

Urban Splash Group Limited
and subsidiary undertakings

Annual report and financial statements
for the year ended 31 March 2007

Registered number 03141013

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Chairman's report

For the year ended 31 March 2007

This year has been another solid year of growth for Urban Splash. We have seen turnover increase to a record level of £62.1 million (up 8%) but more importantly, we have seen a record total return (profit plus commercial property revaluation) of £18.8 million (up 53%). This reflects not only the quality of both the commercial and residential buildings developed by the Group but also the quality and ambition of our staff and all those partners who work with Urban Splash on our many schemes across the UK.

During the year we completed on 308 apartments, collected £6.4 million in rental income, exchanged contracts on a further 902 apartments with a sales value of £118 million and net assets rose to £70.7 million. At the end of the year we had a future development programme with a gross final value in excess of £1 billion and exchanged contracts worth £138 million or approximately 2 years of future sales.

Post year end we have continued to be successful with sales and lettings, particularly at Fort Dunlop, which is now 96% let, two years ahead of schedule. We have also continued to build our future development pipeline and have been fortunate to win new schemes in Birmingham, Stoke, Shrewsbury and Liverpool and made several strategic land purchases across the UK.

However, we are conscious we are entering into uncertain times particularly in terms of the availability of credit. Though we believe that fundamental imbalance in demand and supply for residential housing and the continued demand for high quality office accommodation, alongside our commitment to quality architecture, our diverse geographical spread, low cost of accommodation on offer and the energy, vitality and quality of our people leave us well placed to take the business forward.

Thanks go to all my colleagues, our suppliers, customers, partners and other stakeholders that have helped deliver and sustain the continued growth and development of Urban Splash.



Tom Bloxham MBE
Group Chairman

Directors' report

For the year ended 31 March 2007

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 March 2007

Principal activities and business review

Urban Splash is a regeneration company that delivers transformational physical, social and economic change in the built environment balanced by environment and corporate responsibility. It is a property company with a progressive agenda.

The principal activities of the group include property development and property investment.

The principal activities of Urban Splash Limited, Urban Splash (South West) Limited, Urban Splash (South West) Birnbeck Limited, Urban Splash South West (Bridewell) Limited, Urban Splash Yorkshire Limited, Urban Splash Fort Dunlop Limited (formerly Urban Splash West Midlands Limited), Urban Splash Walsall Limited and Urban Splash Homes Limited are the same as the group. Urban Splash Work Limited is a property investment company and Urban Splash Build Limited is the group's construction arm.

The subsidiary undertakings principally affecting the profits and net assets of the group in the year are listed in note 11 to the financial statements.

Enhanced business review

Urban Splash has an established reputation as a pioneer of modern design and a record of innovative and exciting development and regeneration. Working exclusively with brown-field sites in regeneration areas, the group is renowned for its ability to deliver working with communities and building on the strengths that exist in areas, working 'with the grain' to come up with something extra special.

We have an established track record for delivering environmentally responsible development including a 300 apartment scheme powered locally by a combined heat and power plant. The group works closely in partnerships with public sector partners in the delivery of regeneration projects including Local Authorities, Regional Development Agencies and English Partnerships, the Government's national regeneration agency.

Urban Splash's success is acknowledged by the many awards received by the group. As at 31 March 2007, it had amassed over 201 (2006 – 165) awards for the quality of its work and its contribution to urban regeneration, including an unprecedented 33 (2006 – 28) RIBA awards for buildings as well as Civic Trust, BURA and Civic Society Awards.

Directors' report (continued)

For the year ended 31 March 2007

Results and dividends for the 2007 financial year

The group has continued the trend of strong net asset growth reflecting the underlying fundamentals of its business strategy – investing with our partners in regeneration projects across the UK to develop challenging buildings in which people want to live, work and play

This year, the group reported record turnover up 8% to £62 million (2006 - £57.3 million), profit before tax down 67% to £2.9 million (2006 - £8.9 million) and net assets up 32% to £70.7 million (2006 - £53.5 million). The total return (profit for the financial year plus commercial property revaluation), the board's key group financial performance measure, was up 53% to a record £18.8 million.

The audited financial statements for the year ended 31 March 2007 are set out on pages 12 to 35. The directors recommended a final dividend of 41.0536p per ordinary share, which was paid on 21 December 2006 to ordinary shareholders which, together with the interim dividend of 37.5p per ordinary share paid on 30 June 2006, makes a total of 78.5536p per ordinary share for the year (2006 – nil p per share).

Trading performance

Residential sales at £50.5 million (2006 - £44.5 million) are up 13% on the previous year representing a record 308 unit completions (2006 - 265) at an average price of £164,000 (2006 - £163,000). In a competitive market place, demand for the group's homes and interest in its exciting future projects remains strong. The sales strategy continues to be focussed to sell most homes in the early stages of a development. This strategy helped the group to achieve a record £138 million (2006 - £81 million) of forward exchanged sales at the year end with a further £9 million (2006 - £24 million) in reservation. These forward sales are expected to be realised over the period to March 2009.

The 2008 financial year has already seen the launch of over £147 million of exciting residential schemes, including Lakeshore – Bristol, Saxton – Leeds, and Longlands – Stalybridge which have generated over £60 million of exchanged sales.

Commercial rental income at £6.4 million (2006 - £5.4 million) is up 19% on the previous year. In the previous year we established a residential lettings business which, with around 100 units currently under management and representing approximately 11% of total rental income, continues to perform well making a profit in its first and second years of trading and generating a turnover of £0.6 million (2006 £0.4 million).

Demand remains high for commercial space. The portfolio of commercial property at 31 March 2007 comprised 855,000 sqft of space across 26 properties (2006 – 762,000 sqft across 24 properties) which were 88% let (2006 – 96% let). We continue to build our portfolio adding 1 new property during the year, the Matchworks Phase 2 in Liverpool.

The 2008 financial year has already seen the full completion of over 300,000 sqft of commercial space at Fort Dunlop in Birmingham which is currently 96% let, 2 years ahead of schedule and 19,000 sqft at the Matchbox, Liverpool.

Directors' report (continued)

For the year ended 31 March 2007

Trading performance (continued)

The balance sheet continues to reflect the value generated by the group's properties and the approach to commercial property development and management. A net revaluation increase of £16 million in the value of the commercial property was recognised in the year which, together with new building additions, increased the value of the portfolio to £73.5 million (2006 - £54.0 million).

Development

The development activities of the group are now firmly structured on a regional basis with the key regions being Manchester, Liverpool, South West, Midlands and Yorkshire.

During the year, new key future development sites were acquired at Bridewell Island – Bristol, Birnbeck Island – Weston-super-Mare and Cincinnati Building – Birmingham and since the year end, the group has won new schemes at Canal Quarter – Stoke, Ditherington Flax Mill – Shrewsbury, Birchfields - Birmingham and the ABC Cinema - Liverpool.

During the year, planning permission was secured for over 2,000 homes and 200,000 sqft of commercial space. At the year end, the group has a land bank with planning permission for over 3,700 homes and 400,000 sqft of commercial space with planning applications expected to be submitted in 2008 for 1,000 homes and over 300,000 sqft of commercial space. All of the group's land holdings and developments are on brownfield sites.

Construction

The group continues to emphasise and promote the importance to Urban Splash's success of the construction arm, Urban Splash Build Limited. The group now manages the construction of all of its schemes rather than sub-contracting to a main contractor which gives the group more flexibility in the build process and is the most effective means of managing construction risk.

In managing its own construction, the group is able to drive innovation in building techniques and retain firm control over quality and cost delivery. The flexibility that construction management provides enables the group to tackle a diversity of schemes in terms of both size and complexity, setting the group apart from the established volume house-builders. 76 people were employed in construction during the year (2006 – 59) and Urban Splash Build is continually seeking to develop the team to deliver the future growth of the group. Construction expenditure was £72.9 million in 2007 (2006 - £54.3 million) and is expected to grow significantly in future years with schemes with a combined construction cost of over £212 million (2006 - £190 million), on site at the end of the year.

Financing

The group and its development activities are financed through a mix of commercial loans secured against its investment property assets (38% of bank debt at 31 March 2007) and scheme specific development loans (66% of bank debt at 31 March 2007).

Additional loans of £58.7 million were drawn in the year and £39.9 million of development loans were repaid with total borrowings of £129.4 million at the year end up 18% on last year. Interest costs increased by 17% to £6.9 million, reflecting higher borrowings (2006 - £5.9 million) however average debt service costs remained relatively constant at 6.3% - (2006 - 6.1%).

Directors' report (continued)

For the year ended 31 March 2007

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the group's long term performance

Interest rates

The group is predominantly financed through debt carrying variable interest rates and we are consequently exposed to volatility in base rates and LIBOR. We aim to hedge approximately 50% of our interest exposure through a mixture of financial instruments to mitigate much of this risk and as at 31 March 2007 approximately 48% (2006 – 55%) of debt is hedged

Interest rates also affect and influence the demand for new homes and the ability to service mortgages hence significant increases in interest rates will affect housing demand and potentially lead to reductions in house prices. Macro-economic indicators suggest further interest rate reductions during 2008, consequently we do not envisage this as a short term risk, any substantial increases in interest rates would have a negative impact on the business

Rental demand

The group continues to develop more commercial property and has a significant development program over the next few years. Much of this development is speculative and therefore the risk exist that if demand for commercial space falls, completed developments suffer low occupancy. Current occupancy levels are very high and reflect our customer focussed approach to commercial property management and that the group is meeting the requirements of its tenants

Property developed by the group is designed so as to appeal to a wide range of potential tenants from business start-ups to blue-chip companies and government departments. In continuing to provide well designed, well managed, unique and affordable office space on flexible terms, the group is confident of maintaining the occupancy levels currently experienced. The success of our approach has been most recently borne out by the experience at Fort Dunlop in Birmingham where over 300,000 sqft of speculative development was let in the space of 12 months

Housing demand

Much has been made of the housing market over-heating and that city centres have become saturated with residential apartment developments. In addition, the uncertainty over the housing market both from investors and owner-occupiers which has developed since Autumn 2007 is likely to remain, at least in the short term. A saturated market place and over-supply of property together with sustained uncertainty over property values and the availability of credit could have a significant impact on the longer term growth of the group

The group has a broad geographic spread and is not over exposed to any particular region. In addition, demographic studies and reports in to UK housing demand such as the Barker Report indicate a lack of supply of 1 and 2 bedroom housing and an under supply of residential rental accommodation. Most of our homes are targeted at these markets and we are constantly seeking new opportunities to advance design and innovate further. In focusing developments that address the key requirements of the housing market, we believe our homes will always be in demand

Directors' report (continued)

For the year ended 31 March 2007

Risks and uncertainties (continued)

The group typically aims to spread the forward sales across a wide cross section of demand, offering priority to local purchasers, and loyalty clients together with investors and owner-occupiers. This targeted sales range successfully meets demand as well as spreading the purchaser base on forward contracts. The group currently has exchanged contracts representing approximately 2 years worth of sales which provides protection against short term fluctuations in demand.

Planning process

The group's future growth in revenue is derived from sales of new apartments and rentals from new commercial buildings. If planning consents are delayed or rejected, the ability of the group to grow will be significantly constrained. We have never had a planning application for any scheme rejected. This is because we believe no two sites are the same and each scheme deserves a unique response. The skills of the group's development team, the quality and vision of the architects we use and our engagement with all parties throughout the process from local authorities to local residents ensures that planning decisions are favourable.

Competition

Whilst the housing market is to a large extent fragmented, competition, particularly in the large city centres remains high and the ability of the group to differentiate its homes is important to sustain future growth, particularly in the current era of market uncertainty. In continually challenging our designs, driving innovation and addressing the environmental and sustainability agendas on all our schemes, we believe we will always set ourselves apart from the competition.

People

We operate open and fair policies across all areas of people management, and remain transparent in all aspects of communication with our staff. We adopt a reasoned, consistent and inclusive approach to the management of staff and this has been recognised for the last three years by achieving 2 star status in the Best Companies Accreditation scheme.

Environmental responsibility and sustainability

We believe homes and commercial spaces should be well built, easy to maintain, able to change and adapt to meet changing circumstances, minimise the impact on the environment and keep energy bills low at the same time. This belief is central to our development ethos and is reflected in all our schemes.

Our Budenberg Haus Projekte in Altrincham, Cheshire, was the first private sector development project to generate heat and power by CHP (combined heat and power) which is dramatically lower in carbon emissions than conventional means. CHP is being adopted in many of our future schemes, like New Islington where it will provide power to over 1,500 homes. We are also using a wide range of measures such as water borehole technology, bioremediation and innovative waste management and recycling techniques to lessen our impact on the environment. We also aim to achieve at least Ecohomes status 'very good' in all of our new residential schemes.

We have pioneered the UK's first example of modular constructed residential apartments establishing new standards in design, construction and energy efficiency. By adopting innovative off-site construction techniques we have minimised defects, reduced construction waste and delivered the project quicker than with conventional methods whilst providing the highest quality apartments.

We believe that we need to shoulder responsibility and play our part to reduce the impact of our actions for everyone's sake.

Directors' report (continued)

For the year ended 31 March 2007

Outlook

There can be no doubt that the residential housing and commercial property markets face a period of uncertainty resulting from the tightening of the availability of credit, concern over values and wider concerns about the UK and global economies. However, we firmly believe that the long-term fundamentals of the housing and commercial property markets are robust and will provide a sound base for the continued growth of the group. The strength of our brand, forward sales, our reaction to the future requirements of the housing market, our increasingly national geographic spread combined with our urban regeneration partners, leaves us well placed for the years to come.

Post balance sheet events

On the 10 April 2007 the company re-purchased 6,400 of its ordinary shares for consideration of £277,000.

Directors and their interests

The directors who served the company during the year together with their beneficial interests in the company were as follows:

	Ordinary shares of £1 each	
	2007 £	2006 £
T P R Bloxham M B E	1,414,401	1,414,401
J M Falkingham	459,799	459,799
W Martin	-	-
J P Curnuck	-	-
N E Johnson (appointed 4 December 2006)	-	-
A Waugh (resigned 31 October 2007)	-	-

The directors have no other interests requiring disclosure under Schedule 7 of the Companies Act 1985.

There have been no changes in directors or their interests in the company since the year end, other than that noted above.

On 31 October 2007 A Waugh resigned as company secretary and was replaced by Urban Splash Director Limited.

Donations

During the year the group did not make any charitable donations (2006 - £nil).

Directors' report (continued)

For the year ended 31 March 2007

Auditors

Each of the directors at the date of approval of this report confirms that

- 1 so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2 the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

A resolution to re-appoint Deloitte & Touche LLP as auditors to the company will be proposed at the Annual General Meeting

By order of the Board,



J P Curnuck
Director

Timber Wharf
16 – 22 Worsley Street
Manchester


30 January 2008

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

To the members of Urban Splash Group Limited

We have audited the group and individual company financial statements (the "financial statements") of Urban Splash Group Limited for the year ended 31 March 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses, the consolidated and individual company balance sheets, the consolidated cash flow statement, the statement of accounting policies and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given on the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 March 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Manchester

United Kingdom

31 January 2008

Consolidated profit and loss account

For the year ended 31 March 2007

	Notes	2007 £	2006 £
Turnover Group and share of joint ventures'		62,138,481	57,332,236
Less share of joint ventures' turnover		(86,121)	(80,904)
Group turnover	1	62,052,360	57,251,332
Cost of sales		(44,039,431)	(39,435,000)
Gross profit		18,012,929	17,816,332
Other operating expenses (net)	2	(13,234,148)	(7,173,914)
Operating profit		4,778,781	10,642,418
Profit on sale of tangible fixed assets		1,576,511	1,207,370
Share of joint ventures' operating profit		38,920	24,150
Profit on ordinary activities before finance charges		6,394,212	11,873,938
Finance charges (net)			
Group	6	(3,426,822)	(2,932,082)
Joint ventures	6	(71,141)	(81,359)
		(3,497,963)	(3,013,441)
Profit on ordinary activities before taxation	3	2,896,249	8,860,497
Tax on profit on ordinary activities	7	(469,589)	(2,576,211)
Profit on ordinary activities after taxation		2,426,660	6,284,286
Dividends paid	9	(1,571,072)	-
Retained profit for the year		855,588	6,284,286

A movement in reserves is given in note 22 to the financial statements

The accompanying notes are an integral part of this consolidated profit and loss account

All activities arose from continuing operations

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2007

	Notes	2007 £	2006 £
Profit (loss) for the financial year			
- Group		2,458,881	6,341,495
- Joint ventures		(32,221)	(57,209)
		<u>2,426,660</u>	<u>6,284,286</u>
Unrealised surplus on revaluation of the group's investment properties			
- Group	10	16,366,438	6,029,180
		<u>18,793,098</u>	<u>12,313,466</u>

Consolidated note of historical cost profits and losses

For the year ended 31 March 2007

	2007 £	2006 £
Reported profit on ordinary activities before taxation	2,896,249	8,860,497
Realisation of property revaluation gains of previous periods	-	359,036
Historical cost profit on ordinary activities before taxation	<u>2,896,249</u>	<u>9,219,533</u>
Historical profit for the year retained after taxation	<u>855,588</u>	<u>6,643,322</u>

There is no difference between the historical depreciation charge and the actual depreciation charge as the revaluation surplus relates to the group's investment properties which are not depreciated

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses, and this consolidated note of historical cost profits and losses

Consolidated balance sheet

31 March 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	10	166,813,106	102,013,834
Investments in joint ventures			
- share of gross assets	11b)	1,484,626	1,499,564
- share of gross liabilities	11b)	(1,600,404)	(1,583,123)
		<u>166,697,328</u>	<u>101,930,275</u>
Current assets			
Stock	12	70,534,919	73,403,546
Debtors			
- due within one year	13	17,644,257	18,945,934
- due after one year	13	899,145	866,090
Current asset investments	14	1,827,707	1,434,598
Cash at bank and in hand		6,645	5,396,195
		<u>90,912,673</u>	<u>100,046,363</u>
Creditors. Amounts falling due within one year	15	(102,333,112)	(81,431,166)
Net current (liabilities) assets		<u>(11,420,439)</u>	<u>18,615,197</u>
Total assets less current liabilities		155,276,889	120,545,472
Creditors* Amounts falling due after more than one year	16	(84,038,475)	(66,488,325)
Provisions for liabilities	17	(506,803)	(547,562)
Net assets		<u>70,731,611</u>	<u>53,509,585</u>
Capital and reserves			
Called-up equity share capital	21	2,000,000	2,000,000
Share premium account	22	4,609,464	4,609,464
Revaluation reserve	22	47,025,805	30,659,367
Other reserve	22	32,229	32,229
Profit and loss account	22	17,064,113	16,208,525
Equity shareholders' funds	23	<u>70,731,611</u>	<u>53,509,585</u>

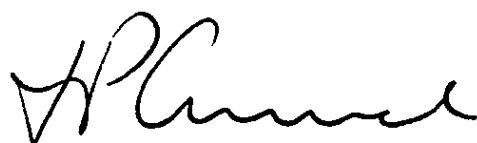
The accompanying notes are an integral part of this consolidated balance sheet

Company balance sheet

31 March 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	10	1,460,401	1,550,191
Investments	11	6,785,720	6,785,720
		<u>8,246,121</u>	<u>8,335,911</u>
Current assets			
Debtors	13	4,500,222	4,006,817
Cash at bank and in hand		700	700
		<u>4,500,922</u>	<u>4,007,517</u>
Creditors Amounts falling due within one year	15	(5,496,892)	(6,513,656)
Net current liabilities		<u>(995,970)</u>	<u>(2,506,139)</u>
Total assets less current liabilities		7,250,151	5,829,772
Provisions for liabilities	17	(63,617)	(74,860)
Net assets		<u>7,186,534</u>	<u>5,754,912</u>
Capital and reserves			
Called-up equity share capital	21	2,000,000	2,000,000
Share premium account	22	4,609,464	4,609,464
Profit and loss account	22	577,070	(854,552)
Equity shareholders' funds		<u>7,186,534</u>	<u>5,754,912</u>

Signed on behalf of the Board



J P Curnuck
Director

30 January 2008

The accompanying notes are an integral part of this balance sheet

Consolidated cash flow statement

For the year ended 31 March 2007

	Notes	2007 £	2006 £
Net cash inflow from operating activities	24	32,875,509	20,516,670
Returns on investments and servicing of finance	25(a)	(5,686,938)	(5,648,633)
Taxation	25(b)	(1,900,000)	(3,979,842)
Capital expenditure and financial investment	25(c)	(47,936,396)	(33,400,776)
Acquisitions and disposals			
Purchase of subsidiary undertakings	11(b)	-	(371,440)
Sale of joint venture undertaking	11(b)	-	489,000
Equity dividends paid		(1,571,072)	(752,360)
Cash outflow before financing		(24,218,897)	(23,147,381)
Financing	25(d)	16,876,277	27,986,921
(Decrease) increase in cash in the year	26	(7,342,620)	4,839,540

The accompanying notes are an integral part of this consolidated cash flow statement

Statement of accounting policies

For the year ended 31 March 2007

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies are summarised below. Compliance with SSAP 19 'Accounting for investment properties' requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the investment property accounting policy below. In addition, as detailed below in the accounting policy on grants, the directors have adopted an accounting treatment which is a departure from Schedule 4 of the Companies Act 1985. The accounting policies have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable law and accounting standards.

True and fair override

In accordance with FRS 9, goodwill is calculated on investments in joint ventures by comparing the fair value of the joint ventures net assets at the date of acquisition compared to the consideration paid.

The Companies Act 1985 requires a one-stage method of calculating goodwill on a further purchase of shares that results in the joint venture becoming a subsidiary undertaking. The directors consider that this treatment will not give a true and fair view because profits already included in the group's consolidated profit and loss account form part of the fair value of the subsidiary's net assets acquired.

Therefore the directors have adopted the true and fair override in FRS 2 and calculated goodwill on a piecemeal basis. If this departure from the Act had not been made, negative goodwill of £562,392 would have been recorded and released back to the consolidated profit and loss account over the life of the assets it relates to.

Basis of consolidation

The group financial statements consolidate the financial statements of Urban Splash Group Limited and its subsidiary undertakings for the year ended 31 March 2007. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Turnover

Turnover represents amounts receivable for properties and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and land options, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Loft shop property	3 years
Structural alterations	10 years
Fittings and equipment	5 years
Motor vehicles	3 years
Computer equipment	3 years

Assets under the course of construction are not depreciated.

Statement of accounting policies (continued)

For the year ended 31 March 2007

Tangible fixed assets (continued)

Interest costs incurred in bringing assets to a state where they are ready to be used are capitalised as part of the cost of the asset

Investment properties

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of investment properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19. The financial effect of the departure from statutory accounting rules cannot reasonably be quantified because depreciation is only one of the factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investments

Fixed asset investments are shown at cost less provision for impairment

Joint ventures

Joint ventures are included within the financial statements using the gross equity accounting method

Work in progress

Work in progress is valued on the basis of total costs incurred, net of amounts transferred to the profit and loss account in respect of properties sold

Interest costs incurred in bringing assets to a state where they are ready to be used are capitalised as part of the cost of the asset

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Statement of accounting policies (continued)

For the year ended 31 March 2007

Taxation (continued)

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Government grants

Grants receivable in respect of properties under development are initially held on the balance sheet as deferred income. In the case of assets which are subsequently sold once development is complete, the grant is credited to the profit and loss account in line with the costs on the development. Where the terms of the grant include a possible repayment, provision for such a repayment is made immediately.

In the case of investment properties, the grants are deferred until the asset is transferred to fixed assets, at which point they are credited directly to the cost of the asset. This treatment is not in accordance with Schedule 4 to the Companies Act 1985 which requires fixed assets to be shown at cost and grants as deferred income. The treatment has been adopted in accordance with section 227(6) of the Companies Act 1985 in order to show a true and fair view as, in the opinion of the directors, it is not appropriate to treat grants on investment properties as deferred income. Investment properties are not depreciated and accordingly no basis exists on which to recognise the release of deferred income to the profit and loss account.

Notes to the financial statements

For the year ended 31 March 2007

1 Turnover

The turnover and profit before tax are attributable to the principal activity of the group and arise wholly within the United Kingdom

Revenue is recognised when the group has obtained the right to receive consideration in exchange for its performance under contracts for sale or rental. Revenue is recognised on sales of apartments and commercial units when the notice for legal completion is served on the purchaser at the point of the completion of group's obligations to the purchaser under the contract for sale. Rents receivable are recognised in accordance with the terms of the contracts for rental.

2 Other operating expenses (net)

	2007 £	2006 £
Administrative expenses	13,237,589	7,348,864
Other operating income	(3,441)	(174,950)
	<u>13,234,148</u>	<u>7,173,914</u>

3 Profit on ordinary activities before taxation

Profit is stated after charging (crediting)

	2007 £	2006 £
Depreciation on owned fixed assets	459,550	395,700
Profit on disposal of fixed assets	(1,576,511)	(1,207,370)
Operating lease rentals		
- other	198,694	186,373
Government grants released	(1,183,428)	-
Auditors' remuneration for audit services	<u>65,000</u>	<u>60,000</u>

Amounts payable to Deloitte & Touche LLP and their associates by the company and its subsidiary undertakings in respect of non-audit services were £226,245 (2006 - £63,299), which comprised £86,220 for corporation tax compliance and advice, £4,480 for other assurance services and £135,545 for VAT advice.

Fees payable to Deloitte & Touche LLP and its associates for non-audit services to the company itself are not disclosed in the individual accounts of Urban Splash Group Limited because the company's consolidated accounts are required to disclose such fees on a consolidated basis.

Audit fees for the company would have been £2,000 (2006 - £1,846) if charged on an entity by entity basis.

Notes to the financial statements (continued)

For the year ended 31 March 2007

4 Staff costs

The average monthly number of employees (including directors) was

	Group		Company	
	2007	2006	2007	2006
	Number	Number	Number	Number
Construction staff	76	59	-	-
Administrative staff	69	45	24	19
Development staff	22	17	-	-
Sales staff	15	15	-	-
	<u>182</u>	<u>136</u>	<u>24</u>	<u>19</u>

Their aggregate remuneration comprised

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Wages and salaries	6,934,795	4,865,369	1,010,545	737,502
Social security costs	761,541	527,954	114,194	82,396
Pension costs	215,000	-	215,000	-
Less amounts capitalised	(3,262,333)	(2,279,895)	-	-
	<u>4,649,003</u>	<u>3,113,428</u>	<u>1,339,739</u>	<u>819,898</u>

5 Directors' remuneration and transactions

The directors' aggregate emoluments in respect of qualifying services were

	2007	2006
	£	£
Emoluments	<u>918,607</u>	<u>554,093</u>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director

	2007	2006
	£	£
Emoluments	215,880	191,722
Pension costs	215,000	-
	<u>430,880</u>	<u>191,722</u>

Directors' transactions

The following transactions have taken place with directors, all of which have been on what directors consider to be an arm's length basis

T P R Bloxham M B E was paid lease rentals by the company of £113,377 (2006 - £113,377), during the current year, in respect of office space which he owns

The maximum amount of the overdrawn directors' current accounts outstanding during the year was the same as the amount outstanding at the year end (note 13)

Notes to the financial statements (continued)

For the year ended 31 March 2007

6 Finance charges (net)

Group

	2007 £	2006 £
Bank loans and overdrafts	6,900,269	5,879,920
Less amounts capitalised	(3,398,459)	(2,887,696)
	<u>3,501,810</u>	<u>2,992,224</u>
Interest receivable and similar income	(74,988)	(60,142)
	<u>3,426,822</u>	<u>2,932,082</u>

Joint ventures

	2007 £	2006 £
Bank loans and overdrafts	71,646	82,290
Interest receivable and similar income	(505)	(931)
	<u>71,141</u>	<u>81,359</u>

7 Tax on profit on ordinary activities

The tax charge comprises

	2007 £	2006 £
Current tax		
UK corporation tax	680,822	2,609,849
Adjustments in respect of prior period		
- UK corporation tax	(170,474)	(163,476)
Total current tax	<u>510,348</u>	<u>2,446,373</u>
Deferred tax		
Origination and reversal of timing differences	95,942	131,505
Adjustments in respect of prior period	(136,701)	(1,667)
Total deferred tax	<u>(40,759)</u>	<u>129,838</u>
Total tax on profit on ordinary activities	<u>469,589</u>	<u>2,576,211</u>

Notes to the financial statements (continued)

For the year ended 31 March 2007

7 Tax on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2007 £	2006 £
Profit on ordinary activities before tax	2,896,249	8,860,497
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2006 – 30%)	868,875	2,658,149
Effects of		
Expenses not deductible for tax purposes	151,393	79,578
Capital allowances in excess of depreciation	(118,773)	(131,455)
Income not taxable – profit on sale of fixed assets	(472,953)	(357,395)
Income not taxable – land remediation	(218,712)	-
Chargeable gain	470,992	343,809
Share of joint venture tax	-	17,163
Adjustments to tax charge in respect of previous period	(170,474)	(163,476)
Current tax charge for the year	510,348	2,446,373

The company earns its profits in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%

A deferred tax asset amounting to £254,786 (2006 - £nil) has arisen during the year, as a result of the tax written down value of certain assets of the group exceeding the qualifying net book value. The asset has not been recognised, as the subsidiary to which the asset relates is loss making.

8 Result attributable to Urban Splash Group Limited

The loss after taxation for the year dealt with in the financial statements of the parent company, Urban Splash Group Limited, was £1,997,306 (2006 - loss of £623,092). As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

9 Dividends

	2007 £	2006 £
Interim paid of 37.5p (2006 – nil p) per ordinary share	750,000	-
Final paid of 41.0536p (2006 – nil p) per ordinary share	821,072	-
	1,571,072	-

Notes to the financial statements (continued)

For the year ended 31 March 2007

10 Tangible fixed assets

Group	Investment properties £	Other property £	Structural alterations £	Assets under the course of construction £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost or valuation							
Beginning of year	53,986,750	1,455,403	1,743,184	45,207,939	31,555	1,078,677	103,503,508
Additions	28,874	-	-	51,156,329	-	386,732	51,571,935
Category transfers	3,147,687	(67,453)	-	(3,080,234)	-	-	-
Other transfers	-	-	-	(1,641,023)	-	-	(1,641,023)
Disposals	-	-	-	(1,038,528)	-	-	(1,038,528)
Revaluations	16,366,438	-	-	-	-	-	16,366,438
End of year	<u>73,529,749</u>	<u>1,387,950</u>	<u>1,743,184</u>	<u>90,604,483</u>	<u>31,555</u>	<u>1,465,409</u>	<u>168,762,330</u>
Depreciation							
Beginning of year	-	227,098	651,094	-	24,424	587,058	1,489,674
Charge for the year	-	818	169,444	-	3,512	285,776	459,550
End of year	-	<u>227,916</u>	<u>820,538</u>	-	<u>27,936</u>	<u>872,834</u>	<u>1,949,224</u>
Net book value							
Beginning of year	53,986,750	1,228,305	1,092,090	45,207,939	7,131	491,619	102,013,834
End of year	<u>73,529,749</u>	<u>1,160,034</u>	<u>922,646</u>	<u>90,604,483</u>	<u>3,619</u>	<u>592,575</u>	<u>166,813,106</u>

Investment properties, which are all freehold, were valued on an open market existing use basis at 31 December 2006 by Knight Frank LLP, an external firm of property consultants. Investment properties are not depreciated.

If the investment properties had not been revalued, they would have been included at a historical cost of £26,503,944 (2006 - £23,327,383).

Included in assets under the course of construction is £1,282,808 (2006 - £409,063) of capitalised interest.

Notes to the financial statements (continued)

For the year ended 31 March 2007

10 Tangible fixed assets (continued)

Company	Property £	Fixtures, fittings and equipment £	Total £
Cost			
Beginning of year	1,226,596	631,386	1,857,982
Additions	-	171,637	171,637
Transfer to group undertaking	(67,453)	-	(67,453)
End of year	<u>1,159,143</u>	<u>803,023</u>	<u>1,962,166</u>
Depreciation			
Beginning of year	-	307,791	307,791
Charge for the year	-	193,974	193,974
End of year	<u>-</u>	<u>501,765</u>	<u>501,765</u>
Net book value			
Beginning of year	<u>1,226,596</u>	<u>323,595</u>	<u>1,550,191</u>
End of year	<u>1,159,143</u>	<u>301,258</u>	<u>1,460,401</u>

11 Fixed asset investments

Investments comprise

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Subsidiary undertakings (see note 11a)	<u>-</u>	<u>-</u>	<u>6,785,720</u>	<u>6,785,720</u>

The company's principal investments are

	Principal activities	Country of incorporation or principal business address	% Holding
Urban Splash Limited	Property development	England	100
Urban Splash Build Limited	Property construction	England	100
Urban Splash Work Limited	Property investment and lettings	England	100
Urban Splash Yorkshire Limited	Property development	England	100
Urban Splash (South West) Limited	Property development	England	100
Urban Splash Fort Dunlop Limited (formerly Urban Splash West Midlands Limited)	Property development	England	100
Urban Splash Homes Limited	Property development	England	100*
Urban Splash (South West) Birnbeck Limited (formerly Urban Splash South West One Limited)	Property development	England	100*
Urban Splash South West (Bridewell) Limited	Property development	England	100*
Urban Splash Walsall Limited	Property development	England	100*

*Indirect holding

Notes to the financial statements (continued)

For the year ended 31 March 2007

11 Fixed asset investments (continued)

a) *Subsidiary undertakings*

Investments
in subsidiary
undertakings
£

Company cost and net book value

At beginning and end of year 6,785,720

b) *Joint ventures*

Group	2007 £	2006 £
Share of gross assets	1,484,626	1,499,564
Share of gross liabilities	(1,600,404)	(1,583,123)
Share of net liabilities	(115,778)	(83,559)

i) *Woodfield House Limited*

The group has an investment held by Urban Splash Work Limited of 50% of the issued share capital of Woodfield House Limited, a property development company, which is registered in England and Wales. The accounting reference period for this company is 30 June. The figures included in these financial statements are derived from the management accounts for the 12 month period to 31 March 2007.

ii) *64a Jersey Street Limited*

During the year ended 31 March 2005, the group disposed of its 50% of the share capital of 64a Jersey Street Limited, a property development company, which is registered in England and Wales. This investment was disposed of for consideration of £489,000 by Urban Splash Work Limited. The consideration was received during the year ended 31 March 2006.

iii) *Urban Splash Fort Dunlop Limited (formerly Urban Splash West Midlands Limited)*

On 14 March 2005 the company acquired 50% of the issued share capital of Urban Splash Fort Dunlop Limited (formerly Urban Splash West Midlands Limited) for cash consideration of £371,440. The consideration was paid during the year-ended 31 March 2006.

12 Stock

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Finished apartments awaiting sale	15,819,410	18,476,737	-	-
Properties under redevelopment	54,232,465	51,816,134	-	-
Properties awaiting redevelopment	483,044	3,110,675	-	-
	<u>70,534,919</u>	<u>73,403,546</u>	<u>-</u>	<u>-</u>

Included within stock is £3,405,160 (2006 - £3,672,872) of capitalised interest

Notes to the financial statements (continued)

For the year ended 31 March 2007

13 Debtors

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts falling due within one year				
Trade debtors	3,809,775	1,374,406	-	3,252
Amounts owed by group undertakings	-	-	4,010,484	3,881,137
Amounts owed by related parties (note 20)	1,012,346	687,455	1,740	2,963
VAT recoverable	453,378	966,921	-	-
UK Corporation tax recoverable	-	-	219,178	-
Other debtors	506,726	80,244	29,550	-
Directors' current accounts (note 5)	28,587	21,603	18,741	15,695
Prepayments and accrued income	11,833,445	15,815,305	220,529	103,770
	<u>17,644,257</u>	<u>18,945,934</u>	<u>4,500,222</u>	<u>4,006,817</u>
Amounts falling due after more than one year				
Amounts owed by related parties (note 20)	899,145	866,090	-	-
	<u>18,543,402</u>	<u>19,812,024</u>	<u>4,500,222</u>	<u>4,006,817</u>

14 Current asset investments

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Restricted cash balances	<u>1,827,707</u>	<u>1,434,598</u>	<u>-</u>	<u>-</u>

Restricted cash balances relate to cash received in respect of exchanged deposits relating to one of the group's residential developments and are held within a bank account that has restricted access

15 Creditors Amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Deposits held	13,407,736	6,012,088	-	-
Bank loans and overdrafts (note 16)	45,402,291	43,167,250	4,675,734	5,950,820
Trade creditors	12,978,158	10,284,117	260,784	136,639
Amounts owed to related parties (note 20)	307,161	251,975	14,524	4,293
UK corporation tax	116,774	1,516,853	-	-
Other taxation and social security	300,426	194,730	31,444	25,334
VAT	-	-	223,254	181,922
Other creditors	304,611	216,366	-	-
Accruals	11,124,614	8,051,545	291,152	214,648
Deferred income	18,391,341	11,736,242	-	-
	<u>102,333,112</u>	<u>81,431,166</u>	<u>5,496,892</u>	<u>6,513,656</u>

Notes to the financial statements (continued)

For the year ended 31 March 2007

16 Creditors Amounts falling due after more than one year

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Bank loans	<u>84,038,475</u>	<u>66,488,325</u>	<u>-</u>	<u>-</u>

Group borrowings are repayable as follows

	2007 £	2006 £
Bank loans and overdrafts		
Between one and two years	16,570,924	10,928,516
Between two and five years	21,000,000	24,414,103
After five years	<u>46,467,551</u>	<u>31,145,706</u>
	<u>84,038,475</u>	<u>66,488,325</u>
On demand or within one year		
Bank loans	43,449,221	43,167,250
Overdrafts	<u>1,953,070</u>	<u>-</u>
	<u>45,402,291</u>	<u>43,167,250</u>
	<u>129,440,766</u>	<u>109,655,575</u>

The bank loans are secured through a fixed charge on the freehold properties of certain group companies, together with a floating charge over the group's assets

Development loans of £72,770,144 (2006 - £65,670,766) bear interest at 1 25% above base rate or LIBOR, of which £43,449,221 (2006 - £43,167,250) is repayable within one year, £16,570,923 (2006 - £10,928,516) is repayable between one and two years, £9,000,000 (2006 - £11,575,000) between two and five years and £3,750,000 (2006 - £nil) is repayable in more than five years

Development loans of £11,217,551 (2006 - £2,339,103) bear interest at 1 75% above base rate, and are repayable in more than five years

Bank loans of £6,000,000 (2006 - £6,000,000) are wholly repayable within two to five years, and these bear interest at 7 5% per annum and are repayable in full in 2010

Bank loans of £7,900,000 (2006 - £7,900,000) are wholly repayable after more than five years, and these bear interest at LIBOR plus 1 25% and are repayable in full in 2012

Bank loans of £23,600,000 (2006 - £23,245,706) are wholly repayable after more than five years and these bear interest at LIBOR plus 1 15% and are repayable in full in 2013

Bank loans of £6,000,000 (2006 - £4,500,000) are wholly repayable within two to five years and these bear interest at LIBOR plus 1 15%

Notes to the financial statements (continued)

For the year ended 31 March 2007

16 Creditors Amounts falling due after more than one year (continued)

Interest rate swaps

The group has taken out various financial instruments to manage its exposure to interest rate movements on its bank borrowings. These accrete in value up to 2012. Their aggregate nominal value at 31 March 2007 was £87m (2006 - £74.04m) and the fixed interest rates attaching to these instruments vary between 4.77% and 6%.

The fair value of the financial instruments entered into at 31 March 2007 is estimated at £1,573,785 (2006 - £26,011).

17 Provisions for liabilities

	Deferred tax	
	Group £	Company £
Beginning of year	547,562	74,860
Credited to profit and loss account	(40,759)	(11,243)
End of year	<u>506,803</u>	<u>63,617</u>

Deferred tax

Deferred tax is provided as follows

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Accelerated capital allowances	<u>506,803</u>	<u>547,562</u>	<u>63,617</u>	<u>74,860</u>

18 Financial commitments

Annual commitments under non-cancellable leases are as follows

Group

	2007		2006	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Expiry date				
- within one year	23,600	-	23,600	-
- within two to five years	-	31,672	-	20,931
- after five years	152,062	-	152,062	-
	<u>175,662</u>	<u>31,672</u>	<u>175,662</u>	<u>20,931</u>

Company

	2007		2006	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Expiry date				
- within two to five years	-	9,096	-	4,434
	<u>-</u>	<u>9,096</u>	<u>-</u>	<u>4,434</u>

Notes to the financial statements (continued)

For the year ended 31 March 2007

19 Contingencies

At the year end the company had contingent liabilities amounting to £129,440,766 (2006 - £109,655,575) relating to unlimited multilateral guarantees with the company's bank for subsidiary companies

20 Related party transactions

The company was under the control of Mr T P R Bloxham M B E throughout the current year and previous year
Mr Bloxham is the chairman and majority shareholder

The net amounts owed by related parties at the year end were as follows

	2007 £	2006 £
Amounts falling due within one year		
TBI 2000 Limited	6,374	4,151
Smithfield Lofts Management Limited	13,517	130
J M Falkingham	503,500	-
Chymoor Properties Limited	588	135,250
Hopwood Enterprises Limited	105,113	-
N Cornish	188,694	-
S D Gawthorpe	85,120	154,800
A Waugh	109,440	85,000
Baa Bar Limited	-	11,758
Dry Limited	-	7,738
Oak Farm Partners	-	2,728
Sandown Place Limited	-	285,900
	<u>1,012,346</u>	<u>687,455</u>
Amounts falling due after more than one year		
Woodfield House Limited	899,145	866,090
	<u>1,911,491</u>	<u>1,550,545</u>

The net amount owed to related parties at the year end were as follows

	2007 £	2006 £
Union North	70,322	53,212
Baa Bar Limited	15,093	-
Shed KM Limited	113,749	130,814
Woodfield House Limited	7,301	-
Windmill Demolition (NW) Limited	95,464	65,303
Timber Wharf Management Limited	86	2,646
Boxworks Management Limited	5,146	-
	<u>307,161</u>	<u>251,975</u>

Notes to the financial statements (continued)

For the year ended 31 March 2007

20 Related party transactions (continued)

These amounts all relate to trading balances which have arisen in the normal course of business, and are conducted on an arm's length basis. During the year the group

- incurred architect fees amounting to £1,299,387 (2006 - £1,005,224) and credited amounts receivable of £675 (2006 - £nil) from Shed KM Limited, a company in which J M Falkingham is materially interested as a director and shareholder,
- received rental and professional fee income amounting to £147,287 (2006 - £136,682) recharged costs amounting to £nil (2006 - £9,986) credited amounts receivable of £10,244 (2006 - £nil) and incurred costs amounting to £12,615 (2006 - £3,018) from Baa Bar Limited. Baa Bar Limited is a company in which T P R Bloxham M B E and J M Falkingham are materially interested as directors and shareholders,
- made sales of £37,117 (2006 - £31,839) to Smithfield Lofts Management Limited, a company in which T P R Bloxham M B E and J M Falkingham are materially interested in as shareholders,
- incurred £775,170 (2006 - £357,904) of costs from Union North, an architecture practice owned by a close family member of J M Falkingham,
- recharged costs amounting to £18,964 (2006 - £875) and was refunded service charges amounting to £nil, (2006 - £8,141) from Timber Wharf Management Limited, a company in which T P R Bloxham M B E is materially interested as a shareholder,
- recharged costs of £nil (2006 - £3,600) and credited amounts receivable of £2,705 (2006 - £33,499) from Oak Farm Partners, a partnership in which J M Falkingham is materially interested in as a partner,
- incurred fees of £1,628,425 (2006 - £1,032,698) from Windmill Demolition (NW) Limited, a company owned by a close family member of F Woodward, who had an interest in the share capital of Urban Splash Group Limited as at 31 March 2007,
- credited amounts receivable of £6,597 (2006 - £nil) from Dry Limited, a company in which T P R Bloxham M B E is materially interested as director and shareholder, and
- incurred £6,124 (2006 - £13,271) of rental costs from Woodfield House Limited, a joint venture of Urban Splash Work Limited

Notes to the financial statements (continued)

For the year ended 31 March 2007

20 Related party transactions (continued)

The following amounts all relate to directors' transactions during the current and preceding year which were for purchases of residential apartments, all of which took place on an arms length basis

	2007 £	2006 £
T P R Bloxham M B E	233,000	100,000
L W Maynard*	136,000	105,600
D Haydock*	-	130,000
S D Gawthorpe*	89,000	172,000
R Riding*	8,000	101,600
A Waugh	115,200	86,000
W Martin	-	132,000
F Woodward*	-	236,500
J Collard*	124,000	-
N Cornish*	203,300	-
J P Curnuck	96,000	-
J M Falkingham	530,000	-
Chymoor Properties Limited	-	586,950
Sandown Place Limited	-	288,400
Hopwood Enterprises Limited	<u>219,000</u>	<u>833,265</u>

* These directors are directors of subsidiary undertakings of Urban Splash Group Limited S D Gawthorpe, a director of Urban Splash Yorkshire Limited, a subsidiary of Urban Splash Group Limited, is materially interested in Chymoor Properties Limited J P Curnuck, a director of Urban Splash Group Limited is materially interested in Sandown Place Limited A Waugh, a director of Urban Splash Group Limited is materially interested in Hopwood Enterprises Limited

21 Called-up share capital

	2007 £	2006 £
<i>Authorised</i>		
20,000,000 ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
2,000,000 ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

Notes to the financial statements (continued)

For the year ended 31 March 2007

22 Reserves

Group	Share premium account £	Revaluation reserve £	Other reserve £	Profit and loss account £	Total £
Beginning of year	4,609,464	30,659,367	32,229	16,208,525	51,509,585
Revaluation surplus					
- Group	-	16,366,438	-	-	16,366,438
Profit (loss) for the year after taxation					
- Group	-	-	-	2,458,881	2,458,881
- Joint ventures	-	-	-	(32,221)	(32,221)
Dividends paid				(1,571,072)	(1,571,072)
End of year	<u>4,609,464</u>	<u>47,025,805</u>	<u>32,229</u>	<u>17,064,113</u>	<u>68,731,611</u>
Company					
Beginning of year	4,609,464	-	-	(854,552)	3,754,912
Loss for the year after taxation	-	-	-	(1,997,306)	(1,997,306)
Dividends paid	-	-	-	(1,571,072)	(1,571,072)
Dividends received	-	-	-	5,000,000	5,000,000
End of year	<u>4,609,464</u>	<u>-</u>	<u>-</u>	<u>577,070</u>	<u>5,186,534</u>

The other reserve comprises an unrealised gain on the acquisition of 50% of Urban Splash West Midlands Limited during the year ended 31 March 2005. This reserve arose when the entity became a subsidiary under the true and fair override in FRS 2.

23 Reconciliation of movement in group equity shareholders' funds

	2007 £	2006 £
Profit (loss) for the financial year after taxation		
- Group	2,458,881	6,341,495
- Joint ventures	(32,221)	(57,209)
Dividends paid	(1,571,072)	-
Revaluation of investment properties		
- Group	16,366,438	6,029,180
	<u>17,222,026</u>	<u>12,313,466</u>
Opening equity shareholders' funds	53,509,585	41,196,119
Closing equity shareholders' funds	<u>70,731,611</u>	<u>53,509,585</u>

Notes to the financial statements (continued)

For the year ended 31 March 2007

24 Reconciliation of operating profit to operating cash flows

	2007 £	2006 £
Operating profit	4,778,781	10,642,418
Depreciation charges	459,550	395,700
Decrease (increase) in work in progress	6,213,253	(2,281,049)
Decrease (increase) in debtors	252,173	(5,472,802)
Increase in current asset investments	(393,109)	(1,434,598)
Increase in creditors	21,564,861	18,667,001
Net cash inflow from operating activities	32,875,509	20,516,670

25 Analysis of cash flows

a) Returns on investments and servicing of finance

	2007 £	2006 £
Interest received	71,439	29,268
Interest paid	(5,758,377)	(5,677,901)
Net cash outflow	(5,686,938)	(5,648,633)

b) Taxation

	2007 £	2006 £
UK corporation tax paid	(1,900,000)	(3,979,842)
Net cash outflow	(1,900,000)	(3,979,842)

c) Capital expenditure and financial investment

	2007 £	2006 £
Purchase of tangible fixed assets	(51,571,935)	(33,522,399)
Sale of tangible fixed assets	3,635,539	121,623
Net cash outflow	(47,936,396)	(33,400,776)

d) Financing

	2007 £	2006 £
New bank loans	56,761,615	59,399,299
Repayment of loans	(39,885,338)	(31,412,378)
Net cash inflow	16,876,277	27,986,921

Notes to the financial statements (continued)

For the year ended 31 March 2007

26 Analysis and reconciliation of net debt

	Beginning of year £	Cash flows £	Other non-cash changes £	End of year £
Cash in hand and at bank	5,396,195	(5,389,550)	-	6,645
Overdrafts	-	(1,953,070)	-	(1,953,070)
	5,396,195	(7,342,620)	-	(1,946,425)
Debt due within one year	(43,167,250)	123,524	(405,495)	(43,449,221)
Debt due after more than one year	(66,488,325)	(16,999,801)	(550,349)	(84,038,475)
Total debt	(109,655,575)	(16,876,277)	(955,844)	(127,487,696)
Net debt	(104,259,380)	(24,218,897)	(955,844)	(129,434,121)

	2007 £	2006 £
(Decrease) increase in cash in the year	(5,389,550)	4,839,540
Increase in overdrafts	(1,953,070)	-
	(7,342,620)	4,839,540
Net cash inflow from bank loans	(16,876,277)	(27,986,921)
Non-cash movement in bank loans (note 27)	(955,844)	-
Change in net debt	(25,174,741)	(23,147,381)
Net debt at beginning of year	(104,259,380)	(81,111,999)
Net debt at end of year	(129,434,121)	(104,259,380)

27 Major non-cash transactions

During the year, the group incurred interest charges of £955,844 (2006 - £nil) in relation to certain bank loans, which were rolled up in to the outstanding loan balance and not paid as at 31 March 2007

28 Capital commitments

At the year end the group had no capital commitments (31 March 2006 - £nil)

29 Ultimate controlling party

The directors regard T P R Bloxham M B E as the ultimate controlling party

30 Subsequent events

On 10 April 2007, the company re-purchased 6,400 of its ordinary shares for consideration of £277,000