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

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LONDON SQUARE DEVELOPMENTS (EQUITY) 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

07774351

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

DIRECTORS' REPORT AND GROUP FINANCIAL STATEMENTS

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LONDON SQUARE DEVELOPMENTS (EQUITY) 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.

CHANGE OF COMPANY NAME

The Company was incorporated as De Facto 1914 Limited on 14 September 2011. On 08 November 2011, the Company changed its name to London Square (Equity) Limited. On 21 September 2012, the Company changed its name to London Square Developments (Equity) Limited.

GROUP RESTRUCTURE

On 18 November 2011, the Company acquired the entire share capital of London Square Developments (Ventures) Limited, including its subsidiaries, London Square Developments (Holdings) Limited, London Square Developments Limited, London Square (Fulham) Limited, London Square Development Management Limited, London Square (Putney) Limited, London Square (Leonard St.) Limited and London Square (Investments) Limited. On this date, the Company became the ultimate parent undertaking of the Group. As a result of this Group reconstruction, merger accounting has been used and these consolidated financial statements comprise the results and affairs of the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Company in the period is of a holding company. The principal activity of the Group during the year continued to be that of a 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 Company's majority shareholder, invested a further £19 million in the Group's subsidiary undertakings during the period. The Group's subsidiary undertaking 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 period and up to the date of signing the financial statements were:

R Bracken (appointed 14 September 2011, resigned 18 November 2011)
Travers Smith Ltd (appointed 14 September 2011, resigned 18 November 2011)
Travers Smith Secretaries Ltd (appointed 14 September 2011, resigned 18 November 2011)
A P Lawrence (appointed 18 November 2011)
M A Pain (appointed 18 November 2011)
S C Casey (appointed 18 November 2011)
P T Ford (appointed 18 November 2011)

DIVIDENDS

No ordinary share dividends were approved or paid during the period.

GOING CONCERN

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the existing banking and loan facilities of the Group and the letter of support obtained from Graphite Capital Management LLP on behalf of the funds investing in the Group.

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

DIRECTORS' REPORT (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.

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 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.

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

DIRECTORS' REPORT (CONTINUED)

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

A handwritten signature in black ink, appearing to be 'A P Lawrence', with a long horizontal line extending to the right.

9 October 2012

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

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

We have audited the group and parent company financial statements (the "financial statements") of London Square Developments (Equity) Limited for the period 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 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 Report and 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 period 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 period for which the financial statements are prepared is consistent with the financial statements.

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

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

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

9 October 2012

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED**GROUP PROFIT AND LOSS ACCOUNT FOR THE PERIOD 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		(3,698,445)	(1,830,519)
Other operating income		410,237	75,431
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	1	(3,655,580)	(1,849,713)
Interest receivable and similar income	2	25,427	6,796
Interest payable and similar charges	3	(5,162,900)	(1,230,041)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(8,793,053)	(3,072,958)
Tax on loss on ordinary activities	4	-	-
LOSS FOR THE FINANCIAL PERIOD		(8,793,053)	(3,072,958)

All amounts relate to continuing operations.

All losses are attributable to the owners of London Square Developments (Equity) Limited

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

The notes on pages 9 to 20 form part of these financial statements.

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED**COMPANY REGISTRATION NUMBER: 07774351****GROUP BALANCE SHEET AS AT 31 MARCH 2012**

	Note	At 31 03 12	At 31 03 11
		£	£
FIXED ASSETS			
Tangible fixed assets	7	223,534	195,959
CURRENT ASSETS			
Stock	10	51,147,158	23,794,532
Debtors	11	1,762,901	1,831,886
Cash at bank and in hand		2,491,599	1,622,644
		55,401,658	27,249,062
CREDITORS: amounts falling due within one year	12	(17,454,996)	(3,530,198)
NET CURRENT ASSETS		37,946,662	23,718,864
TOTAL ASSETS LESS CURRENT LIABILITIES		38,170,196	23,914,823
CREDITORS: amounts falling due after more than one year	13	(49,856,146)	(26,852,720)
NET LIABILITIES		(11,685,950)	(2,937,897)
CAPITAL AND RESERVES			
Called up share capital	14	980,000	935,000
Preference interest reserve	15	3,791,986	1,230,041
Profit and loss account	15	(16,457,936)	(5,102,938)
TOTAL SHAREHOLDERS' DEFICIT	16	(11,685,950)	(2,937,897)

The financial statements on pages 6 to 20 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 20 form part of these financial statements.

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED**COMPANY REGISTRATION NUMBER: 07774351****COMPANY BALANCE SHEET AS AT 31 MARCH 2012**

	<u>Note</u>	<u>At 31 03 12</u>
		<u>£</u> <u>£</u>
FIXED ASSETS		
Investment in subsidiary	8	26,587,681
CURRENT ASSETS		
Debtors	11	948,325
CREDITORS: amounts falling due within one year	12	(2)
NET CURRENT ASSETS		948,323
TOTAL ASSETS LESS CURRENT LIABILITIES		27,536,004
CREDITORS: amounts falling due after more than one year	13	(26,556,004)
NET ASSETS		980,000
CAPITAL AND RESERVES		
Called up share capital	14	980,000
Preference interest reserve	15	933,325
Profit and loss account	15	(933,325)
TOTAL SHAREHOLDERS' FUNDS	16	980,000

The financial statements on pages 6 to 20 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 20 form part of these financial statements

LONDON SQUARE DEVELOPMENTS (EQUITY) 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 and loan facilities of the Group and the letter of support obtained from Graphite Capital Management LLP on behalf of the funds investing in the Group. The principal accounting policies adopted, which have been applied consistently throughout the period, 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 period 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 (EQUITY) 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.

During the year there was a capital reorganisation that required a new parent company for the Group (refer to note 15). This has been accounted for using merger accounting principles. Accordingly, the financial information for both the current period and the prior period has been presented as if the Company had owned LSQ Developments (Holdings) Limited throughout the current and prior accounting periods.

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 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> £
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 (EQUITY) LIMITED

The result for the period 14 September 2011 to 31 March 2012 dealt with in the financial statements of London Square Developments (Equity) Limited is £nil.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2012</u> £	<u>2011</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> £
Bank loan interest payable	541,810	-
Preference share dividend payable	2,561,945	1,230,041
Loan note interest payable	1,331,317	-
Other loan interest payable	94,533	-
Other interest payable	25,295	-
Amortisation of bank loan arrangement fees	608,000	-
	<hr/>	<hr/>
	5,162,900	1,230,041
	<hr/>	<hr/>

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 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>
Current taxation:		
U K Corporation Tax on the loss for the year	-	-
Deferred taxation:		
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	(8,793,053)	(3,072,958)
	<hr/>	<hr/>
Taxation at the average rate of 26% (2011: small profits rate of 21%) applicable in the U.K. on the loss on ordinary activities	(2,286,195)	(645,321)
	<hr/>	<hr/>
Expenses not deductible for tax purposes	797,231	272,423
Losses brought forward used	-	(63,000)
Losses carried forward	1,488,963	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 £1,790,062 (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 (EQUITY) LIMITED

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

5. DIRECTORS' EMOLUMENTS	<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)

6 EMPLOYEE INFORMATION

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

	<u>2012</u> <u>Number</u>	<u>2011</u> <u>Number</u>
Production	2	-
Administration	19	8
	<u>21</u>	<u>8</u>

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 01.04.11	52,852	5,498	29,547	134,051	221,948
Additions	44,297	4,270	23,104	78,503	150,175
	<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	<u>64,106</u>	<u>7,418</u>	<u>40,672</u>	<u>111,338</u>	<u>223,534</u>
At 01.04.11	<u>47,177</u>	<u>5,240</u>	<u>26,787</u>	<u>116,755</u>	<u>195,959</u>

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

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

8 INVESTMENT IN SUBSIDIARY - COMPANY

Cost	£
At 14 September 2011	-
Additions	53,175,360
Transfer to subsidiary	(26,587,679)
At 31 March 2011	<u>26,587,681</u>

On 18 November 2011, the Company purchased the entire ordinary share capital of London Square Developments (Ventures) Limited at a cost of £2.

On 18 November 2011, the Company purchased the entire ordinary and preference share capital of London Square Developments (Holdings) Limited at a cost of £26,587,679 through a share for share exchange. On the same date, the Company transferred the entire share capital of London Square Developments (Holdings) Limited to its immediate subsidiary undertaking, London Square Developments (Ventures) Limited for consideration of £26,587,679 in the form of 98 £1 ordinary shares in London Square Developments (Ventures) Limited

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:

Name	Business activity	Class of shares
London Square Developments (Ventures) Limited	Holding company	£1 ordinary
Indirectly held subsidiaries:		
London Square Developments (Holdings) Limited	Holding company	£1 ordinary "A" shares £1 ordinary "B" shares 10% cumulative preference shares
London Square Developments Limited	Land developer and house builder	£1 ordinary
London Square (Investments) Limited	Holding company	£1 ordinary
London Square (Putney) Limited	Land developer and house builder	£1 ordinary
London Square (Leonard St) Limited	Land developer and house builder	£1 ordinary
London Square (Fulham) Limited	Dormant	£1 ordinary
London Square Development Management Limited	Dormant	£1 ordinary

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

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

10 STOCK

	<u>2012</u> <u>Group</u> <u>£</u>	<u>2011 Group</u> <u>£</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/>

11. DEBTORS

	<u>2012</u> <u>Group</u> <u>£</u>	<u>2011</u> <u>Group</u> <u>£</u>	<u>2012</u> <u>Company</u> <u>£</u>
Trade debtors	118,144	-	-
Amounts held by solicitors	1,339,970	1,728,296	-
Amounts owed by subsidiary undertaking	-	-	15,000
Other debtors	138,919	82,120	-
Prepayments	165,868	21,470	-
Accrued Income	-	-	933,325
	<hr/>	<hr/>	<hr/>
	1,762,901	1,831,886	948,325
	<hr/>	<hr/>	<hr/>

Accrued income comprises 10% preference share dividend income receivable of £933,325 from London Square Developments (Holdings) Limited which is not due to be received until 2017. The remaining amount shown as owed by the subsidiary undertaking is unsecured, interest-free and 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 (EQUITY) LIMITED

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

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2012</u> <u>Group</u> <u>£</u>	<u>2011</u> <u>Group</u> <u>£</u>	<u>2012</u> <u>Company</u> <u>£</u>
Bank loans and overdrafts	9,852,395	-	-
Other loans (unsecured)	3,481,198	-	-
Trade creditors	3,079,842	3,278,067	-
Amounts owed to subsidiary undertakings	-	-	2
Taxation and social security	99,918	55,499	-
Other creditors	44,623	2,345	-
Accruals	897,020	194,287	-
	<u>17,454,996</u>	<u>3,530,198</u>	<u>2</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

On 18 November 2011, the Group borrowed £3,412,123 of unsecured loans from the "A" ordinary shareholders of the Company. Interest totalling £69,075, calculated at market rates plus a 1.75% margin has been rolled up at the period end

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

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2012</u> <u>Group</u> <u>£</u>	<u>2011</u> <u>Group</u> <u>£</u>	<u>2012</u> <u>Company</u> <u>£</u>
Other loans (secured)	19,354,835	-	-
Cumulative redeemable £1 preference shares	-	25,622,679	-
Redeemable 0.01 pence preference shares	2,562	-	2,562
Cumulative redeemable 99.99 pence preference shares	25,620,117	-	25,620,117
Accrued dividend on £1 preference shares	2,858,661	1,230,041	-
Accrued dividend on 99.99 pence preference shares	933,325	-	933,325
Accrued loan note interest	1,086,646	-	-
	<u>49,856,146</u>	<u>26,852,720</u>	<u>26,556,004</u>

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

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

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

On 18 November 2011, the Group issued 19,129,474 £1 10% subordinated redeemable loan notes for total consideration of £19,129,474. Loan note interest totalling £225,361 has been rolled up at 31 December 2011.

All of the redeemable loan notes carry a fixed cumulative interest 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 Group may also redeem the loan notes at any time, subject to giving not less than 7 days' notice and not more than 30 days' notice in writing to the holders of the loan notes shares.

On 18 November 2011, the Company issued 25,622,679 "A" 0.01 pence preference shares for total consideration of £2,562 and 25,622,679 "B" 99.99 pence 10% cumulative preference shares for total consideration of £25,620,117 as part of the share for share exchange with its subsidiary undertaking, London Square Developments (Holdings) Limited. "A" preference shares carry no preferential dividend.

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.

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

	Owed to subsidiary undertaking £	Cumulative redeemable preference shares £
Less than one year	2	-
More than five years	-	26,556,004
	<hr/>	<hr/>
	2	26,556,004

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

	Bank loans and overdrafts £	Other loans £	Cumulative redeemable preference shares £
Less than one year	9,852,395	3,481,198	-
More than five years	-	19,354,835	29,414,665
	<hr/>	<hr/>	<hr/>
	9,852,395	22,836,033	29,414,665

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

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

14. CALLED UP SHARE CAPITAL	Group and Company	Group
	2012	2011
	£	£
Allotted, issued and fully paid:		
Ordinary "A" shares of £1 each	780,000	780,000
Ordinary "B" shares of £1 each	200,000	155,000
	<hr/>	<hr/>
	980,000	935,000
	<hr/>	<hr/>

Prior to the Group reconstruction, the Group issued 30,000 £1 "B" ordinary shares for total consideration of £30,000.

On 14 September 2011, the Company issued 2 £1 ordinary shares for total consideration of £2. On 18 November 2011, the Company converted its 2 ordinary shares into 2 "A" £1 ordinary shares and issued a further 779,998 "A" £1 ordinary shares for total consideration of £779,998. On that date, the Company issued 185,000 "B" £1 ordinary shares for total consideration of £185,000. On 7 March 2012, the Company issued 15,000 "B" £1 ordinary shares for total consideration of £15,000.

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.

15. OTHER RESERVES	Profit and Loss	Preference Interest Reserve
	£	£
Group		
At 1 April 2011	(5,102,938)	1,230,041
Loss for the period	(8,793,053)	-
Transfer of preference interest	(2,561,945)	2,561,945
	<hr/>	<hr/>
At 31 March 2012	(16,457,936)	3,791,986
	<hr/>	<hr/>
Company		
At 14 September 2011	-	-
Result for the period	-	-
Transfer of preference interest	(933,325)	933,325
	<hr/>	<hr/>
At 31 March 2012	(933,325)	933,325
	<hr/>	<hr/>

On 18 November 2011 the Company acquired all of the common and preference shares of London Square Developments (Holdings) Limited as part of a group reconstruction in exchange for an issue of ordinary and preference shares of the Company.

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

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

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2012</u> <u>Group</u> <u>£</u>	<u>2012</u> <u>Company</u> <u>£</u>
Loss for the financial period	(8,793,053)	-
Net reduction from shareholders' funds	(8,793,053)	-
Opening shareholders' funds	(2,937,897)	-
Shares issued in the period	45,000	980,000
Closing shareholders' (deficit) / funds	(11,685,950)	980,000

17. 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>2011</u> <u>Group</u> <u>£</u>
Land and buildings: Within two to five years	60,000	60,000
Motor vehicles: Within two to five years	5,324	-

18. 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 under contracts expiring:

	<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	-	-	-

LONDON SQUARE DEVELOPMENTS (EQUITY) LIMITED

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

19. 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 (Equity) Limited group.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

London Square Developments (Equity) Limited is the parent undertaking of the 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 80% in the equity share capital of London Square Developments (Equity) Limited as at 31 March 2012.