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**LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**  
**REPORT AND GROUP FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2012**

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# **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  
Middlesex  
UB8 1EX

### **BANKERS**

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

### **REGISTERED OFFICE**

The Coach House  
6 & 8 Swakeleys Road  
Uxbridge  
Middlesex  
UB10 8BG

### **COMPANY REGISTRATION NUMBER**

07159358

# **LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**

## **DIRECTORS' REPORT AND GROUP FINANCIAL STATEMENTS**

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## **LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012**

The Directors present their annual report and the audited Group and Parent Company financial statements for the year ended 31 March 2012

#### **GROUP RESTRUCTURE**

On 31 May 2011, the Company acquired the entire share capital of London Square (Investments) Limited, including its subsidiary, London Square (Putney) Limited.

On 1 July 2011, London Square (Investments) Limited acquired the entire share capital of London Square (Leonard St ) Limited.

On 21 October 2011, London Square (Investments) Limited acquired the entire share capital of London Square Development Management Limited.

On 31 October 2011, London Square (Investments) Limited sold the entire share capital of London Square (Putney) Limited and London Square (Leonard St.) Limited to the Company's other subsidiary, London Square Developments Limited

On 18 November 2011, London Square (Investments) Limited sold the entire share capital of London Square Development Management Limited to London Square Developments (Ventures) Limited, the Company's immediate parent undertaking. On this date, the Company ceased to be the Parent Company in the Group, when its entire share capital was acquired by London Square Developments (Equity) Limited, the Group's new Parent Company.

These consolidated financial statements comprise the results and affairs of the above companies for the year ended 31 March 2012. The Directors will not prepare consolidated accounts in subsequent years as the results and affairs of these companies will be included within the consolidated financial statements of London Square Developments (Equity) Limited.

#### **PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The principal activities in the year of the Company is of a holding company and the Group continued to be that of land developer and house builder. 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 6 of the financial statements. The Group's subsidiary undertakings purchased three new sites in the year and a further site since the year end, bringing the total number of acquired sites to eight. The Group will complete its first residential sales in the year ending March 2013, and has an order book of 27 sales at the end of August 2012. Graphite Capital Management LLP, the majority shareholder of the ultimate parent undertaking, invested a further £19 million in the Group during the year. The Group's subsidiary undertakings also drew down bank facilities totalling £11 million at the year end. The Directors anticipate that the Group will make a profit in the forthcoming year and 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

S C Casey

P T Ford (appointed 9 May 2011)

#### **DIVIDENDS**

No ordinary share dividends were approved or paid during the year (2011: nil).

## **LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)**

#### **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 and loan note funding and associated interest is not repayable until 2017. Bank loans are repayable from the proceeds of the developments for which the loans have been provided. Repayment is anticipated to occur within one year from the balance sheet date.

**Interest Rate Movements** – The Group's principal activities are funded by preference share and loan note 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 and loan notes issued. Bank loans carry interest at LIBOR plus a fixed margin and the Directors have mitigated part of this risk by entering into hedging arrangements with the bank providing the loans.

#### **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.

#### **GOING CONCERN**

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the existing banking facilities of the Group and the letter of support obtained from its ultimate parent undertaking, London Square Developments (Equity) Limited.

## **LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have 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 Group and the Company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make 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



9 October 2012

## **LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED FOR THE YEAR ENDED 31 MARCH 2012**

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 2012 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 Statement of Directors' Responsibilities set out on page 3, 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 Report and Group financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **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) FOR THE YEAR ENDED 31 MARCH 2012**

#### **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

9 October 2012



**LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED****GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012**

	<u>Note</u>	<u>Year Ended</u> <u>31.03.12</u> <u>£</u>	<u>Year Ended</u> <u>31 03 11</u> <u>£</u>
Cost of sales		(117,041)	(30,137)
Gross loss		(117,041)	(30,137)
Distribution costs		(250,331)	(64,488)
Administrative expenses		(3,698,444)	(1,830,519)
Other operating income		410,237	75,431
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>	1	(3,655,579)	(1,849,713)
Interest receivable and similar income	2	25,427	6,796
Interest payable and similar charges	3	(4,385,531)	(1,230,041)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(8,015,683)	(3,072,958)
Tax on loss on ordinary activities	4	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>		(8,015,683)	(3,072,958)

All amounts relate to continuing operations

There were no recognised gains or losses other than the loss for the years 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 years stated above and the historical cost equivalent.

The notes on pages 9 to 19 form part of these financial statements.

**LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED****COMPANY REGISTRATION NUMBER: 07159358****GROUP BALANCE SHEET AS AT 31 MARCH 2012**

	<u>Note</u>	<u>At 31 03 12</u>	<u>At 31 03 11</u>
		£	£
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	223,534	195,959
<b>CURRENT ASSETS</b>			
Stock	9	51,147,158	23,794,532
Debtors	10	1,762,902	1,831,886
Cash at bank and in hand		2,491,599	1,622,644
		<u>55,401,659</u>	<u>27,249,062</u>
<b>CREDITORS:</b> amounts falling due within one year	11	<u>(36,530,395)</u>	<u>(3,530,198)</u>
<b>NET CURRENT ASSETS</b>		<u>18,871,264</u>	<u>23,718,864</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>19,094,798</u>	<u>23,914,823</u>
<b>CREDITORS:</b> amounts falling due after more than one year	12	<u>(30,018,378)</u>	<u>(26,852,720)</u>
<b>NET LIABILITIES</b>		<u>(10,923,580)</u>	<u>(2,937,897)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	965,000	935,000
Preference interest reserve	14	3,791,986	1,230,041
Profit and loss account	14	(15,680,566)	(5,102,938)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	15	<u>(10,923,580)</u>	<u>(2,937,897)</u>

The financial statements on pages 6 to 19 were approved and authorised for issue by the Board of Directors on 9 October 2012

A P Lawrence  
Director  
9 October 2012



The notes on pages 9 to 18 form part of these financial statements.

**LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED****COMPANY REGISTRATION NUMBER: 07159358****COMPANY BALANCE SHEET AS AT 31 MARCH 2012**

	Note	<u>At 31 03 12</u>		<u>At 31 03 11</u>	
		£	£	£	£
<b>FIXED ASSETS</b>					
Investment in subsidiary	8		4		2
<b>CURRENT ASSETS</b>					
Debtors	10	27,313,541		27,642,720	
Cash at bank and in hand		200,268		145,051	
		<hr/>		<hr/>	
		27,513,809		27,787,771	
<b>CREDITORS:</b> amounts falling due within one year	11	(15,002)		-	
		<hr/>		<hr/>	
<b>NET CURRENT ASSETS</b>			27,498,807		27,787,771
			<hr/>		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			27,498,811		27,787,773
<b>CREDITORS:</b> amounts falling due after more than one year	12		(29,414,665)		(26,852,720)
			<hr/>		<hr/>
<b>NET LIABILITIES</b>			(1,915,854)		935,053
			<hr/>		<hr/>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		965,000		935,000
Preference interest reserve	14		3,791,986		1,230,041
Profit and loss account	14		(6,672,840)		(1,229,988)
			<hr/>		<hr/>
<b>TOTAL SHAREHOLDERS' (DEFICIT) / FUNDS</b>	15		(1,915,854)		935,053
			<hr/>		<hr/>

The financial statements on pages 6 to 19 were approved and authorised for issue by the Board of Directors on 9 October 2012

A P Lawrence  
Director  
9 October 2012



The notes on pages 9 to 18 form part of these financial statements.

## **LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**

### **ACCOUNTING POLICIES**

#### **BASIS OF ACCOUNTING**

The financial statements are prepared on the going concern basis, 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 existing banking facilities of the Group and the letter of support obtained from its ultimate parent undertaking, London Square Developments (Equity) Limited. The principal accounting policies adopted, which have been applied consistently throughout the year, are set out 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.

#### **BANK BORROWINGS**

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Interest costs are recognised as an expense in the income statement in the period to which they relate.

#### **INTEREST RATE SWAPS**

The Group uses interest rate swaps to reduce exposure to interest rate fluctuations on variable rate bank loans. Interest rate contracts are fixed on a quarterly basis and gains or losses on interest rate swaps are taken to the profit and loss account when the interest contracts crystallise.

The Group does not hold or issue derivative financial investments for speculative purposes.

#### **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 2012

#### 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>31.03.12</u>	<u>Year Ended</u> <u>31.03.11</u>
	<u>£</u>	<u>£</u>
Wages and salaries	1,943,113	926,412
Social security costs	239,403	108,395
	<hr/>	<hr/>
Staff costs	2,182,516	1,034,807
	<hr/>	<hr/>
Depreciation of owned tangible fixed assets	122,599	25,989
Services provided by the Group's auditors		
Fees payable for the audit	25,750	7,500
Fees payable for other services - tax	79,825	6,500
Fees payable for other services - systems development	11,000	-
Operating lease charges - motor vehicle	3,049	-
Operating lease charges - other	54,000	44,742
	<hr/>	<hr/>

#### RESULT ATTRIBUTABLE TO LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

The loss dealt with in the financial statements of London Square Developments (Holdings) Limited for the year ended 31 March 2012 is £2,880,907 (2011 profit of £53)

#### 2. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2012</u>	<u>2011</u>
	<u>£</u>	<u>£</u>
Bank interest received	3,014	3,664
Other interest received	22,413	3,132
	<hr/>	<hr/>
	25,427	6,796
	<hr/>	<hr/>

#### 3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2012</u>	<u>2011</u>
	<u>£</u>	<u>£</u>
Bank loan interest payable	541,810	-
Preference share dividend payable	2,561,945	1,230,041
Loan note interest payable	623,400	-
Other loan interest payable	25,081	-
Other interest payable	25,295	-
Amortisation of bank loan arrangement fees	608,000	-
	<hr/>	<hr/>
	4,385,531	1,230,041
	<hr/>	<hr/>

**LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)**

4. TAX ON LOSS ON ORDINARY ACTIVITIES	<u>Year Ended</u> <u>31 03 12</u> <u>£</u>	<u>Year Ended</u> <u>31 03 11</u> <u>£</u>
<b>Current taxation:</b>		
U.K. Corporation Tax on the loss for the year	-	-
<b>Deferred taxation:</b>		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	-
	<hr/>	<hr/>
The tax assessed for the year is different from the rate of corporation tax in the U K of 26% (2011 small profits of 21%) The difference is explained below:		
Loss on ordinary activities before taxation	(8,015,683)	(3,072,958)
	<hr/>	<hr/>
Taxation at the average rate of 26% (2011 small profits of 21%) applicable in the U K on the loss on ordinary activities	(2,084,077)	(645,321)
Expenses not deductible for tax purposes	797,231	272,423
Losses brought forward used	-	(63,000)
Losses carried forward	1,286,846	435,898
	<hr/>	<hr/>
Current tax for the year	-	-
	<hr/>	<hr/>

**Factors which may affect future charges:**

There is an unprovided deferred tax asset of £1,603,493 (2011: £415,635) 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

On 26 March 2012 a resolution passed by Parliament reduced the main corporation tax from 26% to 24% effective 1 April 2012. This change was announced in the March 2012 Budget Statement together with the intention to reduce the main rate of corporation tax 22%

Legislation to reduce the main rate of corporation tax from 24% to 23% effective from 1 April 2013 is included in the Finance Act 2012. The rate of reduction from 24% to 22% had not been substantively enacted at the balance sheet date, and therefore is not included in these financial statements

# LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)

<b>5 DIRECTORS' EMOLUMENTS</b>	<u>2012</u> <u>£</u>	<u>2011</u> <u>£</u>
Aggregate emoluments	581,446	391,057

The total emoluments paid to the highest director were £370,248 (2011 £343,140)

<b>6 EMPLOYEE INFORMATION</b>	<u>2012</u> <u>Number</u>	<u>2011</u> <u>Number</u>
The average monthly number of persons (including executive directors) employed by the Group during the year was		
Production	2	-
Administration	19	8
	<u>21</u>	<u>8</u>

<b>7 TANGIBLE FIXED ASSETS - GROUP</b>	<u>Computer Equipment &amp; Software</u>	<u>Office Equipment</u>	<u>Furniture, Fixtures and Fittings</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>					
At 01.04.11	52,852	5,498	29,547	134,051	221,948
Additions	44,297	4,270	23,104	78,503	150,174
	<u>97,149</u>	<u>9,768</u>	<u>52,651</u>	<u>212,554</u>	<u>372,122</u>
<u>Accumulated Depreciation</u>					
At 01.04.11	5,675	258	2,760	17,296	25,989
Charge	27,368	2,092	9,219	83,920	122,599
	<u>33,043</u>	<u>2,350</u>	<u>11,979</u>	<u>101,216</u>	<u>148,588</u>
<u>Net Book Value</u>					
At 31.03.12	64,106	7,418	40,672	111,338	223,534
<u>Net Book Value</u>					
At 31.03.11	47,177	5,240	26,787	116,755	195,959



## **LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)**

#### **8. INVESTMENT IN SUBSIDIARIES - COMPANY**

Cost	£
At 1 April 2011	2
Additions	2
	<hr/>
At 31 March 2011	4
	<hr/>

On 31 May 2011, the Company acquired the entire ordinary share capital of London Square (Investments) Limited at a cost of £2

The Directors believe the carrying value of the investments is supported by their underlying trade and net assets. The Company owns 100% of the issued share capital of the companies (all incorporated in England and Wales) listed below

<b>Name</b>	<b>Business activity</b>	<b>Class of shares</b>
London Square Developments Limited	Land developer and house builder	£1 ordinary
London Square (Investments) Limited	Holding company	£1 ordinary
Indirectly held subsidiaries:		
London Square (Putney) Limited	Land developer and house builder	£1 ordinary
London Square (Leonard St ) Limited	Land developer and house builder	£1 ordinary

#### **9 STOCK - GROUP**

	<u>2012</u> £	<u>2011</u> £
Land	44,266,565	23,120,015
Work in progress	6,880,593	674,517
	<hr/>	<hr/>
	51,147,158	23,794,532
	<hr/>	<hr/>

# LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)

### 10 DEBTORS

	<u>2012</u> <u>Group</u> £	<u>2012</u> <u>Company</u> £	<u>2011</u> <u>Group</u> £	<u>2011</u> <u>Company</u> £
Trade debtors	118,144	-	-	-
Amounts held by solicitors	1,339,970	-	1,728,296	-
Amounts owed by subsidiary undertaking	-	27,313,541	-	27,642,720
Other debtors	138,920	-	82,120	-
Prepayments	165,868	-	21,470	-
	<u>1,762,902</u>	<u>27,313,541</u>	<u>1,831,886</u>	<u>27,642,720</u>

Amounts owed by the subsidiary undertaking are unsecured, interest-free 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.

### 11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2012</u> <u>Group</u> £	<u>2012</u> <u>Company</u> £	<u>2011</u> <u>Group</u> £	<u>2011</u> <u>Company</u> £
Bank loans and overdrafts	9,852,395	-	-	-
Trade creditors	3,079,842	-	3,278,067	-
Amounts owed to parent undertakings	22,556,597	15,000	-	-
Taxation and social security	99,918	-	55,499	-
Other creditors	44,623	2	2,345	-
Accruals	897,020	-	194,287	-
	<u>36,530,395</u>	<u>15,002</u>	<u>3,530,198</u>	<u>-</u>

Trade creditors includes advances received from customers for contract work amounting to £953,700 (2011: £nil), of which £419,685 (2011: £nil) is not expected to be performed within one year.

The bank loans are secured on the assets of the Group and are repayable from the proceeds of the developments under construction. Interest costs on bank loans are incurred at LIBOR plus a fixed margin and are rolled into the principal loans on a quarterly basis.

Amounts owed to the parent undertaking are unsecured, interest-free and are repayable on demand. All other creditors are expected to fall due within 1 year.

# LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)

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

	<u>2012</u> <u>Group</u> £	<u>2012</u> <u>Company</u> £	<u>2011</u> <u>Group</u> £	<u>2011</u> <u>Company</u> £
Cumulative 10% redeemable £1 preference shares	-	-	25,622,679	25,622,679
Cumulative 10% redeemable 99.99 pence preference shares	25,620,117	25,620,117	-	-
Cumulative 10% redeemable 0.01 pence preference shares	2,562	2,562	-	-
Accrued dividend on £1 preference shares	2,858,661	2,858,661	1,230,041	1,230,041
Accrued dividend on 99.99 pence preference shares	933,325	933,325	-	-
Accrued loan note interest	603,713	-	-	-
	<u>30,018,378</u>	<u>29,414,665</u>	<u>26,852,720</u>	<u>26,852,720</u>

On 18 November 2011, the terms of the existing 25,622,679 £1 preference shares were adjusted to allow for their division into 25,622,679 99.99 pence cumulative 10% preference shares and 25,622,679 0.01 pence preference shares

The £1 and the 99.99 pence 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

The 0.01 pence cumulative preference shares carry the historic fixed cumulative preferential dividend accrued at 18 November 2011 by way of redemption premium.

Subject to Investor Consent, the Company may 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.

During the year, the Group's subsidiary undertakings, London Square Developments Limited, London Square (Putney) Limited and London Square (Leonard St) Limited, issued 10% loan notes in favour of the Group's majority shareholders, controlled by Graphite Capital Management LLP. When the Group was restructured on 18<sup>th</sup> November 2011, these loan notes were novated to the parent company, London Square Developments (Ventures) Limited in return for an intercompany payable. The loan note interest that had accrued up to 18<sup>th</sup> November 2011 remains payable by the subsidiary undertakings to the loan note holders and is not due for repayment until 2017.

# LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)

### 12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

The maturity of the Company's debt is as follows:

	Owed to parent undertaking £	Cumulative redeemable preference shares £
Less than one year	15,000	-
More than five years	-	29,414,665
	<hr/> 15,000	<hr/> 29,414,665

The maturity of the Group's debt is as follows:

	Bank loans and overdrafts £	Owed to parent undertaking £	Cumulative redeemable preference shares £
Less than one year	9,852,395	22,556,597	-
More than five years	-	-	29,414,665
	<hr/> 9,852,395	<hr/> 22,556,597	<hr/> 29,414,665

### 13 CALLED UP SHARE CAPITAL

	<u>2012</u> £	<u>2011</u> £
Allotted, issued and fully paid		
Ordinary "A" shares of £1 each	780,000	780,000
Ordinary "B" shares of £1 each	185,000	155,000
	<hr/> 965,000	<hr/> 935,000

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 30,000 £1 "B" ordinary shares for total consideration of £30,000

# LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)

### 14 OTHER RESERVES

	<u>Profit and Loss Account</u> £	<u>Preference Interest Reserve</u> £
<b>Group</b>		
At 1 April 2011	(5,102,938)	1,230,041
Transfer of preference interest	(2,561,945)	2,561,945
Loss for the year	(8,015,683)	-
At 31 March 2012	(15,680,566)	3,791,986
<b>Company</b>		
At 1 April 2011	(1,229,988)	1,230,041
Loss for the year	(2,880,907)	-
Transfer of preference interest	(2,561,945)	2,561,945
At 31 March 2012	(6,672,840)	3,791,986

### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2012 Group</u> £	<u>2012 Company</u> £	<u>2011 Group</u> £	<u>2011 Company</u> £
(Loss) / profit for the financial year	(8,015,683)	(2,880,907)	(3,072,958)	53
Net addition to / (reduction from) shareholders' funds	(8,015,683)	(2,880,907)	(3,072,958)	53
Opening shareholders' funds	(2,937,897)	935,053	60,061	860,000
Shares issued in the year	30,000	30,000	75,000	75,000
<b>Closing shareholders' (deficit) / funds</b>	<b>(10,923,580)</b>	<b>(1,915,854)</b>	<b>(2,937,897)</b>	<b>935,053</b>

## **LONDON SQUARE DEVELOPMENTS (HOLDINGS) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)**

#### **16 LEASE COMMITMENTS**

At 31 March 2012, the Group had annual commitments under non-cancellable operating leases expiring as follows:

	<u>2012</u> <u>Group</u> <u>£</u>	<u>2012</u> <u>Company</u> <u>£</u>	<u>2011</u> <u>Group</u> <u>£</u>	<u>2011</u> <u>Company</u> <u>£</u>
Land and buildings				
Within two to five years	60,000	-	60,000	-
Motor vehicles				
Within two to five years	5,324	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

#### **17. CONTINGENT LIABILITIES AND COMMITMENTS**

The Group has interest rate swaps outstanding at the year end that cap interest rates on variable rate bank loans. Rates are fixed on bank loan balances for the following periods:

	<u>2012</u> <u>Group</u> <u>£</u>	<u>2012</u> <u>Company</u> <u>£</u>	<u>2011</u> <u>Group</u> <u>£</u>	<u>2011</u> <u>Company</u> <u>£</u>
Within one year				
Rate capped at 1.5%	6,000,000	-	-	-
Within two to five years				
Rate capped at 2.5%	3,852,395	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

#### **18 RELATED PARTY TRANSACTIONS**

As a wholly owned subsidiary of London Square Developments (Equity) Limited, London Square Developments (Ventures) Limited has taken advantage of the exemption under FRS8 'Related Party Transactions' from the requirement to disclose related party transactions with the London Square Developments (Equity) Limited group.

#### **19 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent undertaking and controlling party is London Square Developments (Equity) Limited, a company incorporated in the United Kingdom. London Square Developments (Equity) Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements.

The consolidated financial statements of London Square Developments (Equity) Limited can be obtained from the Company Secretary at the registered office; The Coach House, 6 & 8 Swakeleys Road, Ickenham, Middlesex UB10 8BG.