

# Gallions Approach Limited

Annual report and financial statements for the year ended 31 December 2010

Company number: 4113708



# **Gallions Approach Limited**

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# **Gallions Approach Limited**

## **Directors and advisors**

### **Directors**

Neil Fitzsimmons

Colin E Lewis

Carole E Brown

### **Company secretary**

Joanne E Massey

### **Registered office**

Ashley House

Ashley Road

Epsom

Surrey

KT18 5AZ

### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

WC2N 6RH

# **Gallions Approach Limited**

## **Directors' report for the year ended 31 December 2010**

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2010. 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 Gallions Approach Limited.

### **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 5 and shows turnover for the year of £20,552,000 (2009 £16,055,000) and profit before tax for the year of £3,510,000 (2009 £679,000).

The directors do not recommend the payment of a final dividend (2009 £nil). Accordingly, the retained profit for the financial year of £3,495,000 (2009 £694,000) has been transferred to reserves.

The directors are satisfied with the performance of the business in what continues to be a challenging housing market, given the restrictions arising from the lack of mortgage availability.

The Company continues to benefit from the support provided by the ultimate parent undertaking, which has ensured that new committed bank term loan and working capital facilities have been made available by the Group's principal lender.

Along with the rest of the Group, ongoing operating and legal restructuring continues apace, driving down costs and improving performance.

### **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 Gladedale Residential Group 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:

|               |                              |
|---------------|------------------------------|
| N Fitzsimmons | (appointed 1 June 2010)      |
| C E Lewis     | (appointed 1 June 2010)      |
| D Gaffney     | (resigned 15 July 2010)      |
| C E Brown     | (appointed 1 September 2010) |

# **Gallions Approach Limited**

## **Directors' report for the year ended 31 December 2010 (continued)**

### **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**  
25 July 2011

## **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 2010 which comprise the Profit and loss account, 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.

#### **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 2010 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.



Suzanne Woolfson (Senior Statutory Auditor)  
For and on behalf of **PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
London

26 July 2011

## Gallions Approach Limited

### Profit and loss account for the year ended 31 December 2010

|                                                      | Note | 2010<br>£'000 | 2009<br>£'000 |
|------------------------------------------------------|------|---------------|---------------|
| Turnover                                             | 2    | 20,552        | 16,055        |
| Cost of sales                                        |      | (16,844)      | (14,806)      |
| <b>Gross profit</b>                                  |      | <b>3,708</b>  | <b>1,249</b>  |
| Administrative expenses                              |      | (351)         | (8)           |
| Other operating income                               |      | 25            | 19            |
| <b>Operating profit</b>                              | 3    | <b>3,382</b>  | <b>1,260</b>  |
| Interest receivable and similar income               |      | 128           | 43            |
| Interest payable and similar charges                 | 4    | -             | (624)         |
| <b>Profit on ordinary activities before taxation</b> |      | <b>3,510</b>  | <b>679</b>    |
| Taxation on profit on ordinary activities            | 5    | (15)          | 15            |
| <b>Profit for the financial year</b>                 | 12   | <b>3,495</b>  | <b>694</b>    |

All amounts relate to continuing activities

There were no recognised gains or losses in either financial year other than the profit for the financial year as shown above

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

# Gallions Approach Limited

## Balance sheet as at 31 December 2010

|                                                                             | Note | 2010<br>£'000   | 2009<br>£'000   |
|-----------------------------------------------------------------------------|------|-----------------|-----------------|
| <b>Fixed assets</b>                                                         |      |                 |                 |
| Investment properties                                                       | 6    | 1,200           | 1,421           |
| <b>Current assets</b>                                                       |      |                 |                 |
| Stock                                                                       | 7    | 5,948           | 19,075          |
| Debtors (including £1,395,000 (2009 £979,000) due after more than one year) | 8    | 19,838          | 3,082           |
| Cash at bank and at hand                                                    |      | 297             | 1,157           |
|                                                                             |      | <b>26,083</b>   | <b>23,314</b>   |
| <b>Creditors: amounts falling due within one year</b>                       | 9    | <b>(1,510)</b>  | <b>(2,456)</b>  |
| <b>Net current assets</b>                                                   |      | <b>24,573</b>   | <b>20,858</b>   |
| <b>Total assets less current liabilities</b>                                |      | <b>25,773</b>   | <b>22,279</b>   |
| <b>Creditors: amounts falling due after more than one year</b>              |      | <b>(19,503)</b> | <b>(19,504)</b> |
| <b>Net assets</b>                                                           |      | <b>6,270</b>    | <b>2,775</b>    |
| <b>Capital and reserves</b>                                                 |      |                 |                 |
| Called up share capital                                                     | 11   | -               | -               |
| Profit and loss reserve                                                     | 12   | 6,270           | 2,775           |
| <b>Total shareholders' funds</b>                                            | 13   | <b>6,270</b>    | <b>2,775</b>    |

The financial statements on pages 5 to 13 were approved by the Board and authorised for issue on 25 July 2011



N Fitzsimmons  
**Director**  
 Gallions Approach Limited  
 Company number 4113708

# **Gallions Approach Limited**

## **Notes to the financial statements for the year ended 31 December 2010**

### **1 Accounting policies**

#### **Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets 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.

#### **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.

#### **Investment properties**

In accordance with SSAP 9 investment properties are revalued annually to open market value and no depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 2006 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

# Gallions Approach Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 1 Accounting policies (continued)

#### 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

Deferred tax is not recognised on timing differences arising on revalued properties unless the Company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief

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

#### 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 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

|                                                 | Note | 2010<br>£'000 | 2009<br>£'000 |
|-------------------------------------------------|------|---------------|---------------|
| Deficit on revaluation of investment properties | 6    | 221           | -             |

The Company did not have any employees during the year or prior year

Directors' remuneration has been borne by Gladedale Group Limited and Country & Metropolitan Limited, which are fellow Group undertakings

Auditors' remuneration has been met by another Group entity

## Gallions Approach Limited

### Notes to the financial statements for the year ended 31 December 2010 (continued)

#### 4 Interest payable and similar charges

|                           | 2010  | 2009  |
|---------------------------|-------|-------|
|                           | £'000 | £'000 |
| Bank loans and overdrafts | -     | 624   |

#### 5 Taxation on profit on ordinary activities

|                                            | 2010      | 2009        |
|--------------------------------------------|-----------|-------------|
|                                            | £'000     | £'000       |
| <b>Current tax</b>                         |           |             |
| UK Corporation tax on profit of the period | -         | -           |
| Prior year adjustment – loss carry back    | 15        | (15)        |
| <b>Total current tax</b>                   | <b>15</b> | <b>(15)</b> |

The tax assessed for the year is lower than (2009 lower than) the standard rate of corporation tax in the UK for the year ended 31 December 2010 of 28% (2009 28%). The differences are explained below

|                                                                                               | 2010      | 2009        |
|-----------------------------------------------------------------------------------------------|-----------|-------------|
|                                                                                               | £'000     | £'000       |
| Profit on ordinary activities before tax                                                      | 3,510     | 679         |
| Profit on ordinary activities at standard rate of corporation tax in the UK of 28% (2009 28%) | 983       | 190         |
| Effect of                                                                                     |           |             |
| Group relief                                                                                  | (948)     | -           |
| Losses carried forward                                                                        | (35)      | (190)       |
| Prior year adjustment – loss carry back                                                       | 15        | (15)        |
| <b>Current tax charge/(credit) for the year</b>                                               | <b>15</b> | <b>(15)</b> |

## Gallions Approach Limited

### Notes to the financial statements for the year ended 31 December 2010 (continued)

#### 5 Taxation on profit on ordinary activities (continued)

Factors that may affect current and future tax charges

A number of changes to the UK Corporation tax system were announced in the June 2010 and March 2011 Budget Statements. The Finance Act (No 2) 2010 includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. This change was substantively enacted by the balance sheet date.

Further reductions to the main rate are proposed to reduce the rate by a further 1% to 26% from 1 April 2011 and then 1% per annum to 23% by 1 April 2014.

#### 6 Investment properties

|                         | 2010         | 2009         |
|-------------------------|--------------|--------------|
| Cost and net book value | £'000        | £'000        |
| At 1 January            | 1,421        | 1,395        |
| Additions               | -            | 26           |
| Revaluation             | (221)        | -            |
| <b>At 31 December</b>   | <b>1,200</b> | <b>1,421</b> |

The Company's freehold investment properties have been valued by the directors at 31 December 2010 on an open market basis. If the Company's freehold investment properties had not been revalued then the properties would have been included in the financial statements at their historical cost value of £1,421,000 (2009: £1,421,000). No depreciation has been charged on the freehold investment properties.

Should the Company's investment properties be sold at their estimated market value, a corporation tax liability of approximately £nil (2009: £nil) would crystallise, based on a tax rate of 28% (2009: 28%).

#### 7 Stock

|                                                | 2010  | 2009   |
|------------------------------------------------|-------|--------|
|                                                | £'000 | £'000  |
| Land held for development and work in progress | 5,948 | 19,075 |

# Gallions Approach Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 8 Debtors

|                                      | 2010          | 2009         |
|--------------------------------------|---------------|--------------|
|                                      | £'000         | £'000        |
| Trade debtors                        | 387           | 93           |
| Corporation tax                      | -             | 15           |
| Amounts owed from Group undertakings | 18,030        | 1,838        |
| VAT                                  | 26            | 20           |
| Other debtors                        | -             | 87           |
| Prepayments and accrued income       | -             | 50           |
| Equity share receivables             | 1,395         | 979          |
|                                      | <b>19,838</b> | <b>3,082</b> |

All amounts shown under debtors fall due for payment within one year, except for £1,395,000 (2009 £979,000) of equity share receivables which are due after more than one year

All amounts owed by Group undertakings are interest free, carry no security and are repayable on demand

Included within other debtors is £1 (2009 £1) relating to unpaid share capital

### 9 Creditors' amounts falling due within one year

|                                   | Note | 2010         | 2009         |
|-----------------------------------|------|--------------|--------------|
|                                   |      | £'000        | £'000        |
| Trade creditors                   |      | 1,320        | 2,333        |
| Taxation and social security      |      | 5            | -            |
| Amounts due to Group undertakings |      | 60           | 103          |
| Other creditors                   |      | -            | 20           |
| Accruals and deferred income      |      | 125          | -            |
|                                   |      | <b>1,510</b> | <b>2,456</b> |

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

# Gallions Approach Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 10 Creditors amounts falling after more than one year

|                                   | 2010   | 2009   |
|-----------------------------------|--------|--------|
|                                   | £'000  | £'000  |
| Amounts due to Group undertakings | 19,503 | 19,504 |

All amounts due to Group undertakings are interest free, carry no security and are repayable after more than one year

### 11 Called up share capital

|                                  | 2010  | 2009  |
|----------------------------------|-------|-------|
|                                  | £     | £     |
| Authorised                       |       |       |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| Allotted, called up and unpaid   |       |       |
| 1 ordinary shares of £1 each     | 1     | 1     |

Included within other debtors is £1 (2009 £1) relating to unpaid share capital

### 12 Reserves

|                                    | Profit and loss<br>reserve |
|------------------------------------|----------------------------|
|                                    | £'000                      |
| Balance at 1 January 2010          | 2,775                      |
| Profit for the financial year      | 3,495                      |
| <b>Balance at 31 December 2010</b> | <b>6,270</b>               |

## **Gallions Approach Limited**

### **Notes to the financial statements for the year ended 31 December 2010 (continued)**

#### **13 Reconciliation of movements in shareholders' funds**

|                                    | <b>2010</b>  | <b>2009</b>  |
|------------------------------------|--------------|--------------|
|                                    | <b>£'000</b> | <b>£'000</b> |
| Profit for the financial year      | <b>3,495</b> | <b>694</b>   |
| Opening shareholders' funds        | <b>2,775</b> | <b>2,081</b> |
| <b>Closing shareholders' funds</b> | <b>6,270</b> | <b>2,775</b> |

#### **14 Contingent liabilities**

On 1 September 2009, the Company along with other Group member 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 2010 under these facilities was £475,524,237 (2009 £525,518,400)

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 Strathmartine Holdings Limited. Gladedale Group Holdings Limited, the ultimate parent undertaking, has prepared consolidated financial statements for the year ended 31 December 2010 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. There are no other related parties transactions that require disclosure in these financial statements.

#### **16 Ultimate parent undertaking**

The Company's immediate parent is Strathmartine Holdings Limited

The directors consider Gladedale Group Holdings Limited, a company registered in England and Wales, to be the Company's ultimate parent company and controlling party. Gladedale Group Holdings 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 for 31 December 2010.

Copies of the financial statements of the ultimate parent company are available from Companies House, Crown Way, Maundy, Cardiff CF4 3UZ