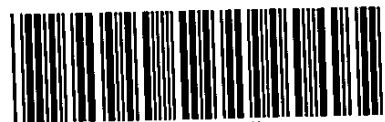


LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED
REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2011

TUESDAY



AY5GBYHJ

A27

18/10/2011

91

COMPANIES HOUSE

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A P Lawrence
M A Pain
S C Casey
P T Ford

COMPANY SECRETARY

A P Lawrence

SOLICITORS

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

INDEPENDENT AUDITORS

Pricewaterhouse Coopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

BANKERS

Barclays Bank PLC
Barclays Corporate
Level 27, 1 Churchill Place
London
E14 5HP

The Royal Bank of Scotland
280 Bishopsgate
London Square
EC2M 4RB

REGISTERED OFFICE

The Coach House
6 - 8 Swakeleys Road
Ickenham
Middlesex
UB10 8BG

COMPANY REGISTRATION NUMBER

07159358

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

DIRECTORS’ REPORT AND GROUP FINANCIAL STATEMENTS

CONTENTS

Pages	1 to 2	Directors’ Report
	3 to 4	Independent Auditors’ Report
	5	Group Profit and Loss Account
	6	Group Balance Sheet
	7	Company Balance Sheet
	8 to 9	Accounting Policies
	10 to 16	Notes to the Financial Statements

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited Group and Parent Company financial statements for the year ended 31 March 2011

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activities of the Company and the Group in the year under review were that of land developer and housebuilder and the Directors are not aware of any likely major changes in the immediate future.

The Group's results for the year are set out on page 5 of the financial statements. The Group has grown substantially since the beginning of the year, having purchased four sites during the year. The Group commenced construction on its first site during the year and the Directors anticipate that the first sales will take place in the early months of 2012.

The Directors anticipate that the Group will make a loss in the forthcoming year as the organisation continues to grow and develop and, once the first residential sales commence, the Group will generate profits that will offset the initial years' operating losses. They are confident about the future prospects of the Company and the Group.

DIRECTORS

The Directors who served during the year and up to the date of signing the financial statements were:

A P Lawrence

M A Pain (appointed 1 June 2010)

S C Casey (appointed 19 January 2011)

P T Ford (appointed 09 May 2011)

DIVIDENDS

No ordinary share dividends were approved or paid during the year (2010: nil).

FINANCIAL RISK MANAGEMENT

The key business risks and uncertainties affecting the Company and the Group are considered to relate to liquidity and interest rate movements, as set out below:

Liquidity – Cash flows are reviewed by the management on a regular basis and appropriate processes have been put in place to mitigate risks. Preference share funding and associated interest is not repayable until 2017. Bank loans have been negotiated since the balance sheet date and these are repayable from the proceeds of the developments for which the loans have been provided. Repayment is not anticipated to occur until after more than one year from the balance sheet date.

Interest Rate Movements – The Group's principal activities are funded by preference share issues and bank loans. In the event of a rise in interest rates, the potential risk to the Group has been mitigated by using a fixed interest rate on the preference shares issued. Bank loans taken out since the balance sheet date carry interest at LIBOR plus 3½% and the Directors have mitigated part of this risk by entering into a hedging arrangement with the bank providing the loan.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks

The key business risks and uncertainties affecting the Group are considered to relate to the securing of suitable land, buyer confidence and mortgage finance availability, increased costs of materials and skilled labour and competition from other housebuilders

KEY PERFORMANCE INDICATORS ("KPIs")

Given the straightforward nature of the business, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the funding available from Graphite Capital Management LLP in the Investment Agreement dated 1 April 2010.

POST BALANCE SHEET EVENT

On 31 May 2011, the Company issued 30,000 £1 "B" shares for total consideration of £30,000.

On 31 May 2011, the Company purchased the entire share capital of De Facto 1858 Limited for £2. On 31 May 2011, De Facto 1858 Limited purchased the entire share capital of De Facto 1859 Limited for £2. The principal activities of both of the subsidiaries are that of land developer and housebuilder and both are incorporated in the United Kingdom.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

- (a) So far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



A P Lawrence
Director

27 June 2011

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

We have audited the group and parent company financial statements (the "financial statements") of London Square Developments (Holdings) Limited for the year ended 31 March 2011 which comprise the Group profit and loss account, the Group and Parent Company balance sheets, accounting policies and the related notes. 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)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Pauline Campbell (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

27 June 2011

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011**

	<u>Note</u>	<u>Year Ended</u> <u>31 03.11</u>	<u>Period</u> <u>16.02.10 to</u> <u>01.04.10</u>
		<u>£</u>	<u>£</u>
Cost of sales		(30,137)	-
Gross loss		(30,137)	-
Distribution costs		(64,488)	(26,000)
Administrative expenses		(1,830,519)	(773,939)
Other operating income		75,431	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	1	(1,849,713)	(799,939)
Interest receivable and similar income	2	6,796	-
Interest payable and similar charges	3	(1,230,041)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,072,958)	(799,939)
Tax on loss on ordinary activities	4	-	-
LOSS FOR THE FINANCIAL YEAR		(3,072,958)	(799,939)

All amounts relate to continuing operations

There were no recognised gains or losses other than the loss for the year reported above and therefore no statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and the historical cost equivalent.

The notes on pages 8 to 16 form part of these financial statements

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**COMPANY REGISTRATION NUMBER: 07159358****GROUP BALANCE SHEET AS AT 31 MARCH 2011**

	Note	<u>At 31 03 11</u>		<u>At 01 04 10</u>	
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	7		195,959		-
CURRENT ASSETS					
Stock	9	23,794,532		-	
Debtors	10	1,831,886		3,570,000	
Cash at bank and in hand		1,622,644		-	
		27,249,062		3,570,000	
CREDITORS: amounts falling due within one year	11	(3,530,198)		(799,939)	
NET CURRENT ASSETS			23,718,864		2,770,061
TOTAL ASSETS LESS CURRENT LIABILITIES			23,914,823		2,770,061
CREDITORS: amounts falling due after more than one year	12		(26,852,720)		(2,710,000)
NET (LIABILITIES) / ASSETS			(2,937,897)		60,061
CAPITAL AND RESERVES					
Called up share capital	13		935,000		860,000
Preference interest reserve	14		1,230,041		-
Profit and loss account	14		(5,102,938)		(799,939)
TOTAL SHAREHOLDERS' (DEFICIT) / FUNDS	15		(2,937,897)		60,061

The financial statements on pages 5 to 16 were approved and authorised for issue by the Board of Directors on 13 June 2011

A P Lawrence
Director
27 June 2011



The notes on pages 8 to 16 form part of these financial statements.

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**COMPANY REGISTRATION NUMBER: 07159358****COMPANY BALANCE SHEET AS AT 31 MARCH 2011**

	<u>Note</u>	<u>At 31.03 11</u>	<u>At 01.04 10</u>
		£	£
FIXED ASSETS			
Investment in subsidiary	8	2	2
CURRENT ASSETS			
Debtors	10	27,642,720	3,569,998
Cash at bank and in hand		145,051	-
		<u>27,787,771</u>	<u>3,569,998</u>
CREDITORS: amounts falling due within one year	11	-	-
NET CURRENT ASSETS		<u>27,787,771</u>	<u>3,569,998</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,787,773</u>	<u>3,570,000</u>
CREDITORS: amounts falling due after more than one year	12	(26,852,720)	(2,710,000)
NET ASSETS		<u>935,053</u>	<u>860,000</u>
CAPITAL AND RESERVES			
Called up share capital	13	935,000	860,000
Preference interest reserve	14	1,230,041	-
Profit and loss account	14	(1,229,988)	-
TOTAL SHAREHOLDERS' FUNDS	15	<u>935,053</u>	<u>860,000</u>

The financial statements on pages 5 to 16 were approved and authorised for issue by the Board of Directors on 13 June 2011

A P Lawrence
Director
27 June 2011



The notes on pages 8 to 16 form part of these financial statements.

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the funding available from Graphite Capital Management LLP in the Investment Agreement dated 1 April 2010. The principal accounting policies adopted, which have been applied consistently throughout the current financial year, are described below.

CASH FLOW STATEMENT

The Group has taken the exemption from the requirement to prepare a cash flow statement as it is a small group under section 444 of the Companies Act 2006.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided, on a straight line basis, on all tangible fixed assets, at rates which are calculated to write off the cost of those assets, less their estimated residual value, over their expected useful economic lives on the following basis:

- | | |
|------------------------------------|----------------------------|
| • Computer equipment and software | 3 Years |
| • Office equipment | 4 Years |
| • Furniture, fixtures and fittings | 4 Years |
| • Leasehold improvements | Over the life of the lease |

STOCK INCLUDING WORK IN PROGRESS

Owned and contracted land and their related purchase costs and development expenses are valued at the lower of cost and net realisable value. Costs include all direct material and labour costs incurred in bringing a development to its state of completion at the year end, including an appropriate proportion of indirect expenses.

LEASING

Rentals paid / received under operating leases are charged / credited to the profit and loss account on a straight line basis over the lease term.

TAXATION

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates of tax expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. Deferred tax assets are provided to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

ACCOUNTING POLICIES (CONTINUED)

INVESTMENT IN SUBSIDIARY UNDERTAKING

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairments. Impairment reviews are performed by management when there has been an indication of potential impairment.

PREFERENCE SHARE DIVIDENDS

Under FRS25 "Accounting for Capital Instruments", the Directors consider that the 10% Preference Shares should be treated as debt. Accordingly, the preference dividend is shown as interest payable and is calculated at the fixed interest rate and accrued on a daily basis. The interest dividend is not payable until 2017.

CONSOLIDATION

The consolidated financial statements of the Group comprise the financial statements of the company and all its subsidiary undertakings, the financial statements of which are all made up to 31 March and all of whom follow uniform accounting policies. Profits and losses on intra group transactions are eliminated on consolidation. As permitted by the Companies Act 2006, the profit and loss account of the Company is not presented.

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1. GROUP LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION

The loss before interest and taxation, which is wholly attributable to the principal activities of the Group and arises within the United Kingdom, is stated after charging:

	<u>Year Ended</u> <u>31.03.11</u> <u>£</u>	<u>Period</u> <u>16.02.10 to</u> <u>01.04.10</u> <u>£</u>
Wages and salaries	926,412	-
Social security costs	108,395	-
	<hr/>	<hr/>
Staff costs	1,034,807	-
	<hr/>	<hr/>
Depreciation of owned tangible fixed assets	25,989	-
Services provided by the Group's auditors:		
Fees payable for the audit	7,500	1,000
Fees payable for other services - tax	6,500	18,000
Operating lease charges - other	44,742	-
	<hr/>	<hr/>

RESULT ATTRIBUTABLE TO LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

The profit on ordinary activities dealt with in the financial statements of London Square Developments (Holdings) Limited for the year ended 31 March 2011 is £53 (2010: £nil).

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2011</u> <u>£</u>	<u>2010</u> <u>£</u>
Bank interest received	3,664	-
Other interest received	3,132	-
	<hr/>	<hr/>
	6,796	-
	<hr/>	<hr/>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2011</u> <u>£</u>	<u>2010</u> <u>£</u>
Preference share dividend payable: 10p per £1 share	1,230,041	-
	<hr/>	<hr/>
	1,230,041	-
	<hr/>	<hr/>

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

4. TAX ON LOSS ON ORDINARY ACTIVITIES	Year Ended 31.03.11 £	Period 16.02.10 to 01.04.10 £
Current taxation:		
U.K. Corporation Tax on the loss for the year	-	-
Deferred taxation:		
Origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	-	-
The tax assessed for the year is different from the rate of corporation tax in the U.K. on small profits of 21% (2010: 21%). The difference is explained below:		
Loss on ordinary activities before taxation	(3,072,958)	(799,939)
Taxation at the average small profits rate of 21% (2010: 21%) applicable in the U.K. on the loss on ordinary activities	(645,321)	(167,987)
Expenses not deductible for tax purposes	272,423	95,454
Losses brought forward used	(63,000)	-
Losses carried forward	435,898	72,533
Current tax for the year	-	-

There is an unprovided deferred tax asset of £415,635 (2010: £72,533) relating to losses carried forward. The deferred tax asset has not been recognised in the financial statements due to uncertainty over the timing of suitable future taxable income

The Finance Act (No 2) 2010 was substantively enacted on 20 July 2010 reducing the small profits rate from 21% to 20% from 1 April 2011. The impact of this change on the unrecognised deferred tax asset is £20,781.

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

5. DIRECTORS' EMOLUMENTS

	<u>2011</u> <u>£</u>	<u>2010</u> <u>£</u>
Aggregate emoluments	391,057	-

The total emoluments paid to the highest director were £343,140 (2010: £Nil)

6. EMPLOYEE INFORMATION

The average monthly number of persons (including executive directors) employed by the Group during the year was:

	<u>2011</u> <u>Number</u>	<u>2010</u> <u>Number</u>
Administration	8	-
	8	-

7. TANGIBLE FIXED ASSETS - GROUP

	<u>Computer Equipment & Software</u>	<u>Office Equipment</u>	<u>Furniture, Fixtures and Fittings</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>					
At 02.04.10	-	-	-	-	-
Additions	52,852	5,498	29,547	134,051	221,948
Disposals	-	-	-	-	-
At 31 03.11	52,852	5,498	29,547	134,051	221,948
<u>Accumulated Depreciation</u>					
At 02.04.10	-	-	-	-	-
Charge	5,675	258	2,760	17,296	25,989
Disposals	-	-	-	-	-
At 31.03.11	5,675	258	2,760	17,296	25,989
<u>Net Book Value</u>					
At 31.03.11	47,177	5,240	26,787	116,755	195,959
<u>Net Book Value</u>					
At 01.04.10	-	-	-	-	-

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

8. INVESTMENT IN SUBSIDIARY

The investment at the balance sheet date comprises the entire ordinary share capital of London Square Developments Limited at a cost of £2. The principal activities of the subsidiary are that of land developer and housebuilder and it is incorporated in the United Kingdom.

On 31 May 2011, the Company purchased the entire ordinary share capital of De Facto 1858 Limited at a cost of £2. On 31 May 2011, De Facto 1858 Limited purchased the entire ordinary share capital of De Facto 1859 Limited at a cost of £2. The principal activities of both of the subsidiaries are that of land developer and housebuilder and both are incorporated in the United Kingdom.

9. STOCK

	<u>2011</u> <u>Group</u> <u>£</u>	<u>2011</u> <u>Company</u> <u>£</u>	<u>2010</u> <u>Group</u> <u>£</u>	<u>2010</u> <u>Company</u> <u>£</u>
Land	23,120,015	-	-	-
Work in progress	674,517	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	23,794,532	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

10. DEBTORS

	<u>2011</u> <u>Group</u> <u>£</u>	<u>2011</u> <u>Company</u> <u>£</u>	<u>2010</u> <u>Group</u> <u>£</u>	<u>2010</u> <u>Company</u> <u>£</u>
Amounts held by solicitors	1,728,296	-	3,570,000	70,000
Amounts owed by subsidiary undertaking	-	27,642,720	-	3,499,998
Other debtors	82,120	-	-	-
Prepayments	21,470	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,831,886	27,642,720	3,570,000	3,569,998
	<hr/>	<hr/>	<hr/>	<hr/>

Amounts owed by the Subsidiary undertaking are unsecured, incur interest at 10% per annum and are repayable on demand. All other debtors are expected to fall due within 1 year. Interest is receivable on amounts held by solicitors at the current bank base rate attributable to solicitor's client accounts.

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)****11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2011</u> <u>Group</u> £	<u>2011</u> <u>Company</u> £	<u>2010</u> <u>Group</u> £	<u>2010</u> <u>Company</u> £
Trade creditors	3,278,067	-	-	-
Taxation and social security	55,499	-	-	-
Other creditors	2,345	-	-	-
Accruals	194,287	-	799,939	-
	<u>3,530,198</u>	<u>-</u>	<u>799,939</u>	<u>-</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2011</u> <u>Group</u> £	<u>2011</u> <u>Company</u> £	<u>2010</u> <u>Group</u> £	<u>2010</u> <u>Company</u> £
Cumulative redeemable preference shares	25,622,679	25,622,679	2,710,000	2,710,000
Accrued dividend on preference shares	1,230,041	1,230,041	-	-
	<u>26,852,720</u>	<u>26,852,720</u>	<u>2,710,000</u>	<u>2,710,000</u>

During the year, the company issued 22,912,679 £1 preference shares for total consideration of £22,912,679. All of the 10% cumulative preference shares carry a fixed cumulative preferential dividend at the rate of 10% per annum, payable and redeemable at the same time, as follows:

1. On 31 March 2017; or
2. Immediately prior to a sale or quotation.

Subject to Investor Consent, the Company may also redeem preference shares at any time, subject to giving not less than 25 business days' notice in writing to the holders of the preference shares.

On a winding up, the holders have priority before all other classes of shares to receive repayment of capital plus dividend arrears. The holders have no voting rights.

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

13. CALLED UP SHARE CAPITAL	<u>2011</u>	<u>2010</u>
	<u>£</u>	<u>£</u>
Allotted, issued and fully paid:		
Ordinary "A" shares of £1 each	780,000	790,000
Ordinary "B" shares of £1 each	155,000	70,000
	<hr/>	<hr/>
	935,000	860,000
	<hr/>	<hr/>

Both types of ordinary shares have the same economic and voting rights but differ in the nature of whether they are held by external investors ("A" ordinary shares) or directors and employees of the company ("B" ordinary shares). There are certain restrictions on who may be issued with "B" ordinary shares and how those shares may be transferred or disposed of

During the year, the Company issued 75,000 £1 "B" ordinary shares for total consideration of £75,000. On 19th January 2011, the Company converted 10,000 £1 "A" ordinary shares into 10,000 £1 "B" ordinary shares

On 31 May 2011, the Company issued 30,000 £1 "B" shares for total consideration of £30,000.

14 OTHER RESERVES	<u>Profit and</u>	<u>Preference</u>
	<u>Loss</u>	<u>Interest</u>
	<u>£</u>	<u>£</u>
Group		
At 2 April 2010	(799,939)	-
Transfer of preference interest	(1,230,041)	1,230,041
Loss for the year	(3,072,958)	-
	<hr/>	<hr/>
At 31 March 2011	(5,102,938)	1,230,041
	<hr/>	<hr/>
Company		
At 2 April 2010	-	-
Profit for the year	53	-
Transfer of preference interest	(1,230,041)	1,230,041
	<hr/>	<hr/>
At 31 March 2011	(1,229,988)	1,230,041
	<hr/>	<hr/>

LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2011</u> <u>Group</u> <u>£</u>	<u>2011</u> <u>Company</u> <u>£</u>	<u>2010</u> <u>Group</u> <u>£</u>	<u>2010</u> <u>Company</u> <u>£</u>
Profit / (loss) for the financial year	(3,072,958)	53	(799,939)	-
Net addition to / (reduction from) shareholders' funds	(3,072,958)	53	(799,939)	-
Opening shareholders' funds	60,061	860,000	-	-
Shares issued in the year	75,000	75,000	860,000	860,000
Closing shareholders' funds / (deficit)	(2,937,897)	935,053	60,061	860,000

16. LEASE COMMITMENTS

At 31 March 2011, the Group had annual commitments under non-cancellable operating leases for land and buildings expiring as follows:

	<u>2011</u> <u>Group</u> <u>£</u>	<u>2011</u> <u>Company</u> <u>£</u>	<u>2010</u> <u>Group</u> <u>£</u>	<u>2010</u> <u>Company</u> <u>£</u>
Within two to five years	60,000	-	-	-

17. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption in FRS8 not to disclose transactions with entities that are part of the London Square Developments (Holdings) Limited group.

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

London Square Developments (Holdings) Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements.

The Directors do not consider there to be any ultimate controlling party. Funds managed by Graphite Capital Management LLP held an interest of 83% (period ended 1 April 2010: 92%) in the equity share capital of London Square Developments (Holdings) Limited as at 31 March 2011.