
| Net cash | | | | |
| Cash at bank and in hand | 456,328 | (424,673) | | 31,655 |
| | <u>456,328</u> | <u>(424,673)</u> | | <u>31,655</u> |
| Debt | | | | |
| Hire purchase | (678) | 3,105 | (30,474) | (28,047) |
| Debts falling due within one year | (218,228) | 1,729 | - | (216,499) |
| Debts falling due after one year | (5,290,570) | 802,833 | - | (4,487,737) |
| | <u>(5,509,476)</u> | <u>807,667</u> | <u>(30,474)</u> | <u>(4,732,283)</u> |
| Total | <u>(5,053,148)</u> | <u>382,994</u> | <u>(30,474)</u> | <u>(4,700,628)</u> |

4 MAJOR NON-CASH TRANSACTIONS

During the year the group entered into hire purchase arrangements in respect of assets with a total capital value at the inception of the leases of £32,815

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets

In order to give a true and fair view the company has taken a true and fair override of the Companies Act requirement to depreciate investment properties. Further information is given under the Investment Property accounting policy below

Going concern

The company's accounts show net current liabilities of £1,135,595 (2011 - £319,361). The company's subsidiary undertaking has indicated that it will continue to support the company for the foreseeable future. The director has also indicated that he will continue to provide financial support for the foreseeable future to both the company and group.

The group and company's funding consists of a bank overdraft and bank loans which are secured on the properties held within the group. The bank overdraft is subject to an annual review, the next falling due on 31 March 2013. The company is party to a composite guarantee with its fellow subsidiaries to the company's funders. The company's overdraft and loan facility terms contain certain financial covenants which were met in the year.

No provisions have been made in these financial statements in respect of amounts due from group companies. Although individual companies do not have the cash to repay the balances in the short term, it is the opinion of the director that these inter-company balances are recoverable.

The directors have prepared forecasts which demonstrate how the company will meet its liabilities as they fall due. This is based on the assumption that occupancy levels are maintained and continue to provide a satisfactory level of debt service cover.

These financial statements are therefore prepared on a going concern basis.

Turnover

Turnover for the group comprises revenue recognised from the sale of apartments, fees receivable from the operation of the company's care home, service charges for other services rendered during the year and other fees receivable from events and functions that have taken place during the year. All sales are recognised in the period to which they relate, and exclude value added tax.

Previously the licence fees received on assignment of the West Wing apartments had been held as returnable debentures within liabilities. Following an alteration to the legal contracts agreed with the resident on commencement of occupancy, the directors consider that recognition as income more accurately reflects the nature of the transaction and have treated such fees on this basis within the financial statements for all agreements under the new form of contract. Any sales completed under the old format of legal agreement have continued to be treated on a returnable debenture basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

1 ACCOUNTING POLICIES - continued**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

| | |
|-------------------------------|------------------------------|
| Freehold property | - 10% on cost and 2% on cost |
| Fixtures fittings and equip't | - 10% on cost |
| Plant and machinery | - 10% on cost |
| Close care development | - 10% on cost |
| Motor vehicles | - 25% on reducing balance |
| Computer equipment | - 10% on cost |

No depreciation is provided on land or on investment properties

Although non-depreciation of investment properties represents a departure from the Companies Act requirements concerning the depreciation of fixed assets, the directors believe that it is unnecessary to provide for depreciation of investment properties as they believe that the carrying value in the accounts closely reflects the realisable market value of the property, and any provision for depreciation would be immaterial. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised and held within fixed assets. Those assets held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful life or the lease term, whichever is the shorter.

The interest element of lease payments is charged to the profit and loss account over the period of the lease. The capital element of the future payments as at the balance sheet date is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

2 STAFF COSTS

| | 2012 | 2011 |
|--------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | <u>2,083,358</u> | <u>1,942,939</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

2 STAFF COSTS - continued

The average monthly number of employees during the year was as follows

| | 2012 | 2011 |
|----------------|------------------|------------------|
| Administration | 5 | 5 |
| Activities | 5 | 6 |
| Garden | 5 | 4 |
| Housekeeping | 13 | 12 |
| Kitchen | 5 | 5 |
| Maintenance | 2 | 2 |
| Marketing | 1 | 1 |
| Nursing | 53 | 46 |
| Wardens | 3 | 3 |
| | <u>92</u> | <u>84</u> |

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

| | 2012 | 2011 |
|------------------------------------|-----------------------|-----------------------|
| | £ | £ |
| Depreciation - owned assets | 213,516 | 193,885 |
| Profit on disposal of fixed assets | (1,776) | (3,279) |
| Auditors' remuneration | 16,155 | 13,250 |
| | <u>132,274</u> | <u>136,525</u> |
| Directors' remuneration | <u>132,274</u> | <u>136,525</u> |

4 INTEREST PAYABLE AND SIMILAR CHARGES

| | 2012 | 2011 |
|------------------------|-----------------------|-----------------------|
| | £ | £ |
| Bank loan interest | 239,688 | 251,266 |
| Other interest charges | 1,090 | 262 |
| Leasing | 88 | 1,001 |
| | <u>240,866</u> | <u>252,529</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

5 TAXATION**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows

| | 2012 | 2011 |
|--------------------------------------|-----------------|-------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax | 63,463 | 145,799 |
| UK corporation tax prior year | (23,168) | - |
| | <hr/> | <hr/> |
| Total current tax | 40,295 | 145,799 |
| Deferred tax | 1,000 | 53,143 |
| | <hr/> | <hr/> |
| Tax on profit on ordinary activities | 41,295 | 198,942 |
| | <hr/> | <hr/> |

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

| | 2012 | 2011 |
|--|-----------------|-------------|
| | £ | £ |
| Profit on ordinary activities before tax | 155,559 | 954,349 |
| | <hr/> | <hr/> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.166% (2011 - 26%) | 39,148 | 248,131 |
| Effects of | | |
| Adjustments to tax charge in respect of previous periods | (23,168) | - |
| Excess depreciation over capital allowances | 19,096 | 26,087 |
| Expenditure disallowed for taxation | 3,042 | (2,802) |
| Partnership losses not available for relief | 11,210 | 16,535 |
| Small profits relief | (5,007) | (161) |
| Relief against losses brought forward | - | (141,991) |
| Marginal relief | (4,026) | - |
| | <hr/> | <hr/> |
| Current tax charge | 40,295 | 145,799 |
| | <hr/> | <hr/> |

6 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(115,298) (2011 - £678,414 profit)

7 DIVIDENDS

| | 2012 | 2011 |
|------------------------------|---------------|-------------|
| | £ | £ |
| Ordinary A shares of £1 each | | |
| Interim | 30,000 | - |
| | <hr/> | <hr/> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

8 TANGIBLE FIXED ASSETS

Group

| | Freehold property £ | Investment Property £ | Fixtures fittings and equip't £ | Plant and machinery £ |
|--------------------------|---------------------------|-----------------------------|---|-----------------------------|
| COST OR VALUATION | | | | |
| At 1 September 2011 | 7,864,146 | 236,620 | 415,764 | 481,144 |
| Additions | 17,376 | - | 70,749 | 69,528 |
| Disposals | - | - | - | (169,925) |
| Revaluations | 1,039,418 | - | - | - |
| Impairments | - | (39,904) | - | - |
| At 31 August 2012 | 8,920,940 | 196,716 | 486,513 | 380,747 |
| DEPRECIATION | | | | |
| At 1 September 2011 | 242,129 | - | 126,017 | 297,410 |
| Charge for year | 121,981 | - | 47,966 | 40,128 |
| Eliminated on disposal | - | - | - | (167,579) |
| Revaluation adjustments | (309,304) | - | - | - |
| At 31 August 2012 | 54,806 | - | 173,983 | 169,959 |
| NET BOOK VALUE | | | | |
| At 31 August 2012 | 8,866,134 | 196,716 | 312,530 | 210,788 |
| At 31 August 2011 | 7,622,017 | 236,620 | 289,747 | 183,734 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

8 TANGIBLE FIXED ASSETS - continued

Group

| | Close care development £ | Motor vehicles £ | Computer equipment £ | Totals £ |
|--------------------------|-----------------------------------|------------------------|----------------------------|-------------|
| COST OR VALUATION | | | | |
| At 1 September 2011 | 3,151 | 29,980 | 13,621 | 9,044,426 |
| Additions | - | - | 900 | 158,553 |
| Disposals | - | - | - | (169,925) |
| Revaluations | - | - | - | 1,039,418 |
| Impairments | - | - | - | (39,904) |
| At 31 August 2012 | 3,151 | 29,980 | 14,521 | 10,032,568 |
| DEPRECIATION | | | | |
| At 1 September 2011 | 2,886 | 18,847 | 2,185 | 689,474 |
| Charge for year | 264 | 1,725 | 1,452 | 213,516 |
| Eliminated on disposal | - | - | - | (167,579) |
| Revaluation adjustments | - | - | - | (309,304) |
| At 31 August 2012 | 3,150 | 20,572 | 3,637 | 426,107 |
| NET BOOK VALUE | | | | |
| At 31 August 2012 | 1 | 9,408 | 10,884 | 9,606,461 |
| At 31 August 2011 | 265 | 11,133 | 11,436 | 8,354,952 |

Included in plant and machinery are items held on hire purchase contracts with cost of £37,058 (2011 - £62,194) and accumulated depreciation of £3,706 (2011 - £24,367)

The freehold land and buildings and investment property were valued by Edward Symmons LLP on 31 August 2011 on an open market value basis. The directors consider that there has been no material movement in the value of properties since the last formal valuation on 31 August 2011. On a historical cost basis the freehold property would have been included at an original cost of £5,999,450 (2011 - £5,982,074) and aggregate depreciation of £455,008 (2011 - £367,306). The investment property would have been included at cost of £850,000 (2011 - £850,000).

Cost or valuation at 31 August 2012 is represented by

| | Freehold property £ | Investment Property £ | Fixtures fittings and equip't £ | Plant and machinery £ |
|-------------------|---------------------------|-----------------------------|---|-----------------------------|
| Valuation in 2007 | 1,525,000 | - | - | - |
| Valuation in 2008 | 200,000 | (200,000) | - | - |
| Valuation in 2009 | 1,157,072 | (413,380) | - | - |
| Valuation in 2012 | 1,039,418 | (39,904) | - | - |
| Cost | 4,999,450 | 850,000 | 486,513 | 380,747 |
| | 8,920,940 | 196,716 | 486,513 | 380,747 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

8 TANGIBLE FIXED ASSETS - continued

Group

| | Close care development £ | Motor vehicles £ | Computer equipment £ | Totals £ |
|-------------------|-----------------------------------|------------------------|----------------------------|-------------------|
| Valuation in 2007 | - | - | - | 1,525,000 |
| Valuation in 2009 | - | - | - | 743,692 |
| Valuation in 2012 | - | - | - | 999,514 |
| Cost | 3,151 | 29,980 | 14,521 | 6,764,362 |
| | <u>3,151</u> | <u>29,980</u> | <u>14,521</u> | <u>10,032,568</u> |

Company

| | Freehold property £ | Investment Property £ | Fixtures fittings and equip't £ | Computer equipment £ | Totals £ |
|--------------------------|---------------------------|-----------------------------|---|----------------------------|------------------|
| COST OR VALUATION | | | | | |
| At 1 September 2011 | 6,864,146 | 236,620 | 354,723 | 13,621 | 7,469,110 |
| Additions | 17,376 | - | 47,850 | 900 | 66,126 |
| Revaluations | 1,039,418 | - | - | - | 1,039,418 |
| Impairments | - | (39,904) | - | - | (39,904) |
| At 31 August 2012 | <u>7,920,940</u> | <u>196,716</u> | <u>402,573</u> | <u>14,521</u> | <u>8,534,750</u> |
| DEPRECIATION | | | | | |
| At 1 September 2011 | 202,129 | - | 112,025 | 2,185 | 316,339 |
| Charge for year | 107,175 | - | 40,258 | 1,452 | 148,885 |
| Revaluation adjustments | (309,304) | - | - | - | (309,304) |
| At 31 August 2012 | <u>-</u> | <u>-</u> | <u>152,283</u> | <u>3,637</u> | <u>155,920</u> |
| NET BOOK VALUE | | | | | |
| At 31 August 2012 | <u>7,920,940</u> | <u>196,716</u> | <u>250,290</u> | <u>10,884</u> | <u>8,378,830</u> |
| At 31 August 2011 | <u>6,662,017</u> | <u>236,620</u> | <u>242,698</u> | <u>11,436</u> | <u>7,152,771</u> |

Included in fixtures and fittings are items held on hire purchase contracts with cost of £37,058 (2011 - £nil) and accumulated depreciation of £3,706 (2011 - £nil)

The freehold land and buildings and investment property were valued by Edward Symmons LLP on 31 August 2011 on an open market value basis. The directors consider that there has been no material movement in the value of properties since the last formal valuation on 31 August 2011. On a historical cost basis the freehold property would have been included at an original cost of £4,999,450 (2011 - £4,982,074) and aggregate depreciation of £390,202 (2011 - £327,306). The investment property would have been included at cost of £850,000 (2011 - £850,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

8 TANGIBLE FIXED ASSETS - continued

Company

Cost or valuation at 31 August 2012 is represented by

| | Freehold property £ | Investment Property £ | Fixtures fittings and equip't £ | Computer equipment £ | Totals £ |
|-------------------|---------------------------|-----------------------------|---|----------------------------|------------------|
| Valuation in 2007 | 525,000 | - | - | - | 525,000 |
| Valuation in 2008 | 200,000 | (200,000) | - | - | - |
| Valuation in 2009 | 1,157,072 | (413,380) | - | - | 743,692 |
| Valuation in 2012 | 1,039,418 | (39,904) | - | - | 999,514 |
| Cost | 4,999,450 | 850,000 | 402,573 | 14,521 | 6,266,544 |
| | <u>7,920,940</u> | <u>196,716</u> | <u>402,573</u> | <u>14,521</u> | <u>8,534,750</u> |

9 FIXED ASSET INVESTMENTS

Company

| | Shares in group undertakings £ |
|---|---|
| COST | |
| At 1 September 2011 and 31 August 2012 | <u>432,196</u> |
| PROVISIONS | |
| At 1 September 2011 and 31 August 2012 | <u>34,047</u> |
| NET BOOK VALUE | |
| At 31 August 2012 | <u>398,149</u> |
| At 31 August 2011 | <u>398,149</u> |

The group or the company's investments at the balance sheet date in the share capital of companies include the following

Subsidiaries

Eyhurst Court Limited

Nature of business Management of a nursing home

| Class of shares | % holding |
|-----------------|--------------|
| Ordinary shares | 100.00 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

9 FIXED ASSET INVESTMENTS - continued

Birtley Mews Limited

Nature of business Management of close care apartments

| | |
|-----------------|-------------------|
| Class of shares | % |
| Ordinary | holding 100 00 |

Birtley Brook Estates LLP

Nature of business Property and estate management

| | |
|-----------------------------|------------------|
| Class of shares | % |
| Share of profits and losses | holding 75 00 |

Birtley Brook Estates Limited is a designated member of Birtley Brook Estates LLP and takes 75% of profits and losses

The results of all subsidiaries are included within the consolidated accounts

10 STOCKS

| | Group | |
|--------|--------------|--------------|
| | 2012 | 2011 |
| | £ | £ |
| Stocks | <u>3,500</u> | <u>3,500</u> |

11 DEBTORS

| | Group | | Company | |
|--|----------------|---------------|----------------|---------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Amounts falling due within one year | | | | |
| Trade debtors | 20,338 | 24,135 | - | - |
| Amounts owed by participating interests | - | - | - | 60,534 |
| Other debtors | 315,243 | 11,276 | 315,202 | 201 |
| Directors' loan accounts | 12,625 | 13,709 | 12,625 | 13,709 |
| Corporation tax recoverable | 3,282 | 3,282 | 3,282 | 3,282 |
| Prepayments and accrued income | 19,650 | 11,057 | 3,000 | 255 |
| | <u>371,138</u> | <u>63,459</u> | <u>334,109</u> | <u>77,981</u> |
| Amounts falling due after more than one year | | | | |
| Called up share capital not paid | <u>4</u> | <u>4</u> | <u>-</u> | <u>-</u> |
| Aggregate amounts | <u>371,142</u> | <u>63,463</u> | <u>334,109</u> | <u>77,981</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

12 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|-------------------------|----------------|-------------------------|----------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Bank loans and overdrafts (see note 14) | 216,499 | 218,228 | 183,332 | 186,668 |
| Hire purchase contracts (see note 15) | 6,563 | 678 | 6,563 | - |
| Trade creditors | 50,653 | 50,145 | 10,893 | 8,985 |
| Amounts owed to group undertakings | - | - | 440,040 | 415,671 |
| Amounts owed to participating interests | - | - | 7,604 | - |
| Corporation tax | 63,465 | 149,080 | 12,799 | 4,357 |
| Other creditors | 620,199 | 162,754 | 578,500 | 120,000 |
| Directors' loan accounts | 211,560 | 14,890 | 205,287 | 9,000 |
| Accruals and deferred income | 280,413 | 324,004 | 34,728 | 38,325 |
| | <u>1,449,352</u> | <u>919,779</u> | <u>1,479,746</u> | <u>783,006</u> |

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|---------------------------------------|-------------------------|------------------|-------------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Debentures (see note 14) | 1,710,000 | 2,300,000 | 1,710,000 | 2,300,000 |
| Bank loans (see note 14) | 2,777,737 | 2,990,570 | 2,550,334 | 2,728,723 |
| Hire purchase contracts (see note 15) | 21,484 | - | 21,484 | - |
| Directors' loan accounts | 127,899 | 135,689 | 2,899 | 10,689 |
| | <u>4,637,120</u> | <u>5,426,259</u> | <u>4,284,717</u> | <u>5,039,412</u> |

The debenture loans are interest free and repayable on demand, subject to the grant of a new debenture and a new licence by the company to a new resident on substantially the same terms as the original debenture and for a loan amount at least equal to the debenture sum repaid. The average life of the licence and debenture loan is estimated by the directors' as between two and five years.

The long term bank loans are repayable by way of quarterly instalments of £67,128 and attract an interest rate of base rate plus 2.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

14 LOANS

An analysis of the maturity of loans is given below

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Amounts falling due within one year or on demand | | | | |
| Bank loans | <u>216,499</u> | <u>218,228</u> | <u>183,332</u> | <u>186,668</u> |
| Amounts falling due between two and five years | | | | |
| Debentures | 1,710,000 | 2,300,000 | 1,710,000 | 2,300,000 |
| Bank loans | <u>960,731</u> | <u>872,912</u> | <u>733,328</u> | <u>746,672</u> |
| | <u>2,670,731</u> | <u>3,172,912</u> | <u>2,443,328</u> | <u>3,046,672</u> |
| Amounts falling due in more than five years | | | | |
| Repayable by instalments | | | | |
| Bank loans | <u>1,817,006</u> | <u>2,117,658</u> | <u>1,817,006</u> | <u>1,982,051</u> |

15 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

Group

| | Hire purchase contracts | |
|----------------------------|-------------------------|------------|
| | 2012 | 2011 |
| | £ | £ |
| Net obligations repayable | | |
| Within one year | 6,563 | 678 |
| Between one and five years | <u>21,484</u> | <u>-</u> |
| | <u>28,047</u> | <u>678</u> |

Company

| | Hire purchase contracts | |
|----------------------------|-------------------------|----------|
| | 2012 | 2011 |
| | £ | £ |
| Net obligations repayable | | |
| Within one year | 6,563 | - |
| Between one and five years | <u>21,484</u> | <u>-</u> |
| | <u>28,047</u> | <u>-</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

15 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The following operating lease payments are committed to be paid within one year

Group

| | Land and buildings | | Other operating leases | |
|----------------------------|-------------------------------|-------------------|---------------------------------------|-------------------|
| | 2012 £ | 2011 £ | 2012 £ | 2011 £ |
| Expiring | | | | |
| Within one year | - | - | - | 7,238 |
| Between one and five years | <u>36,000</u> | - | - | - |
| | <u>36,000</u> | <u>-</u> | <u>-</u> | <u>7,238</u> |

Company

| | Land and buildings | |
|----------------------------|-------------------------------|-------------------|
| | 2012 £ | 2011 £ |
| Expiring | | |
| Between one and five years | <u>36,000</u> | - |

16 SECURED DEBTS

The following secured debts are included within creditors

| | Group | | Company | |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2012 £ | 2011 £ | 2012 £ | 2011 £ |
| Debentures | 1,710,000 | 2,300,000 | 1,710,000 | 2,300,000 |
| Bank loans | 2,994,236 | 3,208,798 | 2,733,666 | 2,915,391 |
| Hire purchase contracts | <u>28,047</u> | <u>678</u> | <u>28,047</u> | <u>-</u> |
| | <u>4,732,283</u> | <u>5,509,476</u> | <u>4,471,713</u> | <u>5,215,391</u> |

Debenture loans are secured by the company by way of floating charge over the company's assets

The bank loans are secured by the bank on the freehold property, together with a fixed and floating charge over the company's assets

Liabilities under hire purchase contracts are secured against the assets concerned

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

17 PROVISIONS FOR LIABILITIES

| | Group | | Company | |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Deferred tax | <u>54,143</u> | <u>53,143</u> | <u>54,143</u> | <u>53,143</u> |
| Group | | | | Deferred tax |
| | | | | £ |
| Balance at 1 September 2011 | | | | 53,143 |
| Accelerated capital allowances | | | | 1,000 |
| | | | | <u>54,143</u> |
| Balance at 31 August 2012 | | | | <u>54,143</u> |
| Company | | | | Deferred tax |
| | | | | £ |
| Balance at 1 September 2011 | | | | 53,143 |
| Accelerated capital allowances | | | | 1,000 |
| | | | | <u>54,143</u> |
| Balance at 31 August 2012 | | | | <u>54,143</u> |

The deferred tax is in respect of accelerated capital allowances

18 MINORITY INTERESTS

Minority interests relate to S R L Whalley, a director of the company, who has a personal interest of 25% in Birtley Brook Estates LLP

19 CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid | | | | |
|---------------------------------|------------|---------------|---------------------|---------------------|
| Number | Class | Nominal value | 2012 | 2011 |
| | | | £ | £ |
| 1,100 | Ordinary A | £1 | 1,100 | 1,100 |
| 1,200 | Ordinary B | £1 | 1,200 | 1,200 |
| | | | <u>2,300</u> | <u>2,300</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

19 CALLED UP SHARE CAPITAL - continued

The A shares confer upon the holders the right to receive dividends and other distributions out of distributable profits or assets of the company as at 31 August 2008, but do not confer the right to any further participation in the profits or assets of the company

The B shares confer upon the holders the right to receive dividends and other distributions out of distributable profits or assets of the company accumulated since 1 September 2008 and all future profits or assets of the company

The holders of B shares are entitled to one vote per share held on all resolutions proposed. The holders of A shares are not entitled to vote on general matters, however they are entitled to one vote per share held on certain resolutions specifically provided in the articles of association. These resolutions cover amendments to the articles, amendments to rights attached to shares, the allotment or issue of shares and the declaration or payment of dividends on the A shares only

20 RESERVES**Group**

| | Profit and loss account £ | Share premium £ | Revaluation reserve £ | Capital redemption reserve £ | Totals £ |
|---------------------------|--|--------------------------------|--------------------------------------|---|---------------------|
| At 1 September 2011 | 153,741 | 814,559 | 1,317,331 | 998 | 2,286,629 |
| Profit for the year | 140,429 | | | | 140,429 |
| Dividends | (30,000) | | | | (30,000) |
| Transfer between reserves | 44,279 | - | (44,279) | - | - |
| Revaluation in year | - | - | 1,308,818 | - | 1,308,818 |
| At 31 August 2012 | <u>308,449</u> | <u>814,559</u> | <u>2,581,870</u> | <u>998</u> | <u>3,705,876</u> |

Company

| | Profit and loss account £ | Share premium £ | Revaluation reserve £ | Capital redemption reserve £ | Totals £ |
|---------------------------|--|--------------------------------|--------------------------------------|---|---------------------|
| At 1 September 2011 | 818,276 | 99 | 1,317,331 | 998 | 2,136,704 |
| Deficit for the year | (115,298) | | | | (115,298) |
| Dividends | (30,000) | | | | (30,000) |
| Transfer between reserves | 44,279 | - | (44,279) | - | - |
| Revaluation in year | - | - | 1,308,818 | - | 1,308,818 |
| At 31 August 2012 | <u>717,257</u> | <u>99</u> | <u>2,581,870</u> | <u>998</u> | <u>3,300,224</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012**

21 CONTINGENT LIABILITIES

Birtley Mews Limited has given security to Stevens & Bolton Trustees Limited over the Mews apartments disposed of to the value of the sums paid by the residents. The value of these sums at 31 August 2012 totalled £3,140,000 (2011 - £3,080,000). The security given to the Stevens & Bolton Trustees shall be in priority over any other security given by Birtley Mews Limited to its bankers.

Birtley House Group Limited has given security in the form of individually registered legal charges over the West Wing apartments sold, excluding amounts held as returnable debentures (within creditors due in more than one year). The potential additional liability to the company is limited to the lower of the sum paid by the existing resident and the sum obtained on resale, which at 31 August 2012 totalled £1,690,000 (2011 - £1,475,000). However, this is contingent upon the apartment concerned being resold and an equivalent payment received from the purchaser, otherwise no liability to the current resident will arise.

22 TRANSACTIONS WITH DIRECTORS

At 31 August 2012 included within debtors is an amount due from F R A Whalley of £12,625 (2011 - £13,709). The loan accrues interest at a rate of 5% per annum until such time as the loan is repaid in full.

Included in creditors is an amount owed to S R L Whalley of £113,227 (2011 - £25,579). During the year the director introduced £104,606 (2011 - £nil) of which £98,333 was repaid shortly after the year end. The loan accrues interest at a rate of 5% per annum until such time as the loan is repaid in full. In accordance with the set repayment schedule, £113,227 (2011 - £14,890) is expected to be paid within one year and is included within creditors falling due within one year. The balance of £2,899 (2011 - £10,689) is expected to be fully repaid within five years, and is included within creditors falling due after more than one year.

Also included within creditors falling due within one year at 31 August 2012 are amounts owed to C E Whalley of £98,333 (2011 - £nil) which was repaid shortly after the year end. Included within creditors falling due after more than one year are amounts owed to C E Whalley of £125,000 (2011 - £125,000) which has no set repayment terms but is not expected to be repaid within one year. These loans accrue no interest.

23 RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 8 Related Party Disclosures, not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

Birtley House Group Limited has a 75% controlling interest in Birtley Brook Estates LLP. During the year the company loaned the LLP £44,834 (2011 - £60,534) and received losses in the year of £112,972 (2011 - £nil). At the year end the company owed £7,604 (2011 - was owed by £60,534) to Birtley Brook Estates LLP.

24 ULTIMATE CONTROLLING PARTY

The ultimate controlling parties are the directors S R L Whalley and C E Whalley together, by virtue of their controlling interest in the share capital of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2012

25 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

| | 2012 £ | 2011 £ |
|--|------------------|------------------|
| Profit for the financial year | 140,429 | 772,141 |
| Dividends | (30,000) | - |
| | <u>110,429</u> | <u>772,141</u> |
| Other recognised gains and losses relating to the year (net) | 1,308,818 | - |
| | <u>1,419,247</u> | <u>772,141</u> |
| Net addition to shareholders' funds | 2,288,929 | 1,516,788 |
| Opening shareholders' funds | | |
| | <u>3,708,176</u> | <u>2,288,929</u> |
| Closing shareholders' funds | | |

Company

| | 2012 £ | 2011 £ |
|--|------------------|------------------|
| (Loss)/profit for the financial year | (115,298) | 678,414 |
| Dividends | (30,000) | - |
| | <u>(145,298)</u> | <u>678,414</u> |
| Other recognised gains and losses relating to the year (net) | 1,308,818 | - |
| | <u>1,163,520</u> | <u>678,414</u> |
| Net addition to shareholders' funds | 2,139,004 | 1,460,590 |
| Opening shareholders' funds | | |
| | <u>3,302,524</u> | <u>2,139,004</u> |
| Closing shareholders' funds | | |