

Gallos Limited

Report and Financial Statements

30 June 2010

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COMPANIES HOUSE

Directors

J S Bloor
J L Eastham
D I K Mehta

Secretary

D I K Mehta

Auditors

Ernst & Young LLP
No 1 Colmore Square
Birmingham B4 6HQ

Registered Office

Ashby Road
Measham
Swadlincote
Derbyshire DE12 7JP

Directors' report

The directors present their report and financial statements for the year ended 30 June 2010

Results and dividends

The loss for the year after taxation amounted to £2,211,000 (2009 – loss of £386,000) The directors do not recommend the payment of a dividend (2009 – £nil)

Principal activity and review of the business

The principal activity of the company is the granting of advances to purchasers of residential properties constructed by fellow subsidiary companies

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Other expense	(355)	(58)
Loss on ordinary activities before taxation	(3,068)	(549)
Taxation credit	857	163
Loss for the financial year	<u>(2,211)</u>	<u>(386)</u>

The company undertook a review of all advances made in connection with the Bloor Homes Start shared equity scheme operated by certain fellow subsidiary companies which resulted in a cumulative provision balance of £4,946,000 at 30 June 2010 (2009 - £2,220,000)

Risk management

The main risks facing the company are credit risk and economic risks relating to house prices over the medium term. The company exposes itself to the risk that a counterparty to whom it lends money will be unable to repay the amounts when they fall due in a number of years time. The company monitors such risk on a regular basis and makes impairment provisions when it becomes evident that it is likely to incur losses.

Future developments

The current year to date has continued to be difficult but the company's business is well placed to benefit from the opportunities for growth which will arise as the economy recovers.

Events since the balance sheet date

The directors confirm that there have been no events since the balance sheet date that should be adjusted or disclosed.

Directors

The directors who served the company during the year were as follows

J S Bloor
J L Eastham
D I K Mehta

Directors' report

Financing

The company funds its operations through a combination of shareholders' funds, group loans, bank loans, bank overdrafts and other borrowings. The bank loans, bank overdrafts and other borrowings are arranged on a group basis by Bloor Holdings Limited, the ultimate parent undertaking.

Bloor Holdings Limited has undertaken to provide financial support to the company to enable the company to meet its obligations as and when they become due for payment. Further details are given in note 1 to the financial statements.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

KPMG LLP resigned as auditors on 15 April 2010 and Ernst & Young LLP were appointed in their place.

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



D I K Mehta
Secretary

20 October 2010

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 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 these 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.

The directors are responsible for keeping proper 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.

Independent auditors' report

to the members of Gallos Limited

We have audited the financial statements of Gallos Limited for the year ended 30 June 2010 which comprise Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet, and the related notes 1 to 13. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 4, 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 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 (APB's) Ethical Standards for Auditors.

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 30 June 2010 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.

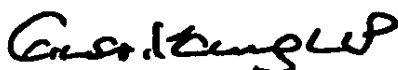
Opinion on other matter prescribed by the Companies Act 2006

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.

Independent auditors' report**to the members of Gallos 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



Ronald John Bowker (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

20 October 2010

Profit and loss account

for the year ended 30 June 2010

	<i>Notes</i>	<i>2010</i> £000	<i>2009</i> £000
Other expenses			
Administrative expenses	2	(355)	(58)
		(2,717)	(512)
Operating loss	3	(3,072)	(570)
Interest receivable	5	4	21
Loss on ordinary activities before taxation		(3,068)	(549)
Tax on loss on ordinary activities	6	857	163
Loss for the financial year	10	(2,211)	(386)

All amounts are derived from continuing operations

Statement of total recognised gains and losses

for the year ended 30 June 2010

There are no recognised gains or losses other than the loss attributable to the shareholder of the company of £2,211,000 in the year ended 30 June 2010 (2009 – loss of £386,000)

Notes 1 to 13 form part of these financial statements

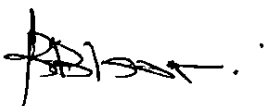
Balance sheet

at 30 June 2010

	<i>Notes</i>	<i>2010</i> £000	<i>2009</i> £000
Current assets			
Debtors – falling due after more than one year	7	41,270	31,986
– falling due within one year	7	1,380	524
		<u>42,650</u>	<u>32,510</u>
Total debtors			
Cash at bank and in hand		184	49
		<u>42,834</u>	<u>35,559</u>
Creditors, amounts falling due within one year	8	(46,636)	(34,150)
		<u>(3,802)</u>	<u>(1,591)</u>
Net liabilities			
		<u>(3,802)</u>	<u>(1,591)</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	(3,802)	(1,591)
		<u>(3,802)</u>	<u>(1,591)</u>
Equity shareholder's funds	10	(3,802)	(1,591)
		<u>(3,802)</u>	<u>(1,591)</u>

Notes 1 to 13 form part of these financial statements. The financial statements were approved and authorised for issue by the board and were signed on its behalf by

J S Bloor
Director



J L Eastham
Director
20 October 2010



Balance sheet

at 30 June 2010

1. Accounting policies

The financial statements of Gallos Limited were approved for issue by the Board of directors on 20 October 2010

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared under the historic cost convention and in accordance with applicable UK Accounting Standards

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions which affect the amounts of assets and liabilities at the reporting date and the reported results for the year. These estimates are based on the directors' best knowledge, actual amounts may subsequently differ from these estimates

The company's ultimate parent undertaking is Bloor Holdings Limited

The company funds its operations through a combination of shareholder's funds and other borrowings. Bank loans, bank overdrafts and other borrowings are arranged on a group basis by Bloor Holdings Limited

The group has agreed facilities with its bankers and an asset based provider of finance. The majority of the facilities, which are on a secured basis, are committed for a period to 31 March 2012 and are subject to covenants, which will be reported on a quarterly basis

The group's trading and cash forecasts, which take into account reasonably possible changes in trading activities, show that the group will have adequate resources and facilities following the above refinancing to meet its liabilities in the foreseeable future

Bloor Holdings Limited has undertaken to provide financial support to the company for a period of not less than 18 months from the date of approval of these financial statements to enable the company to meet its obligations as and when they become due for payment. For this reason the directors of the company continue to adopt the going concern basis in preparing the financial statements

Statement of cash flows

Under FRS 1 the company is exempt from the requirement to prepare a statement of cash flows on the grounds that Bloor Holdings Limited, the company's ultimate parent undertaking, includes the company's cash flows in its own published group statement of cash flows

Advances secured on residential property

The company provides advances to purchasers of residential properties constructed by certain fellow subsidiary companies under the terms of the Bloor Homes Start shared equity scheme, under which between 5% - 25% of the purchase price of selected properties is funded through loans from the company, secured by way of a second charge on the related properties

For advances granted subsequent to 1 July 2006 which are interest free, the company participates in the change of value of the properties to which the advances relate. Each loan is repayable at the advanced percentage of the market value of the property upon the sale or transfer of ownership of the property or within 10 years, whichever is the earlier. The purchaser also has the option to repay the loan earlier than would otherwise be required, subject to a market valuation of the property. Advances prior to that date are repayable by instalments at normal commercial rates. All expenses are borne by the borrowers

Advances are recognised at the lower of the fair value of the consideration receivable from the customer and recoverable amount. The recoverable amount is calculated based on estimates of the future settlement date and future market value of the property, discounted at an appropriate rate

Balance sheet

at 30 June 2010

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

2. Other expenses

Other expenses represents the company's share of decreases in property values arising on the redemption of loans granted subsequent to 1 July 2006 and interest receivable on advances granted prior to that date

3. Operating loss

This is stated after charging

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration	1	2
	<u> </u>	<u> </u>

Amounts receivable by the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a group basis in the group financial statements of the company's ultimate parent, Bloor Holdings Limited

4. Staff costs

The only employees of the company are the directors, none of whom received any remuneration during the year (2009 – £nil)

5. Interest receivable

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Bank interest	4	21
	<u> </u>	<u> </u>

Balance sheet

at 30 June 2010

6. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

The tax credit is made up as follows

	2010	2009
	£000	£000
<i>Current tax</i>		
UK corporation tax on the loss for the year	(859)	(155)
Adjustment relating to prior years	2	(8)
	<u>(857)</u>	<u>(163)</u>
Tax on loss on ordinary activities (note 6(b))	<u>(857)</u>	<u>(163)</u>

(b) Factors affecting tax credit for the year

The tax credit for the year is different from the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2010	2009
	£000	£000
Loss on ordinary activities before tax	(3,069)	(549)
	<u>(3,069)</u>	<u>(549)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	(859)	(154)
<i>Effects of</i>		
Expenses not deductible / (income not taxable)	-	(1)
Adjustment relating to prior years	2	(8)
	<u>(857)</u>	<u>(163)</u>
Current tax credit for the year (note 6(a))	<u>(857)</u>	<u>(163)</u>

(c) Factors affecting future tax charge

A number of changes to the UK Corporation Tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 was enacted in July 2010 and reduces the main rate of corporation tax from 28% to 27% from 1 April 2011. Furthermore reductions are proposed to be enacted separately each year with the aim of reducing the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The directors do not expect the reduction in rate to have a material effect on the group's future tax charges.

Balance sheet

at 30 June 2010

7. Debtors

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year		
Advances secured on residential property	2	4
Corporation tax recoverable	861	155
Amounts owed by group undertakings	481	330
Other debtors	36	35
	<u>1,380</u>	<u>524</u>
Amounts falling due after more than one year		
Advances secured on residential property	41,270	31,986
	<u>42,650</u>	<u>32,510</u>

Advances granted subsequent to 1 July 2006 amount to £36,089,000 (2009 – £31,986,000) These advances are secured by way of second charges and are repayable immediately on the sale of the relevant properties or within 10 years of grant, whichever is the earlier

The company undertook a review of all advances made in connection with the Bloor Homes Start shared equity scheme operated by certain fellow subsidiary companies which resulted in a provision balance of £4,946,000 at 30 June 2010 (2009 - £2,220,000)

8. Creditors: amounts falling due within one year

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Amounts owed to group undertakings	46,630	34,115
Accruals and deferred income	6	36
	<u>46,636</u>	<u>34,150</u>

9. Issued share capital

	<i>2010</i>		<i>2009</i>	
<i>Authorised, allotted, called up and fully paid</i>	<i>No</i>	<i>£</i>	<i>No</i>	<i>£</i>
Ordinary shares of £1 each	100	100	100	100
		<u>100</u>		<u>100</u>

Balance sheet

at 30 June 2010

10. Reconciliation of shareholder's funds and movements on reserves

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holder's funds £000</i>
At 1 July 2008	-	(1,205)	(1,205)
Loss for the year	-	(386)	(386)
At 1 July 2009	-	(1,591)	(1,591)
Loss for the year	-	(2,211)	(2,211)
At 30 June 2010	-	(3,802)	(3,802)

11. Contingent liabilities

The company has guaranteed the bank overdrafts and bank loans of certain other group companies which at 30 June 2010, amounted to £159,328,000 (2009 – £184,133,000)

12. Related party transactions

As a wholly owned subsidiary of Bloor Holdings Limited, the company has taken advantage of the exemption under FRS 8 not to provide information on related party transactions with other undertakings within the Bloor Holdings Limited group. Note 13 gives details of how to obtain a copy of the published financial statements of Bloor Holdings Limited.

13. Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is Bloor Holdings Limited which is registered in England and Wales.

Copies of the financial statements of Bloor Holdings Limited may be obtained from the Registrar of Companies at Companies House, Crown Way, Mandy, Cardiff CF14 3UZ.