

Urban Splash Group Limited
and subsidiary undertakings

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

Registered number 03141013



Chairman's report

For the year ended 31 March 2012

It's been (another) tough year for the group and we continue to work in a difficult economic environment. The general economic malaise and downward pressure on valuations has had an impact on our commercial property portfolio, while the continued lack of availability of mortgage finance has acted as a barrier to potential homebuyers for our residential portfolio.

Despite these difficulties, I believe much progress has been made in the year on many different fronts. We have continued to deliver award-winning buildings, we have invested £21.6 million in regeneration projects, we have won 14 more awards, taking our total to 317 and we have increased our investment income overall to £13.9 million, up £1 million.

I am very pleased to report during the course of last year we have completed projects at Saxton in Leeds, Longlands in Stalybridge and New Cooperage in Plymouth.

We have also spent much time and hard work developing our residential and commercial investment portfolios. We believe our buildings are exceptionally well designed and both residential and commercial tenants appreciate the quality design and service Urban Splash is able to offer. We believe this sets us apart from the competition.

Our commercial property portfolio has performed well, we have nearly 2 million ft² of commercial property which is rented to over 300 tenants in over 42 buildings and produces an investment income in excess of £10.5 million. Our commercial portfolio is currently 90% let. This figure significantly out-performs the local markets within which we compete for customers. We were particularly proud to win the British Council for Offices (BCO) "test of time award" for Fort Dunlop five years after its completion.

I am especially proud of the advances we have made in our residential portfolio, which has grown from 446 units to 665 units during the year and as of Nov 2012 we now have 717 units owned or under management. This currently produces an income of £5.0 million (up from £2.5 million). Our occupancy rates are currently at an all-time high of over 95%.

We successfully launched sales at Park Hill Sheffield, one of the country's most ambitious regeneration projects, brought back into use Residence 2 and the Slaughter House at Plymouth's Royal William Yard, secured a post year-end acquisition of 26 listed buildings in New Hall Liverpool, and applied (with Manchester Grammar School) to open the New Islington Free School.

Turnover has increased to £33.6 million from £29.1 million, but the loss for the financial year has widened to £15.4 million from £9.4 million. A revaluation of our commercial properties has shown a reduction in value of £6.9 million (2011 £10.3 million).

We are currently fully engaged with all our funders in negotiating new bank facilities for the medium term however this process had not been concluded at the date of signing these financial statements. We are fortunate to have funders who have been very supportive of the group through the last three years and are hopeful that we can conclude our negotiations with them in the next few months, putting the group on a sound financial platform for the foreseeable future – see the accounting policies note on going concern.

Despite the harsh economic conditions, I believe Urban Splash has maintained its reputation as one of the country's leading regeneration companies. We are lucky that we are an asset rich group – and by that I refer not only to our large residential and commercial portfolio but also to our brand. I believe in this world brands are becoming increasingly important and by contrast there are very few true property brands. The strength of our brand and what it stands for means that we have established ourselves as one of the country's pre-eminent property brands.

Chairman's report (continued)

For the year ended 31 March 2012

My thanks go once again to all our public and private sector partners and above all my colleagues. Despite all the difficulties around us we have proved once again that we are capable of delivering some amazing regeneration projects and driving our business forward.

TOM BLOXHAM MBE

A handwritten signature in black ink, appearing to be 'T. Bloxham', written in a cursive style.

Chairman, Urban Splash Group Limited

5/12/2012

Directors' report

For the year ended 31 March 2012

The directors present their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 31 March 2012

The company has an accounting reference date of the 27 March, however the financial statements for both the current and prior year have been prepared up to the financial year ended 31 March

Going concern

The directors wish to draw attention to the statement of accounting policies regarding the basis of preparation of the accounts. The financial statements have been prepared on the going concern basis.

Principal activities and business review

The principal activities of the group include property development and property investment. The principal activity of the company is that of a holding company.

The subsidiary undertakings principally affecting the result and net assets of the group in the year are listed in note 10 to the financial statements.

Enhanced business review

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

A comprehensive review of the business can be found in the Chairman's Statement on pages 1 to 2.

Results and dividends for the 2012 financial year

This year, the group reported increased turnover up 16% to £33.7 million (2011: £29.1 million), a loss before tax of £15.4 million (2011: £9.4 million) and a change from a net asset position to a net liabilities position of £17.4 million (2011: net assets of £4.9 million). The total return (retained loss for the financial year plus commercial property revaluation), the board's key group financial performance measure, was a negative return of £22.3 million (2011: £19.9 million) and net debt increased to £242.4 million (2011: £234.4 million).

Further information regarding the trading performance of the group can be found in the Chairman's Statement on pages 1 to 2.

The audited financial statements for the year ended 31 March 2012 are set out on pages 9 to 35. The directors have not declared a dividend payment in the current year (2011: nil).

Risks and uncertainties

The group, as with all businesses, is exposed to a number of risks and uncertainties that can affect its operational performance in both the short and long term. The key risks and uncertainties and how they are managed are outlined below.

Liquidity

The current economic climate which is adversely affecting trading together with the propensity of banks to lend has resulted in squeeze on liquidity which could limit the group's ability to both develop and build out schemes. Through raising additional external finance from both the public sector and banks, the directors have ensured that all the group's development schemes that are on-site are fully funded. The directors closely manage the day to day liquidity position through detailed daily and monthly cash flow forecasts which are reviewed regularly by the board.

Directors' report (continued)

For the year ended 31 March 2012

Health and safety

Accidents and incidents on building sites and buildings owned and managed by the group can result in serious injury and possibly loss of life. As the group both constructs and manages most of its commercial and residential buildings in-house, addressing health and safety is paramount and a key focus of the board. The group has dedicated, well trained health and safety staff and extensively uses third parties to monitor compliance. Training and site procedures are reviewed regularly to ensure the highest standards are continually maintained. Health and safety is reported on in detail at all board meetings.

Availability of mortgage finance

The current market conditions make it hard for many of the group's customers to access sufficient mortgage finance due to uncertain and variable valuations and bank lending criteria. As most of the group's customers need mortgage finance to complete purchases, this is having a detrimental impact on sales levels. The status of all sales where mortgages are required is closely monitored and reviewed by the board. The group works closely and pragmatically with all customers and mortgage lenders to try and resolve the many issues that arise through the completion process.

Rental demand

The group has a large portfolio of both commercial and residential property and rental cash flows now represent a significant proportion of total group revenue. Generating a high demand and retaining a high level of occupation is essential. In providing well designed, unique and affordable office space and homes, the group is able to generate demand and maintain occupancy at high levels. In managing all of its commercial property and most of its residential property, the group takes a very customer focussed approach to property management which in turn helps to maintain standards and support high occupation.

Development costs and programme

Remaining within tight construction budgets and programmes is essential for scheme profitability and remaining within established funding criteria. As the group undertakes all construction in-house, it is exposed to all cost and delivery risks which might otherwise be passed on to a main contractor. The group retains close control of procurement and scheme progress against programme through detailed reporting on all schemes at monthly construction boards.

Government housing policy

Government policy on housing and funding, particularly for re-generation projects and affordable housing has a significant impact on the group's future development activity and many other aspects of its business. The directors actively engage with government officials at both a national and regional level and monitor closely actual and likely developments in policy. Where appropriate, directors make representations on policy formation and future direction.

Planning process

If planning consents are delayed or rejected, the ability of the group to grow will be significantly constrained. The group has a strong track record of achieving successful planning applications. 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 has ensured that planning decisions have been favourable.

Directors' report (continued)

For the year ended 31 March 2012

Directors

The directors who served the company during the year and thereafter are as follows

T P R Bloxham M B E

J M Falkingham

J P Cumuck

N E Johnson (resigned 31 October 2012)

M J Everett (appointed 20 June 2012)

S D Gawthorpe (appointed 30 November 2012)

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

Auditor

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 auditor is unaware, and
- 2 The directors have taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

By order of the Board,



J P Cumuck

Director

Timber Wharf
16-22 Worsley Street
Castlefield
Manchester
M15 4LD

S/12/2012

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company 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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group'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 Auditor's Report to the Members of Urban Splash Group Limited

We have audited the financial statements of Urban Splash Group Limited for the year ended 31 March 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 25. 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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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.

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 group's and the parent 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 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 group's and the parent company's affairs as at 31 March 2012 and of the group's 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.

Independent Auditor's Report to the Members of Urban Splash Group Limited (continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the accounting policies to the financial statements concerning the Group's ability to continue as a going concern

The Group incurred a net loss of £15,431,069 during the year ended 31 March 2012, and as of 31 March 2012 had net current liabilities of £47,096,241. Net liabilities were £17,433,088

Whilst at 5 December 2012 £32.7 million of the Group's funding is provided under facilities which extend beyond the next 12 months there are facilities totalling £206.8 million which are repayable on demand either due to covenant breaches or being beyond the facility review date. Where the facilities are past due and in the process of renegotiation or are in breach of financial covenants, the banks have reserved their rights to recall the debt on demand.

The directors are fully engaged with the Group's banks, in working towards restructured loan arrangements which would fund the group for the foreseeable future, though these new arrangements have not been finalised or agreed. The current cash flow forecasts indicate that further facilities are required in the short term whilst the restructuring is concluded. The directors expect the necessary bank facilities to be made available when required. There is consequently no certainty that the necessary funding level will continue to be provided or that a satisfactory restructuring will be achieved.

These conditions, along with the other matters explained in the accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.



Damian Sanders BA ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom
18 December 2012

Consolidated profit and loss account

For the year ended 31 March 2012

	Note	2012 £	2011 £
Turnover: Group and share of joint ventures		33,668,196	29,124,698
Less share of joint ventures' turnover		(3,723)	(39,978)
Group turnover	1	33,664,473	29,084,720
Exceptional costs of sales	2	(5,868,163)	-
Ordinary cost of sales	2	(16,558,704)	(14,834,056)
Cost of sales	2	(22,426,867)	(14,834,056)
Gross profit		11,237,606	14,250,664
Exceptional operating expenses	2	(7,049,245)	(4,476,490)
Ordinary operating expenses (net)	2	(8,995,627)	(8,005,418)
Operating expenses (net)	2	(16,044,872)	(12,481,908)
Operating (loss) profit		(4,807,266)	1,768,756
Profit (loss) on sale of tangible fixed assets		218,246	(69,563)
Profit on disposal of joint venture		-	74,918
Share of joint venture's operating loss		(36,156)	(42,407)
(Loss) profit on ordinary activities before finance charges		(4,625,176)	1,731,704
Finance charges (net)			
Group	6	(10,756,472)	(11,064,110)
Joint ventures	6	(49,421)	(49,208)
		(10,805,893)	(11,113,318)
Loss on ordinary activities before taxation		(15,431,069)	(9,381,614)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	19, 20	(15,431,069)	(9,381,614)

A movement in reserves is given in note 19 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 2012

	Note	2012 £	2011 £
Loss for the financial year			
- Group		(15,345,492)	(9,364,918)
- Joint ventures		(85,577)	(16,696)
		<u>(15,431,069)</u>	<u>(9,381,614)</u>
Unrealised deficit on revaluation of investment properties			
- Group	9	(6,881,682)	(10,302,959)
- Joint ventures		-	(242,332)
		<u>-</u>	<u>(242,332)</u>
Total recognised losses for the year		<u>(22,312,751)</u>	<u>(19,926,905)</u>

There is no difference between the loss for the financial year as disclosed in the profit and loss account and the loss on an unmodified historical cost basis in either year

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses

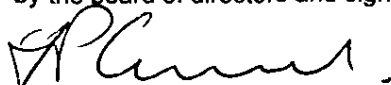
Consolidated balance sheet

As at 31 March 2012

	Note	2012 £	2011 £
Fixed assets			
Tangible assets	9	139,258,819	271,210,846
Investments in joint ventures			
- share of gross assets	10b)	1,205,651	1,235,303
- share of gross liabilities	10b)	(1,805,038)	(1,749,113)
	10b)	(599,387)	(513,810)
		<u>138,659,432</u>	<u>270,697,036</u>
Current assets			
Stocks	11	135,644,884	26,758,564
Debtors			
- due within one year	12	7,621,368	6,054,899
- due after one year	12	283,015	283,015
Cash at bank and in hand		<u>3,637,997</u>	<u>2,908,433</u>
		<u>147,187,264</u>	<u>36,004,911</u>
Creditors: Amounts falling due within one year	13	<u>(194,283,505)</u>	<u>(183,773,559)</u>
Net current liabilities		<u>(47,096,241)</u>	<u>(147,768,648)</u>
Total assets less current liabilities		<u>91,563,191</u>	<u>122,928,388</u>
Creditors. Amounts falling due after more than one year	14	<u>(108,996,279)</u>	<u>(118,048,725)</u>
Net (liabilities) assets		<u>(17,433,088)</u>	<u>4,879,663</u>
Capital and reserves			
Called-up share capital	18	2,010,130	2,010,130
Capital redemption reserve	19	6,400	6,400
Share premium account	19	4,609,464	4,609,464
Revaluation reserve	19	30,371,646	37,253,328
Other reserve	19	32,229	32,229
Investment in own shares	19	(1,655,808)	(1,655,808)
Profit and loss account	19	<u>(52,807,149)</u>	<u>(37,376,080)</u>
Shareholders' (deficit) funds	20	<u>(17,433,088)</u>	<u>4,879,663</u>

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

These financial statements of Urban Splash Group Limited, company registration number 03141013 were approved by the board of directors and signed on its behalf by


J P Cumuck

Director

5/12/ 2012

Company balance sheet

As at 31 March 2012

	Note	2012 £	2011 £
Fixed assets			
Tangible assets	9	1,291,864	1,400,061
Investments	10	6,786,729	6,786,727
		<u>8,078,593</u>	<u>8,186,788</u>
Current assets			
Debtors	12	5,624,110	5,526,669
Cash at bank and in hand		700	700
		<u>5,624,810</u>	<u>5,527,369</u>
Creditors: Amounts falling due within one year	13	<u>(6,578,287)</u>	<u>(5,606,403)</u>
Net current liabilities		<u>(953,477)</u>	<u>(79,034)</u>
Total assets less current liabilities		<u>7,125,116</u>	<u>8,107,754</u>
Creditors: Amounts falling due after more than one year	14	<u>(250,000)</u>	<u>(250,000)</u>
Net assets		<u>6,875,116</u>	<u>7,857,754</u>
Capital and reserves			
Called-up share capital	18	2,010,130	2,010,130
Capital redemption reserve	19	6,400	6,400
Share premium account	19	4,609,464	4,609,464
Investment in own shares	19	(1,655,808)	(1,655,808)
Profit and loss account	19	1,904,930	2,887,568
Shareholders' funds		<u>6,875,116</u>	<u>7,857,754</u>

These financial statements of Urban Splash Group Limited, company registration number 03141013 were approved by the board of directors and signed on its behalf by


J P Curnuck

Director

5/12/2012

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

Consolidated cash flow statement

For the year ended 31 March 2012

	Note	2012 £	2011 £
Net cash inflow from operating activities	21	2,217,362	39,578,237
Returns on investments and servicing of finance	22(a)	(8,746,602)	(8,784,721)
Capital expenditure and financial investment	22(b)	(1,246,119)	(43,055,442)
Cash outflow before financing		(7,775,359)	(12,261,926)
Financing	22(c)	3,200,034	11,572,346
Decrease in cash in the year	23	<u>(4,575,325)</u>	<u>(689,580)</u>

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

Statement of accounting policies

For the year ended 31 March 2012

The financial statements are prepared in accordance with applicable law and 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 2006 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 2006. 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.

The company has an accounting reference date of 27 March, however the financial statements for both the current and prior year have been prepared up to the financial year ended 31 March.

Going concern

The financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position, and its exposures to liquidity risk are set out in the Directors' Report on pages 3 to 5. The financial position of the Group, its cash flows, liquidity position, borrowing facilities, objectives and details of its financial instruments and hedging activities are described in notes 14 and 23.

As detailed in Note 23, the Group has £242 million (2011: £234 million) of net debt as at 31 March 2012, which is provided through a number of secured facilities from banks and the Homes and Communities Agency ("HCA").

Whilst at 5 December 2012 £32.7 million of the Group's funding is provided under facilities which extend beyond the next 12 months, there are facilities totalling £206.8 million which are repayable on demand.

The principal components of the Group's funding at 5 December 2012 are as follows:

- a combined on-demand overdraft and development finance facility from HSBC totalling £90.6 million, and
- a £113.6 million syndicated loan facility which was previously repayable in full in June 2013, however is currently an on demand facility due to covenant breaches as at March 2012.

In addition, the group has raised further funding via a combination of loan, equity, gap and grant finance from the HCA under its Kickstart and National Affordable Housing programs enabling it to complete three residential schemes. The loan and equity facilities are repayable in March 2014. The group also has small loan facilities with RBS and Co-op for certain development activities, which are on demand.

Where the facilities are past due and in the process of renegotiation or are in breach of financial covenants, the banks have reserved their rights to recall the debt on demand. As noted below however, this is not the current intention of the funding parties.

Statement of accounting policies (continued)

For the year ended 31 March 2012

Going concern (continued)

The group meets its day to day working capital requirements through the overdraft facility provided by HSBC. HSBC has remained supportive of the group and its directors throughout this period of economic down-turn, providing significant additional facilities to the group. The current arrangements were put in place in March 2009 and expired on 31 May 2012. The directors are currently in advanced discussions with HSBC to achieve a consensual restructuring of loan arrangements which would provide a solvent solution to existing debt and fund the group for the foreseeable future. The directors expect to satisfactorily conclude discussions in the near future though these new arrangements have not yet been finalised or agreed. Whilst discussions with HSBC are not concluded, the bank continues to make funding (which is on demand) available to the group on the same terms as the expired facility and has increased this facility by £2.5 million since the year end. The current cash flow forecasts indicate that further facilities are required in the short term whilst the restructuring is concluded. The directors expect the necessary bank facilities to be made available when required.

The £113.6 million syndicated loan facility expires in June 2013, however is currently an on demand facility due to covenant breaches as at March 2012. The directors are in discussion with the syndicate of lenders to agree a consensual, achievable plan prior to the expiry of the loan to address the specific requirements of the various syndicate lenders.

Whilst the facilities with the HCA are not due for repayment until 2014, they are linked to certain development facilities provided by the group's banks and the directors maintain a close dialogue with the HCA over the status of wider restructuring.

The directors have prepared financial projections for the foreseeable future which reflect the existing funding level currently being made available to the group, albeit much of these facilities are on demand or have expired as set out above.

The current economic conditions have created a number of uncertainties for all companies in the sectors in which the Group operates with regard to future market valuation movements, rental demand and the resultant impact on occupancy and the Group's ability to realise assets via sale in the short term should a need arise.

In addition to the above, the directors remain focussed on working capital management and the management of operating costs to ensure that the day to day cash flow requirements of the business are controlled.

On the basis of the forecasts, including the funding requirements of the business, and with the assumption of continuing support from its lenders, the directors consider that the Group and the Company will continue to operate within the funding expected to be made available to the Group whilst new facility arrangements are negotiated.

Given the status of discussions with its banks and particularly HSBC with respect to an expected consensual restructuring of facilities in the near future and the on-going support provided by all lenders, the directors have a reasonable expectation that they will achieve a successful restructure of its loan facilities with HSBC and other funders to enable it to continue its operations for the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

However, there is no certainty that the current funding level will continue to be provided or that a satisfactory restructuring will be achieved. As a result, the Directors believe there is a material uncertainty which may cast significant doubt as to the Group's and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Statement of accounting policies (continued)

For the year ended 31 March 2012

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 2006 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 the profits/losses 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.

Compliance with SSAP 19 'Accounting for investment properties' requires departure from the requirements of the Companies Act 2006 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 the Schedule 4 of Companies Act 2006.

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 2012. 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.

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 the group's obligations to the purchaser under the contract for sale. Rents receivable are recognised on a straight line basis over the lease term, even if the rents are not received on such a basis.

Exceptional items

Items that are material in size or unusual or infrequent in nature are presented as exceptional items in the profit and loss account. The directors are of the opinion that the separate presentation of exceptional items provides helpful information about the group's underlying business performance.

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:

Fittings and equipment	5 years
Motor vehicles	3 years
Computer equipment	3 years

Assets under the course of construction and operational land and buildings are not depreciated. 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.

Development property assets represent land and buildings and other property related assets held for future development or sale. This category of asset is not depreciated as the charge would be immaterial due to the

Statement of accounting policies (continued)

For the year ended 31 March 2012

estimated length of remaining useful economic life. All assets within this category are reviewed annually for impairment.

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

In the group financial statements, investments in joint ventures are accounted for using the equity method. The consolidated profit and loss account includes the group's share of joint ventures' profits less losses while the group's share of the net assets of the joint ventures is shown in the consolidated balance sheet.

Stock

Stocks of completed properties include all interests in residential schemes comprising apartments, car bays, stores and freehold interests and are stated at the lower of cost and net realisable value. Provision is made for impairment in value where appropriate.

Properties awaiting and under development are 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.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account (or capitalised into properties awaiting and under development or assets under construction as appropriate) using the effective interest method and are added to accruals to the extent they are not settled in the period in which they arise.

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.

Statement of accounting policies (continued)

For the year ended 31 March 2012

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 substantively 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

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 substantively 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 section 404 of the Companies Act 2006 which requires fixed assets to be shown at cost and grants as deferred income. The treatment has been adopted in accordance with section 404(5) of the Companies Act 2006 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

Investment in own shares

Issued ordinary shares re-purchased by the company and held in the Urban Splash Group Employee Benefit Trust are held in a separate, non-distributable reserve

Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate risk. The group does not hold derivative financial instruments for speculative purposes. Gains and losses on these contracts are charged to the profit and loss account in the period in which they are realised

Notes to the financial statements

For the year ended 31 March 2012

1 Turnover

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

Analysis of turnover by class of business is as follows

	2012 £	2011 £
Residential apartment completions	14,496,581	14,143,945
Carbay completions	603,577	313,205
Commercial rental income	10,508,556	10,507,001
Residential rental income	3,418,478	2,386,516
Other income	4,637,281	1,734,053
	<u>33,664,473</u>	<u>29,084,720</u>

Other income in the current year includes revenue from the sale of certain freehold and long leasehold interests in properties held within stock

2 Cost of sales and operating expenses

	2012 £	2011 £
<i>Cost of sales</i>		
Exceptional cost of sales	5,868,163	-
Ordinary cost of sales	16,558,704	14,834,056
	<u>22,426,867</u>	<u>14,834,056</u>

As a result of the deterioration of market conditions and falling apartment values, an exceptional charge of £5,868,163 (2011 £nil) was recognised following a re-assessment of the project gross margins

	2012 £	2011 £
<i>Operating expenses</i>		
Exceptional impairment of development and property assets	7,049,245	4,476,490
Ordinary operating expenses	8,995,627	8,005,418
	<u>16,044,872</u>	<u>12,481,908</u>

Impairment of development and property assets

At 31 March 2012, the group conducted an impairment and net realisable value review of historical costs incurred on development schemes, completed apartments and investment properties held as fixed assets and stock. This resulted in an impairment charge against fixed assets for the year of £2,180,288 (2011 £4,340,239) and a provision against finished apartments held as stock of £4,868,957 (2011 £136,251), totalling £7,049,245 (2011 £4,476,490)

Notes to the financial statements (continued)

For the year ended 31 March 2012

3 Loss on ordinary activities before taxation

Loss is stated after charging (crediting)

	2012 £	2011 £
Depreciation on owned fixed assets (note 9)	300,056	458,468
Impairment of fixed assets (note 9)	2,180,288	4,340,239
(Profit) loss on disposal of fixed assets	(218,246)	69,563
Operating lease rentals		
- other	59,069	77,073
Government grants released	(2,961,323)	(167,924)
Fees payable to the company's auditor for the audit of the company's annual accounts	2,625	1,864
Fees payable to the company's auditor for the audit of subsidiaries	72,375	73,136

Amounts payable to Deloitte LLP and their associates by the company and its subsidiary undertakings in respect of non-audit services were

	2012 £	2011 £
Corporation tax compliance and advice	30,000	50,000
Other taxation advice	8,850	30,036
	<u>38,850</u>	<u>80,036</u>

Fees payable to Deloitte 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

Notes to the financial statements (continued)

For the year ended 31 March 2012

4 Staff costs

The average monthly number of employees (including directors) was

	2012 Number	2011 Number
Construction staff	36	52
Administrative staff	61	70
Development staff	11	12
Sales staff	9	8
	<u>117</u>	<u>142</u>

Their aggregate remuneration comprised

	2012 £	2011 £
Wages and salaries	4,737,339	5,435,472
Social security costs	532,650	579,933
Pension costs	124,444	-
Redundancy costs	190,251	-
Less amounts capitalised and recharged	(2,349,482)	(3,416,638)
	<u>3,235,202</u>	<u>2,598,767</u>

5 Directors' remuneration and transactions

The directors' aggregate emoluments in respect of qualifying services were

	2012 £	2011 £
Emoluments	584,892	639,070
Company contributions to money purchase schemes	51,726	-
	<u>636,618</u>	<u>639,070</u>

Highest paid director

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

	2012 £	2011 £
Emoluments	122,360	161,117
Company contributions to money purchase schemes	38,070	-
	<u>160,430</u>	<u>161,117</u>

Directors' transactions

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 17)

Notes to the financial statements (continued)

For the year ended 31 March 2012

6 Finance charges (net)

	2012 £	2011 £
Bank loans and overdrafts	11,501,803	12,205,491
Other loans	644,675	67,306
Other interest payable	50,851	109,732
Less amounts capitalised	(1,389,976)	(1,260,880)
	<u>10,807,353</u>	<u>11,121,649</u>
Interest receivable and similar income	(50,881)	(57,539)
	<u>10,756,472</u>	<u>11,064,110</u>

Joint ventures

	2012 £	2011 £
Bank loans and overdrafts	49,421	49,232
Interest receivable and similar income	-	(24)
	<u>49,421</u>	<u>49,208</u>

7 Tax on loss on ordinary activities

There is no current or deferred taxation charge for the year (2011 £nil)

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

	2012 £	2011 £
Loss on ordinary activities before tax	<u>(15,431,069)</u>	<u>(9,381,614)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 26% (2011 28%)	(4,012,078)	(2,626,852)
Effects of		
Expenses not deductible for tax purposes	559,355	1,277,267
Capital allowances below (in excess of) depreciation	78,014	(448,172)
Movement in short term timing differences	24,316	(5,734)
(Profits not taxable) costs not deductible – (profit) loss on sale of fixed assets	(55,518)	22,277
Utilisation of provisions previously treated as not deductible	-	(146,868)
Creation of tax losses	3,405,911	1,928,082
Current tax credit for the year	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

For the year ended 31 March 2012

7 Tax on loss on ordinary activities (continued)

The deferred tax asset has increased to £12,441,623 (2011 £8,906,469) during the year and has not been recognised, as in the opinion of the directors, there will be no suitable profits available for the foreseeable future

The tax charge in future periods will be affected by 1) the announcement on 26 March 2012 that the corporation tax main rate would be reduced by another 1% below the expected reduced rate of 25% to 24% from 1 April 2012, and 2) the announcement on 3 July 2012 that the corporation tax main rate would be further reduced by 1% to 23% from 1 April 2013. It is not expected that the reduction will have a significant impact on the group's unrecognised deferred tax balances

Analysis of unrecognised deferred tax asset

	2012 £	2011 £
Fixed assets	(674,382)	(800,991)
Trading losses	11,417,320	8,912,941
Capital losses	1,657,166	764,044
Short term timing differences	41,519	30,475
	<u>12,441,623</u>	<u>8,906,469</u>

The amount of deferred tax that has not been provided on revalued fixed assets is £6,074,329 (2011 £8,195,732). At present, it is not envisaged that any tax will become payable in the foreseeable future

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 £982,638 (2011 £616,787). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company

Notes to the financial statements (continued)

For the year ended 31 March 2012

9 Tangible fixed assets

Group	Investment properties £	Operational land and buildings £	Other property £	Assets under the course of construction £	Development property assets £	Fixtures, fittings and equipment £	Total £
Cost or valuation							
Beginning of year	120,427,683	-	34,415,617	133,470,786	-	2,836,906	291,150,992
Additions	167,682	-	-	1,557,175	302,415	572,844	2,600,116
Category transfers	2,483,916	1,506,216	(3,093,765)	(33,081,523)	30,958,398	1,226,758	-
Transfers to stock	-	-	(31,321,852)	(87,550,671)	-	-	(118,872,523)
Transfers from deferred income	-	-	-	(5,497,706)	-	-	(5,497,706)
Disposals	-	-	-	(1,900,807)	(2,835,857)	(9,786)	(4,746,450)
Revaluations	(6,881,682)	-	-	-	-	-	(6,881,682)
End of year	<u>116,197,599</u>	<u>1,506,216</u>	<u>-</u>	<u>6,997,254</u>	<u>28,424,956</u>	<u>4,626,722</u>	<u>157,752,747</u>
Depreciation							
Beginning of year	403,683	-	376,151	16,668,352	-	2,491,960	19,940,146
Charge for the year	-	-	-	-	-	300,056	300,056
Category transfers	-	147,344	(376,151)	(14,020,909)	13,830,850	418,866	-
Transfer to stock	-	-	-	(252,730)	-	-	(252,730)
Impairment	-	190,000	-	246,285	1,744,003	-	2,180,288
Disposals	-	-	-	(1,906,864)	(1,757,463)	(9,505)	(3,673,832)
End of year	<u>403,683</u>	<u>337,344</u>	<u>-</u>	<u>734,134</u>	<u>13,817,390</u>	<u>3,201,377</u>	<u>18,493,928</u>
Net book value							
End of year	<u>115,793,916</u>	<u>1,168,872</u>	<u>-</u>	<u>6,263,120</u>	<u>14,607,566</u>	<u>1,425,345</u>	<u>139,258,819</u>
Beginning of year	<u>120,024,000</u>	<u>-</u>	<u>34,039,466</u>	<u>116,802,434</u>	<u>-</u>	<u>344,946</u>	<u>271,210,846</u>

The transfer of assets from tangible fixed assets to stock is to reflect management's current intended use for the assets and the anticipated period of ownership

Investment properties, which are a combination of freehold and leasehold were valued on an open market existing use basis at 1 February 2012 by Jones Lang LaSalle Limited, 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 £86,769,801 (2011 £84,118,203)

Included in assets under the course of construction and other property is £183,524 (2011 £5,565,619) of capitalised interest

Notes to the financial statements (continued)

For the year ended 31 March 2012

9 Tangible fixed assets (continued)

Company	Operational land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
Beginning of year	1,506,215	1,228,809	2,735,024
Additions	-	126,900	126,900
End of year	<u>1,506,215</u>	<u>1,355,709</u>	<u>2,861,924</u>
Depreciation			
Beginning of year	147,344	1,187,619	1,334,963
Charge for the year	-	45,097	45,097
Impairment charge	190,000	-	190,000
End of year	<u>337,344</u>	<u>1,232,716</u>	<u>1,570,060</u>
Net book value			
Beginning of year	<u>1,358,871</u>	<u>41,190</u>	<u>1,400,061</u>
End of year	<u>1,168,871</u>	<u>122,993</u>	<u>1,291,864</u>

10 Fixed asset investments

Investments comprise

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Subsidiary undertakings (see note 10a)	<u>-</u>	<u>-</u>	<u>6,786,729</u>	<u>6,786,727</u>

The company's principal investments are

Principal activities	Country of incorporation or principal business address	% Holding
Subsidiary undertakings		
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	Property investment	England 100
Urban Splash (South West) Birnbeck Limited	Property development	England 100*
Urban Splash South West (Bridewell) Limited	Property development	England 100*
Urban Splash Walsall Limited	Property development	England 100*
Urban Splash Lakes Limited	Property development	England 100
Urban Splash Director Limited	Holding company	England 100

Notes to the financial statements (continued)

For the year ended 31 March 2012

10 Fixed asset investments (continued)

	<u>Principal activities</u>	<u>Country of incorporation or principal business address</u>	<u>% Holding</u>
<i>Subsidiary undertakings (continued)</i>			
Urban Splash Midlands Limited	Property development	England	100
New Islington Utilities Company Limited	Provision of utilities	England	100
Urban Splash (Park Hill) Limited	Property development	England	100*
Urban Splash Homes Limited	Property investment and lettings	England	100
Urban Splash Eight Limited	Property investment and lettings	England	100
Urban Splash (RWY) Limited	Property development	England	100
Urban Splash (New Hall) Limited	Property investment and development	England	100*
<i>Joint ventures</i>			
Woodfield House Limited	Property development	England	50*

*Indirect holding

a) Subsidiary undertakings

Investments
in subsidiary
undertakings
£

Company cost and net book value

At beginning of year	6,786,727
Additions	2
At end of year	<u>6,786,729</u>

During the year, Urban Splash Eight Limited and Urban Splash (RWY) Limited acquired property assets, and thereafter were consolidated into the results of the group

b) Joint ventures

Group	2012 £	2011 £
Share of gross assets	1,205,651	1,235,303
Share of gross liabilities	<u>(1,805,038)</u>	<u>(1,749,113)</u>
Share of net liabilities	<u>(599,387)</u>	<u>(513,810)</u>
Share of net liabilities		
At beginning of year		(513,810)
Share of retained loss for the year		<u>(85,577)</u>
At end of year		<u>(599,387)</u>

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 investment company, which is registered in England and Wales. The accounting reference date 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 2012.

Notes to the financial statements (continued)

For the year ended 31 March 2012

11 Stocks

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Completed properties	101,022,223	23,915,408	-	-
Properties under development	33,247,767	1,892,360	-	-
Properties awaiting development	1,374,894	950,796	-	-
	<u>135,644,884</u>	<u>26,758,564</u>	<u>-</u>	<u>-</u>

Included within stock is £5,280,622 (2011 £1,935,205) of capitalised interest. During the year £118,872,523 (2011 £12,970,625) was transferred from fixed assets to stock.

Completed properties, and once constructed, properties under and awaiting development will be held for immediate sale however, given the current market for properties, it is likely to take an extended period of time for disposal to occur.

12 Debtors

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts falling due within one year				
Trade debtors	3,147,395	2,686,340	461,317	116,792
Amounts owed by group undertakings	-	-	4,982,133	5,194,704
Amounts owed by related parties (note 17)	-	379,954	-	-
Other debtors	1,159,129	296,064	9,461	12,080
Directors' current accounts (note 5)	6,295	5,045	6,295	4,360
Prepayments and accrued income	3,308,549	2,687,496	164,904	198,733
	<u>7,621,368</u>	<u>6,054,899</u>	<u>5,624,110</u>	<u>5,526,669</u>
Amounts falling due after more than one year				
Trade debtors	283,015	283,015	-	-
	<u>7,910,933</u>	<u>6,337,914</u>	<u>5,624,110</u>	<u>5,526,669</u>

Notes to the financial statements (continued)

For the year ended 31 March 2012

13 Creditors: Amounts falling due within one year

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Deposits held	4,869,043	8,096,051	-	-
Bank loans and overdrafts (note 14)	159,922,241	147,212,001	590,977	35,439
Other loans (note 14)	4,755,553	3,511,740	-	-
Trade creditors	4,585,254	8,015,097	879,562	913,653
Amounts owed to group undertakings	-	-	3,145,250	3,195,660
Amounts owed to related parties (note 17)	58,421	19,200	-	-
Other taxation and social security	175,045	300,994	75,149	81,984
VAT	290,924	78,614	-	43,785
Other creditors	742,094	607,570	-	-
Accruals	16,024,621	14,182,113	1,887,349	1,335,882
Deferred income	2,860,309	1,750,179	-	-
	<u>194,283,505</u>	<u>183,773,559</u>	<u>6,578,287</u>	<u>5,606,403</u>

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Bank loans (note 14)	60,623,758	68,942,128	-	-
Other loans (note 14)	4,394,156	3,184,022	-	-
Amounts owed to related parties (note 17)	679,105	250,000	250,000	250,000
Other creditors	1,117,439	1,243,692	-	-
Other HCA creditors	15,695,000	14,465,000	-	-
Deferred income	26,486,821	29,963,883	-	-
	<u>108,996,279</u>	<u>118,048,725</u>	<u>250,000</u>	<u>250,000</u>

Other HCA creditors represent non-interest bearing funding received from the Homes and Communities Agency (HCA) under the Rent to Home Buy and Kickstart programmes, and are repayable between two to five years if certain criteria are met

Notes to the financial statements (continued)

For the year ended 31 March 2012

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

Group borrowings are repayable as follows

	2012 £	2011 £
Bank loans and overdrafts		
Between one and two years	6,723,352	7,386,436
Between two and five years	19,578,650	61,555,692
Greater than five years	34,321,756	-
	<u>60,623,758</u>	<u>68,942,128</u>
On demand or within one year		
Bank loans	135,292,596	127,887,245
Overdrafts	24,629,645	19,324,756
	<u>159,922,241</u>	<u>147,212,001</u>
	<u>220,545,999</u>	<u>216,154,129</u>

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

Other loans

Other loans bear interest at 7 1% above base rate, and are repayable as follows £4,755,553 (2011 £3,511,740) within one year, £1,819,447 (2011 £2,097,936) between one and two years, £1,139,895 (2011 £1,086,086) between two and five years and £1,434,814 (2011 £nil) after more than five years

Interest rates chargeable on the group's bank loans are as follows

	2012				Total £
	Within one year £	Between one and two years £	Between two and five years £	Greater than five years £	
1 15% above base rate	150,000	-	-	-	150,000
1 25% above base rate	2,447,003	-	-	-	2,447,003
2% above base rate	14,681,225	3,250,969	15,179,607	34,321,756	67,433,557
3 5% above base rate	2,393,110	513,415	4,399,043	-	7,305,568
1 35% above LIBOR*	113,639,890	-	-	-	113,639,890
3 41% above LIBOR	1,981,368	2,958,968	-	-	4,940,336
	<u>135,292,596</u>	<u>6,723,352</u>	<u>19,578,650</u>	<u>34,321,756</u>	<u>195,916,354</u>
	2011				Total £
	Within one year £	Between one and two years £	Between two and five years £	Greater than five years £	
1 15% above base rate	500,000	-	-	-	500,000
1 25% above base rate	765,295	-	3,133,715	-	3,899,010
2% above base rate	10,756,060	5,149,930	56,543,483	-	72,449,473
1 35% above LIBOR*	114,845,890	-	-	-	114,845,890
3 41% above LIBOR	1,020,000	2,236,506	1,878,494	-	5,135,000
	<u>127,887,245</u>	<u>7,386,436</u>	<u>61,555,692</u>	<u>-</u>	<u>196,829,373</u>

Notes to the financial statements (continued)

For the year ended 31 March 2012

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

*This loan is 100% hedged through a series of interest rate swaps with an effective rate of 5.67% (2011 5.67%) It is repayable in full in 2013

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 2018. Their aggregate nominal value at 31 March 2012 was £132.9 million (2011 £132.9 million) and the fixed interest rates attaching to these instruments vary between 5.12% and 5.67% (2011 5.12% and 5.67%).

The fair value of the financial instruments entered into at 31 March 2012 is estimated to be a liability of £31,052,083 (2011 liability £20,455,013)

15 Financial commitments

Annual commitments under non-cancellable leases are as follows:

Group	2012		2011	
	Land and buildings	Other items	Land and buildings	Other items
Expiry date	£	£	£	£
- within one year	-	-	6,000	-
- within two to five years	10,003	13,491	10,003	680
- after five years	35,233	-	29,232	-
	<u>45,236</u>	<u>13,491</u>	<u>45,235</u>	<u>680</u>

The company had no annual commitments under non-cancellable leases

16 Contingencies

Under facility agreements with certain of the group's banks, the company has provided unlimited multilateral guarantees in respect of the group's overdraft and certain loan balances. At the year end, the contingent liability in respect of the guarantees was £219,955,022 (2011 £216,154,129)

During the year ended 31 March 2009 debentures were created by certain group companies to secure all monies due or to become due to HSBC Bank plc

Notes to the financial statements (continued)

For the year ended 31 March 2012

17 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

Group	2012			2011		
Less than one year	Debtors	Creditors	Net trading activity~	Debtors	Creditors	Net trading activity~
	£	£	£	£	£	£
Woodfield House Limited	-	-	(15,905)	-	-	(26,823)
Union 3D Limited	-	-	10,650	-	7,200	80,000
Shed K M Limited	-	21,586	120,322	-	12,000	37,500
Building management companies	-	36,835	(25,631)	379,954	-	(258,075)
	-	58,421	89,436	379,954	19,200	(167,398)
More than one year:						
TBI 2000 Limited	-	679,105	-	-	250,000	-
	-	737,526	89,436	379,954	269,200	(167,398)

~ Brackets denote sales or recharge of costs and the converse represents purchases

Company - creditors due after more than one year	2012 £	2011 £
TBI 2000 Limited	250,000	250,000

During the year ended 31 March 2009 the group received a loan of £250,000 from TBI 2000 Limited, a company in which T P R Bloxham M B E is materially interested as a director and shareholder. This loan was made to Urban Splash Group Limited, and is shown in that company's balance sheet. During the current year, a subsidiary of the company received a loan of £429,106 (2011 £nil) from TBI 2000 Limited. Accrued interest on the capital outstanding totalled £8,075 (2011 £nil) as at 31 March 2012.

The transactions and balances listed above all relate to trading activities which have arisen in the normal course of business, and are conducted on an arm's length basis. The relationships between the related parties and the group are as follows:

- Woodfield House Limited is a joint venture of Urban Splash Work Limited, a subsidiary of the company.
- Union 3D Limited is an architecture practice owned by a close family member of J M Falkingham who is a director of the company.
- Shed K M Limited, an architecture practice, is a company in which J M Falkingham, a director of the company, is materially interested as a director and shareholder.
- Transactions and year-end balances with the following companies have been amalgamated in the above table under the line "Building management companies"
- Timber Wharf Management Limited and Box Works Management Limited, companies in which T P R Bloxham M B E, a director of the company, is materially interested as a shareholder.
- Smithfield Lofts Management Limited is a company in which T P R Bloxham M B E and J M Falkingham, directors of the company, are materially interested in as shareholders.

Notes to the financial statements (continued)

For the year ended 31 March 2012

17 Related party transactions (continued)

- Christabel and Sylvia (Manchester) Management Limited, Longlands Mill Management Company Limited, Mills Bakery Management Company Limited, Rotunda Management Company Limited, Albert Mill (Manchester) Management Company Limited, Brewhouse & Clarence RWY Management Limited, Chips Building Management Company Limited, Saxton Management Company Limited and Emeline (Manchester) Management Limited, which are all companies whose directors include Urban Splash Director Limited, a subsidiary of the company

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

	2012 £	2011 £
J M Falkingham*	170,100	-
BL08 LLP	169,400	-

*Sales of residential apartments were to a close family member of J M Falkingham and to J M Falkingham

BL08 LLP is a limited liability partnership, controlled by T P R Bloxham M B E who is a director of the company

18 Called-up share capital

	2012 £	2011 £
<i>Authorised</i>		
20,000,000 ordinary shares of £1 each	20,000,000	20,000,000
100,000 "A" ordinary shares of 20p each	20,000	20,000
<i>Allotted, called-up and fully-paid</i>		
1,993,600 (2011 1,993,600) ordinary shares of £1 each	1,993,600	1,993,600
82,648 (2011 nil) "A" ordinary shares of 20p each	16,530	16,530
	<u>2,010,130</u>	<u>2,010,130</u>

19 Reserves

Group	Share premium account £	Revaluation reserve £	Other reserve £	Investment in own shares £	Capital Redemption Reserve £	Profit and loss account £	Total £
Beginning of year	4,609,464	37,253,328	32,229	(1,655,808)	6,400	(37,376,080)	2,869,533
Revaluation deficit							
- Group	-	(6,881,682)	-	-	-	-	(6,881,682)
Loss for the year after taxation							
- Group	-	-	-	-	-	(15,345,492)	(15,345,492)
- Joint ventures	-	-	-	-	-	(85,577)	(85,577)
End of year	<u>4,609,464</u>	<u>30,371,646</u>	<u>32,229</u>	<u>(1,655,808)</u>	<u>6,400</u>	<u>(52,807,149)</u>	<u>(19,443,218)</u>
Company							
Beginning of year	4,609,464	-	-	(1,655,808)	6,400	2,887,568	5,847,624
Loss for the year after taxation	-	-	-	-	-	(982,638)	(982,638)
End of year	<u>4,609,464</u>	<u>-</u>	<u>-</u>	<u>(1,655,808)</u>	<u>6,400</u>	<u>1,904,930</u>	<u>4,864,986</u>

Notes to the financial statements (continued)

For the year ended 31 March 2012

19 Reserves (continued)

The other reserve comprises an unrealised gain on the acquisition of 50% of Urban Splash Fort Dunlop 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.

During the year ended 31 March 2009 the Urban Splash Employee Benefit Trust purchased 42,400 shares from a shareholder for cash consideration of £1,655,808 resulting in the creation of the reserve for investment in own shares.

20 Reconciliation of movement in group shareholders' (deficit) funds

	2012 £	2011 £
Loss for the financial year after taxation		
- Group	(15,345,492)	(9,364,918)
- Joint ventures	(85,577)	(16,696)
Revaluation of investment properties		
- Group	(6,881,682)	(10,302,959)
- Joint ventures	-	(242,332)
New shares issued	-	16,530
	<u>(22,312,751)</u>	<u>(19,910,375)</u>
Opening shareholders' funds	4,879,663	24,790,038
Closing shareholders' (deficit) funds	<u>(17,433,088)</u>	<u>4,879,663</u>

21 Net cash inflow from operating activities

	2012 £	2011 £
Operating (loss) profit	(4,807,266)	1,768,756
Depreciation charges	300,056	458,468
Impairment provisions	2,180,288	4,340,239
Profit on sale of fixed assets	-	103,285
Decrease in stocks	11,123,450	15,079,101
(Increase) decrease in debtors	(1,800,649)	1,101,941
(Decrease) increase in creditors	(4,778,517)	16,726,447
Net cash inflow from operating activities	<u>2,217,362</u>	<u>39,578,237</u>

Notes to the financial statements (continued)

For the year ended 31 March 2012

22 Analysis of cash flows

a) Returns on investments and servicing of finance

	2012 £	2011 £
Interest received	15,146	21,901
Interest paid	(8,761,748)	(8,806,622)
Net cash outflow	(8,746,602)	(8,784,721)

b) Capital expenditure and financial investment

	2012 £	2011 £
Purchase of tangible fixed assets	(2,600,116)	(46,486,726)
Sale of tangible fixed assets	1,353,997	3,431,284
Net cash outflow	(1,246,119)	(43,055,442)

c) Financing

	2012 £	2011 £
New loans and other finance received from the HCA	13,926,363	24,483,739
Repayment of loans	(10,726,329)	(12,927,923)
New shares issued	-	16,530
Net cash inflow	3,200,034	11,572,346

Notes to the financial statements (continued)

For the year ended 31 March 2012

23 Analysis and reconciliation of net debt

	Beginning of year £	Cash flows £	End of year £
Cash in hand and at bank	2,908,433	729,564	3,637,997
Overdrafts	<u>(19,324,756)</u>	<u>(5,304,889)</u>	<u>(24,629,645)</u>
	<u>(16,416,323)</u>	<u>(4,575,325)</u>	<u>(20,991,648)</u>
Debt due within one year	(131,398,985)	(8,649,164)	(140,048,149)
Debt due after more than one year	<u>(86,591,150)</u>	<u>5,199,131</u>	<u>(81,392,019)</u>
Total debt	<u>(217,990,135)</u>	<u>(3,450,033)</u>	<u>(221,440,168)</u>
Net debt	<u>(234,406,458)</u>	<u>(8,025,358)</u>	<u>(242,431,816)</u>
		2012 £	2011 £
Increase (decrease) in cash in the year		729,564	(1,871,835)
(Increase) decrease in overdrafts		<u>(5,304,889)</u>	<u>1,182,255</u>
		<u>(4,575,325)</u>	<u>(689,580)</u>
Net cash inflow from loans		<u>(3,450,033)</u>	<u>(12,752,067)</u>
Change in net debt		<u>(8,025,358)</u>	<u>(13,441,647)</u>
Net debt at beginning of year		<u>(234,406,458)</u>	<u>(220,964,811)</u>
Net debt at end of year		<u>(242,431,816)</u>	<u>(234,406,458)</u>

24 Capital commitments

At the year end the group had capital commitments of £nil (2011 £nil)

25 Ultimate controlling party

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