

Gallions Approach Limited

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

Company number: 4113708



Gallions Approach Limited

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Gallions Approach Limited

Directors and advisors

Directors

Neil Fitzsimmons

Colin E Lewis

Elizabeth Catchpole

Company secretary

Joanne E Massey

Registered office

30 High Street

Westerham

Kent

TN16 1RG

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Erskine House

68-73 Queen Street

Edinburgh

EH2 4NH

Gallions Approach 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 Gallions Approach Limited.

Principal activities

The principal activity of the Company is that of property investment and development.

As part of a Group-wide corporate simplification project, the Company acquired the whole of the business of a fellow Group undertaking, Gladedale (Eastern) Limited. The business transfer occurred on 1st January 2011. The total consideration paid by the Company, through intercompany account, was -£2,322.58.

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 £4,975,000 (2010 £20,552,000) and profit before tax for the year of £34,000 (2010 £3,510,000).

The directors do not recommend the payment of a final dividend (2010 £nil). Accordingly, the retained profit for the financial year of £34,000 (2010 £3,495,000) 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.

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.

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

C E Lewis

C E Brown (resigned 15 February 2012)

E Catchpole (appointed 20 June 2012)

Gallions Approach Limited

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

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 prepared 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 these 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

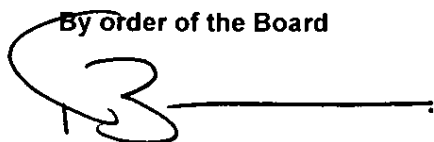
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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

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 2011 which comprise the Profit and loss account, the Balance sheet 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 Statement of Directors' Responsibilities 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 directors' report and related notes 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

21 August 2012

Gallions Approach Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Turnover					
Continuing operations					
Existing		4,975		20,552	
Turnover	2		4,975		20,552
Cost of sales			(4,350)		(16,844)
Gross profit			625		3,708
Administrative expenses			(693)		(351)
Other operating income			-		25
Operating (loss)/profit					
Continuing operations		(61)		3,382	
Transfers from fellow Group undertakings		(7)		-	
Operating (loss)/profit	3		(68)		3,382
Interest receivable and similar income			102		128
Profit on ordinary activities before taxation			34		3,510
Taxation on profit on ordinary activities	5		-		(15)
Profit for the financial year	12		34		3,495

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

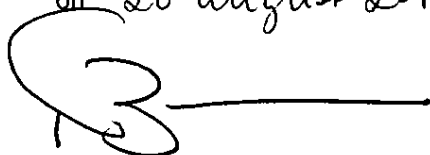
Gallions Approach Limited

Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investment properties	6	750	1,200
Current assets			
Stock	7	1,782	5,948
Debtors (including £1,166,000 (2010 £1,395,000) due after more than one year)	8	22,942	19,838
Cash at bank and at hand		131	297
		24,855	26,083
Creditors amounts falling due within one year	9	(19,301)	(1,510)
Net current assets		5,554	24,573
Total assets less current liabilities		6,304	25,773
Creditors: amounts falling due after more than one year		-	(19,503)
Net assets		6,304	6,270
Capital and reserves			
Called up share capital	11	-	-
Profit and loss reserve	12	6,304	6,270
Total shareholders' funds	13	6,304	6,270

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

on 20 August 2012



N Fitzsimmons
Director
 Gallions Approach Limited
 Company number: 4113708

Gallions Approach Limited

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

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 (except for the revaluation of investment properties noted below) 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 2011 (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 value 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	2011 £'000	2010 £'000
Deficit on revaluation of investment properties	6	551	221

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

Directors' remuneration has been borne by Gladedale Holdings Limited and Country & Metropolitan Homes 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 2011 (continued)

4 Interest payable and similar charges

	2011	2010
	£'000	£'000
Bank interest receivable	6	37
Interest receivable arising from equity share receivables	96	91
	102	128

Gallions Approach Limited

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

5 Taxation on profit on ordinary activities

	2011	2010
	£'000	£'000
Current tax		
UK Corporation tax on profit of the period	-	-
Prior year adjustment – loss carry back	-	15
Total current tax	-	15

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	34	3,510
Profit on ordinary activities at standard rate of corporation tax in the UK of 26.5% (2010 28%)	9	983
Effect of		
Expenses not deductible	146	-
Group relief	-	(948)
Losses carried forward	(155)	(35)
Prior year adjustment – loss carry back	-	15
Current tax charge for the year	-	15

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 £47,000 (2010 £nil) relating to unrelieved tax losses available to carry forward. The unrecognised deferred tax asset of £47,000 (2010 £nil) 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 £6,000.

Gallions Approach Limited

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

6 Investment properties

	2011	2010
Cost and net book value	£'000	£'000
At 1 January	1,200	1,421
Additions	101	-
Revaluation	(551)	(221)
At 31 December	750	1,200

The Company's freehold investment properties have been valued by the directors at 31 December 2011 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 £1,522,000 (2010 £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 (2010 £nil) would crystallise, based on a tax rate of 26.5% (2010 28%).

7 Stock

	2011	2010
	£'000	£'000
Land held for development and work in progress	1,782	5,948

Gallions Approach Limited

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

8 Debtors

	2011	2010
	£'000	£'000
Trade debtors	265	387
Amounts owed from Group undertakings	21,511	18,030
VAT	-	26
Equity share receivables	1,166	1,395
	22,942	19,838

All amounts shown under debtors fall due for payment within one year, except for £1,166,000 (2010 £1,395,000) of equity share receivables which are due after more than one year

All amounts owed by Group undertakings are unsecured, interest free and are repayable on demand

Included within other debtors is £1 (2010 £1) relating to unpaid share capital

9 Creditors: amounts falling due within one year

	Note	2011	2010
		£'000	£'000
Trade creditors		518	1,320
VAT		1	-
Taxation and social security		21	5
Amounts due to Group undertakings		18,761	60
Accruals and deferred income		-	125
		19,301	1,510

All amounts due to Group undertakings are unsecured, interest free and are repayable on demand

Gallions Approach Limited

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

10 Creditors: amounts falling after more than one year

	2011	2010
	£'000	£'000
Amounts due to Group undertakings	-	19,503

All amounts due to Group undertakings are unsecured, interest free and are repayable after more than one year

11 Called up share capital

	2011	2010
	£	£
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 (2010 £1) relating to unpaid share capital

12 Reserves

	Profit and loss reserve
	£'000
Balance at 1 January 2011	6,270
Profit for the financial year	34
Balance at 31 December 2011	6,304

Gallions Approach Limited

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

13 Reconciliation of movements in shareholders' funds

	2011	2010
	£'000	£'000
Profit for the financial year	34	3,495
Opening shareholders' funds	6,270	2,775
Closing shareholders' funds	6,304	6,270

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 2011 under these facilities was £516,765,048 (2010 £475,524,237)

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 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. There are no other related parties transactions that require disclosure in these financial statements

Gallions Approach Limited

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

16 Post balance sheet events

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.

17 Ultimate parent undertaking

The Company is a wholly owned subsidiary of Strathmartine Holdings Limited.

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.