

Company Number 04873162

Urban Solutions (Cardiff) Limited

For the year ended 31 December 2009



Urban Solutions (Cardiff) Limited

Directors, Officers and Advisors

Directors	RG Selby BA Radia ADJ Moffat ED Glover
Secretary	J Bostock
Company Number	04873162
Registered Office	45-46 Berners St London W1T 3NE
Auditors	KPMG Audit Plc 15 Canada Square London E14 5GL
Bankers	The Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB

Urban Solutions (Cardiff) Limited

Directors' Report

For the year ended 31 December 2009

The directors present their annual report together with the audited financial statements of Urban Solutions (Cardiff) Limited for the year ended 31 December 2009

Principal activity and review of business

The principal activity of the business is the development of real estate. In October 2003 the company acquired the premises at Wood St, Cardiff. The site is in a strategic location immediately outside Central Station and at the gateway to the City. In the policy framework of the City and County of Cardiff ("CCC"), their aspiration is for the site to be part of the trigger to regenerate the area and re-invigorate the City by linking the Castle, St David's new retail and commerce areas and Central Station.

The company intended to develop the site as primarily a residential scheme and obtained planning. However, in light of the recent issues affecting the property and financial markets, the directors evaluated alternative options for the site. In May 2010, the directors submitted a planning application for a revised scheme for two hotels with conference facilities which will de-risk the development.

The directors recognise the current issues in raising development finance but are confident that they will be able to secure the financing required to complete this development. However, should the directors be unable to secure financing to complete the development, then the value of the asset would be significantly impaired. Note 1 to the Financial Statements explains the uncertainties relating to the company's financing.

The directors do not recommend a dividend for the year (2008: £nil).

The company made no charitable or political donations (2008: £nil).

Directors

The current membership of the board is as set out in the list of the directors, officers and advisors on page 1.

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law ("UK Generally Accepted Accounting Practice"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transaction and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

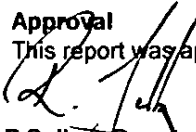
The directors who held office at the date of approval of this directors' report confirm that so far as they each are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution for the reappointment of KPMG Audit Plc will be proposed at the Annual General Meeting.

Approval

This report was approved by the Board on 1 September 2010 and signed on its behalf by



R Selby - Director

**Independent Auditors' Report to the Members of
Urban Solutions (Cardiff) Limited**

We have audited the financial statements (the "financial statements") of Urban Solutions (Cardiff) Limited for the year ended 31 December 2009 set out on pages 4 to 9. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body in accordance with Chapter 3 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £ 1,573 during the year ended 31 December 2009 and at that date, the company's liabilities exceeded its assets by £ 151,110. The company's bank loan facility is due for repayment in October 2010 and the loan to value covenant, due to be tested in August 2010, may not be met. The company is dependant upon continuing support from an associated company, Urban Solutions Greenwich Holdings Limited, which, whilst expected, cannot be guaranteed given the material uncertainty regarding that company's ability to continue as a going concern. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



WEJ Holland (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London
/ September 2010

Urban Solutions (Cardiff) Limited

Profit and Loss Account
For the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover		-	-
Administrative expenses		1,573	106,722
Loss on ordinary activities before taxation	2	(1,573)	(106,722)
Tax on loss on ordinary activities	4	-	-
Loss for the year	10	(1,573)	(106,722)

All results for the years derive from continuing operations

There are no gains or losses other than the losses for the years shown above

Urban Solutions (Cardiff) Limited

Balance Sheet as at 31 December

		2009		2008	
	Note	£	£	£	£
Current assets					
Stock	5	16,881,038		16,047,432	
Debtors	6	36,026		3,116	
Cash at bank		17,757		635,462	
		<u>16,934,821</u>		<u>16,686,010</u>	
Creditors: amounts falling due within one year	7	<u>11,127,239</u>		<u>930,918</u>	
Net current assets			5,807,582		15,755,092
Creditors: amounts falling due after one year	8		5,958,692		15,904,629
Net liabilities			<u>(151,110)</u>		<u>(149,537)</u>
Capital and reserves					
Called up share capital	9		1,000		1,000
Profit and loss reserve	10		(152,110)		(150,537)
Shareholders' deficit	11		<u>(151,110)</u>		<u>(149,537)</u>

The financial statements were approved by the Board on 1 September 2010 and signed on its behalf by



A Moffat
Director

Company Number 04873162

Urban Solutions (Cardiff) Limited

Notes to Financial Statements For the year ended 31 December 2009

1 Basis of preparation of accounts

1.1 Basis of preparation of accounts

These financial statements are prepared in accordance with applicable accounting standards under the historical cost convention

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future, which the directors believe to be appropriate for the following reasons

The company funds its development activities through loans from an associated company and bank facilities, which include certain financial covenants as set out in note 9. In February 2010, the directors extended the bank loan facilities. A bank loan of £10.96m has been made available until 15 October 2010 and a deferral of the loan-to-value covenant testing until August 2010 has been agreed. Any additional funding requirement may be provided by the associated company which in turn will obtain it from its shareholders.

The directors have submitted a planning application for an alternate design for the site and have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with the company's bankers, the directors consider that the company will continue to operate within the facility currently agreed until its expiry in October 2010 and within that which they expect will be agreed after negotiation later this period. However, the margin of facilities over requirements is not large and there can be no certainty in relation to these matters.

With the uncertainties currently facing property valuations, the company may be in breach of its loan covenants when they are tested in August 2010. Such a covenant breach, if it were to occur, would give the lenders the right, if they should choose, to request early repayment of the loan.

The directors are confident that they can successfully renegotiate the facility on its expiry and any breach of associated covenants in the meantime. They have no indication at present from the lender that they will not be willing to renegotiate the facility or recall the facility.

The directors of the company are also directors of the associated company and believe that the support of the associated company will continue but have no assurance in this regard. The associated company is however dependent on the support of its shareholders which has given rise to a material uncertainty that may cast significant doubt about that company's ability to continue as a going concern.

The directors have concluded that these circumstances give rise to a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. The company may, therefore, be unable to realise its assets and discharge its liabilities in the normal course of business but the financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

As a small company, Urban Solutions (Cardiff) Limited has taken the FRS1 exemption not to prepare a cash flow statement.

1.2 Stock and work in progress

Stock and work in progress, including land and related development activity thereon, are valued at the lower of cost and estimated net realisable value. The cost of work in progress comprises materials, direct and sub-contract labour and attributable overheads and interest.

1.3 Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred tax is recognised, without discounting, in respect of all timing differences which have arisen between the treatment of certain items for taxation and accounting purposes. However, deferred tax assets are only recognised to the extent that the directors consider that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Urban Solutions (Cardiff) Limited

Notes to Financial Statements For the year ended 31 December 2009

2 Loss on ordinary activities before taxation

The operating loss is stated after charging

	2009 £	2008 £
Fees for the audit	6,000	6,000
Tax services	4,000	4,000

3 Employees and directors

There were no employees during either year. None of the directors received any remuneration during either year.

4 Tax on loss on ordinary activities

	2009 £	2008 £
Current tax		
UK Corporation tax on loss on ordinary activities	-	-

The tax assessed for the year is higher (2008 higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £	2008 £
Loss on ordinary activities before tax	1,573	106,722
Loss on ordinary activities multiplied by standard rate in the UK 28% (2008 28.5%)	440	30,416
Effects of		
Loss available for carry forward	(440)	(30,416)
Current tax charge for the year	-	-

The deferred tax asset has not been recognised because the directors can not be certain of its recoverability in the foreseeable future. The company has tax losses of £ 148,510 (2008 £ 146,937) available to carry forward and set against future trading profits.

5 Stock

	2009 £	2008 £
Work in progress	16,881,038	16,047,432

Interest amounting to £ 559,543 (2008 £ 975,965) is included in work in progress.

6 Debtors

	2009 £	2008 £
Other debtors	36,026	3,116

Urban Solutions (Cardiff) Limited

Notes to Financial Statements For the year ended 31 December 2009

7 Creditors' amounts falling due within one year

	2009	2008
	£	£
Bank loan	10,959,061	596,674
Trade creditors	144,486	156,994
Accrued expenses	23,692	177,250
	<u>11,127,239</u>	<u>930,918</u>

8 Creditors: amounts falling due after one year

	2009	2008
	£	£
Bank loan	-	10,960,000
Amount due to associated company	5,958,692	4,944,629
	<u>5,958,692</u>	<u>15,904,629</u>

On 29 March 2007, the company obtained development funding facilities from its bankers. The loan is due for repayment in October 2010. The bank loan is secured by charges over the freehold property at Wood Street, Cardiff, which is recorded in stock. Interest is payable at the rate of LIBOR plus 2.50%.

The same bank has made a development facility of £44,500,000 available to Repe No 1 Greenwich Sarl, a company which has the same beneficial shareholders. Each company has guaranteed repayment of the other company's loan and there is also a total loan to combined values covenant from August 2010.

The amount due to associated company has no fixed terms of repayment. During the year interest was charged at LIBOR plus 3%. The Directors received confirmation from Urban Solutions Greenwich Holdings Limited that the loan would not be called within one year of the balance sheet date and therefore it has been classified as a long term liability.

9 Called up share capital

	2009	2008
	£	£
Allotted and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

10 Reserves

	Profit and loss reserve
	£
At 31 December 2008	(150,537)
Loss for the year	(1,573)
At 31 December 2009	<u>(152,110)</u>

Urban Solutions (Cardiff) Limited

Notes to Financial Statements

For the year ended 31 December 2009

11 Reconciliation of movement in total shareholders' deficit

	2009	2008
	£	£
Opening shareholders' deficit	(150,537)	(43,815)
Loss for the year	(1,573)	(106,722)
Closing shareholders' deficit	<u>(152,110)</u>	<u>(150,537)</u>

12 Related party disclosures

Charges during the year by companies associated with Heritage Development & Management LLP and Opalito Holdings Limited were project management fees totalling £ 144,800 (2008 £ 144,475) At 31 December 2009, the amount outstanding owed by US Build Limited, a company associated with Heritage Development & Management LLP and Opalito Holdings Limited, was £ 8,064 (2008 due to US Build Limited £ 56,100)

At 31 December 2009, the amount outstanding owed to Urban Solutions Greenwich Holdings Limited was £ 5,958,692 (2008 £ 4,944,629) Interest of £ 183,775 was charged on this loan during the year (2008 £ 256,549)

13 Post balance sheet event

Subsequent to the balance sheet date, in February 2010, the company entered into an Amendment and Restatement Agreement relating to the loan mentioned in note 9 in order to extend the due date for repayment of the loan to October 2010, see also note 1

14 Ultimate parent undertaking

The company is a wholly owned subsidiary of Urban Solutions Cardiff Holdings Limited, the ultimate controlling party The parent company is a joint venture between HSBC Property Fund Investment Limited, Opalito Holdings Limited and Heritage Development & Management LLP