

Meallmore Limited

Directors' Report and Consolidated Financial Statements

for the Year Ended 31 March 2010

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Meallmore Limited

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Meallmore Limited

Company information

| | | |
|--------------------------|--|--|
| Directors | Aidan Hennessey (Irish) Gerard Hennessey (Irish) Cillian Hennessey (Irish) | |
| Secretary | Aidan Hennessey | |
| Company number | SC 100157 | |
| Registered office | Caulfield House Cradlehall Business Park Inverness IV2 5GH | |
| Auditors | Brian McDaid and Company Chartered Accountants and Registered Auditors 19 Clarendon Street Derry BT48 7EP | |
| Business Address | Caulfield House Cradlehall Business Park Inverness IV2 5GH | |
| Bankers | Allied Irish Bank Group (UK) plc 227 West George Street Glasgow G2 2ND | Alliance and Leicester Santander Corporate Banking 287-301 St Vincent Street Glasgow G2 5HN |
| | Bank of Scotland plc Aberdeen Corporate 3-5 Albyn Place Aberdeen AB10 1PY | Bank of Ireland Bow Bells House 1 Bread Street London EC4M 9BE |
| Solicitors | McArthur Stanton 22-24 Colquhoun Square Helensburgh Dunbartonshire G84 8AG | Just Employment Law City View 6 Eagle Street Glasgow G4 8XA |
| | Brodies LLP 2 Blythswood Square Glasgow G2 4AD | |

Meallmore Limited

Directors' report for the year ended 31 March 2010

The directors present their report and the consolidated financial statements for the year ended 31 March 2010.

Principal Activities

The group's principal activities comprise the development and operation of care homes for the elderly, the provision of specialist services for people with physical and/or learning difficulties and the provision of community care services.

Results and dividends

During the year the group successfully restructured its operational activities and refinanced all of its existing banking facilities of £45.4m. It also secured significant additional funding of £19.3m for agreed future expansion. Going forward the group has a solid operational and financial structure.

The costs associated with the restructuring and bank refinancing amounted to £1.73m of which £1.31m has been charged against profits for the year.

On 1 April 2009, the group acquired Glencairn Lodge Nursing Home Limited for £4.56m.

Various initiatives introduced in 2009 and the bedding down of earlier acquisitions resulted in operating profits increasing by 65% on a like for like basis.

The results for the year are set out in the profit and loss account on pages 9 to 10. Total dividends paid for the year amounted to 11p per 'A' ordinary share and totalled £440.

Post balance sheet events

On 18 June 2010 the group purchased a development site for £750,000. Contracted build costs in relation to this site at October 2010 amounted to £3.2m. Terms have also been agreed on a second site costing £2.65m. In August 2010 the group relocated its head office to Cradlehall Business Park, Inverness. Expenditure associated with the relocation amounted to £173,327.

Principal risks and uncertainties

The board is responsible for risk assessment and management within the group. It has in place a documented organisational structure with clearly defined and understood roles and responsibilities. It has identified the following key risk areas and uncertainties:

- Regulatory environment
- Financial risks

Regulatory environment

The group's services are monitored by the Scottish Care Commission. Care homes have two regulatory inspections a year, one of which is unannounced. The Scottish Care Commission operates under the Care Standards Act Legislation and the associated Care Home Regulations which provide it with significant enforcement powers against operators who do not comply with statutory requirements. As a result of the Care Commission Inspections, the company's own internal compliance review procedures and the ISO 9001 Accreditation Inspections, the board is confident that the group's services on an ongoing basis meet regulatory standards and that group practices and procedures fully comply with Care Home Regulations.

Financial risks

Liquidity

The group actively maintains a mix of medium and long term structured finance designed to ensure that the group has sufficient available funds for day to day operations and planned development expenditure.

Meallmore Limited

Directors' report for the year ended 31 March 2010

..... continued

Financial risks - continued

Interest rate exposure

The group's interest rate risk arises from long term borrowings issued at variable rates which expose the group to the risk of adverse interest rate movements.

The group manages this exposure through the appropriate use of interest rate hedging instruments.

Banking covenants

The provision of banking facilities is subject to compliance with financial covenants. Should the group's trading performance deteriorate significantly or its interest costs increase significantly, the group could breach these covenants and this could materially impact on the continued availability of the group's banking facilities.

Employment

It is group policy to give full and fair consideration to the employment needs of disabled persons and to comply with current legislation with regard to this employment.

Wherever practicable, the group will continue to employ and promote the careers of existing employees who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitudes and abilities.

The group seeks to recruit, develop and employ throughout the organisation suitably qualified, capable and experienced people, irrespective of age, race, religion or sexual orientation.

The group recognises the importance of staff training and ongoing professional development. To this end all employees are required to undergo a rigorous training programme to ensure they are able to comply with all regulatory requirements and are encouraged to undertake suitable and appropriate other training relevant to their needs and roles. Regular staff reviews and feedback are incorporated into the group's employment policies.

Political and charitable contributions

There were no political or charitable donations made during the year.

Directors

The directors who served during the year are as stated below:

Aidan Hennessey
Gerard Hennessey
Cillian Hennessey

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the group and of the profit or loss of the group for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Meallmore Limited

**Directors' report
for the year ended 31 March 2010**

..... continued

Statement of disclosure of information to auditor

The directors who held office at the date of approval of this directors' report, confirm that, so far as they are each aware, there is no relevant audit information of which the group's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

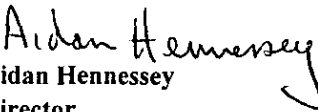
Market value of land and buildings

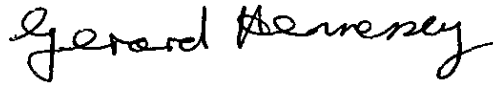
In the opinion of the directors, the market value of the land and buildings of the group exceeds the book values of those assets at 31 March 2010. However, as the group does not adopt a policy of revaluation, the excess of the market value over book value is not quantified.

Auditors

In accordance with Section 485 of the Companies Act 2006, Brian McDaid and Company have been reappointed as auditors.

On behalf of the board


Aidan Hennessey
Director


Gerard Hennessey
Director

Date: 15 October 2010

Registered Office:
Caulfield House
Cradlehall Business Park
Inverness
IV2 5GH

Meallmore Limited

Independent auditors' report to the shareholders of Meallmore Limited for the year ended 31 March 2010

We have audited the group and parent company financial statements for the year ended 31 March 2010 as set out on pages 9 to 38. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 14 to 15.

Respective responsibilities of directors and auditors

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.

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Policies) are set out in the directors' report on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 2006. We also report to you if, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it or of any material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the group and parent company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Meallmore Limited

Independent auditors' report to the shareholders of Meallmore Limited for the year ended 31 March 2010

..... continued

Opinion

In our opinion the financial statements of the group and the parent company give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and parent company's affairs as at the 31 March 2010 and of its loss and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 2006.

In our opinion the information given in the directors' report is consistent with the financial statements.



Ian McIvor
Senior statutory auditor
for and on behalf of:

**19 Clarendon Street
Derry
BT48 7EP**

15 October 2010

**Brian McDaid and Company
Chartered Accountants and
Registered Auditors**

Meallmore Limited

**Profit and loss account
for the year ended 31 March 2010**

| | | 2010 | | 2009 | |
|--|--------------|-------------------|------------------|-------------------|------------------|
| | Notes | £ | £ | £ | £ |
| Turnover | 2 | | | | |
| - Continuing operations | | 23,821,299 | | 20,657,303 | |
| - Acquisitions | | 1,642,086 | | - | |
| | | <u>25,463,385</u> | | <u>20,657,303</u> | |
| - Discontinued operations | | - | 25,463,385 | 319,841 | 20,977,144 |
| Direct costs | | | | | |
| - Continuing operations | | 16,522,676 | | 14,358,558 | |
| - Acquisitions | | 1,109,021 | | - | |
| | | <u>17,631,697</u> | | <u>14,358,558</u> | |
| - Discontinued operations | | - | 17,631,697 | 280,462 | 14,639,020 |
| Gross profit | | <u>7,831,688</u> | | <u>6,338,124</u> | |
| Administration expenses | | | | | |
| - Continuing operations | | 4,890,908 | | 4,846,696 | |
| - Acquisitions | | 444,571 | | - | |
| | | <u>5,335,479</u> | | <u>4,846,696</u> | |
| - Discontinued operations | | - | 5,335,479 | 28,558 | 4,875,254 |
| Operating profit | 3 | | | | |
| - Continuing operations | | 2,407,715 | | 1,452,049 | |
| - Acquisitions | | 88,494 | | - | |
| | | <u>2,496,209</u> | | <u>1,452,049</u> | |
| - Discontinued operations | | - | 2,496,209 | 10,821 | 1,462,870 |
| Interest receivable and similar income | 4 | | 1,089 | | 679 |
| Interest payable and similar charges | 5 | | (2,075,835) | | (2,424,546) |
| | | | <u>421,463</u> | | <u>(960,997)</u> |
| Restructuring and refinancing costs | 6 | | 1,304,835 | | - |
| | | | <u>(883,372)</u> | | <u>(960,997)</u> |
| Profit on sale of discontinued operations | 7 | | - | | 355,431 |
| Loss on ordinary activities before taxation | | | <u>(883,372)</u> | | <u>(605,566)</u> |

Meallmore Limited

**Profit and loss account
for the year ended 31 March 2010**

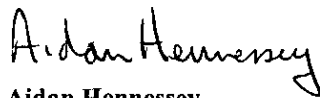
..... continued

| | Notes | 2010 £ | 2009 £ |
|---|-------|------------------|------------------|
| Loss on ordinary activities before taxation | | (883,372) | (605,566) |
| Taxation on loss on ordinary activities | 10 | 143,821 | (47,932) |
| Loss for the year | | <u>(739,551)</u> | <u>(653,498)</u> |

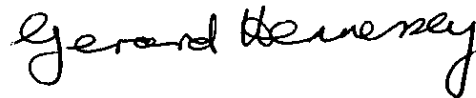
There are no recognised gains or losses other than the losses for the above two financial years.

The notes on pages 14 - 38 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on 15 October 2010 and signed on its behalf by



Aidan Hennessey
Director



Gerard Hennessey
Director


Meallmore Limited

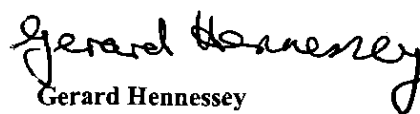
Consolidated balance sheet
as at 31 March 2010

| | Notes | 2010 £ | 2009 £ |
|--|-------|-------------------|---------------------|
| Fixed assets | | | |
| Intangible assets | 11 | 1,206,940 | 1,169,025 |
| Tangible assets | 12 | 48,391,145 | 40,557,642 |
| | | <u>49,598,085</u> | <u>41,726,667</u> |
| Current assets | | | |
| Stock and work in progress | 15 | 1,361,180 | 1,292,516 |
| Debtors | 16 | 1,389,389 | 1,635,603 |
| Cash at bank and in hand | | 2,777,991 | 441,427 |
| | | <u>5,528,560</u> | <u>3,369,546</u> |
| Creditors: amounts falling due within one year | 17 | 4,067,745 | 41,776,601 |
| Net current assets/(liabilities) | | <u>1,460,815</u> | <u>(38,407,055)</u> |
| Total assets less current liabilities | | 51,058,900 | 3,319,612 |
| Creditors: amounts falling due after more than one year | 18 | 50,353,872 | 1,758,017 |
| Provision for liabilities | 20 | 155,011 | 271,587 |
| Net assets | | <u>550,017</u> | <u>1,290,008</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 5,000 | 5,000 |
| Profit and loss account | 22 | 545,017 | 1,285,008 |
| Shareholders' funds | 23 | <u>550,017</u> | <u>1,290,008</u> |

The notes on pages 14 - 38 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on 15 October 2010 and signed on its behalf by


Aidan Hennessey
Director


Gerard Hennessey
Director

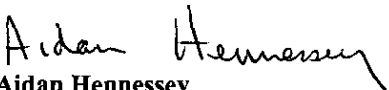
Meallmore Limited

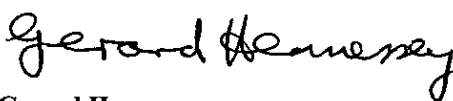
**Company balance sheet
as at 31 March 2010**

| | Notes | 2010 £ | 2009 £ |
|---|-------|-------------------|---------------------|
| Fixed assets | | | |
| Intangible assets | 11 | - | 968,433 |
| Tangible assets | 12 | 595,890 | 25,668,726 |
| Investments | 13 | 10,556,790 | 10,556,590 |
| | | <u>11,152,680</u> | <u>37,193,749</u> |
| Current assets | | | |
| Stock | 15 | 89 | 31,689 |
| Debtors (including £17,227,694 (2009 - £Nil) due after more than one year) | 16 | 19,110,274 | 7,710,531 |
| Cash at bank and in hand | | 2,075,396 | 408,491 |
| | | <u>21,185,759</u> | <u>8,150,711</u> |
| Creditors: amounts falling due within one year | 17 | 4,635,304 | 41,622,242 |
| Net current assets/(liabilities) | | <u>16,550,455</u> | <u>(33,471,531)</u> |
| Total assets less current liabilities | | 27,703,135 | 3,722,218 |
| Creditors: amounts falling due after more than one year | 18 | 22,172 | 9,060 |
| Provision for liabilities | 20 | 21,630 | 219,755 |
| Net assets | | <u>27,659,333</u> | <u>3,493,403</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 5,000 | 5,000 |
| Profit and loss account | 22 | 27,654,333 | 3,488,403 |
| Shareholders' funds | 23 | <u>27,659,333</u> | <u>3,493,403</u> |

The notes on pages 14 - 38 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on 15 October 2010 and signed on its behalf by


Aidan Hennessey
Director


Gerard Hennessey
Director

Meallmore Limited

Consolidated cash flow statement
for the year ended 31 March 2010

| | Notes | 2010 £ | 2009 £ |
|--|-------|---------------------|---------------------|
| Reconciliation of operating profit to net cash inflow from operating activities | | | |
| Operating profit | | 2,496,209 | 1,462,870 |
| Depreciation | | 1,582,400 | 1,274,398 |
| Goodwill amortised | | 159,422 | 153,863 |
| Loss on disposal of tangible assets | | 15,142 | 8,804 |
| (Increase)/decrease in stocks | | (63,994) | 2,566,381 |
| Decrease/(increase) in debtors | | 343,831 | (104,214) |
| Increase in creditors | | 520,461 | 139,764 |
| Restructuring and refinancing costs | | (1,304,835) | - |
| Net cash inflow from operating activities | | <u>3,748,636</u> | <u>5,501,866</u> |
| Cash flow statement | | | |
| Net cash inflow from operating activities | | 3,748,636 | 5,501,866 |
| Returns on investments and servicing of finance | 26 | (2,074,746) | (2,423,867) |
| Taxation | 26 | (25,529) | (256,428) |
| Capital expenditure | 26 | (4,606,794) | (9,695,841) |
| Acquisitions and disposals | 26 | (4,563,253) | 520,000 |
| | | (7,521,686) | (6,354,270) |
| Equity dividends paid | | (440) | (440) |
| | | (7,522,126) | (6,354,710) |
| Financing | 26 | 10,165,986 | 6,781,012 |
| Increase in cash in the year | | <u>2,643,860</u> | <u>426,302</u> |
| Reconciliation of net cash flow to movement in net debt (Note 27) | | | |
| Increase in cash in the year | | 2,643,860 | 426,302 |
| Cash inflow from increase in debt | | (10,165,986) | (6,781,012) |
| Net debt on acquisition of subsidiary undertakings | | (289,930) | - |
| Change in net debt resulting from cash flows | | (7,812,056) | (6,354,710) |
| New hire purchase contracts | | (36,406) | - |
| Movement in net debt in the year | | (7,848,462) | (6,354,710) |
| Net debt at 1 April 2009 | | (40,147,308) | (33,792,598) |
| Net debt at 31 March 2010 | | <u>(47,995,770)</u> | <u>(40,147,308)</u> |

Meallmore Limited

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies

1.1. Foreword

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

1.2. Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK Accounting Standards and comply with the Companies Act 2006.

The group has consistently applied all relevant accounting standards.

No profit and loss account has been presented for the company as permitted by Section 408 of the Companies Act 2006.

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries made up to 31 March 2010.

The acquisition method of accounting has been adopted. The results of the subsidiaries are included in the consolidated financial statements from the date of acquisition up until date of disposal as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group.

1.4. Turnover

Turnover relates to income earned from the provision of nursing care and community care services.

1.5. Goodwill

Purchased goodwill arising on the acquisition of nursing homes and subsidiary undertakings represents the excess of the acquisition cost over the fair value of the identifiable net assets acquired.

Purchased goodwill is capitalised in the balance sheet and amortised over its estimated economic life of 10 years being the period during which the benefits are expected to accrue.

The carrying value of goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses are recognised in the profit and loss account.

1.6. Investments

In the parent company's financial statements, investments in subsidiary undertakings are stated at cost, unless there is a permanent diminution in value, in which case they are written down to net realisable value.

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

1.7. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost, less residual value, of each asset over its estimated economic life, as follows:

| | | |
|-----------------------|---|-------------------|
| Buildings | - | 2% Straight Line |
| Computer Equipment | - | 25% Straight Line |
| Plant and equipment | - | 10% Straight Line |
| Fixtures and fittings | - | 20% Straight Line |
| Motor vehicles | - | 20% Straight Line |

Depreciation is not provided for on freehold land.

1.8. Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.9. Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value.

Cost is the expenditure incurred in the normal course of business in bringing the product to its present location and condition.

Net realisable value is the actual or expected selling price less all further costs to completion and all future costs to be incurred in marketing and selling.

1.10. Pensions

Pension contributions to the group's externally managed defined contribution fund are charged against the profits of the year in which they are payable.

1.11. Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided for on the basis of the balance sheet liability method on all temporary differences at the balance sheet date. Temporary differences are defined as the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

1.12. Derivative financial instruments

Interest rate swaps are accounted for on the same basis as the underlying liability being hedged, with income and expenses being recognised in the profit and loss account.

Meallmore Limited

Notes to the consolidated financial statements for the year ended 31 March 2010

..... continued

2. Turnover

Turnover for the year has been derived from the group's principal activities wholly undertaken in Scotland.

| 3. Operating profit | 2010 £ | 2009 £ |
|--|----------------|---------------|
| Operating profit is stated after charging: | | |
| Goodwill amortised | 159,422 | 153,863 |
| Depreciation of tangible assets | | |
| - on tangible assets held under hire purchase contracts | 16,577 | 15,200 |
| - on other tangible assets | 1,565,823 | 1,259,198 |
| Loss on disposal of tangible fixed assets | 15,142 | 8,804 |
| Operating lease rentals | | |
| - Land and buildings | 218,211 | 230,548 |
| Amounts received by auditors in respect of services to the group | | |
| - Audit of the parent company and group accounts | 25,000 | 25,000 |
| - Other services | 199,689 | 90,254 |
| | <u>199,689</u> | <u>90,254</u> |

| 4. Interest receivable and similar income | 2010 £ | 2009 £ |
|---|--------------|------------|
| Bank deposit interest | <u>1,089</u> | <u>679</u> |

| 5. Interest payable and similar charges | 2010 £ | 2009 £ |
|---|------------------|------------------|
| Bank overdraft interest | 1,365 | 7,338 |
| Bank loan interest | 2,072,713 | 2,415,100 |
| Hire purchase interest | 1,757 | 2,108 |
| | <u>2,075,835</u> | <u>2,424,546</u> |

Bank loan interest includes £14,638 of amortised loan issue costs.

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

| | | |
|---|------------------|-------------|
| 6. Restructuring and refinancing costs | 2010 | 2009 |
| | £ | £ |
| Restructuring and refinancing costs | <u>1,304,835</u> | <u>-</u> |

During the year the group restructured its operational activities and refinanced its extant banking facilities. The restructuring and refinancing costs amounted to £1,304,835.

| | | |
|---|-------------|----------------|
| 7. Profit on sale of discontinued operations | 2010 | 2009 |
| | £ | £ |
| Profit on sale of domicilliary care service | <u>-</u> | <u>355,431</u> |

The company sold its domicillary care service on 31 July 2008.

8. Employees

Number of employees

The average monthly number of employees during the year (including the directors) was:

| | | |
|--------------------------|---------------|---------------|
| | 2010 | 2009 |
| | Number | Number |
| Administration | 40 | 34 |
| Nursing and housekeeping | 860 | 692 |
| | <u>900</u> | <u>726</u> |

| | | |
|-------------------------|-------------------|-------------------|
| Employment costs | 2010 | 2009 |
| | £ | £ |
| Wages and salaries | 15,556,177 | 13,106,727 |
| Social security costs | 1,135,210 | 946,808 |
| Other pension costs | 6,000 | 6,000 |
| | <u>16,697,387</u> | <u>14,059,535</u> |

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

8.1. Directors' emoluments

| | 2010 | 2009 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Remuneration and other emoluments | 678,254 | 680,256 |
| Pension contributions | 6,000 | 6,000 |
| | <u>684,254</u> | <u>686,256</u> |

The following amounts are attributable to the highest paid director:

| | 2010 | 2009 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Remuneration and other emoluments | 393,000 | 394,000 |
| Pension contributions | 3,000 | 3,000 |
| | <u>396,000</u> | <u>397,000</u> |

Two directors accrue benefits under the group's pension scheme.

9. Pension costs

The group operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The charge for the year represents the contributions payable by the group to the fund and amounted to £6,000 (2009 - £6,000). There were no amounts owing to the fund at the year end.

Meallmore Limited

Notes to the consolidated financial statements
for the year ended 31 March 2010

..... continued

10. Taxation

| (a) Analysis of charge for the year | 2010 | 2009 |
|--|-----------|-----------|
| | £ | £ |
| Current tax: | | |
| Current tax | - | - |
| Adjustments in respect of previous years | (1,413) | (92,634) |
| Total current tax (note 10 (b)) | (1,413) | (92,634) |
| Deferred tax: | | |
| Origination and reversal of timing differences (Note 20) | (142,408) | 140,566 |
| Tax on loss on ordinary activities | (143,821) | 47,932 |
| (b) Factors affecting the tax charge for the year | 2010 | 2009 |
| | £ | £ |
| Loss on ordinary activities before tax | (883,372) | (605,566) |
| Loss on ordinary activities multiplied by standard rate of corporation tax at 28% | (247,344) | (169,558) |
| Effects of : | | |
| Non taxable income | - | (7,790) |
| Non tax deductible expenses | 840 | 46,430 |
| Permanent differences | 233,862 | 142,887 |
| Capital allowances for the year in excess of depreciation | (113,059) | (48,305) |
| Reinvestment relief claimed on sale of goodwill | - | (96,635) |
| Losses carried back | - | 88,154 |
| Losses carried forward | 154,941 | 44,817 |
| Losses brought forward utilised | (29,240) | - |
| Adjustments in respect of previous years | (1,413) | (92,634) |
| Current tax charge for the year (note 10 (a)) | (1,413) | (92,634) |

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

11. Intangible assets

Goodwill

Group

| | 2010 | 2009 |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| Cost | | |
| At 1 April 2009 | 1,738,631 | 1,921,869 |
| On subsidiary acquisitions (Note 14) | 197,337 | - |
| Disposals | - | (183,238) |
| At 31 March 2010 | <u>1,935,968</u> | <u>1,738,631</u> |
| Amortisation | | |
| At 1 April 2009 | 569,606 | 444,144 |
| Released on disposal | - | (28,402) |
| Amortised during the year | 159,422 | 153,864 |
| At 31 March 2010 | <u>729,028</u> | <u>569,606</u> |
| Net book values | | |
| At 31 March 2010 | <u>1,206,940</u> | <u>1,169,025</u> |
| At 31 March 2009 | <u>1,169,025</u> | <u>1,477,725</u> |

Company

| | 2010 | 2009 |
|------------------------|----------------|------------------|
| | £ | £ |
| Cost | | |
| At 1 April 2009 | 1,475,000 | 1,637,875 |
| Disposals | (1,475,000) | (162,875) |
| At 31 March 2010 | <u>-</u> | <u>1,475,000</u> |
| Amortisation | | |
| At 1 April 2009 | 506,567 | 395,355 |
| Released on disposal | (587,933) | (16,288) |
| Charge for the year | 81,366 | 127,500 |
| At 31 March 2010 | <u>-</u> | <u>506,567</u> |
| Net book values | | |
| At 31 March 2010 | <u>-</u> | <u>968,433</u> |
| At 31 March 2009 | <u>968,433</u> | <u>1,242,520</u> |

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

12. Tangible assets

| Group | Land and buildings £ | Computer equipment £ | Plant and equipment £ | Fixtures and fittings £ | Motor vehicles £ | Total £ |
|--------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|--|---------------------------------|--------------------|
| Cost | | | | | | |
| At 1 April 2009 | 40,099,932 | 7,204 | 1,900,656 | 3,158,307 | 262,324 | 45,428,423 |
| On subsidiary acquisitions (Note 14) | 4,686,777 | - | 30,629 | 67,594 | 2,845 | 4,787,845 |
| Additions | 3,444,764 | 51,294 | 670,837 | 432,228 | 62,349 | 4,661,472 |
| Disposals | (15,607) | (3,040) | (7,322) | (28,906) | (22,401) | (77,276) |
| At 31 March 2010 | 48,215,866 | 55,458 | 2,594,800 | 3,629,223 | 305,117 | 54,800,464 |
| Depreciation | | | | | | |
| At 1 April 2009 | 2,254,812 | 159 | 589,528 | 1,919,725 | 106,557 | 4,870,781 |
| Released on disposal | - | (555) | (3,946) | (20,782) | (18,579) | (43,862) |
| Charge for the year | 931,623 | 7,206 | 220,701 | 369,536 | 53,334 | 1,582,400 |
| At 31 March 2010 | 3,186,435 | 6,810 | 806,283 | 2,268,479 | 141,312 | 6,409,319 |
| Net book values | | | | | | |
| At 31 March 2010 | 45,029,431 | 48,648 | 1,788,517 | 1,360,744 | 163,805 | 48,391,145 |
| At 31 March 2009 | 37,845,120 | 7,045 | 1,311,128 | 1,238,582 | 155,767 | 40,557,642 |

| Company | Land and buildings £ | Computer equipment £ | Plant and equipment £ | Fixtures and fittings £ | Motor vehicles £ | Total £ |
|------------------------|-------------------------------------|-------------------------------------|--------------------------------------|--|---------------------------------|--------------------|
| Cost | | | | | | |
| At 1 April 2009 | 25,195,896 | - | 1,146,326 | 2,622,746 | 265,245 | 29,230,213 |
| Additions | 1,532,432 | - | 220,561 | 161,386 | 62,349 | 1,976,728 |
| Disposals | (26,483,060) | - | (1,099,189) | (2,721,769) | (94,029) | (30,398,047) |
| At 31 March 2010 | 245,268 | - | 267,698 | 62,363 | 233,565 | 808,894 |
| Depreciation | | | | | | |
| At 1 April 2009 | 1,427,785 | - | 416,118 | 1,602,345 | 115,239 | 3,561,487 |
| Released on disposal | (1,734,024) | - | (469,695) | (1,823,778) | (70,311) | (4,097,808) |
| Charge for the year | 336,549 | - | 90,180 | 272,800 | 49,798 | 749,327 |
| At 31 March 2010 | 30,310 | - | 36,603 | 51,367 | 94,726 | 213,006 |
| Net book values | | | | | | |
| At 31 March 2010 | 214,958 | - | 231,098 | 10,995 | 138,839 | 595,890 |
| At 31 March 2009 | 23,768,111 | - | 730,208 | 1,020,401 | 150,006 | 25,668,726 |

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

12. Tangible assets - continued

Included above are assets held under hire purchase contracts as follows:

| Asset description | 2010 | | 2009 | |
|--------------------|---------------|-------------------------|---------------|-------------------------|
| | book value | Net Depreciation charge | book value | Net Depreciation charge |
| | £ | £ | £ | £ |
| Motor vehicles | 39,169 | 15,200 | 54,369 | 15,200 |
| Computer equipment | 34,831 | 1,377 | - | - |
| | <u>74,000</u> | <u>16,577</u> | <u>54,369</u> | <u>15,200</u> |

Meallmore Limited

Notes to the consolidated financial statements for the year ended 31 March 2010

..... continued

13. Investments

Company

Subsidiary undertakings

| | Nevisbridge Limited £ | Airthrey Care Limited £ | Ganarn Limited £ | Meallmore (Development Properties) Limited £ | Hilton Development Properties Limited £ | Subtotal C/fwd £ |
|------------------|-----------------------------|----------------------------------|------------------------|---|---|------------------------|
| Cost | | | | | | |
| At 1 April 2009 | 2,003,044 | 2,388,482 | 6,164,764 | 100 | 100 | 10,556,490 |
| Additions | - | - | - | - | - | - |
| At 31 March 2010 | <u>2,003,044</u> | <u>2,388,482</u> | <u>6,164,764</u> | <u>100</u> | <u>100</u> | <u>10,556,490</u> |

| | Subtotal B/fwd £ | Hilton Rehabilitation Limited £ | Daviot Care Limited £ | Antonine Care Limited £ | Total £ |
|------------------|------------------------|--|--------------------------------|----------------------------------|-------------------|
| Cost | | | | | |
| At 1 April 2009 | 10,556,490 | 100 | - | - | 10,556,590 |
| Additions | - | - | 100 | 100 | 200 |
| At 31 March 2010 | <u>10,556,490</u> | <u>100</u> | <u>100</u> | <u>100</u> | <u>10,556,790</u> |

Nevisbridge Limited, Airthrey Care Limited, Ganarn Limited and Hilton Rehabilitation Limited:

- are 100% owned subsidiaries
- are UK registered companies:
- carry on nursing activities in Scotland.

Meallmore (Development Properties) Limited is a 100% owned subsidiary, registered in the UK and carries on the trade of building contractors and property developers in Scotland.

Hilton Development Properties Limited is a 100% owned subsidiary, registered in the UK and carries on the trade of building contractors and property developers in Scotland. It commenced trading on 5 February 2010.

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

13. Investments - continued

Subsidiary undertakings - continued

Daviot Care Limited is a 100% owned subsidiary, registered in the UK and carries on the trade of nursing home operator in Scotland. It was formed on 8 October 2009 and commenced trading on 1 December 2009. The investment addition for the year relates to the subscriber share capital.

Antonine Care Limited is a 100% owned subsidiary, registered in the UK and carries on the trade of nursing home operator in Scotland. It was formed on 15 September 2009 and commenced trading on 1 April 2010. The investment addition for the year relates to the subscriber share capital.

Glencairn Lodge Nursing Home Limited is a 100% owned subsidiary of Hilton Rehabilitation Limited, registered in the UK and carries on the trade of nursing home operator in Scotland. It was purchased on 1 April 2009 (Note 14).

RMF 2001 Limited and RMFS (2009) Limited are 100% owned subsidiaries of Glencairn Lodge Nursing Home Limited, registered in the UK. Both companies are dormant.

Meallmore Limited

Notes to the consolidated financial statements for the year ended 31 March 2010

..... continued

14. Acquisitions

Hilton Rehabilitation limited acquired 100% of the share capital of Glencairn Lodge Nursing Home Limited and its wholly owned subsidiary undertakings on 1 April 2009.

The results of Glencairn Lodge Nursing Home Limited and its subsidiary undertakings are consolidated into those of the group from the date of acquisition.

The net assets acquired and consideration paid on 1 April 2009 are set out below:

| | Book Value £ | Revaluation £ | Fair Value £ |
|--|--------------------|------------------|--------------------|
| Fixed assets | | | |
| Tangible | 4,702,845 | 85,000 | 4,787,845 |
| Current assets | | | |
| Stocks | 4,670 | - | 4,670 |
| Debtors | 97,617 | - | 97,617 |
| Cash | 4,539 | - | 4,539 |
| Total assets | <u>4,809,671</u> | <u>85,000</u> | <u>4,894,671</u> |
| Liabilities | | | |
| Creditors | 661,903 | - | 502,923 |
| Provisions | 25,832 | - | 25,832 |
| Total liabilities | <u>687,735</u> | <u>-</u> | <u>528,755</u> |
| Net assets | | | 4,365,916 |
| Goodwill | | | 197,337 |
| Purchase consideration and costs of acquisition | | | <u>4,563,253</u> |

The purchase consideration and the associated costs of acquisition were financed by cash.

The revaluation of tangible assets reflects the fair value of those assets to the group.

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

15. Stock and work in progress

| Group | 2010 | 2009 |
|--------------------|------------------|------------------|
| | £ | £ |
| Work in progress | 60,387 | - |
| Development stock | 1,254,698 | 1,254,698 |
| | <u>1,315,085</u> | <u>1,254,698</u> |
| Consumables | 46,095 | 37,818 |
| | <u>1,361,180</u> | <u>1,292,516</u> |
| Company | 2010 | 2009 |
| | £ | £ |
| Consumables | 89 | 31,689 |
| | <u>89</u> | <u>31,689</u> |

If stock and work in progress were stated at replacement cost (latest purchase price) they would not differ materially from the above.

16. Debtors

| Group | 2010 | 2009 |
|--|-------------------|------------------|
| | £ | £ |
| Trade debtors | 1,204,702 | 1,362,567 |
| Prepayments and other debtors | 184,687 | 273,036 |
| | <u>1,389,389</u> | <u>1,635,603</u> |
| Company | 2010 | 2009 |
| | £ | £ |
| Trade debtors | 47,888 | 1,069,506 |
| Amounts due from subsidiary undertakings | 18,940,275 | 6,397,486 |
| Prepayments and other debtors | 122,111 | 243,539 |
| | <u>19,110,274</u> | <u>7,710,531</u> |

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

16. Debtors.....continued

Company - continued

| | 2010 | 2009 |
|---|------------|------|
| Amounts falling due after more than one year and included in debtors are: | £ | £ |
| Amounts due from subsidiary undertakings | 17,227,694 | - |

£11,723,091 of the above balance represents the balance payable by Daviot Care Limited (subsidiary undertaking) for the nursing homes which were purchased by Daviot Care Limited from Meallmore Limited. The payment of this amount to Meallmore Limited is subordinated to the loan facilities provided by Bank of Scotland plc to Daviot Care Limited to fund the nursing home purchases.

The remaining £5,504,603 represents the balance payable by Antonine Care Limited (subsidiary undertaking) for the nursing homes which were purchased by Antonine Care Limited from Meallmore Limited. The payment of this amount to Meallmore Limited is subordinated to the loan facilities provided by Bank of Ireland to Antonine Care Limited to fund the nursing home purchases.

As security for the amounts advanced to Daviot Care Limited and Antonine Care Limited, Meallmore Limited holds a second floating charge over all of the assets and undertakings of Daviot Care Limited and a second floating charge over all of the assets and undertakings of Antonine Care Limited.

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

**17. Creditors: amounts falling due
within one year**

| Group | 2010 £ | 2009 £ |
|---|-------------------|-------------------|
| Bank overdraft (Note 19) | - | 17,368 |
| Bank term loans (Note 19) | 399,333 | 38,798,603 |
| Net obligations under hire purchase contracts (Note 19) | 20,554 | 14,747 |
| Trade creditors | 1,359,195 | 1,016,503 |
| PAYE and social security costs | 309,243 | 295,983 |
| VAT | 10,020 | - |
| Accruals | 1,969,399 | 1,633,398 |
| | <u>4,067,745</u> | <u>41,776,601</u> |

Creditors above include:

| | | |
|-------------------------------|----------------|-------------------|
| Secured liabilities (Note 19) | <u>419,887</u> | <u>38,813,350</u> |
|-------------------------------|----------------|-------------------|

| Company | 2010 £ | 2009 £ |
|---|-------------------|-------------------|
| Bank overdraft (Note 19) | - | 17,368 |
| Bank term loans (Note 19) | - | 38,798,603 |
| Net obligations under hire purchase contracts | 20,554 | 14,747 |
| Trade creditors | 64,352 | 744,448 |
| Amounts due to subsidiary undertakings | 4,398,220 | 548,376 |
| PAYE and social security costs | 27,534 | 244,874 |
| VAT | 4 | - |
| Accruals | 124,640 | 1,253,826 |
| | <u>4,635,304</u> | <u>41,622,242</u> |

Creditors above include:

| | | |
|-------------------------------|---------------|-------------------|
| Secured liabilities (Note 19) | <u>20,554</u> | <u>38,813,350</u> |
|-------------------------------|---------------|-------------------|

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

**17. Creditors: amounts falling due
within one year - continued**

The group has in place interest rate hedging instruments. The fair value of this liability at 31 March 2010 is £2,445,899. In line with the group's accounting policy the fair value of derivative instruments is not recognised at the balance sheet date.

**18. Creditors: amounts falling due
after more than one year**

| | 2010 | 2009 |
|---|-------------------|------------------|
| Group | £ | £ |
| Bank term loans (Note 19) | 50,331,700 | 1,748,957 |
| Net obligations under hire purchase contracts (Note 19) | 22,172 | 9,060 |
| | <u>50,353,872</u> | <u>1,758,017</u> |
| Creditors above include: | | |
| Secured liabilities (Note 19) | 50,353,872 | 1,758,017 |
| Hire purchase obligations repayable in two to five years | 22,172 | 9,060 |
| Amounts repayable by instalments after more than five years | <u>43,779,092</u> | <u>1,617,633</u> |
| | | |
| | 2010 | 2009 |
| Company | £ | £ |
| Net obligations under hire purchase contracts | 22,172 | 9,060 |
| Creditors above include: | | |
| Secured liabilities (Note 19) | 22,172 | 9,060 |
| Hire purchase obligations repayable in two to five years | <u>22,172</u> | <u>9,060</u> |

Meallmore Limited

Notes to the consolidated financial statements for the year ended 31 March 2010

..... continued

19. Bank borrowings and security

Security

As security for the bank term loans of Hilton Rehabilitation Limited (subsidiary company):

- Alliance & Leicester Santander UK holds a standard charge over all of the property assets of Hilton Rehabilitation Limited, Nevisbridge Limited, Airthrey Care Limited, Ganarn Limited, Glencairn Lodge Nursing Home Limited and Hilton Development Properties Limited together with a floating charge over all of the assets and undertakings of these companies.
- Meallmore Limited has provided Alliance & Leicester Santander UK with share pledges over its respective shareholdings in Hilton Rehabilitation Limited, Airthrey Care Limited, Ganarn Limited and Nevisbridge Limited in relation to the loans provided by Alliance & Leicester Santander UK to Hilton Rehabilitation Limited.
- Hilton Rehabilitation Limited has also provided Alliance & Leicester Santander UK with share pledges over its respective shareholdings in Glencairn Lodge Nursing Home Limited in relation to the loans provided by Alliance & Leicester Santander UK to Hilton Rehabilitation Limited.

As security for the bank term loans of Daviot Care Limited (subsidiary company), Bank of Scotland plc holds a first standard charge over all the property assets of Daviot Care Limited together with a first ranking floating charge over all of its assets and undertakings.

As security for the bank term loans of Antonine Care Limited (subsidiary company), Bank of Ireland holds a first standard charge over all the property assets of Antonine Care Limited together with a first ranking floating charge over all of its assets and undertakings.

AIB Finance & Leasing Limited hold specific charges over the assets held under hire purchase contracts.

Borrowing terms and interest rates

Borrowing terms

Alliance & Leicester Santander UK

The Alliance & Leicester Santander UK term loan repayments are based on 76 quarterly capital reductions in arrears over a 19 year period commencing on 2 October 2010 and ending on 1 October 2029. The loan is being serviced on an interest only basis until 1 October 2010.

Capital reductions in the first 10 years will consist of the following:

| | £ |
|---------------------------------------|------------|
| From 2 October 2009 to 1 October 2010 | - |
| From 2 October 2010 to 1 October 2019 | 9,253,516 |
| | <hr/> |
| | 9,253,516 |
| Balance owing at 1 October 2019 | 13,308,106 |
| | <hr/> |
| | 22,561,622 |
| | <hr/> |

Meallmore Limited

Notes to the consolidated financial statements for the year ended 31 March 2010

..... continued

19. Borrowing terms and interest rates - continued

Borrowing terms - continued

Alliance & Leicester Santander UK - continued

The resulting balance outstanding at 1 October 2019 in the sum of £13,308,106 will be repaid in accordance with terms to be mutually agreed at that date by Alliance and Leicester Santander UK and Hilton Rehabilitation Limited.

Bank of Scotland plc

The Bank of Scotland plc term loan is amortised by way of 76 quarterly interest and capital repayments commencing in February 2011 and ending in November 2029. The loan is being serviced on an interest only basis until November 2010.

Bank of Ireland

The Bank of Ireland term loan repayments are based on 80 quarterly capital reductions in arrears over a 20 year period commencing on 23 March 2010 and ending on 22 March 2030.

Capital reductions in the first 10 years will amount to £1,301,700. The remaining balance outstanding at 22 March 2020 in the sum of £2,469,737 will be repaid in accordance with terms to be mutually agreed at that date by Bank of Ireland and Antonine Care Limited.

The continued provision of banking facilities to Hilton Rehabilitation Limited by Alliance & Leicester Santander UK and to Daviot Care Limited by Bank of Scotland plc and to Antonine Care Limited by Bank of Ireland is subject to ongoing compliance with financial covenants.

Interest rate hedging

The group has the following hedging instruments in place in relation to bank borrowings:

- £9.804m fixed at 3.9% (plus margin) for 5 years expiring on 2 October 2014.
- £6.4m fixed at 3.21% (plus margin) for 5 years expiring on 25 November 2014.
- £1.95m fixed at 3.42% (plus margin) for 5 years expiring on 31 March 2015.
- £6.536m with a cap rate of 3.9% (plus margin) for 5 years expiring on 2 October 2014.
- £6.4m with a cap rate of 4% (plus margin) for 5 years expiring on 25 November 2014.
- £1.95m with a cap rate of 3.42% (plus margin) for 5 years expiring on 31 March 2015.
- The remaining £17.69m of the group's bank borrowings is on a floating rate at libor plus margin.

Meallmore Limited

Notes to the consolidated financial statements
for the year ended 31 March 2010

..... continued

20. Provisions for liabilities

Deferred taxation

| Group | 2010 £ | 2009 £ |
|--------------------------------|----------------|----------------|
| Accelerated capital allowances | <u>155,011</u> | <u>271,587</u> |

Movements on the provision for deferred taxation are:

| | 2010 £ | 2009 £ |
|--|------------------|----------------|
| At 1 April 2009 | 271,587 | 131,021 |
| (Credited)/charged to profit and loss account | <u>(142,408)</u> | <u>140,566</u> |
| At 31 March 2010 | <u>129,179</u> | <u>271,587</u> |

| Company | 2010 £ | 2009 £ |
|--------------------------------|---------------|----------------|
| Accelerated capital allowances | <u>21,630</u> | <u>219,755</u> |

Movements on the provision for deferred taxation are:

| | 2010 £ | 2009 £ |
|--|------------------|----------------|
| At 1 April 2009 | 219,755 | 88,287 |
| (Credited)/charged to profit and loss account | <u>(198,125)</u> | <u>131,468</u> |
| At 31 March 2010 | <u>21,630</u> | <u>219,755</u> |

21. Share capital

| | 2010 £ | 2009 £ |
|---|--------------|--------------|
| Allotted, called up and fully paid equity | | |
| 1,000 Ordinary shares of £1 each | 1,000 | 1,000 |
| 4,000 "A" Ordinary shares of £1 each | <u>4,000</u> | <u>4,000</u> |
| | <u>5,000</u> | <u>5,000</u> |

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

22. Profit and loss account

Group

| | 2010 | 2009 |
|-------------------------|-----------------------|-------------------------|
| | £ | £ |
| At 1 April 2009 | 1,285,008 | 1,938,946 |
| Loss for the year | <u>(739,551)</u> | <u>(653,498)</u> |
| | 545,457 | 1,285,448 |
| Dividends (note 24) | <u>440</u> | <u>440</u> |
| At 31 March 2010 | <u><u>545,017</u></u> | <u><u>1,285,008</u></u> |

Company

| | 2010 | 2009 |
|-------------------------|--------------------------|-------------------------|
| | £ | £ |
| At 1 April 2009 | 3,488,403 | 1,407,289 |
| Profit for the year | <u>24,166,370</u> | <u>2,081,554</u> |
| | 27,654,773 | 3,488,843 |
| Dividends (note 24) | <u>440</u> | <u>440</u> |
| At 31 March 2010 | <u><u>27,654,333</u></u> | <u><u>3,488,403</u></u> |

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

..... continued

23. Shareholders' funds

| Reconciliation of movements in shareholders' funds for the year: | 2010 | 2009 |
|--|-------------------|------------------|
| | £ | £ |
| Group | | |
| Loss for the year | (739,551) | (653,498) |
| Dividends (Note 24) | (440) | (440) |
| Net deduction from shareholders' funds | (739,991) | (653,938) |
| Opening shareholders' funds | 1,290,008 | 1,943,946 |
| Closing shareholders' funds | <u>550,017</u> | <u>1,290,008</u> |
| | 2010 | 2009 |
| Company | £ | £ |
| Profit for the year | 24,166,370 | 2,081,554 |
| Dividends (Note 24) | (440) | (440) |
| Net addition to shareholders' funds | 24,165,930 | 2,081,114 |
| Opening shareholders' funds | 3,493,403 | 1,412,289 |
| Closing shareholders' funds | <u>27,659,333</u> | <u>3,493,403</u> |

| | | |
|------------------------------------|-------------|-------------|
| 24. Dividends | 2010 | 2009 |
| | £ | £ |
| Dividends on equity shares: | | |
| "A" Ordinary shares - Interim paid | <u>440</u> | <u>440</u> |

Meallmore Limited

Notes to the consolidated financial statements for the year ended 31 March 2010

..... continued

25. Related party transactions and control

The company has availed of the exemptions contained in FRS8: Related Party Disclosures and is therefore not required to provide details of transactions involving the company and its subsidiaries.

Transactions during the year with other related parties were as follows:

| Related parties | Relationship |
|----------------------|----------------------------|
| Aidan Hennessey | Director |
| Gerard Hennessey | Director |
| Cillian Hennessey | Director |
| Patricia Hennessey | Spouse of Aidan Hennessey |
| Patricia J Hennessey | Spouse of Gerard Hennessey |

| Transactions | 2010 £ | 2009 £ |
|--|-----------|-----------|
| Rent paid to Aidan and Patricia Hennessey | 106,092 | 109,454 |
| Rent paid to Gerard and Patricia J Hennessey | 106,176 | 109,454 |

| Balances receivable | 2010 £ | 2009 £ |
|---------------------|-----------|-----------|
| Aidan Hennessey | 466 | 13,061 |
| Gerard Hennessey | 618 | 630 |

The maximum balance on Aidan Hennessey's directors account during the year was £71,711.

The maximum balance on Gerard Hennessey's directors account during the year was £10,000.

Controlling interest

The group is under the control of Aidan and Gerard Hennessey who each own 50% of the ordinary shares issued by Meallmore Limited.

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

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26. Gross cash flows

| | 2010 | 2009 |
|--|--------------------|--------------------|
| | £ | £ |
| Returns on investments and servicing of finance | | |
| Interest received | 1,089 | 679 |
| Interest paid | (2,075,835) | (2,424,546) |
| | <u>(2,074,746)</u> | <u>(2,423,867)</u> |
| Taxation | | |
| Corporation tax paid | <u>25,529</u> | <u>256,428</u> |
| Capital expenditure | | |
| Payments to acquire tangible assets | (4,625,066) | (9,706,367) |
| Receipts from sale of tangible assets | 18,272 | 10,526 |
| | <u>(4,606,794)</u> | <u>(9,695,841)</u> |
| Acquisitions and disposals | | |
| Net cash proceeds on sale of operations | - | 520,000 |
| Payments on acquisition of subsidiary undertakings (Note 14) | (4,563,253) | - |
| | <u>(4,563,253)</u> | <u>520,000</u> |
| Financing | | |
| Bank term loans drawn down | 51,641,324 | 8,206,395 |
| Repayment of bank term loans | (41,457,851) | (1,411,628) |
| Capital element of hire purchase contracts | (17,487) | (13,755) |
| | <u>10,165,986</u> | <u>6,781,012</u> |

Meallmore Limited

Notes to the consolidated financial statements for the year ended 31 March 2010

..... continued

27. Analysis of changes in net debt

| | Opening balance £ | Cash flows £ | Non cash changes on subsidiary acquisition £ | Other changes £ | Closing balance £ |
|--------------------------|-------------------------|---------------------|--|-----------------------|-------------------------|
| Cash at bank and in hand | 441,427 | 2,332,025 | 4,539 | - | 2,777,991 |
| Bank overdrafts | (17,368) | 311,837 | (294,469) | - | - |
| | <u>424,059</u> | <u>2,643,862</u> | <u>(289,930)</u> | <u>-</u> | <u>2,777,991</u> |
| Debt due within one year | (38,798,603) | 38,399,270 | - | - | (399,333) |
| Debt due after one year | (1,748,957) | (48,582,743) | - | - | (50,331,700) |
| Hire purchase contracts | (23,807) | 17,487 | - | (36,406) | (42,726) |
| | <u>(40,571,367)</u> | <u>(10,165,986)</u> | <u>-</u> | <u>(36,406)</u> | <u>(50,773,759)</u> |
| Net debt | <u>(40,147,308)</u> | <u>(7,522,124)</u> | <u>(289,930)</u> | <u>(36,406)</u> | <u>(47,995,768)</u> |

28. Contingent liabilities

Ganarn Limited

In the year ended 31 March 1990, a subsidiary company, Ganarn Limited, disposed of business assets which gave rise to a taxable gain of £229,688. At that time the taxable gain was deferred through replacement asset relief.

The directors do not consider it necessary to provide for any potential tax liabilities that may crystallise on a subsequent disposal of those replacement assets as there is no intention to dispose of these assets in the foreseeable future.

29. Post balance sheet events

On 18 June 2010 the group purchased a development site for £750,000. Contracted build costs in relation to this site at October 2010 amounted to £3.2m. Terms have also been agreed on a second site costing £2.65. In August 2010 the group relocated its head office to Cradlehall Business Park, Inverness. Expenditure associated with the relocation amounted to £173,327.

30. Capital commitments

At the balance sheet date the group had contracted commitments amounting to £0.79m (2009 - £2.231m) in respect of current development works.

At the balance sheet date the company had no contracted commitments (2009 - £1.105m).

Meallmore Limited

**Notes to the consolidated financial statements
for the year ended 31 March 2010**

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31. Operating leases

Group

In respect of rental properties the group had, at 31 March 2010, operating rent commitments of £262,272 (2009 - £218,211) per annum.

Company

In respect of rental properties the company had, at 31 March 2010, operating rent commitments of £262,272 (2009 - £215,268) per annum.