

Bett Homes Limited

Annual report and financial statements for the year ended 31 December 2011

Company number: SC024489

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Bett Homes Limited

Contents

	Page
Directors and advisors	1
Directors' report for the year ended 31 December 2011	2
Independent auditors' report to the members of Bett Homes Limited	4
Profit and loss account for the year ended 31 December 2011	5
Statement of total recognised gains and losses for the year ended 31 December 2011	6
Balance sheet as at 31 December 2011	7
Notes to the financial statements for the year ended 31 December 2011	9

Bett Homes Limited

Directors and advisors

Directors

Neil Fitzsimmons
Colin E Lewis
Elizabeth Catchpole
Warren Thompson

Company Secretary

Joanne E Massey

Registered office

Regency House
Crossgates Road
Halbeath
Dunfermline
Fife
KY11 7EG

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Bett Homes Limited

Directors' report for the year ended 31 December 2011

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2011.

In this report, the 'Group' means Gladedale Group Holdings Limited and its subsidiary undertakings, the 'Residential Group' means Gladedale Residential Group Limited and its subsidiaries and the 'Company' means Bett Homes Limited.

Principal activities

The Company's principal activity during the year continued to be that of property development and investment.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year. Turnover for the year amounted to £74.2 million (2010: £84.4 million) and the Company recorded a profit before taxation of £3.1 million (2010: £7.1 million profit).

No interim dividend (2010: nil) was paid during the year. The directors do not recommend the payment of a final dividend and, accordingly, the profit for the year of £3.3 million (2010: £7.1 million) has been transferred to reserves.

A prior year adjustment of £11,099,000 has been recognised, in respect of an impairment of the investment in Gladedale (North West) Ltd, resulting in a reorganisation which took place prior to 2010.

On 28 June 2012, Gladedale Limited acquired the entire share capital of Gladedale Group Holdings Limited (formerly the ultimate parent undertaking of the Gladedale Group). Arising from this new ownership, the Group was financially restructured and entered into new facilities agreements with the Group's principal lender, Bank of Scotland plc.

The Company benefits from the support provided by the new ultimate parent undertaking, Gladedale Limited.

Principal risks and uncertainties

The Company is a member of the Residential Group and its risks are disclosed in the consolidated financial statements of Gladedale Residential Group Limited. Operational and financial risks are managed on a Residential Group basis.

Financial instruments and risk management

Working capital requirements are principally satisfied from cash generated by the Company and through funding made available from the bank facilities established by the Residential Group, whose treasury function also handles hedging arrangements.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs beyond those ascertainable from the financial statements is not necessary for an understanding of the development, performance or position of the business.

Directors

The directors who, unless otherwise stated, served throughout the year and up to the date of signing the financial statements were as follows:

N Fitzsimmons

C E Lewis

J Kirkpatrick

N Yardley

W Thompson

E Catchpole

(resigned 11 July 2011)

(appointed 21 October 2011, resigned 31 July 2012)

(appointed 18 October 2011)

(appointed 20 June 2012)

Directors' report for the year ended 31 December 2011 (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of the members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. All salaried staff receive an annual bonus relating to the profitability of their division.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

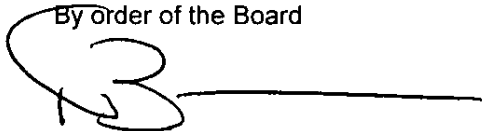
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



N Fitzsimmons
Director

20 August 2012

Independent auditors' report to the members of Bett Homes Limited

We have audited the financial statements of Bett Homes Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Accounting Policies and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements for the year ended 31 December 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its 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.

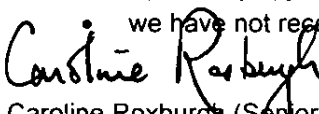
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


Caroline Roxburgh (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

31 August 2012

Bett Homes Limited**Profit and loss account for the year ended 31 December 2011**

	Note	2011 £'000	2010 £'000
Turnover	2	74,205	84,436
Cost of sales		(63,247)	(68,844)
Gross profit		10,958	15,592
Administrative expenses		(8,891)	(10,392)
Other operating income		202	135
Operating profit	3	2,269	5,335
Income from joint ventures		750	-
Income from Group undertakings		684	1,040
Profit on ordinary activities before interest and taxation		3,703	6,375
Interest receivable and similar income	4	813	995
Interest payable and similar charges	5	(1,447)	(107)
Other finance income / (costs)	22	49	(159)
Profit on ordinary activities before taxation		3,118	7,104
Tax on profit on ordinary activities	8	217	29
Profit for the financial year	18	3,335	7,133

All amounts relate to continuing activities

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

Bett Homes Limited

Statement of total recognised gains and losses for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Profit for the financial year		3,335	7,133
Prior year adjustment		(11,090)	-
Actuarial (loss)/gain on defined benefit pension scheme	22	(276)	2,194
Total (loss)/gain recognised for the year		(8,031)	9,327

Bett Homes Limited**Balance sheet as at 31 December 2011**

			Restated
	Note	2011	2010
		£'000	£'000
Fixed assets			
Tangible assets	9	81	78
Investments in subsidiary undertakings	10	1,650	997
Interests in joint ventures	11	-	-
		1,731	1,075
Current assets			
Stock	12	99,962	110,364
Debtors	13	14,491	17,546
Cash at bank and in hand		34,195	31,834
		148,648	159,744
Creditors: amounts falling due within one year	14	(93,638)	(59,545)
Net current assets		55,010	100,199
Total assets less current liabilities		56,741	101,274
Creditors: amounts falling due after more than one year	15	-	(47,127)
Provisions for liabilities	16	(426)	(426)
Net assets excluding pension liability		56,315	53,721
Pension liability	22	-	(465)
Net assets including pension liability		56,315	53,256

Bett Homes Limited

Balance sheet as at 31 December 2011 (continued)

	Note	2011 £'000	Restated 2010 £'000
Capital and reserves			
Called up share capital	17	3,254	3,254
Share premium account	18	1,117	1,117
Profit and loss reserve	18	51,944	48,885
Total shareholder's funds	19	56,315	53,256

The financial statements on pages 5 to 28 were approved by the Board and authorised for issue
on 20 August 2012



N Fitzsimmons
Director
Bett Homes Limited
Company number: SC024489

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Cash flow statement

The Company is a wholly owned subsidiary of Gladedale Group Holdings Limited and is included in its consolidated financial statements which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

Consolidation

The Company is exempt under section 400 of the Companies Act 2006 from preparing consolidated financial statements on the grounds that the results of the Company and its subsidiaries are incorporated in the consolidated financial statements of the parent company, Gladedale Group Holdings Limited.

Related party transactions

The Company has taken advantage of the exemption in FRS 8 from reporting related party transactions with its fellow Group companies as the Company is included within the consolidated accounts of the ultimate parent company that are publically available.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less accumulated depreciation and any provision for impairment. Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Plant, vehicles and equipment	-	3-10 years
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Investments

Investments in subsidiary undertakings and joint ventures are stated at cost less amounts written off and any provisions for impairment. Dividends received and receivable are credited to the profit and loss account.

Turnover

Turnover is stated net of value added tax and further detail is provided as follows:

Sales of residential property

Revenue on the sale of residential property is recognised when the contract has legally completed.

Sales of land and commercial property

Income is recognised on land sales when contracts are exchanged and all material conditions of the contract have been met. Income is recognised on sales of commercial property on unconditional exchange of contract.

Construction contracts

Revenue under construction contracts, including social housing contracts entered into under binding contractual terms, is recognised in accordance with the stage of completion.

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

Stock

Raw materials and consumables stock, land for development, work in progress and part exchange properties are valued at the lower of cost and net realisable value.

Costs include materials, labour and overheads appropriate to the relevant stage of completion. Net realisable value is based on estimated selling prices less all further costs to completion and all relevant marketing and selling costs.

The Company's principal activity is residential housebuilding. Due to the nature of this activity, much of the development entered into by the Company is speculative in nature. Accordingly, at each year-end, the Company has in its balance sheet current assets that are not covered by a forward sale. At the year-end, the Company conducts a review of the net realisable value of its land and work in progress. This review is conducted on a site by site basis, using valuations which incorporate forecast sales rates and average selling prices that reflect both current and anticipated market conditions. In making these assessments, there is a degree of judgement and uncertainty due to the volatility and speculation that has surrounded the residential housing sector.

Where the estimated future net realisable value of the site is less than its current carrying value within the balance sheet, the Company impairs the land and work in progress value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

Pension costs

Defined contributions scheme

The Company participates in a Group-wide defined contribution pension scheme. Pension costs are charged to the profit and loss account on an accruals basis.

Defined benefits scheme

There is a defined benefits scheme covering Bett Homes Limited and certain of its subsidiaries. The assets of this defined benefit scheme are held separately from those of the Company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

The increase in the present value of the liabilities of the Company's defined benefit pension scheme that is expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the Statement of total recognised gains and losses.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

Dividends

Dividends are recognised when they become legally payable. Final dividends are recognised when approved by the shareholders at an annual general meeting.

Operating leases

Annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Provisions for liabilities and charges

Provisions are recognised when evidence exists of an obligation for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Equity share receivables

The Company has entered into agreements whereby it retains a fixed proportion of the equity in a newly constructed residential property until the date of the first resale of the property or an agreed future date, when it will receive a fixed proportion of the market value of the property.

These agreements are initially measured at the fair value of the right to consideration on the date the agreement is entered into. The unwinding of the discount is credited to finance income over the life of the agreement. Interest arising on the transactions is recognised when it is considered probable that it will result in an outflow of economic benefit of the Company.

2 Turnover

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

3 Operating profit

	2011	2010
Operating profit is stated after charging:	£'000	£'000
Depreciation:		
Owned tangible fixed assets	46	183
Loss on sale of tangible fixed assets	-	14
Operating leases:		
Plant and machinery	909	755
Other	302	372
Auditors' remuneration:		
Audit services	106	168
Other taxation services	-	9
Waiver of intercompany debtors representing a one-off gratuitous capital contribution	1,011	-

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

4 Interest receivable and similar income

	2011	2010
	£'000	£'000
Bank interest receivable	2	353
Unwinding of discounted equity share receivables	789	639
Other interest receivable	22	3
	813	995

5 Interest payable and similar charges

	2011	2010
	£'000	£'000
Bank loans and overdrafts	-	81
Interest on late payment of taxation	15	26
Other interest payable	1,432	-
	1,447	107

6 Employees

	2011	2010
Staff costs consist of:	£'000	£'000
Wages and salaries	6,619	8,816
Social security costs	687	913
Other pension costs (note 22)	637	1,195
	7,943	10,924

	2011	2010
The monthly average number of employees (including directors) was as follows:	£'000	£'000
Housebuilding and related activities	183	254

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

7 Directors

Certain directors are executives of the immediate parent undertaking, Gladedale Holdings Limited, the intermediate parent undertaking, Gladedale Residential Group Limited, the ultimate parent undertaking Gladedale Group Holdings Limited or all three. It is not practicable to allocate their total remuneration between their services as executives of the Company and their services as directors of the other Group companies. Details of the directors' remuneration can be found in the financial statements of the immediate, intermediate and ultimate parent companies, as appropriate.

8 Tax on profit on ordinary activities

	2011	2010
	£'000	£'000
Current tax		
UK corporation tax on profits of the period	-	-
Adjustment in respect of previous periods	(217)	(29)
Total current tax credit	(217)	(29)
Deferred tax		
Origination and reversal of timing differences (note 22)	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	(217)	(29)

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Taxation on profit on ordinary activities (continued)

The tax assessed for the year is lower than (2010: lower than) the standard rate of corporation tax in the UK for the year ended 31 December 2011 of 26.5% (2010: 28%). The differences are explained below:

	2011	2010
	£'000	£'000
Profit on ordinary activities before tax	3,118	7,104
Profit on ordinary activities at the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	826	1,989
Effects of:		
Group relief	-	(594)
Expenses not deductible	280	51
Utilised loss	(726)	(1,155)
Income not taxable	(380)	(291)
Adjustment in respect of previous periods	(217)	(29)
Current tax credit for the year	(217)	(29)

Factors affecting current and future tax charges:

The main rate of corporation tax changed to 26% with effect from 1 April 2011. The 2011 Finance Bill included legislation to reduce the main rate of corporation to 25% with effect from 1 April 2012. This change was substantially enacted by the balance sheet date and the unrecognised deferred tax asset is based on this reduced rate.

There is an unrecognised deferred tax asset of £1,473,000 (2010: £1,842,000) relating to unrelieved tax losses and £425,000 (2010: £475,000) relating to capital allowances available to carry forward. The total unrecognised deferred tax asset of £1,898,000 (2010: £2,317,000) has not been provided for in the financial statements as the directors of the Company feel that it is unlikely that there will be sufficient taxable profits in the foreseeable future against which to recover the asset.

There are proposed reductions in the main rate of corporation tax to 22% by 2014 which are expected to be enacted separately each year. The estimated overall effect of the further changes from 25% to 22%, if these applied to the deferred tax balance at 31 December 2011, would be to reduce the unrecognised deferred tax asset by approx £228,000.

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

9 Tangible fixed assets

	Plant, vehicles and equipment £'000
Cost or valuation:	
At 1 January 2011	1,955
Additions	40
Disposals	(172)
Transfers	26
At 31 December 2011	1,849
Accumulated depreciation:	
At 1 January 2011	(1,877)
Charge for the year	(46)
Disposals	172
Transfers	(17)
At 31 December 2011	(1,768)
Net book amount:	
At 31 December 2011	81
At 31 December 2010	78

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 Investments in subsidiary undertakings

	2011	Restated 2010
	£'000	£'000
At 1 January and at 31 December	1,650	997

Principal investments in subsidiary undertakings

Details of investments which are not significant are not disclosed as this would result in a list of excessive length.

	Country of incorporation	Proportion of voting rights and ordinary share capital held	Principal activity
Principal subsidiary undertakings:			
Gladedale (Central Scotland) Limited *	Scotland	100%	Housebuilding
Gladedale (North East England) Limited	Scotland	100%	Housebuilding
Gladedale (North East Scotland) Limited	Scotland	100%	Housebuilding
Gladedale (North West) Limited	Scotland	100%	Housebuilding
Bett Homes (Yorkshire) Limited	England	100%	Housebuilding
Gladedale Partnerships (Scotland) Limited	Scotland	100%	Social housing
Stirling Waterfront NHT 2011 LLP	Scotland	100%	Housing for rent
Taydale (Granton) Limited	Scotland	100%	Housebuilding

* held indirectly as 100% subsidiary of Gladedale (North West) Limited

All of the principal subsidiary undertakings are wholly-owned and, by agreement, trade as agents of Bett Homes Limited. All subsidiary companies have an accounting reference date of 31 December.

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

11 Interests in joint ventures

	2011	2010
Interests in joint ventures (net book amount)	£'000	£'000
At 1 January	-	-
Repayments	-	-
At 31 December	-	-

Principal interests in joint ventures

	Country of incorporation	Principal Activity
Principal joint ventures (all 50%):		
Scotmid-Bett (Fountainbridge) Limited	Scotland	Property development
Strada Developments Limited	Scotland	Housebuilding
BEST Braehead Development Company Limited (in Administration)	Scotland	Property development
BEST Dunfermline Development Company Limited (in Administration)	Scotland	Property development

Strada Developments Limited, BEST Braehead Development Company Limited and BEST Dunfermline Development Company Limited prepare accounts to 31 December and Scotmid-Bett (Fountainbridge) Limited to 30 September.

12 Stock

	2011	2010
	£'000	£'000
Work in progress	92,889	107,475
Finished goods and goods for resale	7,073	2,889
	99,962	110,364

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

13 Debtors

	2011	2010
	£'000	£'000
Amounts falling due within one year		
Trade debtors	738	1,791
Amounts owed by Group undertakings	3,156	3,225
Other debtors	668	1,394
Prepayments and accrued income	161	99
VAT receivable	586	-
	5,309	6,509
Amounts falling due after one year		
Equity share receivables	9,061	11,033
Amounts owed by Group undertakings	121	4
	9,182	11,037
Total	14,491	17,546

Amounts owed by Group undertakings are interest-free and unsecured. Amounts owed by Group undertakings are repayable on demand, except for £121,000 (2010: £4,000) which is recoverable after more than one year.

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

14 Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
Trade creditors	9,492	9,915
Trade creditors – land liability	12,702	12,427
Amounts due to Group undertakings	63,323	22,287
Other taxation and social security	238	461
Other creditors	1,925	223
Other loans	3,000	-
Accruals and deferred income	2,958	14,232
	93,638	59,545

Amounts due to Group undertakings, joint ventures and related parties are interest-free, unsecured and repayable on demand.

Other loans relates to a development loan secured by a second ranking standard security in respect of infrastructure works on the Company's Oatlands development. The loan is repayable in full within 12 months of the balance sheet. Interest is not chargeable on this loan.

15 Creditors: amounts falling due after more than one year

	2011	2010
	£'000	£'000
Other loans	-	3,000
Land creditor	-	1,554
Amounts due to Group undertakings	-	42,573
	-	47,127

Amounts due to Group undertakings are interest-free, unsecured and repayable after more than one year.

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

16 Provision for liabilities

	Onerous lease provision	Total
	£'000	£'000
At 1 January 2011	426	426
Charged to the Profit and loss account	-	-
Utilised in the year	-	-
At 31 December 2011	426	426

Onerous lease provision

The onerous lease provision has been recognised where a leased property is vacant or sub-let to a third party at below the rent payable by the Company on that property.

17 Called up share capital

	2011	2010
	£'000	£'000
Allotted, issued and fully paid		
16,271,000 ordinary shares of 20p each	3,254	3,254

18 Reserves

	Share premium account £'000	Profit and loss reserve £'000
At 1 January 2011 as previously reported	1,117	59,975
Prior year adjustment	-	(11,090)
At 1 January 2011 revised	1,117	48,885
Profit for the financial year	-	3,335
Actuarial loss on pension scheme	-	(276)
At 31 December 2011	1,117	51,944

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

19 Reconciliation of movements in total shareholders' funds

	2011 £'000	2010 £'000
Opening total shareholders' funds as previously reported	-	55,019
Prior year adjustment	-	(11,090)
Opening total shareholders' funds revised	53,256	43,929
Profit for the financial year	3,335	7,133
Actuarial gains/(losses) on pension scheme	(276)	2,194
Net additions/(deductions) from total shareholders' funds	3,059	9,327
Closing total shareholders' funds	56,315	53,256

20 Financial commitments

Operating lease commitments

The Company had annual commitments under non-cancellable operating leases as set out below:

	2011 Land and buildings £'000	2010 Land and buildings £'000
Operating leases which expire:		
Within one year	6	6
In two to five years	86	38
Over five years	210	296
	302	340

See note 16 for confirmation of the amounts of future lease commitments fully provided via the onerous lease provisions.

21 Contingent liabilities

On 1 September 2009, the Company along with other Group members and related companies entered into cross guarantee and debenture instruments with the Bank of Scotland plc guaranteeing and securing liability in relation to their banking facilities. The aggregate amount outstanding at 31 December 2011 under these facilities was £548,676,681 (2010: £505,809,698).

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

22 Pension arrangements

The Company mainly operates two pension schemes, one providing benefits based on final pensionable pay and the other providing benefits from contributions paid into a Company Personal Pension Plan.

The assets of the defined benefit pension scheme, which operates in the UK, are held separately from those of the Company. A full actuarial valuation was carried out at 1 January 2008 and updated to 31 December 2011 by a qualified independent actuary.

The major assumptions used by the actuary were:

	At 31 December 2011	At 31 December 2010	At 31 December 2009
Rate of increase in salaries	2.0%	3.70%	5.20%
Rate of increase of pensions in payment	5.0%	5.00%	5.00%
Rate of increase in deferred pensions	2.0%	3.40%	3.70%
Discount rate	4.9%	5.40%	5.70%
Inflation assumption	2.0%	2.90%	3.70%

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

22 Pension arrangements (continued)

The mortality assumptions used in the valuation of the defined benefit pension liabilities are based on S1PMA and S1PFA mortality tables, projected using the Continuous Mortality Investigation 2009 model, subject to a long term rate of improvement of 1% per annum,

The full actuarial valuation at 1 January 2009 showed a deficit of £6,908,000. To reduce this deficit, employers' contributions are being paid at £701,000 per annum for the next 10 years. It should be noted that the scheme is closed to new entrants. The contribution rate underlying the current service cost shown is therefore likely to increase with members' age since it is calculated using the Projected Unit Method.

The pension scheme does not invest in any Gladedale Group Holdings securities or any property occupied by Gladedale Group Holdings companies.

The assets in the scheme and the expected rates of return (net of expenses) were:

	At 31 December 2011		At 31 December 2010	
	%	£'000	%	£'000
Equities	7.0	7,907	8.0	7,674
Bonds	4.7	7,030	5.4	6,792
Gilts	2.8	4,245	4.2	3,906
Property	5.3	904	6.1	923
Cash	0.5	251	0.5	142
Total market value of assets		20,337		19,437
Actuarial value of liability		(18,062)		(19,902)
Surplus not recoverable		(2,275)		-
Deficit in the scheme		-		(465)
Related deferred tax asset		-		-
Net pension liability		-		(465)

The actual return on scheme assets in the year was £1,124,000 (2010: £1,897,000).

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

22 Pension arrangements (continued)

Analysis of the amount charged to operating profit

	2011	2010
	£'000	£'000
Service cost	118	129

Analysis of the amount credited to net finance income

	2011	2010
	£'000	£'000
Expected return on pension scheme assets	1,098	1,020
Interest on pension liabilities	(1,049)	(1,179)
Net finance income/(expense)	49	(159)

Analysis of actuarial loss recognised in the statement of total recognised gains and losses (STRGL)

	2011	2010
	£'000	£'000
Actual return less expected return on assets	26	877
Experience gains on liabilities	746	319
Changes in assumptions	1,227	998
Surplus not recognised	(2,275)	-
Actuarial (losses)/gains recognised in STRGL	(276)	2,194

Cumulative actuarial losses recognised through the STRGL total £3,679,000 (2010: £3,403,000).

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

22 Pension arrangements (continued)

Movement in present value of scheme liabilities

	2011	2010
	£'000	£'000
At 1 January	19,902	21,256
Current service cost	118	129
Interest cost	1,049	1,179
Actuarial (gain) / loss	(1,973)	(1,317)
Benefits paid	(1,007)	(1,319)
Charges paid	(27)	(26)
At 31 December	18,062	19,902

Movement in fair value of scheme assets

	2011	2010
	£'000	£'000
At 1 January	19,437	18,075
Expected return on scheme assets	1,098	1,020
Actuarial gain	26	877
Employers' contributions	806	793
Employees' contributions	4	17
Benefits paid	(1,007)	(1,319)
Charges paid	(27)	(26)
At 31 December	20,337	19,437

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

22 Pension arrangements (continued)

History of experience gains and losses

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets:					
Amount	26	877	1,061	(3,052)	(444)
Percentage of scheme assets	0.1%	4.5%	5.9%	17.6%	(2.3)%
Experience gains and losses on scheme liabilities:					
Amount	746	319	(474)	160	301
Percentage of the present value of the scheme liabilities	4.1%	1.6%	2.2%	0.9%	1.6%
Total amount recognised in statement of total recognised gains and losses					
Amount	(276)	2,194	(3,012)	(1,172)	2,719
Percentage of the present value of the scheme liabilities	1.5%	11.0%	14.2%	6.5%	14.1%

Deferred tax asset relating to pension deficit

No deferred tax assets have been provided for in the financial statements, as the directors of the Company feel that there is not sufficient certainty that there will be sufficient taxable profits arising in the foreseeable future against which to recover the asset.

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

23 Related party transactions

The Company is a wholly owned subsidiary of Gladedale Holdings Limited. Gladedale Group Holdings Limited, the ultimate parent undertaking, has prepared consolidated financial statements for the year ended 31 December 2011 and therefore the Company has relied on the exemptions contained within Financial Reporting Standard No. 8 in respect of the disclosure of related party transactions.

Transactions and balances with joint ventures

The Company funds its joint venture operations through shareholder loans. The Company also provides management services for its joint ventures under the BEST banner. Direct and sub-contract labour is also provided by the Company and recharged to the relevant joint venture. At 31 December 2011, £4,523,071 (2010: £4,523,071) was owed to the Company from BEST Braehead Development Company Limited and £105,787 (2010: £4,105,887) from BEST Dunfermline Company Limited. These balances have been 100% provided against as both companies are in administration.

At 31 December 2011, £nil (2010: £nil) was owed to the Company from Strada Developments Limited. Receipts of £750,000 (2010: £nil) were received from the company during the year comprising loan repayments of £nil (2010: £nil) and dividends of £750,000 (2010: £nil).

24 Post balance sheet

Since the balance sheet date, the following significant events have occurred:

1. On 28 June 2012, Gladedale Limited acquired the entire issued share capital of Gladedale Group Holdings Limited. Gladedale Limited is a holding company in which Lloyds Banking Group has a 30% equity interest with the balance held by management and employee benefit trusts. Arising from this change of structure, new committed term and working capital facility arrangements totalling £381,250,000 have been provided by the Bank of Scotland plc to Gladedale's Residential Division of which the Company is a member. The new capital and funding structure will allow the Company to focus on creating value and delivering acceptable levels of profitability as quickly as market conditions allow.
2. On the same date, as part of a Group-wide restructuring and recapitalisation, £20,750,000 of the existing PIK loan was purchased from Bank of Scotland plc for £1. A further £89,246,484 of the PIK loan, £10,000,000 of the Gladedale Residential Group Facility 'A' loan and £15,753,516 of the Gladedale Commercial Group Facility Term Loan were transferred to Gladedale Limited by way of intercompany account. The total of these amounts of £110,000,000 was swapped for 70,000,000 redeemable non-voting A preferred ordinary shares of £0.0000002 each, 19,250,000 redeemable non-voting B preferred ordinary shares of £0.0000001 each and 20,750,000 C preferred ordinary shares of £0.0000001 each.
3. On the same day Gladedale Limited waived £73,496,484 of the Gladedale Residential Group inter-company balance and £15,753,516 of the Gladedale Commercial Group inter-company balance by way of one-off gratuitous capital contributions.
4. On the same date, the Company, together with other members of the Gladedale Residential Division entered into a Security Agreement with Bank of Scotland plc guaranteeing and securing liability in relation to the new banking facilities.

Bett Homes Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

25 Ultimate parent undertaking

Following the post balance sheet event noted above, from 28 June 2012 the directors consider Gladedale Limited to be the Company's ultimate parent company and controlling party. Gladedale Limited is the largest and Gladedale Residential Group Limited is the smallest group of which the Company is a member and for which consolidated financial statements will be prepared from 31 December 2012.

At the balance sheet date the ultimate parent undertaking was Gladedale Group Holdings Limited, a company registered in England and Wales. Gladedale Group Holdings Limited was the largest and Gladedale Residential Group Limited was the smallest group of which the Company was a member and for which consolidated accounts are prepared. Copies of the financial statements of Gladedale Group Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.