COMPANY REGISTRATION NUMBER 03141013

URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 APRIL 2012 TO

30 SEPTEMBER 2013

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URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

CHAIRMAN'S STATEMENT

PERIOD FROM 1 APRIL 2012 TO 30 SEPTEMBER 2013

Even for an eternal optimist like me, in recent years writing my statement in these accounts has at times been difficult, due the problems suffered by the business as a result of the financial crisis which seemed never ending. It is therefore very pleasing to say that the last 18 months has been one of the most important in the group's recent history, and one which has hopefully put the group on a sound platform for future growth as well as finding a solution to the problems associated with the large debt burden which has beset us since the onset of the financial crisis in late 2008.

In July 2013 and after 18 months of hard work with our banks, the Homes and Communities Agency and the team of advisers, we successfully concluded a fundamental restructure and refinance of the group which has addressed the legacy debt position of the group and created a new corporate structure enabling the business to grow, start new development projects and form new joint venture relationships which we believe will be key to the future success of the business.

At the same time we completed the sale of £77.7 million of residential property to Places for People retaining the ongoing management of the portfolio. This enabled the group to repay the majority of its facilities with the Homes and Communities Agency and a substantial amount of bilateral bank facilities. This sale was the start of a long term successful partnership with Places for People, one of the country's biggest property management, development and regeneration companies. In February this year, we established a joint venture with Places for People to develop property across the UK. We are delighted that our first project together, the construction of 182 apartments in the second phase of Park Hill, Sheffield is currently on site with other schemes hopefully starting in the near future.

The restructure in the summer of 2013 did not at the time address our remaining legacy debt facilities, our syndicated £113m commercial property loan. The final piece of the restructuring jigsaw was put into place when in April of this year, we cancelled our swap arrangements and working in partnership with The Pears Group reached agreement with our banking syndicate to refinance the debt. We have also formed another joint venture with Pears which we look forward to developing over the coming years.

Perhaps even more pleasing and despite the restructure and refinance absorbing a huge amount of management time, much has been achieved across the business in a number of areas. We have continued to deliver award-winning buildings, we were nominated for the prestigious Stirling Prize for our Park Hill development and we have won 46 more awards, taking our total to 363.

I am also delighted to report that during the last 18 months, we completed construction of our schemes at Lakeshore in Bristol, the first phase of Park Hill in Sheffield, one of the country's most ambitious regeneration projects and New Cooperage at the Royal William Yard in Plymouth. All of these schemes are either fully let or sold and each scheme has already won several awards.

We continue to spend much time and hard work developing our commercial investment portfolio and the residential portfolios that we manage for Places for People and others. This has allowed us to increase our annualised investment income overall to £14.7 million (£22.1 million for the 18 months to 30 September 2013), up £0.8 million. 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.

Turning to the figures, turnover has increased to £132.6 million from £33.7 million, principally as a result of the residential sale to Places for People of £77.7m. However, it's worth noting this is the Group's largest ever recorded turnover. We also recorded our first profit for a financial period since 2008 of £0.05m improved from the loss of £15.4 million in the previous year. A revaluation of our commercial properties at 30th September 2013 has shown a reduction in value of £16.3 million (2012: reduction of £6.9 million) reflecting the fact that values of regional commercial property portfolios remain depressed.

Despite the difficulties faced over the last 5 years, Urban Splash has maintained its reputation as one of the country's leading regeneration companies. With our restructure and refinance behind us I believe that together with our new partners and our established brand, we are in a position to respond to the many opportunities now presented by the property market in the UK - we have lots of new ideas and we hope to be announcing some of them soon.

Looking forward, in the last few months both the economy and particularly the UK regional property market has shown real signs of growth. The country continues to suffer from the severe shortage of housing particularly affordable housing and all the major political parties appear united in trying to find a solution.

I hope having survived the worst economic downturn I can remember, restructured our business and formed new joint ventures with some very significant and substantial partners, we will be well placed to continue delivering award winning regeneration schemes and much needed new homes and work spaces up and down the country.

As ever, my thanks go to all our public and private sector partners and above all my colleagues. I am hopeful that the past is behind us and I am very much looking forward to driving this great business onward and bringing new exciting, innovative and amazing regeneration projects to the market.

TOM BLOXHAM MBE

Chairman, Urban Splash Group Limited
26 June 2014

URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

STRATEGIC REPORT

PERIOD FROM 1 APRIL 2012 TO 30 SEPTEMBER 2013

PRINCIPAL ACTIVITIES
The principal activities of the group include property development and property investment. The principal activity of the company is that of a holding company. There have not been any significant changes in the company's principal activities in the period under review.

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.

STRATEGIC REVIEW
Turnover has increased to £132.6 million from £33.6 million, principally as a result of the residential sale to Place for People of £77.7m. Profit for the financial period of £0.05 million improved from the loss of £15.4 million in the previous year. A revaluation of our commercial properties has shown a reduction in value of £16.3 million (2012: £6.9 million) reflecting that values of regional commercial property portfolios remain depressed despite the improvements seen in the wider economy. This downward revaluation was the principal reason for the increase in net liabilities from £17.4 million to £33.7 million. As a result of the restructure which transferred assets out of the group and the sale of the majority of the residential portfolio to Places for People, the directors expect the level of activity of the group headed by Urban Splash Group Limited to reduce in the following years.

GROUP RESTRUCTURE
On 25 July 2013, the directors concluded a fundamental restructure and refinance of the group which has put the group on a more stable platform from which to work-out its remaining bank debt and build its business going forward. The re-structure involved the creation of a new ultimate holding company, Urban Splash Holdings Limited and two new subgroups; a new trading group and an asset holding group.

The new trading group owns a large proportion of the group's development land and development opportunities. This subgroup is free of bank debt and importantly, any recourse to historic financing arrangements and provides a secure platform for the business to grow in the future.

The asset holding group was created at the same time as a new secured facility with HSBC was put in place as part of the restructure. The new loan facility consolidated all existing loans and overdrafts into a single 2 year, non-interest bearing facility which is repaid through asset sales and is repayable on demand. Since 25 July 2013, the group has repaid £49.8 million of this facility.

At the same time as the restructure, the group disposed of the majority of its portfolio of residential property to Places for People Homes Limited which enabled the group to repay £20.7million of its funding received from the HCA and £55.0 million of its bilateral bank debt

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
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
Although the improved economic climate has reduced the pressure on working cash flow, the lack of availability of sufficient external capital could limit the group's ability to both develop and build out schemes. The directors ensure that all the group's development schemes are fully funded before they start on-site. 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.

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 has historically constructed and managed 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 and regulatory changes in the mortgage industry can make it hard for many of the group's customers to access sufficient mortgage finance due to more stringent 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 owns and manages a large portfolio of both commercial and residential property and rental cash flows or fees generated from properties under management 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 residential property it has developed, 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. Historically the group has undertaken all construction in-house and as a result was exposed to all cost and delivery risks which might otherwise be passed on to a main contractor. Future developments may be procured from main contractors to reduce exposure to cost and delivery risks. 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.

MATTERS INCLUDED IN THE STRATEGIC REPORT
In accordance with s414(C) (11) of the Companies Act, included in the Strategic Report is information relating to the future development of the business which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulations 2008' to be contained in a Director's Report.

Signed on behalf of the directors

Mr J. P. Curnuck
Director

Approved by the directors on 26 June 2014

URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

DIRECTORS' REPORT

PERIOD FROM 1 APRIL 2012 TO 30 SEPTEMBER 2013

The directors present their annual report and audited financial statements of the group for the period from 1 April 2012 to 30 September 2013.

RESULTS AND DIVIDENDS
The profit for the period amounted to £46,738 (2012: Loss of £15,431,069). The directors have not recommended a dividend.

DIRECTORS
The directors who served the company during the period were as follows:

Mr T.P.R. Bloxham M.B.E.
Mr. J. M. Falkingham
Mr. J.P. Curnuck
Mr. S.D. Gawthorpe
Mr. N.E. Johnson
Mr. M.J. Everett

Mr. S.D. Gawthorpe was appointed as a director on 30 November 2012.
Mr. M.J. Everett was appointed as a director on 20 June 2012.

Mr. N.E. Johnson retired as a director on 31 October 2012.

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

DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Directors' Report and the annual report and audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare annual report and audited financial statements for each financial period. Under that law the directors have elected to prepare the annual report and audited 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 annual report and audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing these annual report and audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual report and audited financial statements;
- prepare the annual report and audited financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the annual report and audited financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of annual report and audited financial statements may differ from legislation in other jurisdictions.

POST BALANCE SHEET EVENT

On 25 March 2014, interest rate swaps with a notional value of £125,000,000 were cancelled by the respective counterparty banks. The cancellation of the swaps resulted in a liability of £22,476,795 being recorded in the financial statements of the group as additional debt.

On 10 April 2014, 60% of a £113,639,890 bank loan was purchased by a private company which also assumed the receivable resulting from the swap cancellation. The remaining 40% of the loan was purchased on 4 June 2014.

AUDITOR

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.

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

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the group's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Registered office:
16-22 Worsley Street
Castlefield
Manchester
M154LD

Signed on behalf of the directors

Mr. J.P.Curnuck
Director

Approved by the directors on 26 June 2014

URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

PERIOD FROM 1 APRIL 2012 TO 30 SEPTEMBER 2013

We have audited the group and parent company annual report and audited financial statements ("the annual report and audited financial statements") of Urban Splash Group Limited and subsidiary undertakings for the period from 1 April 2012 to 30 September 2013 which comprise the Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet and Company Balance Sheet, Group Cash Flow Statement, Accounting Policies and the related notes 1 to 34. 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 shareholder, 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 shareholder 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 shareholder 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 set out on pages 6 to 7, the directors are responsible for the preparation of the annual report and 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 annual report and audited 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 ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the annual report and audited financial statements sufficient to give reasonable assurance that the annual report and audited 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 annual report and audited financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited annual report and audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS *(continued)*

FOR THE PERIOD FROM 1 APRIL 2012 TO 30 SEPTEMBER 2013

OPINION ON ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
In our opinion the annual report and audited financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 30 September 2013 and of the group's profit for the period from 1 April 2012 to 30 September 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the annual report and audited financial statements are prepared is consistent with the annual report and audited 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 annual report and audited 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
& Statutory Auditor

Manchester
United Kingdom
26 June 2014

URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 APRIL 2012 TO 30 SEPTEMBER 2013

	Note	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
GROUP TURNOVER (including share of joint venture)	1	132,603,624	33,668,196
Less: share of joint venture turnover		–	(3,723)
Group Turnover		132,603,624	33,664,473
Cost of sales excluding exceptional items		(101,055,982)	(16,558,704)
Exceptional cost of sales	6	(1,246,129)	(5,868,163)
Cost of sales		(102,302,111)	(22,426,867)
GROSS PROFIT		30,301,513	11,237,606
Administrative expenses excluding exceptional items		(14,086,019)	(8,995,627)
Exceptional administrative expenses	6	(5,054,316)	(7,049,245)
Administrative expenses		(19,140,335)	(16,044,872)
Other operating income	2	58,218	–
OPERATING PROFIT/(LOSS)	3	11,219,396	(4,807,266)
Share of joint venture operating profit/(loss)		4,506	(36,156)
TOTAL OPERATING PROFIT/(LOSS): GROUP AND SHARE OF JOINT VENTURES		11,223,902	(4,843,422)
Profit on disposal of fixed assets	7	2,896,526	218,246
Loss on disposal of subsidiary undertakings	8	(1,191,628)	–
Cost of restructuring	9	(4,804,962)	–
Non operating exceptional income	10	7,406,347	–
Share of loss on disposal of fixed assets, joint venture		(167,940)	–
		15,362,245	(4,625,176)
Interest receivable	11	573,716	50,881
Share of interest receivable, joint venture		31	–
Interest payable and similar charges	12	(15,848,049)	(10,807,353)
Share of interest payable, joint venture		(41,205)	(49,421)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		46,738	(15,431,069)
Tax on profit/(loss) on ordinary activities	13	–	–
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD/ YEAR	30,31	46,738	(15,431,069)

All of the activities of the group are classed as continuing.

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account.

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

The accounting policies and notes on pages 15 to 39 form part of these annual report and audited financial statements.

URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 1 APRIL 2012 TO 30 SEPTEMBER 2013

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	£	£
Profit/(loss) for the financial period excluding share of loss of joint venture	251,346	(15,345,492)
Share of joint venture's loss for the period/year	(204,608)	(85,577)
Transfer from revaluation reserve	1,291,999	-
Profit/(loss) attributable to shareholder of the parent company	1,338,737	(15,431,069)
Unrealised loss on revaluation of certain fixed assets (note 15)	(16,272,275)	(6,881,682)
Total gains and losses recognised since the last annual report	(14,933,538)	(22,312,751)

The accounting policies and notes on pages 15 to 39 form part of these annual report and audited financial statements.

URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP BALANCE SHEET

30 SEPTEMBER 2013

	Note	30 Sep 13 £	31 Mar 12 £
FIXED ASSETS			
Tangible assets	15	97,840,210	139,258,819
Investments	16		
Investments in joint ventures:			
Share of gross assets		6,858	1,205,651
Share of gross liabilities		(810,853)	(1,805,038)
		(803,995)	(599,387)
		97,036,215	138,659,432
CURRENT ASSETS			
Stocks	17	25,786,792	135,644,884
Debtors	18	51,657,717	7,904,383
Cash at bank and in hand		6,905,125	3,637,997
		84,349,634	147,187,264
CREDITORS: Amounts falling due within one year	19	(214,642,840)	(194,283,505)
NET CURRENT LIABILITIES		(130,293,206)	(47,096,241)
TOTAL ASSETS LESS CURRENT LIABILITIES		(33,256,991)	91,563,191
CREDITORS: Amounts falling due after more than one year	20	(401,634)	(108,996,279)
NET LIABILITIES		(33,658,625)	(17,433,088)
CAPITAL AND RESERVES			
Called-up equity share capital	26	2,010,130	2,010,130
Share premium account	27	4,609,464	4,609,464
Revaluation reserve	28	12,807,372	30,371,646
Other reserves	29	(1,617,179)	(1,617,179)
Profit and loss account	30	(51,468,412)	(52,807,149)
SHAREHOLDERS' DEFICIT	31	(33,658,625)	(17,433,088)

These financial statements were approved by the Board of Directors and authorised for issue on 26 June 2014, and are signed on their behalf by:

Mr J.P. Curnuck
Director

The accounting policies and notes on pages 15 to 39 form part of these annual report and audited financial statements.

BALANCE SHEET

30 SEPTEMBER 2013

	Note	30 Sep 13 £	31 Mar 12 £
FIXED ASSETS			
Tangible assets	15	–	1,291,864
Investments	16	–	6,786,729
		–	8,078,593
CURRENT ASSETS			
Debtors	18	24,120,368	5,624,110
Cash at bank and in hand		360,406	700
		24,480,774	5,624,810
CREDITORS: Amounts falling due within one year	19	(25,747,636)	(6,578,287)
NET CURRENT LIABILITIES		(1,266,862)	(953,477)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,266,862)	7,125,116
CREDITORS: Amounts falling due after more than one year	20	(250,000)	(250,000)
NET (LIABILITIES)/ASSETS		(1,516,862)	6,875,116
CAPITAL AND RESERVES			
Called-up equity share capital	26	2,010,130	2,010,130
Share premium account	27	4,609,464	4,609,464
Other reserves	29	(1,649,408)	(1,649,408)
Profit and loss account	30	(6,487,048)	1,904,930
SHAREHOLDER'S (DEFICIT)/ FUNDS		(1,516,862)	6,875,116

These financial statements were approved by the Board of Directors and authorised for issue on 26 June 2014, and are signed on their behalf by:

Mr J.P. Curnuck
Director

Company Registration Number: 03141013

The accounting policies and notes on pages 15 to 39 form part of these annual report and audited financial statements.

URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP CASH FLOW STATEMENT

PERIOD FROM 1 APRIL 2012 TO 30 SEPTEMBER 2013

	Note	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	32	44,146,210	2,217,362
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	32	(13,672,656)	(8,746,602)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	32	24,569,500	(1,246,119)
ACQUISITIONS AND DISPOSALS	32	(209,370)	-
CASH INFLOW (OUTFLOW) BEFORE FINANCING		54,833,684	(7,775,358)
FINANCING	32	(26,936,911)	3,200,034
INCREASE (DECREASE) IN CASH	32	27,896,773	(4,575,324)

The accounting policies and notes on pages 15 to 39 form part of these annual report and audited financial statements.

Basis of accounting

The annual report and audited 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 United Kingdom accounting standards, subject to the departures referred to below.

Accounting reference date
The company has an accounting reference date of 27 September (2012: 27 March), however the financial statements for the current period have been prepared up to the 18 month financial period ended 30 September and for the prior year have been prepared up to the financial year ended 31 March.

True and fair override
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. The directors believe these departures present a true and fair reflection of the substance of the related transactions.

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.

The principal accounting policies are summarised below. They have all been consistently applied throughout the period and the preceding year.

Basis of consolidation

The consolidated annual report and audited financial statements incorporate the annual report and audited financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group annual report and audited financial statements by virtue of section 408 of the Companies Act 2006.

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 6 to 7. 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 20, 21, 22 and 32.

As detailed in note 32, the group has £182 million of net debt as at 30 September 2013 (31 March 2012: £242 million), which is provided through a number of secured facilities from banks and a private company.

At 31 May 2014 total net debt, all of which is payable on demand was £178.7 million.

The principal components of the group's funding at 31 May 2014 was as follows:

- an on-demand loan facility from HSBC totalling £42.6 million under a facility which expires on 24 July 2015; and

- an on-demand (with 6 week notice to demand) £136.1 million loan facility provided by a private company.

Following the refinancing and restructuring of the group in July 2013, the group has no available overdraft facility and meets its day to day working capital requirements through trading activities and cash flows generated from asset sales. The current cash flow forecasts indicate that no further facilities are required in the foreseeable future. Since the re-organisation in July 2013, the group has repaid £49.9 million of bank facilities.

Subsequent to the year end, the £113.6 million syndicated loan facility was sold in two tranches by the syndicate of banks to a private company. The total liabilities purchased were increased by £22.5 million to £136.1 million following the cancellation of swap contracts (see note 22). Interest is charged on the loan and swap cancellation amount. Following the cancellation of the swap contracts, the portfolio is cash generative after the payment of fees due to the Urban Splash Holdings Group and other payments due to the lender.

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

Although the economic environment has improved over the period, there remain a number of uncertainties for all companies in the sectors in which the group operates with regard to future market valuation movements, mortgage availability as a result of market regulation, 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 that the current on-demand facilities will not be demanded on the basis of the discussions with HSBC and the confirmation of ongoing facility availability from other third parties, the directors consider that the group and the company will continue to be meet its working capital requirements and not require any additional facilities for the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

The directors to not anticipate that either lender will demand the repayment of any of the above noted loan facilities in the foreseeable future.

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.

Fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

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

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, on a straight line basis over the useful economic life of that asset as follows:

Fixtures, fittings and equipment	-	3 to 5 years straight line

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.

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.

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 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 company'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 years 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 years 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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

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 work in progress 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.

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.

Investments

Fixed asset investments are shown at cost less provision for impairment.

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.

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.

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 to 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 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.

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:

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Residential apartment completions	99,932,368	14,496,581
Carbay completions	2,464,809	603,577
Commercial rental income	15,897,842	10,508,556
Residential rental income	6,153,440	3,418,478
Other income	7,680,165	4,637,281
Commercial property sales	475,000	-
	132,603,624	33,664,473

Other income in both periods includes revenue from the sale of certain freehold and long leasehold interests in properties held within stock.

2. OTHER OPERATING INCOME

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Other operating income	58,218	–

Other operating income represents the profit made on the sale of certain debtors which arose in connection with the sale of apartments under shared equity schemes.

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Government grants released	(5,026,828)	(2,961,323)
Depreciation of owned fixed assets	524,155	300,055
Impairment of owned fixed assets	2,603,425	2,180,288
Operating lease costs:		
- Plant and equipment	22,227	59,069

3. OPERATING PROFIT/(LOSS) *(continued)*

Fees payable to the company's auditor for the audit of the company's financial statements was £2,975 (2012: £2,625) and for the audit of subsidiaries was £82,025 (2012: £72,375).

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

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	£	£
Corporation tax compliance and advice	51,200	30,000
Other taxation advice	213,138	8,850
Corporate finance services	838,242	–
	1,102,580	38,850

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

4. PARTICULARS OF EMPLOYEES

The average monthly number of staff employed by the group including directors during the financial period amounted to:

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	No	No
Number of construction staff	18	36
Number of sales staff	10	9
Number of administrative staff	56	61
Number of development staff	9	11
	93	117

The aggregate payroll costs of the above were:

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	£	£
Wages and salaries	6,937,664	4,927,590
Social security costs	654,505	532,650
Other pension costs	143,046	124,444
	7,735,215	5,584,684

Wages and salaries includes £577,528 (2012: £190,251) of redundancy costs. During the period £1,392,782 (2012: £2,349,482) of payroll costs were capitalised or recharged to fellow group companies.

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration and other payments in respect of qualifying services were:

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	£	£
Remuneration receivable	1,340,967	584,892
Value of company pension contributions to money purchase schemes	106,972	51,726
Compensation for loss of office	232,500	–
	1,680,439	636,618

Remuneration of highest paid director:

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	£	£
Total remuneration (excluding pension contributions)	464,728	122,360
Value of company pension contributions to money purchase schemes	–	38,070
	464,728	160,430

Directors' transactions
The maximum amount of the overdrawn directors' current accounts outstanding during the period was the same as the amount outstanding at the period-end.

6. EXCEPTIONAL ITEMS

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	£	£
Recognised in arriving at operating profit/(loss):		
Exceptional cost of sales	(1,246,129)	(5,868,163)
Exceptional administrative expenses	(5,054,316)	(7,049,245)
	(6,300,445)	(12,917,408)

Exceptional cost of sales
As a result of the deterioration of market conditions and falling apartment values, an exceptional cost of sales charge of £nil (2012: £5,868,163) was recognised following a re-assessment of the project gross margins.

During the current period, a decision was taken to write off costs held within stocks (properties awaiting development) for terminated projects, totalling £436,089 (2012: £nil). In addition an exceptional cost of sale of £810,040 (2012: £nil) was recognised on the disposal of stocks (properties awaiting development) to fellow group companies as part of the restructure which took place during the year. The total resulting charge to exceptional cost of sales was £1,246,129 (2012: £nil).

Exceptional administrative expenses
At 30 September 2013, the company conducted an impairment and net realisable value review of costs incurred on development schemes and completed apartments held as fixed assets and stock. This resulted in an impairment charge against fixed assets for the year of £3,149,459 (2012: £2,180,288) and a provision against finished apartments held as stock of £1,904,857 (2012: £4,868,857), totalling £4,377,173 (2012: £7,049,245).

7. PROFIT ON DISPOSAL OF FIXED ASSETS

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Profit on disposal of fixed assets	2,896,526	218,246

Profit on disposal of fixed assets comprises the following:-

	Period from 1 Apr 12 to 30 Sep13 £	Year to 31 Mar 12 £
Disposal of fixed assets to third parties	477,934	218,246
Disposal of fixed assets to group undertakings	2,418,592	–
	2,896,526	218,246

8. LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Loss on sale of subsidiary undertakings	(1,191,628)	–

The loss on disposal of subsidiary undertakings relates to the disposal of the group's 100% interest in the ordinary share capital of Urban Splash (RWY) Limited, Urban Splash Park Hill Limited and Urban Splash Lettings Management Limited.

9. COST OF REORGANISATION OR RESTRUCTURING

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Cost of restructuring	4,804,962	–

The costs of a fundamental restructuring of continuing operations arose in respect of a group-wide reorganisation which has had a material effect on the nature and focus of the group's operations.

10. NON OPERATING EXCEPTIONAL INCOME

Exceptional sundry income relates principally to the waiver of third party liabilities including debt and accrued interest as part of the restructure which occurred during the period.

11. INTEREST RECEIVABLE

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Interest receivable and similar income	573,716	50,881

12. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	£	£
Interest payable on bank borrowing	16,438,822	11,501,803
Interest on other loans	1,003,075	644,675
Other interest payable	51,036	50,851
Less amounts capitalised	(1,644,884)	(1,389,976)
	15,848,049	10,807,353

13. TAXATION ON ORDINARY ACTIVITIES

There is no current or deferred taxation charge for the period (2012: £nil).

(a) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 23.67% (2012: 26%).

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	£	£
Profit/(loss) on ordinary activities before taxation	46,738	(15,431,069)
Profit/(loss) on ordinary activities multiplied by rate of tax	11,063	(4,012,078)
Expenses not deductible for tax purposes	616,822	559,355
Capital allowances in excess of depreciation	119,181	78,014
(Utilisation) creation of tax losses	(69,486)	3,405,911
Movement in short term timing differences	8,556	24,316
Chargeable gains	(342,665)	-
Release of provisions previously treated as non deductible	(84,029)	-
Profit on sale of fixed assets	(259,442)	(55,518)
Total current tax	-	-

13. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors that may affect future tax charges

The tax charge in future periods will be affected by: 1) the reduction in the corporation tax main rate by 1% to 23% from 1 April 2013 2) a further reduction to 21% from 1 April 2014 and finally to 20% from April 2015. It is expected that the reduction will have a significant impact on the group's unrecognised deferred tax balances.

The deferred tax asset has decreased to £9,750,698 (2012: £12,441,623) during the period and has not been recognised because, in the opinion of the directors, there will be no suitable taxable profits available in the foreseeable future.

Analysis of deferred tax asset:-

	2013	2012
	£	£
Fixed assets	(706,516)	(674,382)
Trading losses	9,122,255	11,417,320
Capital losses	1,291,040	1,657,166
Short term timing differences	43,919	41,519
	9,750,698	12,441,623

The amount of deferred tax that has not been provided on revalued fixed assets is £2,561,474 (2012: £6,074,329). At present, it is not envisaged that any tax will become payable in the foreseeable future.

14. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the annual report and audited financial statements of the parent company was £8,391,978 (2012: loss £982,638).

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	£	£
Balance brought forward	1,904,930	2,887,568
Loss for the financial period/year	(8,391,978)	(982,638)
Balance carried forward	(6,487,978)	1,904,930

15. TANGIBLE FIXED ASSETS

Group

	Investment properties £	Operational land & buildings £	Development property assets £	Fixtures, fittings & equipment £	Assets under the course of construction £	Total £
COST OR VALUATION						
At 1 Apr 2012	116,197,599	1,506,216	28,424,956	4,626,722	6,997,254	157,752,747
Additions	112,180	–	252,506	118,579	231,472	714,737
Disposals	(6,852,712)	(68,872)	(19,995,835)	(1,529,948)	(6,527,129)	(34,974,496)
Revaluation	(16,272,275)	–	–	–	–	(16,272,275)
Transfers to other group undertakings	–	(337,344)	(250,000)	(31,538)	(701,597)	(1,320,479)
At 30 Sep 2013	93,184,792	1,100,000	8,431,627	3,183,815	–	105,900,234
DEPRECIATION						
At 1 Apr 2012	403,683	337,344	13,817,390	3,201,377	734,134	18,493,928
Charge for the period	–	–	–	524,155	–	524,155
Impairment for the period	121,109	125,000	2,357,316	–	–	2,603,425
On disposals	–	–	(11,171,713)	(1,318,293)	(734,134)	(13,224,140)
Transfers to other group undertakings	–	(337,344)	–	–	–	(337,344)
At 30 Sep 2013	524,792	125,000	5,002,993	2,407,239	–	8,060,024
NET BOOK VALUE						
At 30 Sep 2013	92,660,000	975,000	3,428,634	776,576	–	97,840,210
At 31 Mar 2012	115,793,916	1,168,872	14,607,566	1,425,345	6,263,120	139,258,819

Investment properties, which are a combination of freehold and leasehold were valued on an open market existing use basis at 30 September 2013 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 £81,321,268 (2012: £86,769,801).

The depreciation on disposals of development property assets of £11,171,713 and on disposals of assets under the course of construction of £734,135 represents the utilisation of brought forward impairment provisions.

Included in fixed assets is £183,524 (2012: £183,524) of capitalised interest.

15. TANGIBLE FIXED ASSETS *(continued)*

Company

	Operational land & buildings	Fixtures fittings & equipment	Total
	£	£	£
COST OR VALUATION			
At 1 April 2012	1,506,215	1,355,709	2,861,924
Additions	–	38,478	38,478
Disposals	(68,871)	(1,394,187)	(1,463,058)
Transfers	(1,437,344)	–	(1,437,344)
At 30 September 2013	–	–	–
DEPRECIATION			
At 1 April 2012	337,344	1,232,716	1,570,060
Charge for the period	–	73,772	73,772
On disposals	–	(1,306,488)	(1,306,488)
Transfers	(337,344)	–	(337,344)
At 30 September 2013	–	–	–
NET BOOK VALUE			
At 30 September 2013	–	–	–
At 31 March 2012	1,168,871	122,993	1,291,864

16. INVESTMENTS

Investments comprise:

	Group		Company	
	30 Sep 13	31 Mar 12	**30 Sep 13**	31 Mar 12
	£	£	£	£
Subsidiary undertakings (see 16a)	-	-	-	6,786,729
	-	-	-	6,786,729

16. INVESTMENTS *(continued)*

The company's principal investments are:

Subsidiary undertakings	Principal activities	Country of incorporation or principal busines 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	Property investment	England	100
Urban Splash (South West) Birnbeck Limited	Property development	England	100*
Urban Splash Lakes Limited	Property development	England	100
Urban Splash Director Limited	Holding company	England	100
New Islington Utilities Company Limited	Provision of utilities	England	100
Urban Splash (New Hall) Limited	Property investment and development	England	100*
Joint ventures			
Woodfield House Limited	Property development	England	50*

*indirect holding

a) subsidiary undertakings

	£
COST	
At 1 April 2012	6,786,729
Additions	323,532
Disposals	(323,533)
At 30 September 2013	6,786,728
AMOUNTS WRITTEN OFF	
Written off in period	6,786,728
At 30 September 2013	6,786,728
NET BOOK VALUE	
At 30 September 2013	-
At 31 March 2012	6,786,729

During the period, the company disposed of certain investments (see 16b) and also created an impairment provision for the remaining investments totalling £6,786,728 (2012: £nil).

16. INVESTMENTS *(continued)*

b) Disposal of subsidiary undertakings

During the period, the group disposed of its investments in Urban Splash (RWY) Limited, Urban Splash Park Hill Limited and Urban Splash Lettings Management Limited (a company which acquired assets during the period, and has been consolidated into the group from that date up to the date of disposal).

The assets disposed of and the related sale proceeds were as follows:

	£
Fixed assets	345,780
Current assets	2,334,835
Creditors	(1,488,984)
Net assets	1,191,631
Loss on sale	(1,191,628)
Cash sale proceeds	3

Net cash outflows in respect of the sale comprised:

Cash consideration	3
Cash at bank and in hand	(209,373)
	(209,370)

b) Joint ventures

The following share of joint ventures assets and liabilities have been consolidated into the group financial statements:

	2013 £	2012 £
Share of gross assets	1,205,651	1,205,651
Share of gross liabilities	(1,805,038)	(1,805,038)
Share of net liabilities	(599,387)	(599,387)

Share of net liabilities

	2013 £	2012 £
At beginning of period	(599,387)	(513,810)
Share of retained loss for the period	–	(85,577)
At end of period	(599,387)	(599,387)

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 financial statements for the 18 month period to 30 September 2013.

17. STOCKS

	Group	
	30 Sep 13	31 Mar 12
	£	£
Completed properties	24,374,714	101,022,223
Properties awaiting and under development	1,412,078	34,622,661
	25,786,792	135,644,884

Stock includes £1,837,495 (2012: £5,280,622) of capitalised interest. During the period £nil (2012: £118,872,523) was transferred from fixed assets to stock. Completed properties are 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.

18. DEBTORS

	Group		Company	
	30 Sep 13	31 Mar 12	**30 Sep 13**	31 Mar 12
	£	£	**£**	£
Trade debtors	48,102,009	3,430,410	23,189	461,317
Amounts owed by group undertakings	–	–	24,027,903	4,982,133
Amounts owed by undertakings in which the company has a participating interest	256,413	–	–	–
Directors' current accounts	14,000	6,295	14,000	6,295
Other debtors	935,520	1,159,129	54,957	9,461
Prepayments and accrued income	2,349,775	3,308,549	319	164,904
	51,657,717	7,904,383	24,120,368	5,624,110

The debtors above include the following amounts falling due after more than one year:

	Group		Company	
	30 Sep 13	31 Mar 12	**30 Sep 13**	31 Mar 12
	£	£	**£**	£
Trade debtors	–	283,015	–	–

19. CREDITORS: Amounts falling due within one year

	Group		Company	
	30 Sep 13	31 Mar 12	**30 Sep 13**	31 Mar 12
	£	£	**£**	£
Bank loans and overdrafts	187,490,529	159,922,241	17,346,817	590,977
Deposits held	966,175	4,869,043	–	–
Trade creditors	1,564,229	4,585,254	136,208	879,562
Amounts owed to group undertakings	–	–	4,820,836	3,145,250
Amounts owed to related parties	181	58,421	181	–
Other taxation and social security	619,106	465,969	57,033	75,149
Other creditors	879,822	742,094	–	–
Other loans	817,987	4,755,553	–	–
Accruals and deferred income	22,304,811	18,884,930	3,386,561	1,887,349
	214,642,840	194,283,505	25,747,636	6,578,287

Other taxation and social security includes £426,715 (2012: £290,924) of VAT payable for the group. Included within accruals and deferred income is £1,902,219 (2012: £2,860,309) of deferred income.

20. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	30 Sep 13	31 Mar 12	**30 Sep 13**	31 Mar 12
	£	£	**£**	£
Bank loans	–	60,623,758	–	–
Amounts owed to related parties	323,634	679,105	250,000	250,000
Other creditors including:				
Other loans	–	4,394,156	–	–
Other HCA creditors	–	15,695,000	–	–
Other creditors	–	1,117,439	–	–
Accruals and deferred income	78,000	26,486,821	–	–
	401,634	108,996,279	250,000	250,000

Other HCA creditors in the prior year represent non-interest bearing funding received from the Homes and Communities Agency (HCA) under the Rent to Home Buy and Kickstart programmes. This liability was discharged during the current period.

Other loans bore interest at 7.1% above base rate up to 25 July 2013, and are repayable as follows: £851,268 (2012: £4,755,553) within one year, £nil (2012: £1,819,447) between one and two years, £nil (2012: £1,139,895) between two and five years and £nil (2012: £1,434,814) after more than five years. This liability was discharged during the current period, with the exception of £851,268 which is held within other creditors less than one year, and no longer bears interest.

21. CREDITORS - BANK LOAN REPAYMENT TERMS

Group borrowings are repayable as follows:

	Group		Company	
	30 Sep 13	31 Mar 12	**30 Sep 13**	31 Mar 12
	£	£	**£**	£
Amounts repayable:				
In one year or less or on demand	187,490,529	159,922,241	–	–
In more than one year but not more than two years	–	6,723,352	–	–
In more than two years but not more than five years	–	19,578,650	–	–
In more than five years	–	34,321,756	–	–
	187,490,529	220,545,999	–	–

Amounts repayable in one year or less or on demand comprise £187,490,529 (2012: £135,292,596) of bank loans and £nil (2012: £24,629,645) of overdrafts totalling £187,490,529 (2012: £159,922,241).

As a result of the restructure of the Urban Splash Group, all the group's bank loans were consolidated into a single, two year on demand facility. As a consequence of this and with effect from 26 July 2013, no interest is chargeable on the company's bank debt but and loans are classified as repayable within one year.

Interest is chargeable at 2.35% (2012: 1.35%) above LIBOR on a loan of £113,639,890 (2012: £113,639,890) which is repayable within one year.

21. CREDITORS - BANK LOAN REPAYMENT TERMS (*continued*)

In the prior year, interest rates chargeable on the group's bank loans were as follows:

	2012				
	Within one year	Between one and two years	Between two and five years	After five years	Total
	£	£	£	£	£
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
	135,292,596	6,723,352	19,578,650	34,321,756	195,916,354

*This loan is 100% hedged through a series of interest rate swaps with an effective rate of 5.67% (2012: 5.67%). It is repayable in full within one year.

22. DERIVATIVES

At the period end the group had taken out various financial instruments to manage its exposure to interest rate movements on its bank borrowings. These accreted in value up to 2018. Their aggregate nominal value at 30 September 2013 was £125 million (2012: £132.9 million) and the fixed interest rates attaching to these instruments raised between 5.12% and 5.67% (2012: 5.12% and 5.67%).

The fair value of the financial instruments entered into at 30 September 2013 is estimated to be a liability of £25,159,291 (2012: liability £31,052,083).

The financial instruments were cancelled on 25 March 2014 resulting in a liability of £22,476,795 being recorded in the financial statements.

23. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2013 the group had annual commitments under non-cancellable operating leases as set out below.

Group	30 Sep 13		31 Mar 12	
	Land and buildings	Other items	Land and buildings	Other items
	£	£	£	£
Operating leases which expire:				
Within 1 year	10,003	6,406	-	-
Within 2 to 5 years	-	-	10,003	13,491
After more than 5 years	35,233	-	35,233	-
	45,236	6,406	45,236	13,491

At 30 September 2013 the company had annual commitments under non-cancellable operating leases as set out below.

Company	30 Sep 13		31 Mar 12	
	Land and buildings	Other items	Land and buildings	Other items
	£	£	£	£
Operating leases which expire:				
Within 2 to 5 years	-	-	-	13,491
	-	-	-	13,491

24. 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 period end, the contingent liability in respect of the guarantees was £17,393,075 (2012: £219,955,022).

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.

25. RELATED PARTY TRANSACTIONS

As a subsidiary undertaking of Urban Splash Holdings Limited (the ultimate parent company) the group and its subsidiaries have taken advantage of the exemption in Financial Reporting Standard No. 8, Related party disclosures, from disclosing transactions with other members of the group headed by Urban Splash Holdings Limited.

In the period the group remained under the control of Mr. T.P.R. Bloxham M.B.E. Mr. Bloxham is the chairman and was the majority shareholder in Urban Splash Group Limited up to 26 July 2013, on which date control passed to Urban Splash Holdings Limited. Mr. T.P.R. Bloxham continues to be the majority shareholder in Urban Splash Holdings Limited.

Group

		2013			2012	
Less than one year:	Debtors £	Creditors £	Net trading activity~ £	Debtors £	Creditors £	Net trading activity~ £
Woodfield House Limited	–	–	–	–	–	(15,905)
Union 3D Limited	–	–	–	–	–	10,650
Shed K.M. Limited	–	–	5,630	–	21,586	120,322
Building Management Companies	77,112	146,627	1,242,713	–	36,835	(25,631)
	77,112	148,627	1,248,343	–	58,421	89,436
More than one year:						
TBI 2000 Limited	–	323,526	-	–	679,105	–
	77,112	472,153	1,248,343	–	737,526	89,436

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

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 prior year, a subsidiary of the company received a loan of £429,106 from TBI 2000 Limited. During the current period, this loan was novated to a subsidiary of Urban Splash Holdings Limited. Accrued interest on the capital outstanding totalled £nil (2012: £8,075) as at 30 September 2013.

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.

25. RELATED PARTY TRANSACTIONS *(continued)*

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.
- 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, Emeline (Manchester) Management Limited, Lister Velvet Mill Management Company 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 period which were for purchases of residential apartments, all of which took place on an arms-length basis:

	2013	2012
	£	£
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.

26. SHARE CAPITAL

Authorised share capital:

	30 Sep 13	31 Mar 12
	£	£
20,000,000 Ordinary shares of £1 each	20,000,000	20,000,000
100,000 "A" ordinary shares of £0.20 each	20,000	20,000
	20,020,000	20,020,000

Allotted, called-up and fully paid:

	30 Sep 13		31 Mar 12	
	No	**£**	No	£
Ordinary shares of £1 each	1,993,600	1,993,600	1,993,600	1,993,600
"A" ordinary shares of £0.20 each	82,648	16,530	82,648	16,530
	2,076,248	2,010,130	2,076,248	2,010,130

27. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial period or previous year.

28. REVALUATION RESERVE

	Group		Company	
	1 Apr 12 to 30 Sep 13	Year to 31 Mar 12	**1 Apr 12 to 30 Sep 13**	Year to 31 Mar 12
	£	£	**£**	£
Balance brought forward	30,371,646	37,253,328	–	–
Revaluation of fixed assets	(16,272,275)	(6,881,682)	–	–
Transfer to the Profit and Loss Account on realisation	(1,291,999)	–	-	–
Balance carried forward	12,807,372	30,371,646	-	–

29. OTHER RESERVES

	Group		Company	
	1 Apr 12 to 30 Sep 13	Year to 31 Mar 12	**1 Apr 12 to 30 Sep 13**	Year to 31 Mar 12
	£	£	**£**	£
Capital redemption reserve	6,400	6,400	6,400	6,400
Investment in own shares	(1,655,808)	(1,655,808)	(1,655,808)	(1,655,808)
Other reserve	32,229	32,229	–	–
	(1,617,179)	(1,617,179)	(1,649,408)	(1,649,408)

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.

30. PROFIT AND LOSS ACCOUNT

Group

	Period from 1 Apr 12 to 30 Sep 13	Year to 31 Mar 12
	£	£
Balance brought forward	(52,807,149)	(37,376,080)
Profit/(loss) for the financial period	46,738	(15,431,069)
Transfer from revaluation reserve	1,291,999	–
Balance carried forward	(51,468,412)	(52,807,149)

31. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	30 Sep 13 £	31 Mar 12 £
Profit/(loss) for the financial period/year	46,738	(15,431,069)
Other net recognised gains and losses	(16,272,275)	(6,881,682)
Net reduction in shareholder's (deficit)/funds	(16,225,537)	(22,312,751)
Opening shareholder's (deficit)/funds	(17,433,088)	4,879,663
Closing shareholder's deficit	(33,658,625)	(17,433,088)

32. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Operating profit (loss)	11,219,396	(4,807,265)
Depreciation charges	524,155	300,056
Impairment provision	2,603,425	2,180,288
Decrease in work in progress	110,013,474	11,123,450
Increase in debtors	(44,081,035)	(1,800,649)
Decrease in creditors	(31,328,243)	(4,778,517)
Costs of restructuring	(4,804,962)	-
Net cash inflow from operating activities	44,146,210	2,217,362

RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Interest received	15,544	15,146
Interest paid	(13,688,200)	(8,761,748)
Net cash outflow	(13,672,656)	8,746,602

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Purchase of tangible fixed assets	(714,737)	(2,600,117)
Sale of tangible fixed assets	25,284,237	1,353,998
Net cash inflow (outflow)	24,569,500	(1,246,119)

URBAN SPLASH GROUP LIMITED AND SUBSIDIARY UNDERTAKINGS

GROUP CASH FLOW STATEMENT

PERIOD FROM 1 APRIL 2012 TO 30 SEPTEMBER 2013

32. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

ACQUISITIONS AND DISPOSALS

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Sale of subsidiaries (see note 16)	(209,370)	-
Net cash outflow	(209,370)	-

FINANCING

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
New loans	19,480,847	13,926,363
Repayment of loans	(46,417,758)	(10,726,329)
Net cash (outflow) inflow	(26,936,911)	3,200,034

ANALYSIS AND RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Beginning of period £	Cash flows £	Non-cash flows £	End of period £
Cash in hand at bank	3,637,997	3,267,128	-	6,905,125
Overdrafts	(24,629,645)	24,629,645	-	-
	(20,991,648)	27,896,773	-	6,905,125
Debt due within one year	(140,048,149)	(48,584,000)	-	(188,632,149)
Debt due after more than one year	(81,392,019)	75,520,911	5,871,108	-
Total debt	(221,440,168)	26,936,911	5,871,108	(188,632,149)
Net debt	(242,431,816)	54,833,684	5,871,108	(181,727,024)

	Period from 1 Apr 12 to 30 Sep 13 £	Year to 31 Mar 12 £
Increase in cash	3,267,128	729,564
Decrease in overdrafts (increase)	24,629,645	(5,304,889)
	27,896,773	(4,575,325)
Net cash outflow (inflow) from loans	26,936,911	(3,450,033)
Loans written off	5,871,108	-
Change in net debt	60,704,792	(8,052,358)
Net debt, beginning of period /year	(242,431,816)	(234,406,458)
Net debt, end of period / year	(181,727,024)	(242,431,816)

33. POST BALANCE SHEET EVENTS

On 25 March 2014, interest rate swaps with a notional value of £125,000,000 were cancelled by the respective counterparty banks. The cancellation of the swaps resulted in a liability of £22,476,795 being recorded in the financial statements of the group as additional debt.

On 10 April 2014, 60% of a £113,639,890 bank loan was purchased by a private company which also assumed the receivable resulting from the swap cancellation. The remaining 40% of the loan was purchased on 4 June 2014.

34. ULTIMATE PARENT COMPANY

Urban Splash Holdings Limited, a company incorporated in England, is the ultimate parent company. The directors regard T.P.R. Bloxham M.B.E. as the ultimate controlling party.

On 25 July 2013 Urban Splash Holdings Limited acquired the majority of the share capital of Urban Splash Group Limited, and will prepare its first set of consolidated trading financial statements for the period from 1 July 2013 to 30 September 2014, which will include the results of the group for this period.