

Gallions Approach Limited

Report and Financial Statements

Year Ended

31 December 2005



BDO

BDO Stoy Hayward
Chartered Accountants

Gallions Approach Limited

Annual report and financial statements for the year ended 31 December 2005

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Directors

R Dipre
D Gandhi
D Gaffney
J V Dipre

Secretary and registered office

D Gandhi, Ashley House, Ashley Road, Epsom, Surrey, KT18 5AZ

Company number

4113708

Auditors

BDO Stoy Hayward LLP, Northside House, 69 Tweedy Road, Bromley, Kent, BR1 3WA

Gallions Approach Limited

Report of the directors for the year ended 31 December 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year.

Principal activities, review of business and future developments

The company's principal activity is the development and sale of property. The company is developing a landmark site in the Docklands area of London. As a result, the directors view the future with optimism.

Directors

The directors of the company during the year and subsequently were:

R Dipre
D Gandhi
D Gaffney
J V Dipre (appointed 1 April 2006)

No director had any beneficial interest in the share capital of the company. R Dipre, D Gaffney and D Gandhi are directors of the ultimate parent company, Gladedale Holdings Plc. Their interests in the share capital of that company are shown in its financial statements.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then 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; 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 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 1985. 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.

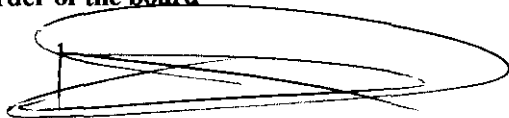
Gallions Approach Limited

Report of the directors for the year ended 31 December 2005 (*Continued*)

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'D Gandhi', written over a horizontal line.

D Gandhi
Secretary

30 October 2006

Gallions Approach Limited

Independent auditor's report

To the shareholders of Gallions Approach Limited

We have audited the financial statements of Gallions Approach Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 specified by law regarding directors' remuneration and other transactions 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 of whether the accounting policies are appropriate to the 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.

Gallions Approach Limited

Independent auditor's report (*Continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors
Bromley*

Date: *30 October 2006*

Gallions Approach Limited**Profit and loss account for the year ended 31 December 2005**

	Note	2005 £	2004 £
Turnover	2	10,449,099	3,708,974
Cost of sales		<u>8,707,751</u>	<u>3,500,000</u>
Gross profit		1,741,348	208,974
Administrative expenses		<u>182,299</u>	<u>185,362</u>
		1,559,049	23,612
Other operating income		<u>10,850</u>	<u>-</u>
Operating profit	3	1,569,899	23,612
Other interest receivable and similar income		16,071	-
Interest payable and similar charges	5	<u>(2,649,163)</u>	<u>(836,448)</u>
Loss on ordinary activities before taxation		(1,063,193)	(812,836)
Taxation on loss on ordinary activities	6	<u>537,202</u>	<u>-</u>
Loss on ordinary activities after taxation		<u>(525,991)</u>	<u>(812,836)</u>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

There are no movements in shareholders' funds in the current and prior year apart from the loss for the year.

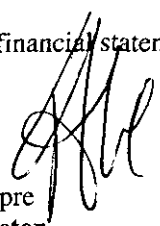
The notes on pages 7 to 13 form part of these financial statements.

Gallions Approach Limited

Balance sheet at 31 December 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	7		87,810		13,052
Current assets					
Stocks and work in progress	8	43,709,259		32,674,120	
Debtors	9	457,607		484,801	
		<u>44,166,866</u>		<u>33,158,921</u>	
Creditors: amounts falling due within one year	10	<u>42,660,785</u>		<u>30,660,091</u>	
Net current assets			<u>1,506,081</u>		<u>2,498,830</u>
Total assets less current liabilities			<u>1,593,891</u>		<u>2,511,882</u>
Creditors: amounts falling due after more than one year	11		<u>3,500,000</u>		<u>3,892,000</u>
			<u>(1,906,109)</u>		<u>(1,380,118)</u>
Capital and reserves					
Called up share capital	12		2		2
Profit and loss account	13		(1,906,111)		(1,380,120)
Shareholders' funds			<u>(1,906,109)</u>		<u>(1,380,118)</u>

The financial statements were approved by the board of directors and authorised for issue on 30 October 2006.


R Dipre
Director

The notes on pages 7 to 13 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Basis of preparation

The financial statements have been prepared on a going concern basis, notwithstanding the net liabilities at 31 December 2005 of £1,906,109. This assumes that the company will continue in operational existence for the foreseeable future, which is dependent on the continuing financial support of the group. Gladedale Holdings Plc, the ultimate parent company, has undertaken to provide the required financial support for a period of at least twelve months from the date of approval of these financial statements.

The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Gladedale Holdings Plc and the company is included in consolidated financial statements.

Turnover

Turnover is stated net of value added tax and intra-group transactions. 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

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

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.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises cost of acquisition and development including directly attributable fees and expenses, but not interest. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Gallions Approach Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

1 Accounting policies (*continued*)

2 Turnover

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

3 Operating profit

	2005 £	2004 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	55,996	7,580
Auditor's remuneration - audit services	5,000	1,000
Auditor's remuneration - non-audit services	1,725	500
	<u> </u>	<u> </u>

4 Employees

The company had no employees in either year. The directors were remunerated by other group companies.

5 Interest payable and similar charges

	2005 £	2004 £
Bank loans and overdrafts	2,649,163	836,448
	<u> </u>	<u> </u>

Gallions Approach Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

6 Taxation on loss on ordinary activities

	2005 £	2005 £	2004 £	2004 £
<i>UK Corporation tax</i>				
Group relief receivable	(301,874)		-	
Adjustment in respect of previous periods	(235,328)		-	
	<u> </u>		<u> </u>	
Total current tax		(537,202)		-
		<u> </u>		<u> </u>

The tax assessed for the period is lower than (2004 - higher than) the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before tax	(1,063,193)	(812,836)
	<u> </u>	<u> </u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 - 30%)	(318,958)	(243,851)
Effect of:		
Expenses not deductible for tax purposes	15,994	8,891
Depreciation for the period in excess of capital allowances	1,090	679
Adjustment to tax charge in respect of previous periods	(235,328)	-
Group relief	-	234,281
	<u> </u>	<u> </u>
Current tax credit for period	(537,202)	-
	<u> </u>	<u> </u>

Gallions Approach Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

7 Tangible fixed assets

	Office equipment £
<i>Cost</i>	
At 1 January 2005	26,062
Additions	130,754
At 31 December 2005	156,816
<i>Depreciation</i>	
At 1 January 2005	13,010
Provided for the year	55,996
At 31 December 2005	69,006
<i>Net book value</i>	
At 31 December 2005	87,810
At 31 December 2004	13,052

8 Stocks

	2005 £	2004 £
Land held for development and work in progress	43,709,259	32,674,120

Gallions Approach Limited**Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)****9 Debtors**

	2005 £	2004 £
Trade debtors	-	319,207
Amounts owed by group undertakings	323,735	-
Other debtors	133,872	165,594
	<u>457,607</u>	<u>484,801</u>

All amounts shown under debtors fall due for payment within one year.

Included within other debtors is £2 relating to unpaid share capital.

10 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts (secured)	28,732,781	18,270,898
Trade creditors	1,280,606	25,198
Amounts owed to group undertakings	10,686,975	6,927,895
Taxation and social security	8,839	10,696
Other creditors	120,049	461,586
Accruals and deferred income	1,831,535	4,963,818
	<u>42,660,785</u>	<u>30,660,091</u>

The bank overdraft is secured by a legal charge over the company's property and a fixed and floating charge over the assets of the company, together with cross guarantees by other group companies.

11 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Other creditors	<u>3,500,000</u>	<u>3,892,000</u>

Gallions Approach Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

12 Share capital

	2005 £	2004 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000	1,000
	2005 £	2004 £
<i>Allotted, called up and unpaid</i>		
Ordinary shares of £1 each	2	2

13 Reserves

	Profit and loss account £
At 1 January 2005	(1,380,120)
Loss for the year	(525,991)
At 31 December 2005	(1,906,111)

14 Contingent liabilities

As disclosed in note 10 to the financial statements, this company has given a cross guarantee in respect of the banking facilities of other group companies. The maximum amount outstanding at 31 December 2005 was £401,198,000 (2004 - £122,371,000).

15 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Gladedale Holdings Plc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

Included within other creditors are amounts owed to Gladedale Urban Developments Limited, a company of which R Dipre is a director, of £6,691 (2004 - £6,691).

16 Ultimate parent company and parent undertaking of larger group

The directors consider the ultimate parent undertaking to be Gladedale Holdings Plc, a company registered in England and Wales. Gladedale Holdings Plc is the parent of the smallest and largest group of which the company is a member and for which consolidated accounts are prepared. Copies of these accounts can be obtained from Companies House.

17 Ultimate Controlling party

The directors consider the ultimate controlling party to be R Dipre, a director of the company, by virtue of his shareholding in Gladedale Holdings Plc.