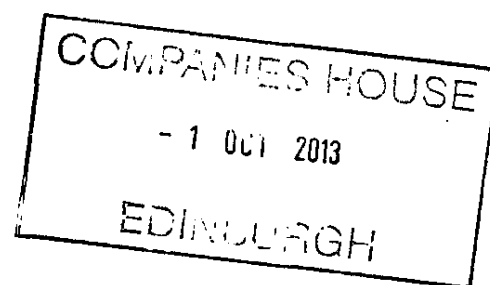


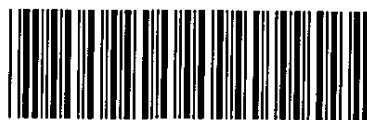
# Gladedale Capital Limited

Annual report and financial statements for the year ended 31 December 2012

Company number: SC48050



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# **Gladedale Capital Limited**

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## **Gladedale Capital Limited**

### **Directors and advisors**

#### **Directors**

Neil Fitzsimmons  
Elizabeth Catchpole

#### **Company secretary**

Joanne E Massey

#### **Registered office**

Regency House  
Crossgates Road  
Halbeath Industrial Estate  
Dunfermline  
Fife  
United Kingdom  
KY11 7EG

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Erskine House  
68-73 Queen Street  
Edinburgh  
EH2 4NH

#### **Bankers**

Bank of Scotland  
The Mound  
Edinburgh  
EH1 1YZ

#### **Registration number**

SC48050

## **Gladedale Capital Limited**

### **Directors' report for the year ended 31 December 2012**

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2012. In this report, the 'Group' means Avant Homes Holdings Limited (formerly Gladedale Limited) and its subsidiary undertakings, the 'Commercial Group' means Gladedale Commercial Group Limited and its subsidiaries and the 'Company' means Gladedale Capital Limited.

#### **Principal activities**

The Company's principal activity comprised property dealing, property investment and development.

#### **Review of business and future developments**

The profit and loss account is set out on page 6 and shows a loss on ordinary activities before taxation for the year of £18,800,000 (2011: loss of £2,345,000) after recognising a net realisable provision of £nil (2011: £942,000) and an impairment of a loan of £18,896,000 owned by a fellow Group undertaking.

The directors do not recommend the payment of a final dividend (2011: £nil). Accordingly, the loss for the financial year of £18,800,000 (2011: loss of £2,345,000) has been transferred to reserves.

In January 2012 all staff were transferred to a fellow subsidiary, Quartermile Management Services Limited. During the year the company also sold its last remaining significant development.

The Company benefits from the support provided by a Group undertaking, Avant Homes Limited (formerly Gladedale Residential Group Limited).

#### **Principal risks and uncertainties**

The Company is a member of the Commercial Group and its risks are disclosed in the consolidated financial statements of Gladedale Commercial Group Limited. Operational and financial risks are managed on a Commercial 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 Commercial 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.

## **Gladedale Capital Limited**

### **Directors' report for the year ended 31 December 2012**

#### **Directors**

The directors who of the company who were in office during the year and up to the date of signing the financial statements were:

Neil Fitzsimmons

Paul Curran (resigned 20 September 2013)

Michael Milligan (resigned 20 September 2013)

Elizabeth Catchpole (appointed 20 June 2012)

#### **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 have 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 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;
- 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**



Neil Fitzsimmons

Director

30 September

2013

## **Gladedale Capital Limited**

### **Independent auditors' report to the members of Gladedale Capital Limited**

We have audited the financial statements of Gladedale Capital Limited for the year ended 31 December 2012 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 annual report and financial statements 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 2012 and of its loss 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.

## **Gladedale Capital Limited**

### **Independent auditors' report to the members of Gladedale Capital Limited**

#### **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*

Caroline Roxburgh (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
[Date] 1 October 2013

# Gladedale Capital Limited

## Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	2	2,143	348
Cost of sales		(2,111)	(1,191)
<b>Gross profit/(loss)</b>		<b>32</b>	<b>(843)</b>
Administrative expenses		(19,078)	(1,942)
Recurring administrative expenses		(182)	(1,942)
Exceptional items:			
- impairment of loan owed by a fellow group undertaking	3	(18,896)	-
Other operating income		247	440
<b>Operating loss</b>	3	<b>(18,799)</b>	<b>(2,345)</b>
Loss on sale of fixed assets		(1)	-
<b>Loss on ordinary activities before tax</b>		<b>(18,800)</b>	<b>(2,345)</b>
Taxation on loss on ordinary activities	5	-	-
<b>Loss for the financial year</b>	11	<b>(18,800)</b>	<b>(2,345)</b>

All amounts relate to continuing activities.

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

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical cost equivalents.

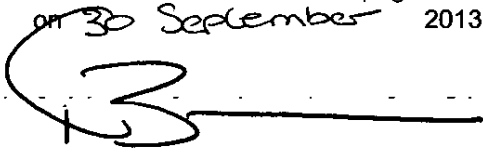


# Gladedale Capital Limited

## Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Current assets</b>			
Stock	6	61	2,199
Debtors	7	143	19,004
Cash at bank and in hand		567	20
		771	21,223
<b>Creditors: amounts falling due within one year</b>	8	(59)	(1,711)
<b>Net current assets</b>		712	19,512
<b>Net assets</b>		712	19,512
<b>Capital and reserves</b>			
Called up share capital	9	14,533	14,533
Share premium account	10	1,155	1,155
Profit and loss account	10	(14,976)	3,824
<b>Total shareholder's funds</b>	11	712	19,512

The financial statements on pages 6 to 14 were approved by the Board and authorised for issue on 30 September 2013.



Neil Fitzsimmons  
Director  
Gladedale Capital Limited  
Registered number: SC48050

# **Gladedale Capital Limited**

## **Notes to the financial statements for the year ended 31 December 2012**

### **1 Accounting policies**

#### **Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention, 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 Avant Homes Holdings Limited (formerly Gladedale 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.

#### **Revenue recognition**

##### *Sale of commercial properties*

Revenue on the sale of commercial property is recognised when the contract has legally completed.

##### *Sale of land*

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

#### **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 commercial property development. 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.

#### **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.

## **Gladedale Capital Limited**

### **Notes to the financial statements for the year ended 31 December 2012**

#### **1 Accounting policies (continued)**

##### **Going concern**

On the 28 June 2012, Avant Homes Holdings Limited (formerly Gladedale Limited) acquired the entire share capital of Avant Homes Group Limited (formerly Gladedale Group Holdings Limited). Arising from this new ownership the Group was financially restructured and Gladedale Commercial Group Limited entered into a new 12 month lending facility agreement with the Group's principal lenders, Bank of Scotland plc totalling £75,400,000.

At the same time, the Commercial Group reduced bank borrowing by £15,753,516 through an intercompany loan from its new parent company, Avant Homes Holdings Limited (formerly Gladedale Limited). The intercompany loan has subsequently been waived.

On 28 June 2012, 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 the liabilities in relation to their banking facilities.

The Company benefits from the support provided by a Group undertaking, Avant Homes Limited (formerly Gladedale Residential Group Limited). Consequently, the directors continue to adopt the going concern basis in preparing the annual report and financial statements

##### **Operating leases**

Annual rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

##### **Pension costs**

###### *Defined contributions scheme*

The Company participates in a Group-wide defined contribution pension scheme. Pension costs are charged to the profit and loss account on an accruals basis.

#### **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 loss on ordinary activities before taxation, all of which arises in the United Kingdom, is attributable to the Company's principal activity that of property dealing, property investment and development.

# Gladedale Capital Limited

## Notes to the financial statements for the year ended 31 December 2012

### 3 Operating loss

	2012	2011
	£'000	£'000
<b>Operating loss is arrived at after charging:</b>		
Net realisable value provision charged to cost of sales	-	942
Impairment of loan owed by a fellow group undertaking	18,896	-
<b>Operating lease charges:</b>		
- properties	130	130
- other	6	46

At the year end the company made a provision for the impairment of a loan due from a fellow group undertaking. In relation to the prior year, the net realisable value provision was recognised against work in progress.

### 4 Employees

	2012	2011
	£'000	£'000
<b>Staff costs during the year (including directors' remuneration) consists of:</b>		
Wages and salaries	-	1,259
Social security costs	-	183
Other pension costs	-	69
	-	1,511

	2012	2011
	Number	Number
<b>Monthly average number of persons employed (including executive directors):</b>		
	-	40

All staff were transferred to a fellow subsidiary, Quartermile Management Services Limited, on 1 January 2012.

# Gladedale Capital Limited

## Notes to the financial statements for the year ended 31 December 2012

### 5 Taxation on profit/(loss) on ordinary activities

	2012	2011
	£'000	£'000
UK corporation tax		
UK corporation tax on loss in year	-	-
Total current tax	-	-

The tax assessed for the year is lower than (2011: higher than) the standard rate of corporation tax in the UK for the year ended 31 December 2012 of 24.5% (2011: 26.5%). The differences are explained below:

	2012	2011
	£'000	£'000
Loss on ordinary activities before tax	(18,800)	(2,345)
Loss on ordinary activities at the standard rate corporation tax in the UK of 24.5% (2011: 26.5%)	(4,606)	(621)
Effect of:		
Expenses not deductible	4629	-
Utilised losses	(23)	-
Unutilised losses	-	621
Current tax charge for the year	-	-

#### Factors affecting current and future tax charges:

The main rate of corporation tax changed to 24% with effect from 1 April 2012. The 2012 Finance Bill included legislation to reduce the main rate of corporation to 23% with effect from 1 April 2013. 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 £49,000 (2011: £663,000) relating to unrelieved tax losses and £50,000 (2011: £53,000) relating to capital losses available to carry forward. The total unrecognised deferred tax asset of £99,000 (2011: £716,000) 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 21% by 2014 which are expected to be enacted separately each year. The estimated overall effect of the further changes from 23% to 21%, if these applied to the deferred tax balance at 31 December 2012, would be to reduce the unrecognised deferred tax asset by approx £9,000.

# Gladedale Capital Limited

## Notes to the financial statements for the year ended 31 December 2012

### 6 Stock

	2012	2011
	£'000	£'000
Land held for development and work in progress	61	2,199

### 7 Debtors

	2012	2011
	£'000	£'000
Trade debtors	-	47
Amounts owed by Group undertakings	107	18,905
Other debtors	-	3
Prepayments and accrued income	36	49
	143	19,004

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

Amounts owed by Group undertakings carry no interest or security and are repayable on demand. At the year end a provision was made to impair a loan owed by a fellow group undertaking of £18,896,000.

### 8 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	12	18
Amounts owed to Group undertakings	-	1,011
Taxation and social security	-	108
Accruals and deferred income	47	574
	59	1,711

# Gladedale Capital Limited

## Notes to the financial statements for the year ended 31 December 2012

### 9 Called up share capital

	2012	2011
	£'000	£'000
Allotted, called up and fully paid:		
14,532,678 (2011: 14,532,678) ordinary shares of £1 each	14,533	14,533

### 10 Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At 1 January 2012	1,155	3,824
Loss for the financial year	-	(18,800)
<b>At 31 December 2012</b>	<b>1,155</b>	<b>(14,976)</b>

### 11 Reconciliation of movements in total shareholders' funds

	2012	2011
	£'000	£'000
Loss for the financial year	(18,800)	(2,345)
Opening total shareholder's funds	19,512	21,857
<b>Closing total shareholder's funds</b>	<b>712</b>	<b>19,512</b>

## **Gladedale Capital Limited**

### **Notes to the financial statements for the year ended 31 December 2012**

#### **12 Financial Commitments**

At 31 December, the Company was committed to making the following payments during the next year in respect of operating leases.

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Land and buildings leases which expire:</b>		
After more than 5 years	<b>130</b>	<b>130</b>
<b>Other which expire:</b>		
Between two and five years	<b>6</b>	<b>6</b>
	<b>136</b>	<b>136</b>

#### **13 Contingent liabilities**

On 28 June 2012, 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 the liabilities in relation to their banking facilities. The aggregate amount outstanding at 31 December 2012 under these facilities was £340,067,343 (2011: £516,654,135).

#### **14 Related party transactions**

The Company is a wholly owned subsidiary of Gladedale (Commercial) Limited. Avant Homes Holdings Limited (formerly Gladedale Limited), the ultimate parent undertaking, has prepared consolidated financial statements for the year ended 31 December 2012 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.

#### **15 Ultimate parent undertaking and controlling party**

The Company is a wholly owned subsidiary of Gladedale (Commercial) Limited. The Company's shares have been pledged to HSDL Nominees Limited, a nominee of Bank of Scotland plc, as security for the Group's long term funding arrangements.

The ultimate parent undertaking and controlling party is Avant Homes Holdings Limited (formerly Gladedale Limited), a company registered in England and Wales. Avant Homes Holdings Limited (formerly Gladedale Limited) is the largest and Gladedale Commercial Group Limited is the smallest group of which the Company is a member and for which consolidated financial statements are prepared. Copies of the consolidated financial statements of Avant Homes Holdings Limited (formerly Gladedale Limited) are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.