

Gallions Approach Limited

Report and Financial Statements

Year Ended

31 December 2006



BDO Stoy Hayward
Chartered Accountants

Gallions Approach Limited

Annual report and financial statements for the year ended 31 December 2006

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Directors

R Dīpre
D Gandhi
D Gaffney
J V Dīpre

Secretary and registered office

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

Company number

4113708

Auditors

BDO Stoy Hayward LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Gallions Approach Limited

Report of the directors for the year ended 31 December 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006

Principal activities

The principal activities of the Gladedale Group are housebuilding, property development and investment. The principal activity of the company is the development and sale of property.

Review of the Business

The profit and loss account is set out on page 5 and shows turnover for the year of £16,432,544 and profit before tax for the year of £2,832,857.

The profit before taxation is £2,832,857, which has increased from a loss of £1,063,193 last year. Based on the trading in the current year, the directors believe this performance will continue throughout 2007.

The directors do not recommend the payment of a dividend (2005 £nil).

There have been no events since the balance sheet date which materially affect the position of the company.

Principal Risks and Uncertainties

The company is a subsidiary within the Gladedale Holdings Limited (formerly Gladedale Holdings Plc), the ultimate parent company, Group of companies, and therefore the risks of that Group are disclosed in the financial statements of that company. Operational and financial risks are managed on a group basis. The company is not exposed to significant risks.

Financial instruments and risk management

Working capital requirements are met principally out of floating rate overdrafts and retained profits. In addition, trade debtors and trade creditors arise directly from the company's operations. The company does not enter into any hedging arrangements.

The directors monitor the liquidity and cash flow risk of the company carefully. The company has an agreed overdraft limit within an overall Gladedale Holding Limited Group bank facility. The company generally borrows from within a group facility. Cash flow is monitored by the directors on a regular basis and appropriate action is taken where additional funds are required, by liaising with the Gladedale Holdings Limited treasury function.

Gallions Approach Limited

Report of the directors for the year ended 31 December 2006

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)

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

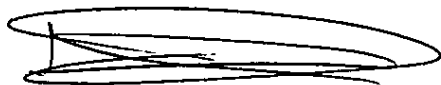
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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



D Gandhi
Secretary

Date 29/10/07

To the shareholders of Gallions Approach Limited

We have audited the financial statements of Gallions Approach Limited for the year ended 31 December 2006 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 and whether the information given in the Directors' Report is consistent with those financial statements. We also 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 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 judgments 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.

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Gatwick*

Date

20 October 2007

Gallions Approach Limited**Profit and loss account for the year ended 31 December 2006**

	Note	2006 £	2005 £
Turnover	2	16,432,544	10,449,099
Cost of sales		11,986,428	8,707,751
Gross profit		<u>4,446,116</u>	<u>1,741,348</u>
Administrative expenses		163,235	182,299
		<u>4,282,881</u>	<u>1,559,049</u>
Other operating income		63,048	10,850
Operating profit	3	<u>4,345,929</u>	<u>1,569,899</u>
Other interest receivable and similar income		29,715	16,071
Interest payable and similar charges	5	(1,542,787)	(2,649,163)
		<u>2,832,857</u>	<u>(1,063,193)</u>
Profit/(loss) on ordinary activities before taxation		2,832,857	(1,063,193)
Taxation on profit/(loss) on ordinary activities	6	(812,000)	537,202
		<u>2,020,857</u>	<u>(525,991)</u>
Profit/(loss) on ordinary activities after taxation		<u>2,020,857</u>	<u>(525,991)</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 result for the year

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

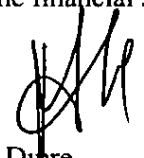
Gallions Approach Limited

Balance sheet at 31 December 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	7		-		87,810
Current assets					
Stocks and work in progress	8	42,170,736		43,709,259	
Debtors	9	7,470,970		457,606	
		<u>49,641,706</u>		<u>44,166,865</u>	
Creditors: amounts falling due within one year	10	<u>46,026,959</u>		<u>42,660,785</u>	
Net current assets			<u>3,614,747</u>		<u>1,506,080</u>
Total assets less current liabilities			<u>3,614,747</u>		<u>1,593,890</u>
Creditors: amounts falling due after more than one year	11		<u>3,500,000</u>		<u>3,500,000</u>
Net assets/(liabilities)			<u>114,747</u>		<u>(1,906,110)</u>
Capital and reserves					
Called up share capital	12		1		1
Profit and loss account	13		114,746		(1,906,111)
Shareholders' funds			<u>114,747</u>		<u>(1,906,110)</u>

The financial statements were approved by the board of directors and authorised for issue on

2007


R Dipe
Director

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

Gallions Approach Limited

Notes forming part of the financial statements for the year ended 31 December 2006

1 Accounting policies

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

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 Limited (formerly known as 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

1 Accounting policies (continued)

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

2 Turnover

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

3 Operating profit

	2006 £	2005 £
This is arrived at after charging		
Depreciation of tangible fixed assets	57,158	55,996
Auditor's remuneration - audit services	5,000	5,000
Auditor's remuneration - taxation services	1,725	1,725
	<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

	2006 £	2005 £
Bank loans and overdrafts	1,542,787	2,649,163
	<u> </u>	<u> </u>

6 Taxation on profit/(loss) on ordinary activities

	2006 £	2006 £	2005 £	2005 £
<i>UK Corporation tax</i>				
Current tax on profit/(loss) for the year	793,142		-	
Group relief receivable	-		(301,874)	
Adjustment in respect of previous periods	18,858		(235,328)	
Total current tax		812,000		(537,202)

The tax assessed for the year is lower than (2005 - lower than) the standard rate of corporation tax in the UK. The differences are explained below

	2006 £	2005 £
Profit/(loss) on ordinary activities before tax	2,832,857	(1,063,193)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 - 30%)	849,857	(318,958)
Effect of		
Expenses not deductible for tax purposes	-	15,994
Depreciation for the year in deficit/(excess) of capital allowances	(864)	1,090
Adjustment to tax charge in respect of previous years	18,858	(235,328)
Utilisation of tax losses	(55,851)	-
Current tax charge/(credit) for the year	812,000	(537,202)

Gallions Approach Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

7 Tangible fixed assets

	Office equipment £
<i>Cost</i>	
At 1 January 2006	156,816
Disposals	(156,816)
At 31 December 2006	<u>-</u>
<i>Depreciation</i>	
At 1 January 2006	69,006
Provided for the year	57,158
Disposal	(126,164)
At 31 December 2006	<u>-</u>
<i>Net book value</i>	
At 31 December 2006	<u>-</u>
At 31 December 2005	<u>87,810</u>

8 Stocks

	2006 £	2005 £
Land held for development and work in progress	<u>42,170,736</u>	<u>43,709,259</u>

9 Debtors

	2006 £	2005 £
Trade debtors	85,744	-
Amounts owed by group undertakings	7,370,757	323,735
Other debtors	14,469	133,871
	<u>7,470,970</u>	<u>457,606</u>

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

Included within other debtors is £1 (2005 £1) relating to unpaid share capital

10 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts (secured)	29,985,806	28,732,781
Trade creditors	884,077	1,280,606
Amounts owed to group undertakings	14,143,796	10,686,975
Taxation and social security	812,000	8,839
Other creditors	5,241	120,049
Accruals and deferred income	196,039	1,831,535
	<u>46,026,959</u>	<u>42,660,785</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

	2006 £	2005 £
Other creditors (Note 15)	<u>3,500,000</u>	<u>3,500,000</u>

Gallions Approach Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

12 Share capital

	2006 £	2005 £
<i>Authorised</i>		
1,000 (2005 1,000) Ordinary shares of £1 each	1,000	1,000
	2006 £	2005 £
<i>Allotted, called up and unpaid</i>		
1 (2005 1) Ordinary shares of £1 each	1	1

13 Reserves

	Profit and loss account £
At 1 January 2006	(1,906,111)
Profit for the year	2,020,857
At 31 December 2006	114,746

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 2006 was £299,753,000 (2005 - £401,198,000)

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 Limited (formerly known as 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 (2005 - £6,691)

Included within other creditors greater than one year are amounts owed to Rocla Limited, a company of which R Dipre is a director, of £3,500,000 (2005 - £3,500,000)

16 Ultimate parent company and parent undertaking of larger group

The directors consider the ultimate parent undertaking to be Gladedale Holdings Limited (formerly known as Gladedale Holdings plc), a company registered in England and Wales. Gladedale Holdings Limited (formerly known as 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 Limited (formerly known as Gladedale Holdings plc).