LONDON
SQUARE

WEDNESDAY

A6BY8STE
A19 02/08/2017 #237
COMPANIES HOUSE

LONDON SQUARE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED MARCH 2017

LONDON SQUARE

London Square takes its name from the ethos of London's famous squares – the sense of community and enduring legacy they have provided over the centuries. By focusing solely on the capital and its surrounding areas, London Square creates new homes where people want to live, transforming and enhancing neighbourhoods and forgotten corners of the city.

Its achievements have been recognised by the industry with numerous awards, including Best Small Housebuilder and Gold awards for its developments in the What House Awards 2015 and 2016 and also in the Evening Standard New Homes Awards 2016 and 2017.

READ MORE ONLINE WWW.LONDONSQUARE.CO.UK

CONTENTS

CHAIRMAN'S STATEMENT

"I am pleased to report that London Square produced a robust performance in what was a year of uncertainty. We continued to invest and grow the underlying business against a backdrop of uncertainty, arising from the vote to exit the European Union, investing in land, people, capability, product and service.

I would like to congratulate and welcome to the board those members of the management team appointed directors of London Square Limited and to thank Adam Lawrence and all employees for their efforts this year.

We have ambitious growth plans but remain ever mindful of the cyclical nature of our business and the uncertainties posed by the current environment.

We remain disciplined and focused on delivering sustainable shareholder value.

We have commenced the new year with a strong order book, a strong pipeline of development projects and the capital to build the business further."

Mark Pain, Non-Executive Chairman

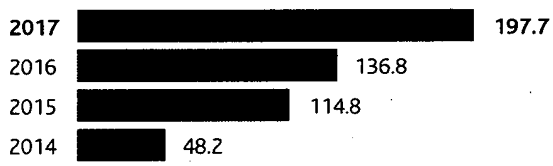
3,057
units in land bank

£1.9bn
value of land bank units

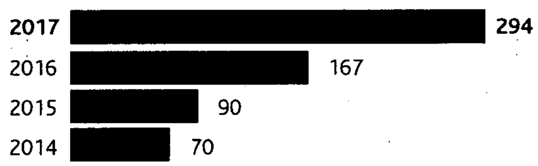
£19.9m
operating profit

POSITIONED FOR GROWTH

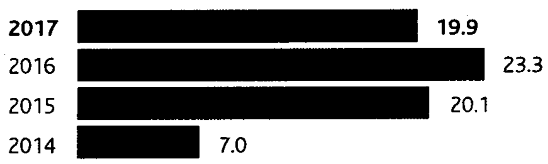
Revenue under Management
(£m)



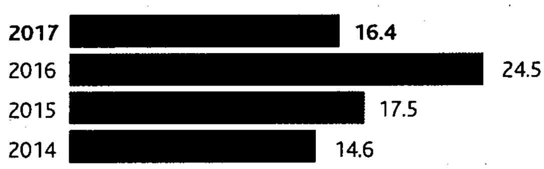
Residential Completions
(Units)



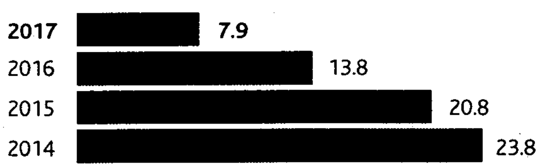
Operating Profit
(£m)



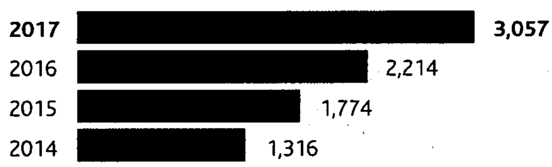
Operating Margin
(%)



Return on Capital Employed
(%)



Land Bank
(Units)



STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW

London Square started 7 years ago with £50m of capital and an executive management team with over 120 years' combined experience in the London residential market. Now we have grown to £300.2m (2016: £202.9m) of tangible gross assets and established a reputation as a premier residential house builder in the London area.

Having established a profitable base from which to grow, our objective in the medium term is to reach over 1,000 units per annum. In the past year we have invested a further £243.7m in development projects, and by building on the first few years of establishing the business we have delivered a step change in activity to set the foundation for the years to come.

We are delighted that we have not only delivered robust financial results but have continued to demonstrate our reputation for an excellent product and customer service. This is driven by the approach of the London Square team and is reflected in us consistently winning industry awards. In addition, we retain a quality ethos and reputation for build quality and customer service with a NHBC A1 rating.

MACRO CONDITIONS: STABILITY AND SUSTAINABILITY OF HOUSING MARKET IN LONDON

The housing market has a pivotal role in the overall UK economy which is demonstrated by its prominence in the political arena, where both demand and need for quality new homes has been recognised. However, the financial year ended 31 March 2017 was filled with political and economic uncertainties with a London mayoral election, the referendum to determine whether Britain should leave Europe and a subsequent change in Prime Minister. The Stamp Duty changes, which came into full effect, created a two speed market in London, slowing activity in unit sales above £1m value, whilst Help to Buy encouraged activity at below £600,000.

This instability made the year a difficult one to navigate but the rationale supporting a sustainable housing market remains.

The key factors to a sustainable market – political support, low interest rates and strong underlying demand remained in place and look like continuing through 2018. Despite the uncertainties in the market we managed to maintain the private sales rate of 0.67 sales per site per week in 2017 (2016: 0.67).

Despite the instability impacting the year we are encouraged by the political environment of support for the industry as a whole. On the demand side, the extension of Help to Buy through to 2021 in England ensures continued support for the mainstream new build market and particularly for first time buyers. In London, we welcome working with the new mayor and his focus on providing genuinely affordable housing for real people in London. We are proactively engaging with housing associations in order to partner and help build a better London. We are actively working with and extending our supply chain partners to help them mitigate the cost increases and labour shortages currently prevalent in the industry.

LAND INVESTMENT

Land buying conditions remain attractive and we increased our investment activity by 19% in 2017. Exchanging on 4 new sites adding 908 units to the land bank. Importantly, our land investment continues to be undertaken in a disciplined way without compromising margins or capital returns. At the end of the year our land bank consisted of 3,057 units (2016: 2,214 units) an increase of 38.1% with an embedded gross profit margin of 24.0% (2016: 25.1%)

These investments, along with the completion of the acquisitions of our Caledonian Road and Bermondsey sites and substantial progress at our Streatham Hill and Isleworth developments have served to increase the Group's tangible gross assets by 48% to £300.2m (2016: £202.9m). Management calculates tangible gross assets as its total assets excluding deferred tax and cash, less total liabilities excluding debt and shareholder liabilities.

THE KEY PROPOSITIONS OF THE PLAN ARE:

Increase annual units to

1,000
PER YEAR

Lower the ASP to below

£500,000

Deliver a consistent return on capital employed of over

20%

STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

76%

increase in completions to

294

UNITS

(2016: 167 units)

45%

increase in revenue under management of

£197.7m

(2016: £136.8m)

Forward sales order book currently

14%

ahead of last year

On the Development side we have achieved planning on 1,253 (2016: 298) units during the year putting the Group on track to achieve the stated goal of 1,000 units per annum. However, as expected, our return on capital employed fell to 8% (2016: 14%) as we invested in growth to drive longer term returns. With further growth anticipated from the launch of new sites acquired we now expect this to increase over the longer term.

FINANCIAL RESULTS

During the financial year, the Group was responsible for the completion of 294 residential units (2016: 167) generating £197.7m of revenue (2016: £136.8m) on developments under its control. This represents a 45% year on year growth, reflecting a combination of a 76% increase in units and an 8% decrease in average selling price ("ASP") to £672,000 (2016: £727,000). This included £76.3m (2016: £41.9m) of revenue from developments owned or previously owned as a joint venture. The decrease in ASP was due primarily to an increase in the proportion of affordable housing to 39% (2016: 29%) as the ASP for both private and social segments increased.

Actively completing across ten sites (2016: 5) resulted in completions of private units rising to 179 (2016: 119). The sales per site per week of private residential units has remained consistent at 0.67 (2016: 0.67). The private residential ASP increased by 1% to £960,000 (2016: £947,000) showing the Group's exposure to higher value unit market segment that has been impacted adversely by the Stamp Duty. This exposure is distorted by the inclusion of Joint Venture owned units, without which, the private residential ASP drops to £747,000 (2016: £675,000). Management expects the private residential ASP to decline as the Group has refocused its land acquisitions to reflect current market conditions.

The ASP of affordable units increased by 23% to £223,000 (2016: £182,000) with the commencement of four new contracts driving affordable equivalent unit completions to 115 (2016: 48). The increase is consistent with our expectations.

Gross profit of £26.3m (2016: £27.2m) has remained steady but gross margin has decreased to 21.6% (2016: 28.6%) as would be expected from an increase in affordable housing provision. This is expected to remain consistent with industry levels going forward.

Selling activity and related overheads increased significantly during the year as we prepared for the new sites expected to be in the market in the next year. Overall administrative expenses increased to £8.2m (2016: £7.8m) but as a percentage of trading activity this represents 4.1% (2016: 5.7%), as the Group begins to benefit from economies of scale.

Given the increase in administrative expenses and investment in future sales increasing the selling activity the operating profit fell to £19.9m (2016: £23.3m). This represents a 16.4% operating margin (2016: 24.5%), the impact of the remaining joint venture exaggerating the decline in margin.

Net finance costs increased to £11.6m (2016: £10.2m) mainly due to the increased activity. London Square operates principally on a £200m revolving credit facility with RBS, HSBC, Wells Fargo and AIB all participating in the arrangement. This revolving facility is in place until 2019. To finance the acquisition of our new Bermondsey site, an additional £23m promissory note was taken out with HSBC and a £15m land loan from RBS. During the year the Group repaid an £8m land loan to RBS. In addition the joint venture's operations are independently financed by Lloyds Bank.

STAFF DEVELOPMENT

To cater for the increased underlying activity and growth within the Group, Matt Phillips was promoted to Technical Director and brought into the Management Team. In addition to this, in full recognition of the efforts to make the Group what it is today, and the role they have been fulfilling, all members of the Management Team have been appointed as directors.

Overall the Group now directly employs 133 staff (2016: 102) which we believe is sufficient to manage the growth going forward.

HEALTH AND SAFETY PERFORMANCE

Health and safety is a fundamental element of our quality ethos and reputation. It is a key focus of management at the Board level. We are delighted with our team's continued strong health and safety performance with our developments receiving an average 94.7% score (2016: 93.7%). During the year, we had 4 (2016: 5) reportable incidents.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks which have been increased by the political and economic uncertainty posed by the referendum decision to leave the EU.

The key risks are:

- Inability to source suitable land at satisfactory margins, resulting in a detrimental effect on the Group's land bank – this is mitigated through pre-purchase due diligence, viability assessments and authorisation of land purchases in line with Group procedures.
- Delays and the increased complexity of the planning process, resulting in a slowdown of the Group's growth – this is mitigated through taking advice from professionals to progress before and during the planning process and by balancing this risk across a number of sites.
- Impact of the marketplace on buyer confidence and mortgage finance availability, resulting in adverse operational performance – this is mitigated by careful product and pricing strategy and the use of sales incentives.
- Inability to source appropriately skilled personnel and suitably priced materials, resulting in delays and declining profitability – this is mitigated by ensuring that systems are in place for engaging, monitoring and controlling work carried out by subcontractors and by ensuring that materials are secured at competitive prices.
- Continued support of the Group's banks – this is mitigated by regular reporting and monitoring with the banks as well as securing financing arrangements with more than one bank at market competitive terms.
- Health and safety on the development sites – this is mitigated by rigorous training, regular inspections and close monitoring.

CURRENT TRADING AND OUTLOOK

Our 2017 forward sales order book is currently 14% ahead of last year at £278.1m (2016: £245.0m). We are starting the year with 55% of the private units and 59% of the social units to be completed in 2018 already contracted. With the people in place and a track record of delivering results we have established a business that can grow in uncertain times. Combined with the financial firepower to grow output to 1,000 units per annum we are positioned to deliver continued profit growth in 2018.

With a strategy to deliver our well defined growth plans, we are extremely excited about our future.

The Strategic Report was approved by the Board of Directors on 27 June 2017

On behalf of the Board

Adam Lawrence
Chief Executive

54%
increase in land investment since 2016

38%
increase in land bank to
3,057 UNITS
(2016: 2,214 units)

28%
increase in value of land bank to
£1.9bn
(2016: £1.5bn)

BECOMING LONDON'S MOST DYNAMIC RESIDENTIAL DEVELOPER

£300m
tangible gross asset value

+100
staff directly employed

18
sites in development

£200m
revolving credit facility

London Square builds a diverse range of homes, neighbourhoods and communities to reflect the housing needs of the capital. Its buyers range from first time buyers to urban professionals, families and investors and the London Square portfolio reflects this – from exceptionally well designed starter homes, cool city apartments, high-end homes and grand restorations, meticulously designed, built and specified encompassing energy efficiency and sustainability.

Robust financial results are matched by first-class product and customer service, achieving an NHBC A1 rating. This mix of homes is reflected by the geographical spread of London Square's developments, from apartments in Isleworth in West London to family homes in Chigwell Village, Essex, from the emerging hotspot of Streatham Hill SW2 to the landmark restoration The Star and Garter, Richmond Hill.

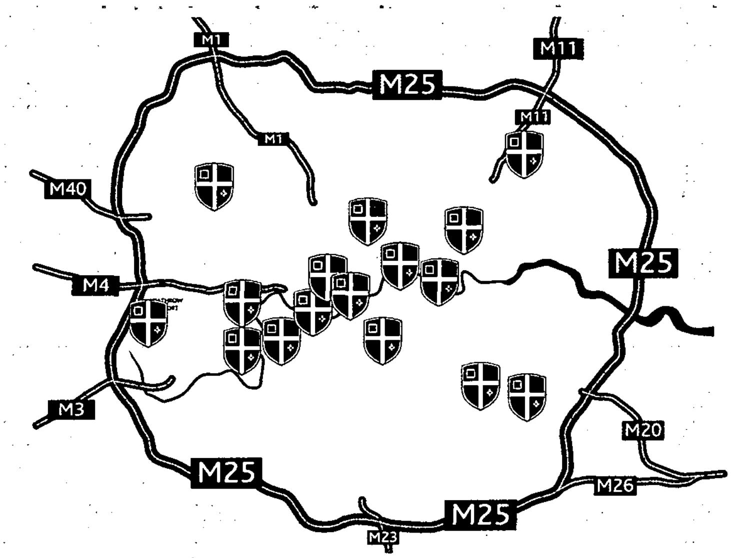
294
units completed in 2017

578
units on order book

29
sites now acquired

1,000
new homes targeted per year

MAKING LONDON GREATER



London Square creates the exceptional homes Londoners really want.

London Square creates new destinations with a sense of place, transforming areas for new and existing residents and local businesses, from former derelict industrial land to sites stalled by change of ownership and planning issues. Reflecting the ethos of the great squares of London, the company fosters community spirit by supporting local schools, charities, sports clubs and events to embed each new development at the heart of its local area.

THE STAR AND GARTER

RICHMOND HILL

Our restoration of this iconic building at the top of Richmond Hill is complete. The Grand Opening took place in April 2017, and the first buyers have now moved in, enjoying the finished facilities, which include the King's Room with its spectacular pool, sun room, gym and Jacuzzi; glorious views of the beautifully restored gardens; the private treatment rooms; and the impressive marble entrance hall where the Harrods concierge is based. The completion of the main building was marked with the planting of a time capsule, put together by children from the Old Vicarage School in Richmond.

The transformation of The Star and Garter has been a very prestigious project for London Square, one we have been proud to undertake. The results are stunning; a range of luxuriously specified 1, 2, 3 and 4 bedroom apartments in a magnificent setting, with the iconic 'Turner's view' of the river Thames visible from the restored gardens. The development was launched from the stunning Sales Suite in September 2015 with a 3 bedroom show apartment and a further three show apartments are now open within the building.

" I always wanted to buy in Richmond and The Star and Garter has fulfilled that dream. The services are first-class and the facilities such as the pool and gardens are marvellous. The London Square team have been absolutely wonderful. They have organised everything beautifully. In addition to our two bedroom apartment, we have also bought a one bed apartment for our granddaughters. It is such an important historic building and we are delighted with the whole experience."

PROFESSOR SENAN MAKI
RETIRED SURGEON

CREATED BY

LONDON SQUARE

Now over

70%
SOLD

GOLD
WHATHOUSE? AWARDS

Best Luxury Development
THE STAR AND GARTER

£202m
gross development value

LONDON SQUARE

ISLEWORTH

TW7

At London Square Isleworth, the focus is on an excellent specification and spacious living areas with the maximum use of natural light. The 1, 2 and 3 bedroom apartments all have a private balcony, winter garden or terrace, and the development also has communal roof gardens to enjoy. It's an oasis in a busy, well connected location close to Isleworth High Street and station, where there is a 40 minute service to London Waterloo. London Square Isleworth is selling briskly, with first completions in the first quarter of 2017, and London Help to Buy boosting sales in March. The entire development is due to be finished in early 2018.

"We are confident that we are making a safe investment and will see a good return on our apartment. Buying off-plan has also helped us to realise our dream, as it has allowed us some breathing space between paying the deposit and organising the stamp duty and mortgage."

KATE SMITH, FIRST TIME PURCHASER AT LONDON SQUARE ISLEWORTH

SOLD

Now over

90%

SOLD

203 units

£78m

gross development value

LONDON SQUARE

CHIGWELL VILLAGE

IG7

Chigwell is one of the most desirable villages within the Essex 'Golden Triangle' and is the location for this new gated development. We are building forty-three 4 and 5 bedroom homes around a central park, creating a leafy oasis for residents. In April 2017, three new stunning show homes were launched, joining the existing show home, each one showcasing the individuality and luxury of London Square Chigwell Village.

"The houses have been designed with a focus on exceptional quality, natural materials and expansive layouts."

ESSEX CENTRAL MAGAZINE

EVENING STANDARD AWARD

Best Family Home 2017

43 units

£63m

gross development value

LONDON SQUARE

STREATHAM HILL

SW2

Launched in September 2015, London Square Streatham Hill has already garnered a WhatHouse? award and sales are strong. Its unique feature is the incorporation of a 1930s cinema façade, giving it a distinctive presence on Streatham Hill.

The apartment buildings enclose a private courtyard, providing a peaceful retreat behind the busy main road. A range of smartly designed studios, 1, 2, 3 and 4 bedroom apartments are available, all perfectly located for the trendy SW2 lifestyle. Residents' amenities include a concierge and gym.

However, there is more to London Square Streatham Hill than the apartments and residents' amenities. London Square is also building a new theatre here, to be run by Think Tank, an organisation with strong connections to the community and the theatre world. They aim to make the new theatre a forward looking, popular venue with the local community at its heart. Also serving the local community as well as residents, London Square Streatham Hill incorporates a Marks and Spencer Simply Food store with cafe, Starbucks and Superdrug.

"We are currently renting in Clapham, however, we realised that we could find far better value for our money in Streatham than we could in our current neighbourhood. The security and peace of mind offered by a home in contemporary development was a draw for us. As first time buyers, it is reassuring to know that we will not have to deal with any significant renovation work after moving into our first home together. We chose an apartment with two balconies and we are also looking forward to enjoying the communal gardens. I work in Bank, so it is an easy commute into work for me and Anna is able to cycle."

BEN BISET, 29, HAS PURCHASED A TWO BEDROOM APARTMENT AT LONDON SQUARE STREATHAM HILL WITH HIS PARTNER ANNA, 28

SOLD

Now over

70%

SOLD

WINNER

WHATHOUSE? AWARDS

2016

LONDON SQUARE

STAINES UPON THAMES

TW18

260 units

£114m
gross development value

Now over
10%
SOLD

With the slogan 'The hottest new address in Staines-upon-Thames', this development launched from the impressive onsite Marketing Suite in January 2017, helping to reconfigure and open up the area between the high street and rail station. London Square Staines upon Thames is the exciting new focal point of this Thames-side town, which is enjoying a resurgence thanks to a new selection of shops and leisure amenities in the centre. London Square is adding to the town's attractions with a range of London-style studios, 1, 2 and 3 bedroom apartments set around a stunning new piazza and benefitting from a residents' gym, concierge service, parking and private landscaped gardens.

"I have lived locally for a long time so know Staines-upon-Thames well, it has great potential. There is a lot of regeneration taking place with new shops and restaurants opening – it's generally becoming a much nicer place to be. The development is helping to transform the town and is within easy reach of the station, which has trains to Waterloo in 40 minutes - a big selling point for me as I work in London."

DANNY HADDOCK, 26, FIRST TIME BUYER AT LONDON SQUARE STAINES UPON THAMES

LONDON SQUARE

SPITALFIELDS

E1

London Square Spitalfields is located in one of central London's most fashionable residential areas, within sight of 'The Gherkin' and perfectly placed for the City and the vibrant East End. This stylish new collection of 1, 2 and 3 bedroom apartments launched in November 2016. It is set around the beautifully landscaped grounds of Mallon Gardens and Grade II listed Toynbee Hall. The apartments are very well appointed with a high specification, designed to appeal to the discerning city buyer. All have outdoor space: a terrace, balcony or winter garden.

"The handsome blocks with brick facades wrap around listed Toynbee Hall and bring a welcome new green space with a public garden woven into the streetscape."

EVENING STANDARD HOMES & PROPERTY

63 units

Now over

40%

SOLD

£48m

gross development value

LONDON SQUARE

CALEDONIAN ROAD

N7

Now over

30%

SOLD

252 units

£140m

gross development value

Due to launch from the new Sales Suite in September 2017, London Square Caledonian Road is designed to be a stylish new landmark for this north London neighbourhood, midway between the established attractions of Islington and the exciting regeneration around King's Cross. With a large amount of commercial space as well as residential units, it is a major regeneration scheme in its own right for the area. The development will offer high specification 1 and 2 bedroom apartments in a series of pastel coloured buildings around an attractive courtyard, and is already over 30% sold. Some apartments enjoy views over Market Road Gardens, a charming 19th century park close by.

"A stylish new landmark address in the north of the capital, with an ideal location between sought after Islington and the vibrant regeneration area around King's Cross."

KNIGHT FRANK

LONDON SQUARE

CANADA WATER

SE16

Canada Water, just one tube stop from Canary Wharf, is an ideal location for anyone who works in the city, which can be seen in the amazing views from many of the apartments. This is a truly stunning new development of 1, 2 and 3 bedroom apartments, where residents can relax in private outdoor space or enjoy the tranquility of the landscaped courtyard gardens. The Sales Suite and Show Apartment opens in September 2017, and 50% are already sold off plan.

"The development is a perfect example of London Square's renowned flair for design and quality – providing the perfect city retreat."

COLLIERS INTERNATIONAL

Now over
50%
SOLD

95 units

£53m
gross development value

LONDON SQUARE

BERMONDSEY

SE1

London Square Bermondsey is a major regeneration project, combining new apartment blocks with restored industrial buildings, work spaces, a new arts space and commercial elements. It will be released in five phases, offering a diverse range of new and refurbished 1, 2 and 3 bedroom apartments and maisonettes, all with private outdoor space. The impressive entrance foyer features a striking central staircase as its focal point, while also providing the location for the concierge service and access to the private residents' gym.

In recent years, Bermondsey has become one of inner London's most vibrant districts, making an amazing transition from industrial quarter to urban chic. Bermondsey Street in particular is full of modish restaurants and bars, independent shops, creative businesses and art galleries, many housed in repurposed warehouse buildings. The area's amazing diversity is celebrated in colourful style at the annual Bermondsey Street Festival. All of this is just a few minutes' walk from the development.

"London Square Bermondsey lies within a fashionable and dynamic part of London, superbly located for easy access into the City of London and the West End. The recent uplift in the amenity, commercial and cultural offing in the borough is serving to underpin values, leading to prices in SE1 outperforming many parts of Prime Central London."

KNIGHT FRANK

Phase one now over

30%

SOLD

406 units

£280m

gross development value

AWARDS FOR OUR DEVELOPMENTS

In 2017 we were delighted to receive another prestigious accolade from the Evening Standard New Homes Awards.

London Square Chigwell Village won the Best Family Home Under 100 Homes category. The award winning property was The Kensington. Of course, it is always gratifying to win; and this year, as in previous years, it is proof of the dedication and talents of the whole London Square team.

BRONZE

WHATHOUSE? AWARDS

Best Medium Housebuilder

"Adam Lawrence has built a deeply impressive housebuilder from the embers of the last recession, supported by a hugely experienced board and the financial backing of Ares Management. Beyond the confines of its creations, London Square always looks to evoke a community spirit and its work with local schools is far more than marketing, spreading the housebuilding career message."

JUDGES' REPORT, WHATHOUSE? AWARDS 2016

GOLD

WHATHOUSE? AWARDS

Best Luxury Development
THE STAR AND GARTER

"When the view is protected by an Act of Parliament you'd better get the properties overlooking it right and London Square has got them right magnificently, creating a stunning restoration of The Star and Garter – an iconic Grade II Listed building in Richmond."

JUDGES' REPORT, WHATHOUSE? AWARDS 2016

LONDON SQUARE

PUTNEY

SW15

SILVER

WHATHOUSE? AWARDS

Best Mixed Use Development
PUTNEY

"This striking 12-storey scheme on Upper Richmond Road reshapes the Putney Skyline. Replacing two banal office blocks with flat street frontages, the architect, AHMM, has created a modernist sculptural landmark. This is architecture that genuinely improves the overall environment."

JUDGES' REPORT, WHATHOUSE? AWARDS 2016

BRONZE

WHATHOUSE? AWARDS

Best Interior Design
THE STAR AND GARTER

"You could compare the apartments to a Hermès Birkin bag, very exclusive, very chic and quite a long wait to get one. The interior design reflects the elite and exclusive location of this very special and historical site. Oozing art deco glamour, carefully selected natural but extremely luxurious fabrics have been used to reflect the glamour and the rare opportunity to live in a Grade II Listed building."

JUDGES' REPORT, WHATHOUSE? AWARDS 2016

OUR CHARITIES, OUR COMMUNITIES, OUR PEOPLE

Housebuilding by its very nature is at the heart of local life, and we believe that, as a residential developer, we have a responsibility to the people who live in the communities we build in. This goes beyond our own customers, to the charities, organisations and individuals with whom we work in partnership.

Our corporate and social responsibility activities are many and varied, and we regard them as an intrinsic part of our future success. We very much like to be involved with local primary schools, and the enjoyment always seems to be reciprocated by the children who take part. We are also enthusiastic about nurturing talent and providing opportunities for apprentices and older school students.

We support several charities; and the causes often have a direct link to our developments, as can be seen from our 'Views' project inspired by The Star and Garter, whose proceeds went to The Victoria Foundation, a Richmond medical charity. All of our work goes towards making us the developer of choice – the one people want to buy from, work with and have in their community.

OUR CHARITIES AND COMMUNITIES

This year our community involvement took many forms, ranging from sponsorship of Christmas celebrations to commissioning original art with a charitable aim.

CHIGWELL VILLAGE

London Square invited children from a local primary school to perform Christmas carols around the development's Christmas tree.

"*The children had a lovely time singing around the Christmas tree – it was a really enjoyable afternoon for all involved and also a good chance to have a look at the progress that is taking place here. We were delighted to be approached by London Square for this opportunity as it gave the children a chance to sing to a new audience in different surroundings. We look forward to doing more with them in future.*"

ELAINE BROOK
EXECUTIVE HEADTEACHER AT CHIGWELL PRIMARY ACADEMY

HEALTH AND SAFETY

London Square visited Streatham Wells Primary School to speak to a class of Year 4 children about the importance of site health and safety. The construction team delivered a short talk on how to stay safe when living near a building site, with the children getting involved in a discussion about possible risks. The official mascot of the Considerate Constructors scheme, Ivor Goodsite, then paid the class a visit, whilst the children worked through activity books on site safety. All children were given a high-visibility vest to keep as a memento of the day, to be worn when walking or cycling to school.

SPITALFIELDS

London Square sponsored the Christmas Fair at Spitalfields City Farm, a community facility close to London Square Spitalfields, reliant on volunteers and donations. As the sole sponsor, London's Square contribution allowed for a live band, face painting for children, refreshments and a Santa's Grotto. The organiser shared feedback from one of the attendees, who wrote to say "The effort that went into the day, plus the generosity involved, was incredible and so much appreciated."

ISLEWORTH

London Square ran an art competition with a local primary school around the theme of "What I love about Isleworth". The Three winning entries were selected by London Square to be used as part of the site hoarding, with the winning children each awarded an art box as a prize.

"*The children have had fantastic time working on their entries to the competition and the three winners are delighted that their artwork is now on public display.*"

FUNMI ALDER
HEADTEACHER AT NISHKAM SCHOOL

THE VICTORIA FOUNDATION
Medical support transforming lives

A WORLD-FAMOUS VIEW REVISITED

The view from Richmond Hill sweeping down over the Thames is considered so beautiful it is the only one in England protected by an Act of Parliament. Its splendour has been captured and immortalised by Turner, Reynolds and Constable.

A new generation of artists has been inspired to create a collection of more than 50 paintings with fascinating perspectives of the world-famous panorama. The paintings were unveiled at the exhibition of VIEWS, The Star and Garter and its setting, at The Star and Garter Richmond Hill. A book has been published to showcase the art.

17 leading artists were awarded commissions to celebrate the restoration of The Star and Garter building by developer London Square, which sponsored the VIEWS project. The Grade II Listed landmark stands at the top of Richmond Hill, with the glorious view over the Thames and the bucolic landscape of Richmond Park. The art and book are for sale, with the proceeds of the book and the equivalent gallery fee donated to The Victoria Foundation, a medical charity based in Richmond which will dedicate the money to its work with the elderly.

"This exhibition by a number of eminent and well-known artists both local and national, celebrates the transition of this wonderfully restored building into the next exciting phase of its life."

GRAHAM BALL,
CHIEF EXECUTIVE
THE VICTORIA FOUNDATION

LONDON SQUARE PEOPLE

Although only established in 2010, the London Square Management Team brings together over 120 years of cumulative experience in the property development sector.

Adam Lawrence
Founder & Chief Executive

Following a 15-year career at Barratt Homes, where he rose from Sales Manager to Regional Chairman, he oversaw the creation of around 3,000 new homes each year with sales of almost £800 million per annum. Adam founded London Square in 2010, and remains the driving force behind the continued success of the company.

Mark Pain
Non-Executive Chairman

Formerly CFO of Barratt Developments PLC and a Group Board Director at Abbey National, Mark's experience spans the property, finance and consumer business sectors. Mark is a Non-Executive Director at Aviva Insurance Ltd, Yorkshire Building Society, Ladbrokes Coral Group PLC.

Stephen Casey
Non-Executive Director

Having spent a career-defining 40 years with Fairview New Homes PLC, Stephen is a doyen of the property industry and one of its most respected figures. Progressing through sales to become Managing Director in 1997, he served as Executive Chairman from April 2009 until his retirement in 2010.

Brian Betsy
Managing Director

Brian leads Land Acquisition at London Square, playing a pivotal role within the team having joined as one of the company's founding directors in 2010, following an 18-year career with Fairview New Homes PLC.

Scott Brown
Chief Financial Officer

Responsible for all aspects of financial governance, Scott has an outstanding track record. In his 20-year career he has managed over £1billion of debt and equity transactions, in addition to working at board level for a wide variety of companies across industries including technology, healthcare and financial services.

Steve Hudson
Commercial Director

Formerly Commercial Director at Barratt North London, Steve brings over 20 years' experience to London Square plus a track record of delivering award-winning developments to budget in London and the Home Counties.

Rebecca Littler
Sales & Marketing Director

Rebecca is responsible for ensuring that each London Square development has a bespoke sales strategy in place to maximise its potential. She also maximises publicity for London Square by ensuring the brand is highly visible in diverse environments, including our distinctive black and white site hoardings.

Andy Maciejewski
Construction Director

Following a 24-year career at Barratt Developments, Andy has been involved with a range of significant projects in London including Visage in Swiss Cottage and the Stonegrove Estate in Edgware. Andy is responsible for quality control across all London Square developments and customer care, ensuring a first class experience for each customer throughout their journey.

Mark Smith
Development Director

With over 19 years' experience in the property industry spanning construction, technical and development roles, Mark champions innovative planning and design solutions for all London Square sites. He joined as a founding director in 2010 having previously been responsible for numerous award-winning schemes at Barratt West London.

Matt Phillips
Technical Director

Matt has been with London Square since it was founded in 2010 and has progressed through the company, with this latest promotion to technical director. He is responsible for ensuring consistent, robust technical design across all developments in the London Square portfolio.

With over 19 years' experience working across a wide range of diverse, technically challenging London developments, with Crest Nicholson, Taylor Woodrow and Barratt London, Matt brings a wealth of knowledge and experience to the role.

HELPING PEOPLE REACH THEIR POTENTIAL

Nurturing talent and ambition is an important element in our company ethos. We are always happy to welcome young people on placements or for work experience, helping them to further their education.

James Bruce

"At the beginning of January I started a one month work experience at London Square. Over the four week period I experienced my interests first hand, dealing with new situations on a day to day basis. Each member of the various teams showed an interest in my presence and made me feel at ease to ask any questions. The work experience at London Square was invaluable, it motivated me to find a role within the industry. I'm thankful to London Square for giving me the opportunity as I now have a clear path for my future development."

Jhonatan Perazzo

"I would like to take this opportunity to tell you how grateful and happy I am with the work experience you have set up for me and with being a part of the amazing team of people from London Square. Now that my work experience is nearly over, I can see how beneficial it has been for me and although I still have a lot to learn in order to be the professional I want to be, it has given me the important starting point for my carrier in construction."

Brendon Sutton

"I would just like to thank London Square and all their staff for the opportunity and time they invested in me to better myself and my future, I appreciate the company's kindness and helpfulness. London Square helped me understand a professional environment and obtain experience and learning in two different sectors, it helped me understand the 'real world' compared to the academic learning side. I truly felt privileged and a part of the team within the first week of working with the company."

Dom Hunt, 22, has completed two years of an Accounting & Finance degree. He spent a year on a work placement with London Square before going back to university for his final year of studies.

"I can't believe how quickly my time with London Square has passed. I was armed with textbook theory, from completing two years of my accounting and finance degree. I had an amazing experience, I was welcomed and encouraged to participate in all aspects of London Square's financial management – from the simple to the complex. At times I was challenged but I have been able to build on the knowledge I had and I now am better prepared for the final year of my degree through the knowledge I have gained. In addition to seizing every opportunity offered to expand my financial experience, I enjoyed being part of the London Square family – everyone took time to welcome me to the group throughout my stay and involved me in a variety of social activities. I will be ready for my final year at University, with a clear idea on my career direction. I will definitely be looking for careers in the financial aspects of property development. Once I complete my degree I will be focused on achieving my professional accounting exams. My thanks to London Square for the opportunity and helping me to develop and grow in confidence during the year – I really enjoyed the whole experience."

DOM HUNT, WORK PLACEMENT
AT LONDON SQUARE

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

(REGISTERED NUMBER: 07774351)

The Directors present their Report, Strategic Report and audited Group and Company financial statements for the year ended 31 March 2017.

DIVIDENDS

The Directors did not recommend payment of a dividend (2016: £nil).

EMPLOYEE INVOLVEMENT

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining performance. The Group encourages the involvement of employees by means of continuous improvement teams and regular communication activities.

EQUAL OPPORTUNITIES

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

CHARITABLE DONATIONS

The Group supports a number of local and national charities. Donations to charitable organisations for the year were £6,360 (2016: £12,750). The Group does not make donations to political parties, organisations or their representatives.

ENVIRONMENTAL POLICY

The Group has a well-established environmental policy, setting out its environmental objectives and commitment to progress towards environmental excellence. The emphasis is on continuous improvement of environmental performance. This entails influencing suppliers and sub-contractors to adopt sound environmental management practices.

The Group maintains ISO accreditation for operating a Quality Management System (registered to ISO 9001) and Environmental Management System (registered to ISO 14001).

HEALTH & SAFETY

Health & Safety is key area of focus for the group, and the Directors regularly monitor the Group's Health and Safety record and adhere to the requirements of the Health and Safety at Work Act 1974.

The Group maintains ISO accreditation for operating an Occupational Health and Safety Management System (registered as ISO 18001).

FINANCIAL RISK MANAGEMENT

The key financial risks and uncertainties affecting the Company and the Group are considered to relate to cash flow and liquidity, capital risk management, credit risk and interest rate movements, further assessment of these risks are set out in Note 19.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the group Financial Statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

DIRECTORS

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

M A Pain
S Casey
A P Lawrence
S D Brown
B A Betsy
S S Hudson (appointed 13 March 2017)
R S Littler (appointed 13 March 2017)
A Maciejewski (appointed 13 March 2017)
M S Phillips (appointed 13 March 2017)
M C Smith (appointed 13 March 2017)

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

As permitted by the Companies Act 2006, the Group carries appropriate insurance cover in respect of possible legal action being taken against its Directors and senior employees. Such qualifying third party indemnity provision was in force during the financial year and remains in force as at the date of this report.

GOING CONCERN

The directors have conducted a rigorous and proportionate assessment of the Group's ability to continue in operational existence for the foreseeable future. In making this assessment consideration has been given to the uncertainty inherent in future financial forecasts and, where applicable, reasonable sensitivities have been applied to key factors affecting the expected financial performance and liquidity of the Group.

The Group is well capitalised and has an available £200m revolving credit facility from which to fund its future developments. As detailed in the Strategic Report, the Group has a strong forward sales orderbook underwriting its forecast cashflows and has secured a land bank with a high level of expected profitability. The Group's land bank principally comprises land acquisitions conditional upon the receipt of satisfactory planning permission, insulating it from external political and market risks. Furthermore the land bank includes an average selling price, unit type and geographical mix that the directors consider to leave the Group well-positioned given likely market risks.

Accordingly, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and so continue to prepare these financial statements on the going concern basis.

FUTURE DEVELOPMENTS

The future developments of the Group and Company are discussed in the Strategic Report.

The Directors' Report was approved by the Board of Directors on 27 June 2017

On behalf of the Board

A P Lawrence
Chief Executive

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LONDON SQUARE LIMITED

FOR THE YEAR ENDED 31 MARCH 2017

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- London Square Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2017 and of the group's profit and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Group and Company Balance Sheets as at 31 March 2017;
- the Group Income Statement for the year then ended;
- the Group and Company Cash Flow Statements for the year then ended;
- the Group and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of the Directors' Responsibilities set out on page 34, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 the 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Pauline Campbell

Pauline Campbell
Senior Statutory Auditor

for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
28 June 2017

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Revenue	2	121,443	94,988
Cost of sales		(95,185)	(67,794)
GROSS PROFIT		**26,258**	27,194
Selling costs		(6,192)	(3,495)
Administrative expenses		(8,172)	(7,830)
Other operating income		5,426	7,076
Share of operating profits/(losses) of joint ventures		2,550	(133)
Profit on disposal of joint venture	10	-	501
OPERATING PROFIT	3	**19,870**	23,313
Finance income	6	596	84
Finance costs			
- Group	7	(10,695)	(9,294)
- Joint venture	7	(912)	(928)
PROFIT BEFORE TAX		8,859	13,175
Tax			
- Group	8	(396)	(1,015)
- Joint venture		(377)	-
PROFIT AFTER TAX FOR THE YEAR		**8,086**	12,160

All amounts are attributable to the owners of London Square Limited.
The Group had no other comprehensive income other than the profit for the year reported above.

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
AT 1 APRIL 2015	1,000	49,317	(4,277)	**46,040**
Profit for the year	-	-	12,160	12,160
Shares issued	-	42,000	-	42,000
[redacted]				
AT 31 MARCH 2016	1,000	91,317	7,883	**100,200**
Profit for the year	-	-	8,086	8,086
[redacted]				
AT 31 MARCH 2017	1,000	91,317	15,969	**108,286**

GROUP BALANCE SHEET

AS AT 31 MARCH 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,089	1,324
Investments in joint ventures	10	7,304	6,043
Trade and other receivables	13	1,023	-
Deferred tax asset	8	1,706	1,584
Total non-current assets		**11,122**	8,951
Current assets			
Inventories	12	363,765	213,835
Trade and other receivables	13	29,432	28,122
Cash and cash equivalents	14	42,247	43,902
Total current assets		**435,444**	285,859
TOTAL ASSETS		**446,566**	294,810
LIABILITIES			
Current liabilities			
Borrowings	15	(169,306)	(107,179)
Trade and other payables	16	(100,557)	(45,584)
Provisions	17	(1,854)	(945)
Corporation tax payable	8	(963)	(1,239)
Preference shares	18	(42,225)	(39,663)
Total current liabilities		**(314,905)**	(194,610)
Net current assets		**120,539**	91,249
Non-current liabilities			
Borrowings	15	(23,375)	-
Total non-current liabilities		(23,375)	-
TOTAL LIABILITIES		**(338,280)**	(194,610)
Net assets		**108,286**	100,200
Capital and reserves			
Ordinary share capital	20	1,000	1,000
Share premium		91,317	91,317
Retained earnings		15,969	7,883
Total equity		**108,286**	**100,200**

The financial statements on pages 34 to 59 were approved and authorised for issue by the board of directors on 27 June 2017

A P Lawrence
Chief Executive

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit before tax	8,859	13,175
Adjustments for:		
Depreciation of property, plant and equipment	225	64
Profit on disposal of joint venture	-	(501)
Share of (profit) / loss of joint ventures	(2,550)	133
Finance income	(596)	(84)
Finance costs	11,607	10,222
Increase in trade and other receivables	(5,255)	(17,222)
Increase in inventories	(125,496)	(75,386)
Increase in trade and other payables	55,987	14,325
Tax paid	(809)	-
Net cash used by operating activities	**(58,028)**	(55,274)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,049)	(235)
Proceeds from disposal of joint venture	3,466	14,671
Investment in joint venture	-	(6,617)
Net cash generated by investing activities	**2,417**	7,819
Cash flows from financing activities		
Increase in bank loans	61,790	47,741
Finance costs paid	(7,886)	(7,774)
Finance income received	52	15
Proceeds from issue of share capital	-	42,000
Net cash generated by financing activities	**53,956**	81,982
Net (decrease) / increase in cash and cash equivalents	**(1,655)**	34,527
Cash and cash equivalents at start of year	**43,902**	9,375
Cash and cash equivalents at end of year	**42,247**	43,902

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
AT 1 APRIL 2015	1,000	49,317	(6,539)	**43,778**
Profit for the year	-	-	642	642
Shares issued	-	42,000	-	42,000
[redacted]				
AT 31 MARCH 2016	1,000	91,317	(5,897)	**86,420**
Profit for the year	-	-	935	935
[redacted]				
AT 31 MARCH 2017	1,000	91,317	(4,962)	**87,355**

COMPANY BALANCE SHEET

AS AT 31 MARCH 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Investment in subsidiary	11	66,754	63,900
Trade and other receivables	13	1,023	-
Total non-current assets		**67,777**	63,900
Current assets			
Trade and other receivables	13	91,102	62,550
Cash and cash equivalents		264	-
Total current assets		**91,366**	62,550
TOTAL ASSETS		**159,143**	126,450
LIABILITIES			
Current liabilities			
Trade and other payables	16	(14,896)	(367)
Borrowings	15	(14,667)	-
Preference shares	18	(42,225)	(39,663)
Total current liabilities		**(71,788)**	(40,030)
Net current assets		**19,578**	22,520
Net assets		**87,355**	86,420
Capital and reserves			
Ordinary share capital	20	1,000	1,000
Share premium		91,317	91,317
Retained earnings		(4,962)	(5,897)
Total equity		**87,355**	**86,420**

The financial statements on pages 34 to 59 were approved and authorised for issue by the board of directors on 27 June 2017

A P Lawrence
Chief Executive

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit before tax	935	642
Adjustments for:		
Finance income	(3,585)	(3,204)
Finance costs	2,645	2,562
Increase in trade and other receivables	(995)	-
Increase in trade and other payables	606	-
Net cash used by operating activities	**(394)**	-
Cash flows from investing activities		
Increase in bank loans	15,000	-
Increase in loans made by Company	(14,141)	-
Finance costs paid	(201)	-
Net cash generated by financing activities	**658**	-
Net increase in cash and cash equivalents	**264**	-
Cash and cash equivalents at start of year	-	-
Cash and cash equivalents at end of year	**264**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 ACCOUNTING POLICIES

GENERAL INFORMATION
The Company is a private company limited by shares incorporated and domiciled in England and Wales. The Company's financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise indicated.

BASIS OF PREPARATION
These financial statements were prepared on the going concern basis, under the historical cost convention, in accordance with International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) adopted by the EU, interpretations issued by the IFRS Interpretations Committee and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The directors have elected not to separately disclose the Company's Income Statement in accordance with the exemption allowed under section 408 of the Companies Act 2006.

GOING CONCERN
The directors have conducted a rigorous and proportionate assessment of the Group's ability to continue in operational existence for the foreseeable future. In making this assessment consideration has been given to the uncertainty inherent in future financial forecasts and, where applicable, reasonable sensitivities have been applied to key factors affecting the expected financial performance and liquidity of the Group.

The Group is well capitalised and has an available £200m revolving credit facility from which to fund its future developments. As detailed in the Strategic Report, the Group has a strong forward sales orderbook underwriting its forecast cashflows and has secured a land bank with a high level of expected profitability. The Group's land bank principally comprises land acquisitions conditional upon the receipt of satisfactory planning permission, insulating it from external political and market risks. Furthermore the land bank includes an average selling price, unit type and geographical mix that the directors consider to leave the Group well-positioned given likely market risks.

Accordingly, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and so continue to prepare these financial statements on the going concern basis.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS
The Group and Company have not adopted any accounting standards for the first time in the year that have had a material impact on their performance or position, nor have the Group or Company adopted any standards or interpretations early in either the current or the preceding year. At the date of approving these financial statements the following new and revised interpretations and standards were in existence but were not yet effective.

- IFRS 15 Revenue from contracts with customers (effective 1 January 2018)
- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)

The adoption of IFRS 16 Leases is expected to result in the Group recognising significant right of use assets and corresponding lease liabilities in respect of its operating leases. If the standard had been applied as at 31 March 2017 it is estimated that the Group's assets and liabilities would have both increased by £3,381,000 (2016: £3,727,000). It is not anticipated that the adoption will have a significant impact on the timing of the recognition of expenses in the income statement.

The directors do not anticipate that the adoption of the remaining standards in future periods will have a material effect on the financial position or performance of the Group or Company.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and underlying assumptions are reviewed on an ongoing basis.

The following judgement have the most significant impact on the amounts recognised in the financial statements:

Carrying value of Inventories
To determine the profit and loss that the Group is able to recognise on its development in a specific period, the Group has to allocate total costs of the development between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred requires a degree of estimation. The Group has developed internal controls to review the carrying value of the development on a quarterly basis estimating future revenue and expenditure. Where it is determined forecast revenues are lower than expected expenditure, an impairment charge is made. Charges made to previously impaired assets may be reversed in future years where there is evidence of increased selling prices or reduced expenditure.

WIP and customer care provisions
On completion of each residential unit the Group creates a provision for customer care and estimated remaining costs. The value of the provision is based on the specification of the unit sold. Provisions are created in the year the unit is sold to ensure that future years' earnings are not distorted to reflect costs which may be incurred on historic sales.

SIGNIFICANT ACCOUNTING POLICIES
The principal accounting policies adopted, which have been applied consistently throughout the year, are set out below.

Basis of consolidation
The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiary undertakings, the financial statements of which are all made up to 31 March and follow consistent accounting policies. Profits and losses on intra group transactions are eliminated on consolidation.

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies so as to obtain economic benefits from their activities. Subsidiaries are consolidated using the acquisition method of accounting from the date on which control is obtained to the date control ceases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

The value of the investment in the subsidiary held by the Company is recorded at cost less any impairment in the Company's balance sheet.

Joint ventures
A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties and these parties have rights to the net assets of the arrangement. The Group's interest in joint ventures is accounted for using the equity method. Under this method the Group's share of profits less losses after taxation of joint ventures is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet. Accounting policies of joint ventures have been changed on consolidation where necessary, to ensure consistency with the policies adopted by the Group.

Revenue
Revenue represents the total receivable in respect of sales and services provided.

Revenue from the sale of private residential dwellings is recognised on legal completion at the value of consideration received or receivable, net of selling discounts.

Revenue from contracted development sales is recognised using the percentage of completion method in the period the work is performed. The percentage of completion is measured through reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Cost of sales
Costs attributable to fully develop the residential dwellings are regularly assessed and are fairly apportioned and charged to the profit and loss account to reflect the legal completions recognised in the financial period.

Costs associated with contracting development sales are recognised in the period in which they are incurred.

Costs include direct materials, labour costs, site overheads, associated professional charges and other attributable overheads.

Other operating income
Other operating income comprises freehold reversions, rent receivable and other incidental sundry income which are recognised on a receivable basis.

Income taxes
Current income tax is based on the taxable profit for the period. Taxable profit differs from profit before taxation recorded in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The liability for current tax is calculated using rates that have been enacted, or substantively enacted, by the balance sheet date.

Deferred income tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future, out of suitable taxable profits from which the underlying temporary differences can be deducted. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group or Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when there is an intention to settle the balances on a net basis. Deferred income tax is charged or credited through the income statement, except when it relates to items charged or credited through equity, when it is charged or credited there.

Property, plant and equipment
All property, plant and equipment is stated at historic cost less accumulated depreciation and impairment. 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. Freehold land and buildings comprises commercial offices. Depreciation is calculated on a straight line basis to write off the cost of each asset to its estimated residual value over its expected useful life. Freehold land is not depreciated.

The annual rates of depreciation are as follows:

• Computer equipment and software	3 Years
• Motor vehicles	4 Years
• Furniture, fixtures and fittings	4 Years
• Leasehold improvements	5 Years

Inventories
Owned and contracted land and its related purchase costs and development expenses are valued at the lower of cost and net realisable value. Costs include direct materials, labour costs, site overheads, associated professional charges and other attributable overheads incurred in bringing a site to its stage of completion at the period end, including an appropriate proportion of indirect expenses. Net realisable value represents the estimated selling prices less all estimated costs of completion.

Cash and cash equivalents
Cash and cash equivalents relate to all bank and similar balances which are readily available and liquid for use on demand.

Deposits
New property deposits and on account contract receipts are held within accruals and deferred income until the legal completion of the related property or cancellation of the sale.

Borrowings
Interest bearing borrowings 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. Issue costs are amortised on a straight-line basis over the period of the facility.

Preference shares
In accordance with IAS 32 Financial Instruments: Presentation, the Directors consider that the preference shares should be presented as a financial liability. Accordingly, the preference dividend payable is disclosed as a finance cost.

Leasing
Rentals paid under operating leases are charged to the income statement on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

2 REVENUE

	2017 £'000	2016 £'000
Sale of properties	95,622	83,333
Contracted development revenue	25,821	11,655
	121,443	94,988

All of the Group's revenue is generated in the United Kingdom.

3 OPERATING PROFIT

	2017 £'000	2016 £'000
The operating profit is stated after charging:		
Depreciation of property, plant and equipment	225	64
Operating lease charge – motor vehicles	16	30
Operating lease charge – land and buildings	470	65
Services provided by the Group's auditors:		
Audit of Company's financial statements	5	5
Audit of other group companies' financial statements	89	80
Tax compliance & advisory services	411	249

4 EMPLOYEE INFORMATION

	2017 £'000	2016 £'000
Wages and salaries	11,280	8,887
Social security costs	1,416	1,111
Pension costs	364	462
	13,060	10,460

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

	2017 Number	2016 Number
Production	33	27
Selling	26	17
Administration	62	45
	121	89

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

5 DIRECTORS' EMOLUMENTS

	2017 £'000	2016 £'000
Aggregate emoluments:		
Directors		
- Wages and salaries	3,362	1,674
- Benefits in kind	81	20
- Pension costs	33	35
Other key management personnel	25	1,647
	3,501	3,376

The total emoluments paid to the highest paid director were £801,000 (2016: £799,000), including contributions to a money purchase pension scheme of £2,000 (2016: £5,000).

Directors are considered key management personnel, other key management personnel are non-executive directors of the Company's parent undertakings who influence the decisions made by the Board.

6 FINANCE INCOME

	2017 £'000	2016 £'000
Bank interest on short term deposits	25	15
Other finance income	571	69
	596	84

7 FINANCE COSTS

	2017 £'000	2016 £'000
Bank loan interest payable	5,961	5,051
Preference share dividend payable	2,562	2,562
Amortisation of finance issue costs	758	625
Other finance costs	1,414	1,056
Group finance costs	**10,695**	9,294
Share of joint venture finance costs	912	928
	11,607	10,222

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

8 TAX

	2017 £'000	2016 £'000
Current taxation:		
Current tax on profits for the year	947	1,239
Adjustments in respect of prior years	(429)	-
Total current tax	**518**	1,239
Deferred taxation:		
Origination and reversal of temporary differences	11	1,265
Adjustments in respect of prior years	(218)	(1,494)
Effects of changes in tax rate	85	5
Total deferred tax	**(122)**	(224)
Tax	**396**	1,015

The tax assessed for the year is different from the rate of corporation tax in the UK of 20% (2016: 20%). The difference is explained below:

Profit before tax	**8,859**	13,175
Tax at the UK standard rate of tax of 20% (2016: 20%)	1,772	2,635
Effects of:		
Expenses not deductible for tax purposes	644	758
Permanent differences	17	17
Adjustments in respect of prior years	(647)	(1,494)
Effects of changes in tax rate	85	5
Movement in unrecognised deferred tax	-	(134)
Group relief not paid for	(1,147)	(984)
Joint ventures' results not included in Group tax	(328)	212
Total tax for the year	**396**	1,015

Corporation tax rate changes

Legislation has been enacted reducing the main UK corporation tax rate from 1 April 2017 to 19% and to 17% from 1 April 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

8 TAX *(CONTINUED)*

Deferred tax

The deferred tax included in the Balance Sheet is as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances	(49)	(39)
Accruals deductible on paid basis	303	301
Losses carried forward	1,452	1,322
Deferred tax asset	**1,706**	1,584

£1,706,000 (2016: £1,483,000) of the Group's deferred tax at year end is expected to reverse within one year and £nil (2016: £101,000) is expected to reverse in greater than one year. Accordingly these deferred tax assets have been measured using the 19% tax rate (2016: £1,483,000 at 20% and £101,000 at 19%).
The Group's portfolio of developments continue to progress well and are forecast to generate sufficient future taxable profits against which the tax losses can be relieved.

The deferred tax credit in the Income Statement comprises the following:

	2017 £'000	2016 £'000
Accelerated capital allowances	10	39
Accruals deductible on paid basis	(2)	(152)
Losses carried forward	(130)	(111)
Deferred tax credit	**(122)**	(224)

9 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings £'000	Computer Equipment & Software £'000	Motor Vehicles £'000	Furniture, Fixtures and Fittings £'000	Total £'000
Cost					
At 1 April 2016	1,059	155	-	593	1,807
Reclassified	(1,059)	-	-	-	(1,059)
Disposals	-	(91)	-	(265)	(356)
Additions	-	83	60	906	1,049
At 31 March 2017	-	147	60	1,234	**1,441**
Accumulated Depreciation					
At 1 April 2016	-	125	-	358	483
Disposals	-	(91)	-	(265)	(356)
Charge	-	26	6	193	225
At 31 March 2017	-	60	6	286	**352**
Net Book Value					
At 31 March 2017	-	87	54	948	**1,089**
At 1 April 2016	1,059	30	-	235	**1,324**

Freehold land and buildings were reclassified to Inventories during the year as the Group redeveloped its previous head office into residential apartments for sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

10 INVESTMENTS IN JOINT VENTURES

	Group £'000
At 1 April 2016	6,043
Increase in investment	-
Share of operating profit	2,550
Share of finance costs	(912)
Share of tax	(377)
At 31 March 2017	**7,304**

The Group owns 15% of Richmond Hill Developments (Jersey) Limited, a special purpose residential property development joint venture company incorporated in Jersey.

Summarised financial information of Richmond Hill Developments (Jersey) Limited, reflecting 100% of the company's balances, is set out below:

	2017 £'000	2016 £'000
Current assets	149,780	104,577
Current liabilities	(97,003)	(63,831)
Non-current liabilities	(48,208)	(44,581)
Net assets / (liabilities)	4,569	(3,835)
Add back shareholder loans reported in non-current liabilities above	44,123	44,123
Adjusted net assets	48,692	40,288
Group's ownership interest	15%	15%
Carrying value	**7,304**	6,043
Included in the above:		
Cash and cash equivalents	58,825	3,922
Current financial liabilities*	(78,327)	(35,193)
Non-current financial liabilities*	(48,208)	(44,581)

*excluding trade and other payables and provisions

Revenue	73,363	-
Profit / (loss) and total comprehensive income / (expense) for the year	8,241	(7,075)
Included in the above:		
Finance costs	(6,091)	(6,189)
Tax	(2,511)	-

The directors believe the carrying value of the investment is supported by its underlying trade and net assets.

In the year ended 31 March 2015 the Group sold its investment in Fulham Developments (Jersey) Limited, a special purpose residential property development joint venture company, for a variable consideration dependent upon the return the purchaser made from that company. During the prior year, the development substantially completed and the directors' estimate of the consideration receivable increased, consequently an additional £501,000 of profit on disposal was recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

11 INVESTMENT IN SUBSIDIARY

	Company £'000
At 1 April 2016	63,900
Increase in investment	2,854
At 31 March 2017	**66,754**

The directors believe the carrying value of the investment is supported by its underlying trade and net assets.

12 INVENTORIES

	Group 2017 £'000	Group 2016 £'000
Land	255,649	153,037
Work in progress	108,116	60,798
	363,765	213,835

The cost of sales expense reported in the Group Income Statement represents the value of inventories recognised as an expense for the year. Included within the cost of sales expense is £344,000 (2016: £nil) in respect of the write-down of inventories.

13 TRADE AND OTHER RECEIVABLES

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Current assets				
Trade receivables	5,854	9,119	334	42
Amounts owed by parent undertakings	1,117	1,117	-	-
Amounts owed by subsidiary undertakings	-	-	87,420	60,571
Other receivables	2,346	6,919	12	-
Amounts due from customers for contracted development sales	13,537	5,777	-	-
Prepayments and accrued income	6,578	5,190	3,336	1,937
	29,432	28,122	**91,102**	62,550
Non-current assets				
Other receivables	**1,023**	-	**1,023**	-
	1,023	-	**1,023**	-

No trade and other receivables are impaired at year end (2016: £nil). Further details about the non-current other receivables are provided in Note 23. All other amounts are expected to be settled within one year. Within the prior year's other receivables balance was £3,446,000 of remaining consideration relating to the previous year's sale of the Group's investment in a joint venture. The consideration was fully received in the current year and no balance remains outstanding at year end.

The Company's prepayments and accrued income balance includes £2,578,000 (2016: £1,937,000) of interest accrued on loan notes issued by London Square Developments (Ventures) Limited, its subsidiary undertaking.

The amounts owed by parent and subsidiary undertakings are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances totalling £18,920,000 (2016: £8,153,000) include cash deposits which, while not immediately available for use on demand owing to the terms of the loan facilities agreed with the bank, remain the assets of the Group. In addition, cash and cash equivalents includes £583,000 (2016: £10,320,000) of amounts held by the Group's solicitors in its client account on behalf of the Group. All proceeds included in cash and cash equivalents are under the absolute control of London Square Limited as the parent company of the Group.

15 BORROWINGS

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Bank loans	171,166	109,376	15,000	-
Unamortised loan issue costs	(1,860)	(2,197)	(333)	-
	169,306	107,179	**14,667**	-
Non-current liabilities				
Promissory note	23,375	-	-	-
	23,375	-	-	-

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 paid on a quarterly basis.

During the year the Group issued a promissory note of £23,375,000, payable on 2 December 2018, which is secured on the Group's assets associated with its Bermondsey development. The promissory note bears a finance cost of LIBOR plus a fixed margin, paid on a quarterly basis.

The Group has entered into interest rate caps at 1.0%, 1.8% and 2%. At the year end the Group had caps in place covering £107,972,000 (2016: £53,813,000) of the bank loans balance.

16 TRADE AND OTHER PAYABLES

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade payables	39,153	24,229	223	-
Amounts owed to parent undertakings	259	259	-	259
Amounts owed to subsidiary undertakings	-	-	13,967	-
Other taxation and social security	371	277	-	-
Other payables	-	3	-	-
Land payables	12,750	-	-	-
Amounts due to customers for contracted development sales	2,424	305	-	-
Accruals and deferred income	45,600	20,511	706	108
	100,592	45,584	**14,896**	367

Trade payables are non-interest bearing and normally settled on 30 day payment terms.

Accruals and deferred income includes amounts held in relation to monies received on exchange of contracts amounting to £21,043,000 (2016: £8,250,000).

The amounts owed to parent and subsidiary undertakings are unsecured, interest-free and repayable on demand.

The directors consider the carrying amounts of trade and other payables to approximate to their fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

17 PROVISIONS

	Group £'000
At 1 April 2016	945
Utilised in year	(284)
Created in the year	1,193
At 31 March 2017	**1,854**
At 1 April 2015	1,388
Utilised in year	(241)
Created in the year	678
Released in the year	(880)
At 31 March 2016	**945**

Provisions relate to customer care and estimated remaining costs for completed residential units.

18 PREFERENCE SHARES

	Group & Company 2017 £'000	Group & Company 2016 £'000
Current liabilities		
0.01 pence preference shares	3	3
99.99 pence preference shares	25,620	25,620
Accrued dividend on preference shares	16,602	14,040
	42,225	**39,663**

The 99.99 pence preference shares carry a fixed, cumulative preferential dividend at 10% per annum. The 99.99 pence and the 0.01 pence preference shares and associated accrued dividends are currently payable and redeemable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

19 FINANCIAL INSTRUMENTS

The key financial risks and uncertainties affecting the Group and Company and how these are managed by the directors are detailed below:

Cash flow and liquidity – Cash flows are reviewed by management on a regular basis enabling them to assess the Group's ability to meet its liabilities as they fall due and determine its ability to make land purchases and fund development works from the Group's cash and undrawn borrowing facilities.

Capital risk management – The Group's primary objectives in managing capital are to ensure the Group's continued ability to meet its liabilities as they fall due and to maintain an appropriate balance of equity to debt while minimising its cost of capital.

The Group is funded by a combination of ordinary shares, retained earnings, fixed rate preference shares and bank loans.

The Group monitors capital primarily using a loan-to-cost ratio, which is calculated as the amount of outstanding bank loans divided by the cost incurred in respect of its property developments. The Group's policy is to keep its average loan-to-cost ratio lower than 60% in accordance with its bank loan facilities.

Credit risk – The Group's exposure to credit risk is limited for its private residential sales as cash is received at the point of legal completion of its sales. The Group's exposure to credit risk in respect of its cash and cash equivalents is also limited as the amounts are held by financial institutions with high credit ratings.

The Group's remaining credit risk arises from trade and other receivables from housing associations. The directors consider the credit risk of these receivables to be low.

Maturity analysis

The following table sets out the maturities of estimated cash flows from the financial liabilities of the Group:

	Less than 1 year £'000	1 to 2 years £'000	Total £'000
As at 31 March 2017			
Bank loans	171,166	-	171,166
Promissory note	-	23,375	23,375
Land payables	12,750	-	12,750
Trade and other payables	39,783	-	39,783
Accruals and deferred income	24,557	-	24,557
Preference shares	42,225	-	42,225
	290,481	23,375	**313,856**

	Less than 1 year £'000	1 to 2 years £'000	Total £'000
As at 31 March 2016			
Bank loans	109,376	-	109,376
Trade and other payables	24,768	-	24,768
Accruals and deferred income	12,261	-	12,261
Preference shares	39,663	-	39,663
	186,068	-	**186,068**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

19 FINANCIAL INSTRUMENTS *(CONTINUED)*

Interest rate risk – The Group is funded by a combination of ordinary shares, retained earnings, fixed rate preference shares and bank loans. The potential risk to the Group of an interest rate rise has been mitigated by the fixed rate funding and entering into interest rate caps of £107,972,000 (2016: £53,813,000) over the bank loans. The following table sets out the interest rate risk associated with the Group's financial liabilities:

	Fixed Rate £'000	Floating rate £'000	*Non-interest bearing* £'000	Total £'000
As at 31 March 2017				
Bank loans	-	171,166	-	171,166
Promissory note	-	23,375	-	23,375
Land payables	-	-	12,750	12,750
Trade and other payables	-	-	39,783	39,783
Accruals and deferred income	-	-	24,557	24,557
Preference shares	42,225	-	-	42,225
	42,225	194,541	77,090	**313,856**

	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
As at 31 March 2016				
Bank loans	-	109,376	-	109,376
Trade and other payables	-	-	24,768	24,768
Accruals and deferred income	-	-	12,261	12,261
Preference shares	39,663	-	-	39,663
	39,663	109,376	37,029	**186,068**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

20 ORDINARY SHARE CAPITAL

	Group & Company 2017 £	Group & Company 2016 £
Authorised, allotted, called up and fully paid:		
780,005 (2016: 780,005) ordinary A shares of £1 each	780,005	780,005
220,000 (2016: 220,000) ordinary B shares of £1 each	220,000	220,000
	1,000,005	**1,000,005**

21 OPERATING LEASE COMMITMENTS

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & buildings 2017 £'000	Motor vehicles 2017 £'000	Land & buildings 2016 £'000	Motor vehicles 2016 £'000
Within one year	343	16	29	17
More than one year and less than five years	2,092	8	1,920	25
More than five years	2,007	-	2,521	-
	4,442	**24**	4,470	42

The Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & buildings 2017 £'000	Land & buildings 2016 £'000
Within one year	314	-
More than one year and less than five years	2,063	1,862
More than five years	2,006	2,521
	4,383	4,383

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

22 RELATED UNDERTAKINGS

Unless otherwise disclosed, the Company owns 100% of the issued share capital (either directly or indirectly) of the below list of related companies, incorporated in England and Wales with the same registered office as the Company:

Name	Business Activity	Class of shares
Directly held subsidiaries:		
London Square Developments (Ventures) Limited	Holding company	£1 ordinary shares
London Square (Staines) Limited	Land developer and housebuilder	£1 ordinary shares
Indirectly held subsidiaries:		
London Square (Holdings) Limited	Holding company	£1 A & B ordinary shares, 0.01p & 99.99p preference shares
London Square Developments Limited	Land developer and housebuilder	£1 ordinary shares
London Square (Investments) Limited	Holding company	£1 ordinary shares
London Square (Putney) Limited	Land developer and housebuilder	£1 ordinary shares
London Square (Leonard St.) Limited	Land developer and housebuilder	£1 ordinary shares
London Square (Caledonian Road) Limited	Land developer and housebuilder	£1 ordinary shares
London Square (Streatham) Limited	Land developer and housebuilder	£1 ordinary shares
LSQ (Crimscott Street) Holdings Limited	Holding company	£1 ordinary shares
London Square (Crimscott Street) Limited	Land developer and housebuilder	£1 ordinary shares
London Square Development Management Limited	Property development management service	£1 ordinary shares
London Square (Fulham) Limited	Holding company	£1 ordinary shares
London Square (RSG) Limited	Holding company	£1 ordinary shares
Broadwick Estates Limited	Dormant company	£1 ordinary shares
London Square (Charter Square) Management Company Limited	Freehold manager	Limited by guarantee
London Square (NKR) Management Company Limited	Freehold manager	Limited by guarantee
London Square (Putney) Management Company Limited	Freehold manager	Limited by guarantee
London Square (Teddington) Management Company Limited	Freehold manager	Limited by guarantee
London Square (Spitalfields) Management Company Limited	Freehold manager	Limited by guarantee
London Square (Streatham Hill) Management Company Limited	Freehold manager	Limited by guarantee
The Coach House (Ickenham) Management Company Limited	Freehold manager	Limited by guarantee
London Square (Canada Water) Management Company Limited	Freehold manager	Limited by guarantee
London Square (Hayes BR2) Management Company Limited	Freehold manager	Limited by guarantee
London Square (Isleworth) Management Company Limited	Freehold manager	Limited by guarantee
London Square (Crimscott Street) Management Company Limited	Freehold manager	Limited by guarantee
London Square (Caledonian Road) Management Company Limited	Freehold manager	Limited by guarantee
Chigwell Grange Management Company Limited	Freehold manager	Limited by guarantee
Star & Garter (Richmond Hill) Management Company Limited	Freehold manager	Limited by guarantee
Ancaster House (Richmond Hill) Management Company Limited	Freehold manager	Limited by guarantee
Indirectly held joint venture:		
Richmond Hill Developments (Jersey) Limited*	Land developer and housebuilder	£1 ordinary shares
Bulk Property Investor Limited**	Property investor	£1 ordinary shares

*The Company indirectly holds 15% of the share capital of Richmond Hill Developments (Jersey) Limited, a company registered in Jersey with a registered office of 44 Esplanade, St Helier, Jersey JE5 9WG.

**The Company indirectly holds 15% of the share capital of Bulk Property Limited, a company registered in England and Wales with a registered office of Senate House, 62/70 Bath Road, Slough, England, SL1 3SR.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

23 RELATED PARTY TRANSACTIONS

Transactions between the Group and its parent undertakings

LSQ HoldCo 3 Limited, the Company's immediate parent undertaking, is the shareholder of the Company's preference shares. At the year end the Company and Group owed LSQ HoldCo 3 Limited £42,225,000 (2016: £39,663,000) in respect of the preference shares and accrued dividends. Included in the Group's finance costs are dividends payable of £2,562,000 (2016: £2,562,000) that accrued to LSQ HoldCo 3 Limited.

During a previous year, the Group provided £859,000 of funding to LSQ HoldCo 3 Limited. This balance remained outstanding at the current and prior year ends.

During the year the Company arranged a £9,889,937 letter of equity commitment with funds managed by affiliates of Ares Management LCC, these funds being the Company's ultimate controlling parties. Subsequent to the year end the Group received an advance payment from a housing association for the provision of affordable housing at the Group's Bermondsey development, this payment was secured by a bank bond which in turn was secured by this equity commitment. As at the year end the Group had not received any money from the housing association there was no possible liability to the Group in respect of this commitment.

Transactions between the Company and its subsidiaries

The Company is the noteholder of loan notes issued by London Square Developments (Ventures) Limited, the Company's subsidiary undertaking. At the year end the London Square Developments (Ventures) Limited owed the Company £39,886,000 (2016: £36,324,000) in respect of the loan and accrued interest. During the year the loan interest receivable accruing to the Company amounted to £3,562,000 (2016: £3,204,000).

The Company has provided funding to its subsidiary undertakings. At the year end the receivable outstanding amounted to £73,454,000 (2016: £60,571,000).

Transactions between the Group and its joint venture

The Group provides funding and development management services to Richmond Hill Developments (Jersey) Limited, its joint venture. During the year the Group received a fee of £750,000 (2016: £750,000) for the provision of development management services. At the year end the Group had trade receivables of £5,479,000 (2016: £8,746,000) owed by the joint venture in respect of fees and cost recharges.

During the prior year the Group provided £7,382,000 of funding to the joint venture, £6,619,000 in the form of a loan, no funding has been provided in the current year. Interest of £543,915 (2016: £69,000) accrued on this loan and remains outstanding at year end.

Transactions between the Group and its key management personnel

As at 31 March 2017, six of the Company's directors and their close family members (2016: five) have entered into sale agreements to purchase 10 units (2016: 9) at the Group's Caledonian Road and Streatham Hill developments for £5,227,000 (2016: £4,685,000). Included within accruals and deferred income are £257,000 of deposits (2016: £118,000) received in relation to these purchases.

During the year the Company made a loan of £1,000,000 to B A Betsy, a director. The loan bears interest at a fixed rate of 3% per annum, which, at the option of the borrower, is paid or capitalised annually. The loan is repayable on the earliest of 28 June 2021, the borrower leaving employment and a sale of the Group. During the year £23,000 (2016: £nil) of interest accrued on the loan, this is reported within other finance income. Included within other receivables is £1,023,000 (2016: £nil) in respect of the loan and accrued interest.

Included within other receivables is £61,000 (2016: £nil) owed to the Group by A P Lawrence, a director.

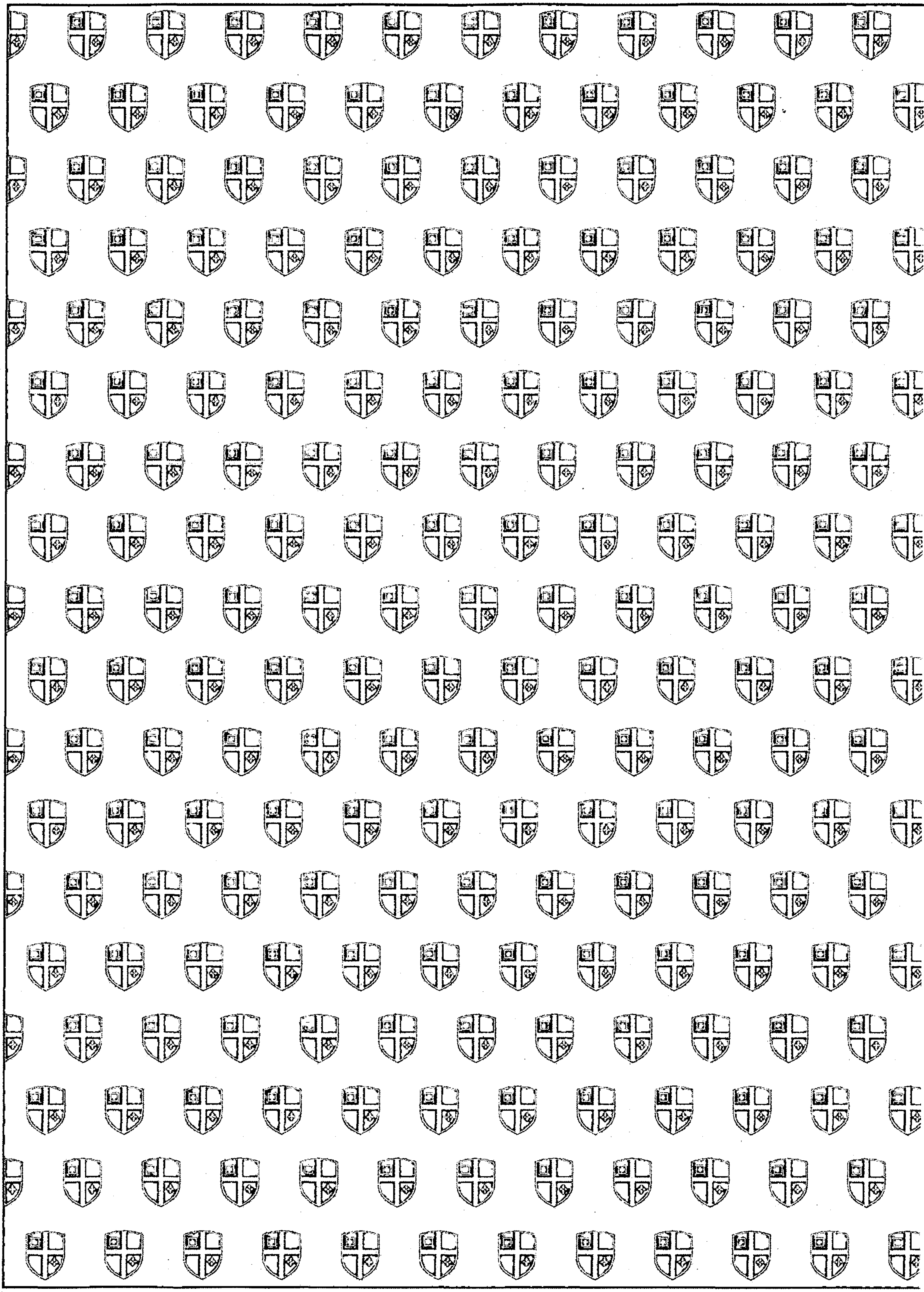
Disclosures relating to the remuneration of directors and other key management personnel are given in Note 5.

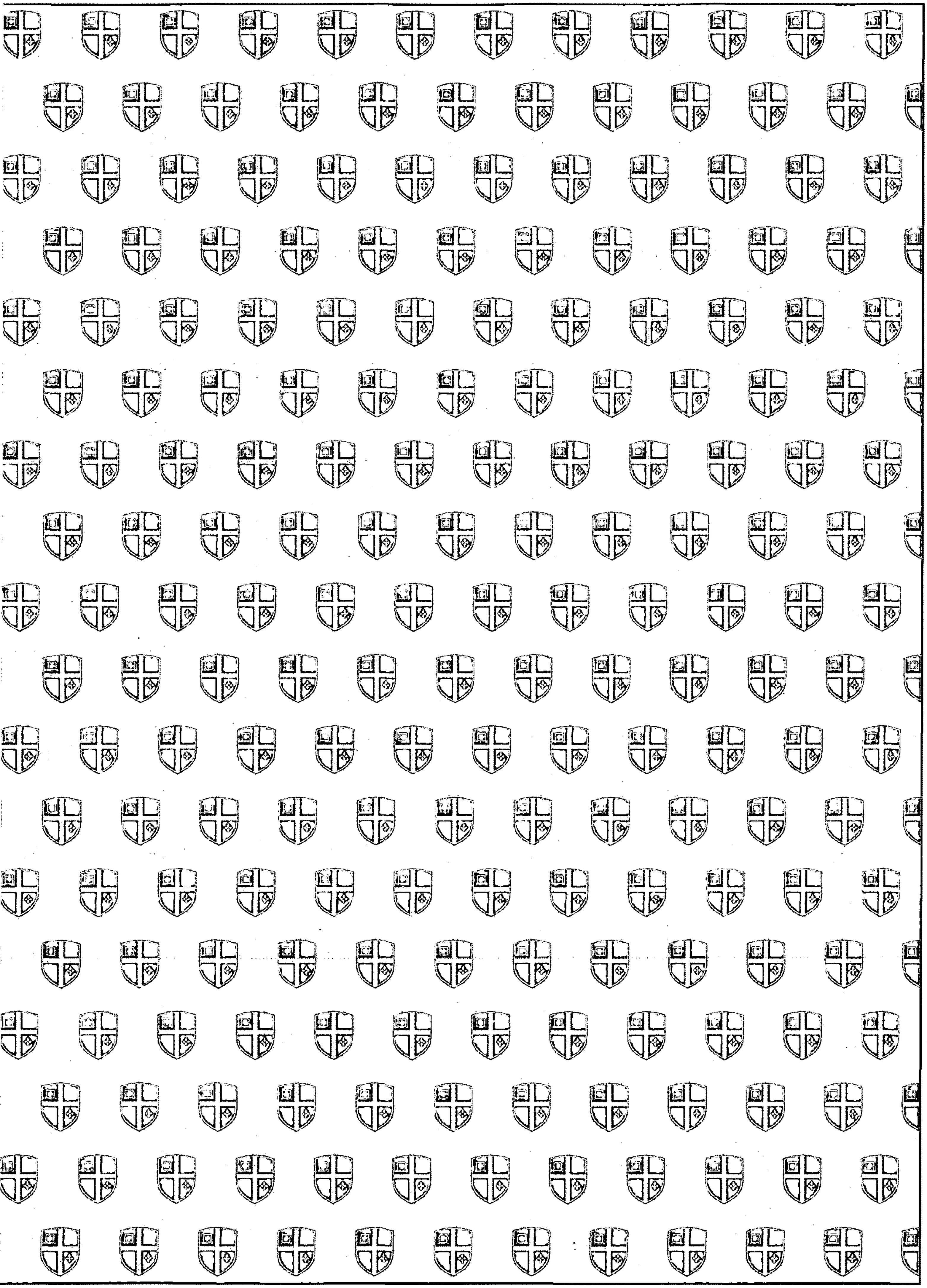
24 PARENT AND CONTROLLING PARTY

The Company's immediate parent undertaking is LSQ HoldCo 3 Limited and the ultimate controlling parties are funds managed by affiliates of Ares Management LLC. The smallest and largest group accounts in which the Company is included are prepared by London Square Developments (Holdings) Limited.

Financial statements for companies in the London Square Developments (Holdings) Limited group are available from the Company Secretary, One York Road, Uxbridge, Middlesex, UB8 1RN.

Details correct at time of going to press, July 2017





LONDON SQUARE HEAD OFFICE
1 YORK ROAD
UXBRIDGE, UB8 1RN

01895 627 333
www.londonsquare.co.uk