

Gallions Approach Limited

Annual report and financial statements for the year ended 31 December 2008

(Company number: 4113708)

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Gallions Approach Limited

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Gallions Approach Limited

Directors and advisors

Directors

D Gaffney

D Lavelle

Company secretary

D Gandhi (resigned 9 March 2009)

R Johnson (appointed 24 March 2009)

Registered office

Ashley House

Ashley Road

Epsom

Surrey

KT18 5AZ

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6RH

Gallions Approach Limited

Directors' report for the year ended 31 December 2008

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2008.

Principal activities

The principal activity of the company is development and sale of property.

Review of the business and future developments

The profit and loss account is set out on page 6 and shows turnover for the year of £15,791,000 (2007:£19,137,000) and loss before tax for the year of £769,000 (2007: profit £2,735,000).

The directors do not recommend the payment of a final dividend (2007:£nil). Accordingly, the retained loss for the financial year of £769,000 (2007: £2,736,000) has been transferred to reserves

The well rehearsed impact on the residential housing sector of the economic slowdown, has necessitated decisive action to reduce costs, overheads and tightly manage working capital.

On 1 September 2009, as part of a group-wide restructuring exercise, the company and its affiliates were acquired by Terret Group Limited. Arising from this change of ownership, new committed bank term loan and working capital facilities have been made available by the Group's principal lender. The resultant new ownership, capital and funding structure will allow the company to focus on delivering operational improvements and stakeholder value.

Along with the provision of new banking facilities, all covenant and other breaches which had occurred under the previous cross-collateralised bank debt have been waived and completely extinguished.

Further details of these post balance sheet events are disclosed in note 16 of the financial statements

Principal risks and uncertainties

The company is a member of the Gladedale Group and its risks are disclosed in the consolidated financial statements of Gladedale Holdings Limited. Operational and financial risks are managed on a 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 Gladedale Holdings Limited, 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 were as follows:

D Gaffney	
D Lavelle	(appointed 6 July 2009)
R Dipre	(resigned 9 March 2009)
D Gandhi	(resigned 9 March 2009)
J V Dipre	(resigned 9 March 2009)

Gallions Approach Limited

Directors' report for the year ended 31 December 2008 (continued)

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). The financial statements are required by law to 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 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 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.

Statement of disclosure of information to 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.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them as independent auditors and authorising the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the Board



Robin S Johnson
Company Secretary
23 October 2009

Gallions Approach Limited

Independent Auditors' Report to the members of Gallions Approach Limited

We have audited the financial statements of Gallions Approach Limited for the year ended 31 December 2008 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 1985. We also report to you whether 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 specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or 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 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.

Gallions Approach Limited

Independent Auditors' Report to the members of Gallions Approach Limited (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 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

23 October 2009

Gallions Approach Limited

Profit and loss account for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	2	15,791	19,137
Cost of sales		(15,369)	(14,028)
Gross profit		422	5,109
Administrative expenses		(85)	(415)
Other operating income		16	10
Operating profit	3	353	4,704
Interest receivable and similar income		8	1
Interest payable and similar charges	4	(1,130)	(1,970)
(Loss)/profit on ordinary activities before taxation		(769)	2,735
Taxation on profit on ordinary activities	5	-	-
Retained (loss)/profit for the financial year	12	(769)	2,735

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 is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the financial year stated above and their historical cost equivalents.

Gallions Approach Limited

Balance sheet as at 31 December 2008

		2008 £'000	2007 £'000
Fixed assets			
Investment properties	6	1,395	-
		1,395	-
Current assets			
Stocks	7	29,465	35,507
Debtors	8	534	14,477
		29,999	49,984
Creditors: amounts falling due within one year	9	(29,313)	(43,634)
Net current assets		686	6,350
Creditors: amounts falling due after more than one year		-	(3,500)
Net current assets		686	2,850
Total assets less current liabilities		2,081	2,850
Capital and reserves			
Called up equity share capital	11	-	-
Profit and loss account	12	2,081	2,850
Total shareholders' funds	13	2,081	2,850

23 The financial statements on pages 6 to 15 were approved by the Board and authorised for issue on 23 October 2009.

D Lavelle
Director



Gallions Approach Limited

Notes to the financial statements for the year ended 31 December 2008

1 Accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

On 1 September 2009, as part of a group-wide restructuring exercise, the company and its affiliates were acquired by Terret Group Limited. Arising from this change of ownership, new committed bank term loan and working capital facilities have been made available by the Group's principal lender, on this basis the directors consider that it is appropriate to prepare the accounts on a going concern basis

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 it is a wholly owned subsidiary undertaking which publishes consolidated accounts incorporating a cash flow statement dealing with the cash flows of the group.

Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standards 8 from reporting related party transactions with its fellow group companies as the company is included within the consolidated accounts of the Gladedale Holdings Limited that are publically available.

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 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.

Gallions Approach Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 Turnover

Turnover represents amounts derived from the provision of goods and services which fall due within the company's ordinary activities, after deduction of discounts and valued added tax. The turnover and profit on ordinary activities before taxation, all of which arises in the United Kingdom, is attributable to the company's principal activity that of property development.

3 Operating profit

	2008	2007
	£'000	£'000
This is arrived at after charging:		
Depreciation of tangible owned fixed assets	-	-
Net realisable provision	-	1,756

The company did not have any employees during the year or prior year.

Directors' remuneration has been met by Gladedale Holdings Limited, the ultimate parent undertaking.

Auditor's remuneration has been met by another group entity.

The net realisable provision was recognised in the year against land and work in progress, comprehensive details of the methodology adopted can be found within the accounting policies of Gladedale Holdings Limited.

4 Interest payable and similar charges

	2008	2007
	£'000	£'000
Bank loans and overdrafts	1,130	1,970

Gallions Approach Limited**Notes to the financial statements for the year ended 31 December 2008 (continued)****5 Taxation on profit on ordinary activities**

	2008	2007
	£'000	£'000
Current tax		
UK Corporation tax on profits of the period	-	-
Total current tax	-	-

The tax assessed for the year is the higher than (2007: lower than) the standard rate of corporation tax in the UK. The differences in the previous year are explained below:

	2008	2007
	£'000	£'000
(Loss)/profit on ordinary activities before tax	(769)	2,735
Profits/ (loss) on ordinary activities at standard rate of corporation tax in the UK of 28.5% (2007:30%)	(219)	821
Effect of:		
Group relief claimed	-	(821)
Unutilised tax losses	219	-
Current tax charge for the year	-	-

Factors that may affect current and future tax charges:

The standard rate of corporation tax in the UK changes from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

There is an unrecognised deferred tax asset of £219,000 (2007: £nil) relating to unrelieved tax losses available to carry forward. This has not been provided for in the accounts as the directors of the company feel that it is not likely that there will be sufficient taxable profits arising in the future against which to recover the asset.

Gallions Approach Limited**Notes to the financial statements for the year ended 31 December 2008 (continued)****6 Investment properties****£'000**

Cost and net book value

At 1 January 2008

-

Additions during the year

1,395

As at 31 December 2008

1,395**7 Stocks****2008****2007****£'000****£'000**

Land held for development and work in progress

29,465**35,507****8 Debtors****2008****2007****£'000****£'000**

Trade debtors

21

7,083

Amounts owed from group undertakings

398

7,073

Amounts owed by related parties

-

258

Other debtors

115

63

534**14,477**

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

All amounts due from group undertakings and related parties are interest free, carry no security and are repayable on demand.

Included within other debtors is £1 (2007:£1) relating to unpaid share capital.

Gallions Approach Limited**Notes to the financial statements for the year ended 31 December 2008 (continued)****9 Creditors: amounts falling due within one year**

	2008	2007
	£'000	£'000
Bank overdrafts (secured)	22,770	24,778
Trade creditors	2,280	2,834
Taxation and social security	6	-
Amounts owed to group undertakings	172	15,456
Other creditors	3,500	15
Accruals and deferred income	228	203
Amounts owed to related parties	357	348
	29,313	43,634

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company, together with cross guarantees given by other group companies.

All amounts due to group undertakings are interest free, carry no security and are repayable on demand.

Other creditors comprise amounts owed to Rocla Limited, a company controlled by R Dipre, which are interest free and carry no security.

10 Creditors: amounts falling after more than one year

	2008	2007
	£'000	£'000
Other creditors	-	3,500

11 Equity share capital

	2008	2007
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and unpaid paid		
1 ordinary shares of £1 each	1	1

Included within other debtors is £1 (2007:£1) relating to unpaid share capital.

12 Reserves

	Profit and loss account
	£'000
Balance at 1 January 2008	2,850
Retained profit for the financial year	(769)
Balance at 31 December 2008	2,081

13 Reconciliation of movements in total shareholders' funds

	2008	2007
	£'000	£'000
Retained (loss)/profit for the financial year	(769)	2,735
Opening shareholders' funds	2,850	115
Closing shareholders' funds	2,081	2,850

14 Contingent Liabilities

On 30 December 2008, the company along with other Group member and related companies entered into cross guarantee and debenture instruments with the Bank of Scotland guaranteeing and securing liability in relation to their banking facilities. The aggregate amount outstanding at 31 December 2008 under these facilities was £957,317,893 (2007: £861,415,767).

The company has given counter indemnities and guarantees of the National House Building Council in respect of performance bonds in the normal course of business.

15 Related party transactions

The company is a wholly owned subsidiary of Gladedale (Residential) Limited. Gladedale Holdings Limited, a direct subsidiary of Gladedale (Residential) Limited, has prepared consolidated financial statements for the year ended 31 December 2008 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.

16 Post Balance Sheet events

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

1. On 1 September 2009, Terret Group Limited, through its subsidiaries Terret Residential Limited and Terret Commercial Limited, acquired the entire issued share capital of Gladedale (Residential) Limited, Manor Kingdom Group Limited, Gladedale (Commercial) Limited, Gladedale Urban Developments Limited, Gladedale Ventures Limited and Rocla Limited. Terret Group 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 ownership, new committed term and working capital facility arrangements totalling £517 million have been provided by the Bank of Scotland plc to Terret's Residential Division of which the company is now a member. The new ownership, 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, the company, together with other members of the Terret Residential Division entered into a Security Agreement with Bank of Scotland plc guaranteeing and securing liability in relation to the new banking facilities.
3. Along with the provision of new banking facilities, all covenant and other breaches which had occurred under the previous cross-collateralised bank debt have been waived and completely extinguished.

17 Ultimate parent company

The company is a wholly owned subsidiary of Gladedale (Residential) Limited.

Following the post balance sheet event noted above, from 1 September 2009, the directors consider Terret Group Limited to be the company's ultimate parent company and controlling party. Terret Group Limited is the largest and smallest group of which the company is a member and for which group accounts will be prepared from 31 December 2009.

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

18 Ultimate controlling party

The directors consider R Dipre to have been the ultimate controlling party until 1 September 2009 by virtue of his shareholding in Gladedale (Residential) Limited.