

**LONDON SQUARE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2019**  
**REGISTERED NUMBER: 07774351**



# MAKING LONDON GREATER

Founded in 2010, the company has already created a development pipeline worth over £1.3 billion. By focusing solely on the capital and its surrounding areas, we are specialists in developing homes that are worthy of this magnificent city and the demands on its residents..

The property company with a difference. We've been making waves across the capital with our innovative approach to design, build and customer service, winning awards across the industry and creating places where people really want to live.

At London Square, we are dedicated to making London greater.

## Financial Summary

- 253 units completed (2018: 490)
- Revenue under management of £197m (2018: £301m)
- Gross Profit Margin of 12% (2018: 20%)
- Operating Profit of £6m (2018: £24m)
- Gross Tangible Asset Value £300m (2018: £293m)
- Net Tangible Asset Value £142m (2018: £146m)

## Portfolio Highlights

- First completions at Staines, Caledonian Road and Spitalfields
- Completed final sales at Streatham Hill, New Kings Road, Canada Water
- 1,000th private completion in September 2018
- Established joint venture partnership with Peabody to develop Vulcan Wharf, Stratford
- Secured development management contract with Peabody for the development of Holloway Prison, Islington
- 1,018 units in production at 31<sup>st</sup> March 2019
- Forward sales of £180m
- Land Pipeline of 2,356 units representing £1.3 billion of GDV

## **ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**

### **CHAIRMAN'S STATEMENT**

The financial year ended 31 March 2019 was a difficult year for the housing industry with the looming threat of the UK leaving the EU without a formal withdrawal agreement resulting in reduced local consumer and foreign investor confidence in the market. In this market achieving customer traction in London Square's product was difficult.

Despite this, the year saw the Group continue to implement its strategy and diversify the activities of the business, in particular:

- London Square Partners strategic initiative has progressed with significant contracts being achieved with Peabody on both the Vulcan Wharf Joint Venture and the Holloway Project within the year and with Clarion on both the Staines and Neasden projects after the year ended;
- London Square Works has launched as a distinct brand and operation in order to focus on the direct needs of the commercial property market while generating a sense of place on our residential led developments;
- Achieving a new blended £200m debt facility refinance, securing the mid to long term capital structure of the Group.

It is with great pleasure that I welcome Mark Evans to the team as the Group's new Chief Operating Officer. With his extensive experience and industry knowledge he has made a valuable contribution from the outset.

Mark Pain  
Chairman

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### OUR STORY

Founded in 2010, we have built our reputation by respecting, understanding and exceeding the needs of our customers. By focusing solely on London and its surrounding areas, we are specialists in developing homes that truly enhance the capital, delivering much needed high-quality housing and responding to the needs of its residents.

London Square combines the agility and ambition of a young company with the pedigree and track record of a more established player.

We are proud to challenge convention and to leverage our ability to take advantage of opportunities on behalf of our customers. In the highly competitive London property market, speed is everything. We are a responsive, dynamic and decisive team who have come together to create London Square.

London Square's achievements have been recognised with a number of awards from the very beginning – starting with the Property Week RESI Best Newcomer award and the Annual Norwood Best Newcomer accolade back in 2012. Each year has brought more awards, demonstrating the breadth of skills and experience of the London Square team for tackling complex, challenging sites, where others had failed. The latest of these was the top prize at the Evening Standard New Homes Awards 2019, the prestigious Grand Prix award for the London Square Caledonian Road project.

NHBC, LABC and Considerate Constructors have awarded 17 trophies in total to the London Square construction team, which was also awarded the British Gypsum National Trophy 2018 for craftsmanship at The Star and Garter.

We take our name from the ethos of London's famous squares, the legacy and the sense of community they have created over the centuries. Respectful of the past and inspired by the future, we are committed to creating exceptional properties that reflect the aspirations of our residents, stimulate thriving communities and set a new benchmark for modern living in the capital.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### OUR STORY

Central to our strategy is the identification of prime sites within Greater London and the M25, targeting developments of 50 to 500 homes with prices from £200,000 to £4+ million.

We agree that London needs more homes, and we are proud to be at the heart of delivering much-needed new homes, creating new communities and revitalising forgotten, neglected corners of the capital.

We understand how vital it is to create new developments that make a difference to people's lives, developing homes across all tenures through London Square Partners that truly enhance the capital and allow people to live and work in London. London Square Works is our commercial business, demonstrating our commitment to ensure that the new communities we build help to contribute to the local economy in each area, attracting investment and new jobs.



#### LONDON SQUARE

Our primary purpose is to create high-quality homes and new communities within Greater London in locations where people want to live. Our absolute focus on design, build and customer service deliver best-in-class developments – demonstrated by the numerous awards we win.

To achieve our aims we seek out land opportunities for development and take the site through the full development lifecycle of planning to residential sales. Through deployment of specialty skills and over 200 years of combined experience in the management team we are able to create unique developments that suit the environment in which they are located.



#### LONDON SQUARE PARTNERS

Working with public sector organisations, Partnerships will help create quality housing in mixed tenure developments. Our schemes will be inclusive and welcoming, bringing new life to areas and supporting existing communities, whilst respecting the local history and environment.

We strongly believe that the most efficient way of meeting London's housing demand is through the public and private sectors working together, making best use of the strengths of both. We have set up London Square Partners to reflect our approach of how we work with our public sector partners.



#### LONDON SQUARE WORKS

London Square Works is our commercial arm – developing high quality bespoke space for offices, retail and leisure businesses to maximise the potential of every aspect of our mixed-use developments. We have already delivered £36m of commercial space and have a further £120m being delivered across the capital creating contemporary office and co working environments, food stores and even a specially designed community theatre.

We are working with the best businesses to create new destinations at our developments to help each local area flourish.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### THE TEAM

London Square combines the agility and ambition of a young company with the pedigree and track record of a more established player.

We are proud to challenge convention and to leverage our ability to take advantage of opportunities on behalf of our customers. In the highly competitive London property market, speed is everything. We are a responsive, dynamic and decisive team who have come together to create London Square.

#### *ADAM LAWRENCE - Chief Executive*

Following a 15-year career at Barratt Developments, 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 sectors. Mark is Chairman of Empiric Student Property Plc, Deputy Chairman and Senior Independent Director of Yorkshire Building Society and a Non Executive Director of AXA UK Ltd.

#### *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.

#### *MARK EVANS - Chief Operating Officer*

Responsible for the development and implementation of future strategy for all areas of production, delivery and sales. With more than 25 years' experience in the property industry, Mark began his career as a quantity surveyor. He progressed to partner and director level roles at Turner & Townsend and Berkeley Homes, then joined Shanly Homes as a regional MD in 2006 before becoming Residential Managing Director.

#### *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 £2 billion 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.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### THE TEAM

#### *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. Rebecca has worked for Crest Nicholson, Taylor Woodrow and Barratt Developments before joining London Square to establish our sales department and develop the London Square brand.

#### *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 20 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.

#### *DAREN NATHAN - Partnerships*

Daren Nathan is responsible for building London Square's strategic partnerships with housing associations, local authorities and government agencies, forging relationships to help housing providers and public bodies to maximise the value from their assets through residential development and also to help local authorities to generate cross-subsidy funding to provide much-needed new homes.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### CHIEF EXECUTIVE'S REPORT

#### Strategic Report

London Square started 9 years ago with £50m of capital and an executive management team with over 120 years' combined experience in the London residential market. Now, the Group has grown to £300.0m (2018: £292.8m) of tangible gross assets and established a reputation as a premier residential house builder in the London area.

The year ended 31 March 2019 was a difficult year. The first half of the year progressed as expected, while a slowdown in the private sales rate started to impact performance from October 2018. In addition to this, in December 2018 the Group faced three bulk sale contract cancellations that accounted for over £100m of current and future revenue, creating a major setback on contracts which the Group had been negotiating for over 9 months. The impact of this meant that resources were not able to be diverted to other areas of profitability to recover the year end result and consequently the timing of profit has been delayed.

Looking beyond some near-term volatility, having established a substantial base from which to grow, the objective in the medium term is to realise the profit embedded within the land bank and preserving capital to exploit opportunities within the land market as they arise. In the past year, we have invested a further £125.6m (2018: £183.5m) in development projects.

The overall strategy of the Group is to continue to develop the London housing sector through continuing to work with our Partners which has shown some success over the last twelve months and we have launched our commercial arm London Square Works to focus on the significant commercial assets we are now developing as part of the wider residential schemes.

#### *UK Housing Market*

The Group operates in the UK housing market with a specific focus on the London region. During the year ended 31 March 2019 the market experienced an overall fall in consumer confidence which has limited purchaser decision making and drove weaker pricing in the London housing market. The uncertainty created around the UK withdrawal from the European Union has significantly dampened overseas investor interest and mortgage affordability has become the dominant factor in buying decisions. However, cost pressure has been maintained with weaker currency and the continued high level of construction activity has restricted the availability of resources. Profit margins have consequently been under pressure. These market induced headwinds coupled with delays from a complicated planning process, despite a desire from the government to increase the supply of housing in the region, has resulted in a depressed housing market.

#### *Land Investment*

In light of the increased economic uncertainty, coupled with a delay in the land market adjusting downwards to the weaker home sales environment, we have purposefully been more opportunistic in our land buying activity, consistent with our annual report last year. However, that does not mean we have not been active in the market. Below we highlight the activity we have engaged in with our Partners which has added a significant amount of potential Revenue under Management. Meanwhile, we have reassessed the portfolio we hold resulting in £5.2m of exceptional land write downs and provisions. Our current approach to investing is to apply a disciplined approach to margins and capital returns with regard to the risks.

During the year, we did not exchange on any new sites (2018: 3), which at the end of the year leads to a land bank consisting of 2,356 units (2018: 3,077 units). The embedded gross profit margin across our land bank reduced to 20.6% (2018: 22.7%) as the economic margin pressures are being absorbed. On the Development side we have achieved planning on 104 units (2018: 919 units).



# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## CHIEF EXECUTIVE'S REPORT

### Partnerships

Our strategic initiative into Partnering with public sector organisations was launched in 2017 and has met with considerable success to date. Highlights of this year were the establishment of a joint venture with Peabody on the Vulcan Wharf Project, a subject to planning arrangement where the Partnership is seeking an approximately 640 unit scheme representing Gross Development Value of over £250m with 35% Affordable Units. Following on from that, a further Partnership investment with Peabody was entered into on the Holloway Project, where the Partnership, a contractual arrangement, is pursuing a subject to planning scheme of over 1,100 units with a 60% Affordable Unit target.

### London Square Works

Within the Group's Land Bank, there is over £120m of Gross Development Value represented in commercial units. These units form part of the residential planning permission as we have designed and created living environments for our residents that are seen as places of destination. Consequently, the Directors believed it appropriate to invest in a new initiative to develop and brand this activity and as a result London Square Works was launched during the financial year and we have not had to wait long for its successes.

During the year ended 31 March 2019 London Square has realised the commercial unit value on its Isleworth Project and we are expecting further realisation in 2019 on the Spitalfields and Canada Water Projects.

### Portfolio Review

London Square projects are varied in size, stage and nature and we pride ourselves on being able to find the right solution for each location. Below is a snapshot of our portfolio showing each in terms of number of residential units, percentage affordable, Gross Development Value ("GDV") and anticipated completion.

Project	Units	Nature	Affordable	ASP	Stage
Chigwell*	100	Housing	-	£1,405k	Completing 2022
Star and Garter	93	Refurbishment	-	£2,158k	Completing 2020
Caledonian Road	252	Flatted	40%	£662k	Completing 2020
Bermondsey	276	Flatted	30%	£779k	Completing 2022
New Kings Road	24	Flatted	-	£960k	Completed 2019
Streatham Hill	254	Flatted	16%	£524k	Completed 2019
Canada Water	95	Flatted	20%	£594k	Completed 2019
Isleworth	203	Flatted	20%	£428k	Completed 2019
Spitalfields	63	Flatted	22%	£1,142k	Completing 2020
Orpington	115	Mixed	10%	£535k	Completing 2020
Neasden*	121	Flatted	100%	-	Completing 2021
Walton-on-Thames*	112	Mixed	12%	£737k	Completing 2023
Staines-upon-Thames	364	Flatted	29%	£373k	Completing 2022
Stratford*	644	Flatted	35%	£481k	Completing 2026
Tadworth	229	Mixed	28%	£525k	Completing 2022
Greenwich*	59	Flatted	31%	£605k	Completing 2022
Twickenham*	116	Mixed	24%	£576k	Completing 2023
Kingston*	52	Flatted	35%	£457k	Completing 2023
Holloway*	~1,100	Flatted	~60%	-	Completing ~2028

\* Remains subject to planning at date of report

### Outlook

Continued uncertainty regarding the UK's position within the European Union provides a difficult back drop against which to forecast future activity. Currently the trading activity of the Group has been within expectations with two of the three bulk sales referred to above having now been exchanged. Should the Group experience a sustained drop off in investor appetite during this period of uncertainty then it will be challenging for the Group to return to former levels of profitability but we continue to believe forecast results will be better than currently reported.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### KEY PERFORMANCE INDICATORS

#### *Revenue Under Management*

##### Definition

London Square engages in revenue generating activities in two different guises, on projects that are owned and controlled by the Group directly and projects that the Group has contracted to manage the project as the principal Development Manager. Revenue Under Management is the total of these two. Statutory revenue differs in so far as on the latter part revenue on Joint Ventures is excluded but the value of contracted costs incurred under the development management agreement but passed on to the project are included as revenue.

##### Strategy

The objective of London Square is to maximise the Revenue Under Management as this represents a key indicator of the underlying activity of the Group and the breadth of effort being exerted by the Group. London Square generates Revenue under Management primarily from the sale of Residential Units. These Units are either sold to Private parties or too registered providers of Social housing. Additional revenue is sourced from Commercial units, freehold sales, land sales and Development Management agreements.

##### Performance

In the year ended 31 March 2019 the Group delivered £196.6m of Revenue Under Management (2018: £300.6m) a 34.6% reduction. This reflected the lower than expected Revenue result discussed above but was also contributed to by a lower than expected sales performance in the Star and Garter Project.

#### *Revenue*

##### Definition

Revenue as reported under the Accounting Policies detailed in Note 1.

##### Strategy

London Square generates Revenue primarily from the sale of Residential Units. These Units are either sold to Private parties or to registered providers of Social housing. Additional revenue is sourced from Commercial units, freehold sales, land sales and Development Management agreements.

##### Performance

In the year ended 31 March 2019 the Group reported revenue of £168.3m (2018: £242.2m), a decline of 30.5%. The business mix during the year ended 31 March 2019 showed a shift to a decreased reliance upon private residential sales with Revenue being comprised of 81.5% Private (2018: 90.7%) and 7.9% Social (2018: 6.5%). The remainder of the Revenue has resulted from specific transactions of related assets that have not been core to the business historically; 5.2% Commercial (2018: 2.8%) and 3.4% Land Sale (2018: 0%). Lastly 2.0% Freehold Reversion (2018: 0%) revenue is as a result of the adoption of IFRS 15 as detailed in note 1.

#### *Residential Units Completed*

##### Definition

Supporting the Revenue Under Management is the underlying volume of transactions the Group performs measured in legally identifiable units of property. To qualify as a unit traded in the period of the legal completion with the purchaser. For Private units this is usually upon completion of the unit. For Social units this is usually upon the execution of a sales contract requiring London Square to build the units in which case equivalents representing the percentage completion are recognised.

##### Strategy

London Square seeks to maximise the number of units traded within the period in support of the Revenue under Management Key Performance Indicator. Private Residential units will remain the core of the business, but industry trends and the Partnerships Initiatives discussed above will result in a greater emphasis of Social Units. This may result in a greater degree of volatility in this Key Performance Indicator as significant sized Partnerships may move the result in any one year.

##### Performance

In the year ended 31 March 2019 the Group completed 253 units (2018: 490) of which 200 units were private (2018: 420) indicating a reduced proportion of Private units in the year than previously achieved which is consistent of the trend shown in the revenue mix.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### KEY PERFORMANCE INDICATORS

#### *Average Value Per Unit*

##### Definition

Average Value Per Unit is the total residential revenue under management for the period divided by the number of residential units completed for the period. This can then be further subdivided to Private and Social units and is a representative of the capital selling value achieved during the period.

##### Strategy

In 2015 the Directors adopted the strategy to target a value below £600k for this Key Performance Indicator. This was achieved in the year ended 31 March 2018 but last financial year saw it increasing again. This was driven in part by the increased proportion of housing stock compared to flatted schemes as these naturally have a higher capital value due to their greater size.

##### Performance

In the year ended 31 March 2019 the Average Value per Unit increased by 20% despite the increase in the proportion of Social Units discussed above. This is due to an increase in the Average Value per Private Unit to £805.4k (2018: £634.0k), a 27% increase driven by the move away from the Streatham and Isleworth Project completions toward Chigwell, Caledonian Road and Spitalfields Projects. Social Residential Average Value per unit also rose by 14% to £244.5k (2018: £214.0k)

#### *Private Sales Rate*

##### Definition

Calculated by taking the number of Reservations of Private Residential Units in a period divided by the number of weeks in that period divided by the number of sites actively selling in that period. Reservations are qualified as having paid a reservation deposit and having provided proof of availability of funds to complete the transaction.

##### Strategy

London Square aim to achieve a sales rate of between 0.4 and 0.6 units per week and will look to determine a selling strategy specific for each site. This involves setting a promotional and presentational approach to support the targeted pricing and if necessary, bulk selling to meet the overall rate.

##### Performance

In the twelve months ended 31 March 2019 the sales rate has fallen to 0.4 units per week per site compared to 0.6 in the prior year, reflecting the reduction in the volume in transactions reported across the industry. Since the year end this has shown signs of improvement.

#### *Forward Sales*

##### Definition

At any point in time, the Group holds contracts for sale of private, social and commercial units that are not yet complete. This statistic is the aggregate value of those contracts.

##### Strategy

This statistic provides visibility of the certainty of revenue in the future. Accordingly, London Square aims to maximise this position without compromising on the overall profitability of the revenue contracted.

##### Performance

Reflecting the activity of the business, the Group has been working through the pipeline and it is now returning to normalised levels with the forward sale of the Star & Garter project now being realised. The result as at 31 March 2019 of £180m is lower than we had targeted primarily through the key transactions not having been executed.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### KEY PERFORMANCE INDICATORS

#### *Operating Profit Margin*

##### Definition

Statutory reported Operating Profit divided by Revenue provides the Operating Margin. A Normalised Operating Profit Margin is also calculated by amending the Revenue and Operating Profit for unusual or exceptional transactions and joint venture profits which may have distorted profits in any one year.

##### Strategy

The Group has experienced a period of increasing costs and flat revenue growth over the last financial year. To address this issue the Directors have initiated a number of internal cost management strategies in order to improve results. The two principal strategies have been the recruitment of a new Chief Operating Officer and an overhaul of our procurement process. Our procurement process now involves developing working drawings on a scheme to a greater level of detail and tendering for the vast majority of subcontractor packages prior to starting on site. Initial signs have been positive on the cost saving initiatives although by the nature of the projects it will take a number of years before they are realised as profit.

##### Performance

The Operating Profit Margin has decreased to 6.9% (2018 12.4%) on an adjusted basis (adjusted for exceptional land write offs) due to a combination of flat revenue, increasing costs and sub-optimal activity levels to cover fixed costs. The exceptional items added back are the land write downs of £5.3m.

#### *Return on Capital Employed*

##### Definition

The Return on Capital Employed is calculated by dividing the Operating Profit for the year by the average Gross Tangible Assets.

##### Strategy

London Square maintain a policy of maximising the Return on Capital Employed over the long term. This encourages short term investment cycles to ensure the longevity of the business.

##### Performance

Consistent with the decline in Operating Profit the Return on Capital Employed has declined over the same period from 8.3% to 2.2%.

#### *Tangible Net Asset Value*

##### Definition

Statutory net asset value as reported, excluding deferred tax balances and intangible assets and after adding back shareholder balances classified as financial liabilities.

##### Strategy

Tangible Net Asset Value is the key statistic measuring the growth of the Group and London Square aim to show continual growth over the medium to long term.

##### Performance

The Tangible Net Asset Value of the Group was £141.8m as at 31 March 2019, a 3.4% decline from the position reported 12 months earlier of £146.4m. This represents the lower profitability achieved during the year, as well as the impact of £5.3m in exceptional land write downs. Over the last 5 years however, this performance indicator has shown a 11.6% growth per annum on average.

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## KEY PERFORMANCE INDICATORS

Gross Tangible Assets		
Definition	Net Gearing	Land Bank
London Square calculates Gross Tangible Assets as its Tangible Net Asset Value plus Net Debt, being total bank debt less cash.	London Square calculates the Net Gearing performance indicator as the Net Debt, being total bank debt less cash, divided by Tangible Net Assets.	Land Bank represents the number of units the Group has control over the delivery through contractual arrangements or ownership.
Strategy	Strategy	Strategy
An indicator of the underlying growth potential of the Group, London Square has been cautious in Land investment of recent years given recent economic factors. This cautiousness remains but the Group is seeking to grow this indicator over the medium term.	During the period of growth, the Group has adopted a strategy of maximising the Net Gearing. Going forward the Group will be actively reducing this indicator as the projects return cash.	The Group aims to maintain a level of Land Bank to support the ongoing activity of the business. This is dependent upon the availability of suitable land for purchase. Land investment in the coming year is expected to increase this.
Performance	Performance	Performance
The level of lower investment in the year ended 31 March 2019 has been offset by the trading activity resulting in the Group's tangible gross assets remaining flat at £300.0m (2018: £292.8m).	The level of Net Gearing has reached its peak of 112% as at 31 March 2019 compared to 100% at the same time last year.	The year ended 31 March 2019 was a period of lower land investment and accordingly the Land Bank has been reduced to 2,356 units (2018: 3,077) though this continues to underpin the revenue and profit for the next 3 years.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### PRINCIPAL RISKS

As with many businesses, London Square faces risks and uncertainties in the course of day-to-day activities and it is only by effectively identifying and managing these risks that the Group can deliver the strategy.

To manage these risks the Group maintains a risk management policy that regularly reports on and monitors the risks at all levels. The principal risks identified by this process can be summarised as follows:

**Credit Availability** – one of the greatest risks to the housing market in London is the availability of credit to London Square customers in order to assist with funding the purchase of the product. Of particular risk is the current level of affordability which is sensitive to interest rate and credit spread increases. To counter this risk the Group is increasing its reliance on Partners, particularly in the affordable sector.

**Political Uncertainty** – the market in which London Square operates is dependent upon consumer confidence which in recent years has been significantly dampened by the political uncertainty that has followed since the referendum on the UK membership of the European Union.

**Planning and Regulatory Environment** – future developments are dependent upon a supportive planning regime and constant regulatory environment. The Group works with lobby groups and industry bodies to stay abreast of impending changes to minimise the impact.

**Economic Climate** – the housing market is dependent upon the overall economic climate with interest rates, exchange rates, attitudes to investment and consumer confidence impacting all aspects of cost base, revenue and profitability of the Group. As such the Group seeks to secure forward sales and purchase contracts with the intention of reducing the exposure to such fluctuations.


**Land Availability** – the long-term performance of the Group is dependent upon the purchase of suitable land sites for development at acceptable levels to allow for the profitable operation of London Square. Accordingly, management are constantly assessing a number of land opportunities at any one time in order to ensure a regular supply.

**Capital Availability** – London Square is dependent upon the provision of capital from the current lending group to continue in operation. Management are regularly reviewing the capital structure and adequacy of facilities as well as exploring opportunities in the market to diversify the capital base.

**Cyber and Data Risk** – London Square places significant reliance upon the availability, accuracy and security of our underlying operating systems and the data contained therein. The Group could suffer significant financial and reputational damage because of corruption, loss or theft of data whether inadvertent or via deliberate targeted cyber attack. The Group has in the past year upgraded all security systems and successfully deterred a number of attacks against the Group as well as maintaining full off site back up.

**Health, Safety and Environmental Procedures** – A deterioration in the Groups health, safety and environmental standards could put the Groups employees, contractors, customers or general public at risk of injury or death and could lead to litigation or penalties or damage the Group's reputation. A lack of adequate procedures and systems to reduce the dangers inherent in the construction process increases the risk of accidents or site related catastrophes. London Square maintain a system of quality control, regularly reported to the Board and audited by external parties using an Occupational Health and Safety Management System (registered as ISO 18001) and also an Environmental Management System (registered to ISO 14001).

The Strategic report is approved on behalf of the Board



A P Lawrence  
Director

06 August 2019

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### DIRECTORS REPORT

The directors present their report and audited consolidated financial statements for the year ended 31 March 2019.

#### Dividends

No dividends were recommended, approved or paid during the year (2018: £nil).

#### Future Developments

The future developments of the Group are discussed in the Chief Executive's Report. Performance of the Group are susceptible to the principal risks identified in this report, in particular, the political uncertainty around the final nature of the implantation of the referendum decision on the UK's membership of the European Union. Impact on the consumer confidence could reduce future performance.

#### 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 providing equality of opportunity to all employees and stakeholders, regardless of any protected characteristics that may exist.

We are proud of our industry-leading gender diversity figure of 35% female employees, against the industry average of just 13.5%, as reported by the NHBC Foundations' primary research report on the gender and age profile of the house-building sector. Heeding the advice from the report, we will continue to strive to increase our gender equality to capitalise on the broad range of benefits that a more diverse workforce can bring.

The over-reliance of the industry on an ageing male workforce continues to be of paramount concern. We continue to take a less traditional approach to talent and skills, avoiding an over-reliance on the ageing population. We are proud to be leading the way with 35.5% of our employees between the ages of 25-34 years of age, our highest age demographic, with the NHBC Foundation reporting the largest demographic in the industry being 45-54 years of age at 27.2%.

Recruiting for talent and skill will continue to be at the forefront of our strategy, supported by alternative programmes to grow new talent and provide opportunities for all.

#### Corporate Social Responsibility

Housebuilding by its very nature is at the heart of local life. 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.

We often work with local primary schools as part of our commitment to community support. London Square Canada Water teamed up with Alfred Salter Primary School to take part in a walk around Stave Hill Ecological Park, providing high-vis jackets and educational packs. In Isleworth, we ran an art competition with a local primary school on the theme of 'What I love about Isleworth'; winners were awarded an art box. We visited Streatham Wells Primary School to talk to children about health and safety, while at Chigwell Village, school children were invited to sing carols around the development's Christmas tree. London Square has partnered with local schools in Orpington, Chigwell, Canada Water and Staines-upon-Thames to support healthy living charity Living Streets. At The Star and Garter, Richmond Hill, we supported a local hospital charity, The Victoria Foundation, which provides medical support and mobility aids for people living in Richmond and Kingston, to deliver a fundraising art collection and book, featuring the famous view from Richmond Hill.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### DIRECTORS REPORT

#### Charitable Donations

The Group supports a number of local and national charities. Donations to charitable organisations for the year were £2,379 (2018: £5,945). 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 and Safety

Health and 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. In the year ended 31 March 2019 there was only 1 reportable incident (2018: 3) and the projects maintained an average score of 95.9% (2018: 94.5%) in the Health and Safety Management System.

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

On behalf of the Board

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

A P Lawrence  
Director  
06 August 2019



## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### 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;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; 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.

#### *Directors*

The directors who served during the year and up to the date of resignation as indicated or signing the financial statements are:

A P Lawrence  
B A Betsy (Resigned 4 May 2018)  
S D Brown  
S C Casey  
S S Hudson  
R S Littler  
A Maciejewski  
M S Evans (Appointed 1 January 2019)  
M A Pain  
M S Phillips  
M C Smith

#### *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 place throughout the year and remains in force as at the date of this report.

#### *Disclosure of Information to Auditors*

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 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.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### STATEMENT OF DIRECTORS RESPONSIBILITIES

#### *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.

Following the successful conclusion of its debt refinancing in October 2018, the Group has secured a £150m revolving credit facility from NatWest, HSBC and AIB for a 4-year term and an additional £50m Loan note placement with Pricoa for a 7 year term. As a result, the directors consider the Group is well capitalised to fund future developments. As detailed in the Chief Executives Report, the Group has a comprehensive portfolio of projects and forward sales orderbook underwriting its forecast cashflows. The Group's land bank principally comprises land acquisitions conditional upon the receipt of satisfactory planning permission and in partnership with public sector organisations, providing protection from external political market risk. Furthermore, the land bank includes an average selling price, unit type and geographical mix that the directors consider leave the Group well positioned. However, as detailed in the Chief Executive's Report, the Group faces significant political and economic uncertainties that could impact the achievement of forecast returns. However, the group continues to have the support of its shareholders. In addition, the major shareholders have stated their intention to provide financial support to enable the Group to meet its liabilities as they fall due for a period of at least 12 months from the date these financial statements were approved, should it be required.

Accordingly, while a loss has been made in the year, 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.



Adam Lawrence  
Chief Executive Officer  
06 August 2019

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of London Square Limited

#### *Opinion*

We have audited the financial statements of London Square Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Conclusions relating to going concern*

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### *Other information*

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### *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 directors' report have been prepared in accordance with applicable legal requirements.

#### *Matters on which we are required to report by exception*

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

#### *Responsibilities of directors*

As explained more fully in the statement of directors' responsibilities set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

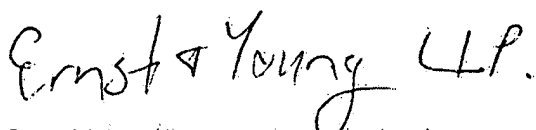
A further description of our responsibility for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>.

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

This description forms part of our auditor's report.

*Use of our report*

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP." The signature is written in a cursive, flowing style.

Peter McIver (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
06 August 2019

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2019**

	<u>Note</u>	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Revenue	2	168,318	242,216
Cost of sales		(142,828)	(193,591)
Land cost write off	12	(5,608)	(414)
<b>Gross profit</b>		<b>19,882</b>	<b>48,211</b>
Selling costs		(9,225)	(7,450)
Administrative expenses		(9,289)	(11,844)
Other operating income / (expenses)		114	(166)
Profit on derecognition of a subsidiary	10	5,000	-
Share of operating (losses) / profits of joint ventures	10	(74)	1,272
Provision for indemnity	17	-	(5,825)
<b>Operating profit</b>	<b>3</b>	<b>6,408</b>	<b>24,198</b>
Finance income	6	163	636
Finance costs			
- Group	7	(12,379)	(15,421)
- Joint venture	7	(409)	(848)
<b>(Loss) / Profit before tax</b>		<b>(6,217)</b>	<b>8,565</b>
Tax			
- Group	8	465	(2,515)
- Joint venture		73	(160)
<b>(Loss) / Profit for the year</b>		<b>(5,679)</b>	<b>5,890</b>

All amounts are attributable to the owners of London Square Limited.

The Group had no other comprehensive income other than the loss for the year reported above.

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**GROUP STATEMENT OF CHANGES IN EQUITY FOR THE 31 MARCH 2019**

	<u>Ordinary share capital £'000</u>	<u>Share premium £'000</u>	<u>Retained earnings £'000</u>	<u>Total equity £'000</u>
At 31 March 2017, as previously reported	1,000	91,317	15,969	108,286
Adjustment on initial application of IFRS 15, before tax	-	-	(10,143)	(10,143)
Deferred tax effect of IFRS15	-	-	1,927	1,927
<b>Restated balance at 1 April 2017</b>	<b>1,000</b>	<b>91,317</b>	<b>7,753</b>	<b>100,070</b>
Restated Profit for the year	-	-	5,890	5,890
Shares issued	28,481	16,291	-	44,772
<b>Restated balance at 31 March 2018</b>	<b>29,481</b>	<b>107,608</b>	<b>13,643</b>	<b>150,732</b>
Loss for the year	-	-	(5,679)	(5,679)
<b>At 31 March 2019</b>	<b>29,481</b>	<b>107,608</b>	<b>7,964</b>	<b>145,053</b>

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**GROUP BALANCE SHEET AS AT 31 MARCH 2019**

	<u>Note</u>	<u>31 Mar</u> <u>2019</u> <u>£'000</u>	<u>Restated</u> <u>31 Mar</u> <u>2018</u> <u>£'000</u>	<u>Restated</u> <u>1 Apr</u> <u>2017</u> <u>£'000</u>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	9	650	1,003	1,089
Investments in joint ventures	10	11,203	2,407	685
Trade and other receivables	13	-	1,053	1,023
Deferred tax asset	8	3,290	4,059	3,633
Total non-current assets		15,143	8,522	6,430
<b>Current assets</b>				
Inventories	12	351,567	369,247	364,281
Trade and other receivables	13	16,951	20,657	31,864
Cash and cash equivalents	14	38,993	63,202	42,247
Total current assets		407,511	453,106	438,392
Total assets		422,654	461,628	444,822
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	15	(145,268)	(209,212)	(169,306)
Trade and other payables	16	(70,164)	(87,648)	(107,029)
Provisions	17	(9,456)	(10,147)	(1,854)
Corporation tax payable		(2,713)	(3,889)	(963)
Preference shares		-	-	(42,225)
Total current liabilities		(227,601)	(310,896)	(321,377)
Net current assets		179,910	142,210	117,015
<b>Non-current liabilities</b>				
Borrowings	15	(50,000)	-	(23,375)
Total non-current liabilities		(50,000)	-	(23,375)
Total liabilities		(277,601)	(310,896)	(344,752)
Net assets		145,053	150,732	100,070
<b>Capital and reserves</b>				
Ordinary share capital	19	29,481	29,481	1,000
Share premium		107,608	107,608	91,317
Retained earnings		7,964	13,643	7,753
Total equity		145,053	150,732	100,070

The financial statements on pages 21 to 55 were approved and authorised for issue by the Board of Directors on 06 August 2019.

A P Lawrence  
Director  
06 August 2019





**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019**

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
<b>Cash flows from operating activities</b>		
(Loss) / Profit before tax	(6,217)	8,565
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	360	345
Loss on disposal of motor vehicle	25	-
Profit on derecognition of a subsidiary	(5,000)	-
Provision for indemnity	-	5,825
Share of operating (loss) / profit of joint ventures	74	(1,272)
Finance income	(163)	(636)
Finance costs	12,988	16,269
(Increase) / Decrease in trade and other receivables	(833)	11,188
Decrease / (Increase) in inventories	17,680	(2,740)
Decrease in trade and other payables	(18,044)	(19,399)
Tax paid	-	-
	<hr/>	<hr/>
<b>Net cash generated by operating activities</b>	870	18,145
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(7)	(259)
Loans advanced to joint ventures	(558)	(4,090)
Acquisition of equity of existing joint venture	(5,000)	-
Acquisition of loan notes of existing joint venture	(3,267)	-
Disposal of equity investment	5,000	-
Loan repayments and interest receipts from joint ventures	10,777	5,430
Investments in joint venture	(5,660)	(1,458)
	<hr/>	<hr/>
<b>Net cash generated / (used) by investing activities</b>	1,285	(377)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
(Decrease) / Increase in bank loans	(38,763)	15,641
Decrease in promissory notes	(23,375)	-
Increase in Loan notes	50,000	-
Finance costs paid	(14,258)	(12,503)
Finance income received	32	49
	<hr/>	<hr/>
<b>Net cash (used by) / generated by financing activities</b>	(26,364)	3,187
	<hr/>	<hr/>
<b>Net (decrease) / increase in cash and cash equivalents</b>	(24,209)	20,955
<b>Cash and cash equivalents at start of year</b>	63,202	42,247
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	38,993	63,202
	<hr/> <hr/>	<hr/> <hr/>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	<u>Ordinary Share</u> <u>Capital</u> <u>£'000</u>	<u>Share Premium</u> <u>£'000</u>	<u>Retained</u> <u>earnings</u> <u>£'000</u>	<u>Total equity</u> <u>£'000</u>
At 1 April 2017	1,000	91,317	(4,962)	87,355
Loss for the year	-	-	(248)	(248)
Shares issued	28,481	16,291	-	44,772
At 31 March 2018	29,481	107,608	(5,210)	131,879
Loss for the year	-	-	(163)	(163)
Shares issued	-	-	-	-
At 31 March 2019	29,481	107,608	(5,373)	131,716

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**COMPANY BALANCE SHEET AS AT 31 MARCH 2019**  
**LONDON SQUARE LIMITED**  
**REGISTERED NUMBER: 07774351**

	<u>Note</u>	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiary	11	73,187	73,187
Trade and other receivables	13	-	1,053
<b>Total non-current assets</b>		<b>73,187</b>	<b>74,240</b>
<b>Current assets</b>			
Trade and other receivables	13	75,225	89,027
Cash and cash equivalents		14	164
<b>Total current assets</b>		<b>75,239</b>	<b>89,191</b>
<b>Total assets</b>		<b>148,426</b>	<b>163,431</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	15	-	(14,983)
Trade and other payables	16	(16,710)	(16,569)
<b>Total current liabilities</b>		<b>(16,710)</b>	<b>(31,552)</b>
<b>Net current assets</b>		<b>58,529</b>	<b>57,639</b>
<b>Net assets</b>		<b>131,716</b>	<b>131,879</b>
<b>Capital and reserves</b>			
Ordinary share capital	19	29,481	29,481
Share premium		107,608	107,608
Retained earnings		(5,373)	(5,210)
<b>Total equity</b>		<b>131,716</b>	<b>131,879</b>

The financial statements on pages 21 to 55 were approved and authorised for issue by the Board of Directors on 06 August 2019.

A P Lawrence  
Director  
06 August 2019



# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
<b>Cash flows from operating activities</b>		
Loss before tax	(163)	(248)
<i>Adjustments for:</i>		
Finance income	(3)	(3,886)
Finance costs	164	4,138
Decrease in trade and other receivables	798	450
(Decrease) / Increase in trade and other payables	(444)	99
	<hr/>	<hr/>
<b>Net cash generated by operating activities</b>	352	553
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Loans repaid from / (advanced to) joint ventures	1,380	(1,380)
Decrease in loans made by Company	12,680	427
	<hr/>	<hr/>
<b>Net cash generated / (used) by investing activities</b>	14,060	(953)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Decrease in bank loans	(15,000)	-
Increase in loans from subsidiary undertakings	585	1,574
Finance costs paid	(147)	(1,274)
	<hr/>	<hr/>
<b>Net cash (used) / generated by financing activities</b>	(14,562)	300
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	(150)	(100)
	<hr/>	<hr/>
<b>Cash and cash equivalents at start of year</b>	164	264
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	14	164
	<hr/> <hr/>	<hr/> <hr/>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES

#### *General information*

The Company is a private company limited by shares incorporated and domiciled in England and Wales. The Group and 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.

Following the successful conclusion of its debt refinancing in October 2018, the Group has secured a £150m revolving credit facility from NatWest, HSBC and AIB for a 4-year term and an additional £50m Loan note placement with Pricoa for a 7 year term. As a result, the directors consider the Group is well capitalised to fund future developments. As detailed in the Chief Executives Report, the Group has a comprehensive portfolio of projects and forward sales orderbook underwriting its forecast cashflows. The Group's land bank principally comprises land acquisitions conditional upon the receipt of satisfactory planning permission and in partnership with public sector organisations, providing protection from external political market risk. Furthermore, the land bank includes an average selling price, unit type and geographical mix that the directors consider leave the Group well positioned. However, as detailed in the Chief Executive's Report, the Group faces significant political and economic uncertainties that could impact the achievement of forecast returns. However, the group continues to have the support of its shareholders. In addition, the major shareholders have stated their intention to provide financial support to enable the Group to meet its liabilities as they fall due for a period of at least 12 months from the date these financial statements were approved, should it be required.

Accordingly, while a loss has been made in the year, 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*

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 16 Leases (effective 1 January 2019)

IFRS 15 Revenue from contracts with customers has been adopted in this report for the first time replacing IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. IFRS 15 has been adopted retrospectively for each period being presented in accordance with IAS 8 (and its transitional provisions as applicable) and establishes a comprehensive framework for establishing the existence, amount and timing of revenue.

#### *New and amended standards and interpretations (continued)*

The following is an assessment of the Group's three main revenue streams comparing IFRS 15 versus the previous standards:

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES (CONTINUED)

#### *Sale of Properties*

##### *(i) Individual Private dwellings, commercial units and land sales*

IFRS 15 has not had a material impact on the timing or measurement of revenue recognised in respect of the sale of individual private residential dwellings, commercial units or land sales which continue to be recognised on legal completion in accordance with the revenue accounting policy.

##### *(ii) Part exchange residential sales*

IFRS 15 has required a presentational change in respect of part exchange sales. Part exchange revenue and the associated cost are now presented separately under IFRS 15, rather than presented net within cost of sales as previously. This will have no impact on the timing or value of operating profit recognised.

##### *(iii) Sales of freehold reversionary assets*

The common UK legal structure of, particularly apartment-led, property developments is to sell the purchaser a long leasehold interest to their property which reverts to the freeholder at the end and requires an annual payment of ground rent to the freeholder. The Group sells the freehold reversionary interest to third parties and often this sale is agreed at an early stage of the development, prior to the completion of the sale of the leaseholds, with a substantial deposit paid by the purchaser. The Group retains the legal freehold title in order to permit the sale of the leasehold properties and the Group pays the freehold purchaser an annual notional ground rent.

The Group's previous accounting policy has been to recognise the value of the freehold reversionary interest sale as Other Income when the sale is exchanged as the purchaser had the right to the principal economic benefits of the asset (the ground rent income stream) from that date. Under IFRS 15 the Group consider that the sale should be recognised when the transfer of the freehold title completes, and any amounts received in advance should be presented as deferred income. The Group also considers it appropriate to present this as revenue generated by the developments, not other income.

#### *Contracted development sales*

Development agreements are treated as long term contracts where agreements are entered into such that the units and the customer controls all the work in progress as the units are being built. This is because the units are being built to an agreed specification and if the contract is terminated by the customer then the Group is entitled to payment of the value of works performed. Therefore, revenue from these contracts and associated costs are recognised over time and invoices are issued accordingly. There is no change to the timing of development agreement revenue recognition under IFRS 15.

The Group performs development management services for related entities. There is no change to the timing of development management revenue recognition under IFRS 15 however the Group now recognises this work within Revenue on a gross basis rather than net through Other operating income.

The Group has adopted the full retrospective application of new standard and accordingly restated its prior period financial performance and position. The effect can be seen below:

	<u>2018</u> <u>As previously</u> <u>reported</u> <u>£'000</u>	<u>IFRS 15</u> <u>Transition</u> <u>adjustment</u> <u>£'000</u>	<u>2018 Restated</u> <u>£'000</u>
Revenue	229,091	13,125	242,216
Cost of Sales	(183,556)	(10,035)	(193,591)
Other operating income / (expenses)	284	(450)	(166)
Inventories	366,505	2,742	369,247
Trade and other receivables	24,079	(3,422)	20,657
Trade and other payables	(80,410)	(7,238)	(87,648)
Deferred Tax Asset	2,554	1,504	4,058
Retained Earnings	(20,056)	6,413	(13,643)

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial Instruments became effective in this report replacing IAS39 and the Directors have assessed that the change in standard has not had a material effect on the financial statements. This is because the Group does not hold any complex financial instruments, any trade receivables are recognised under normal payment terms with customers and the Group has not experienced any defaults on these balances and do not expect this to change going forward. The Group does not expect any impairment losses on intercompany balances owed from outside the Group.

IFRS 16 Leases is effective for the Group's next financial year. The new accounting standard requires the Group to recognise, in respect of all leases, a liability reflecting its obligations under the lease initially measured at the net present value of the future lease payments expected to be made over the term of each lease. The Group will also recognise a right-of-use asset reflecting the future economic benefits of the assets being leased, this will be initially measured at the value of the corresponding lease liability plus any other initial direct costs incurred. As the Group has operating leases in respect of its head office and a number of motor vehicles and no finance leases, the impact of this new standard is expected to lead to an increase the Group's assets at 31 March 2019 of £2,531,000 (2018: £2,869,000) and liabilities at 31 March 2019 of £2,733,000 (2018: £3,021,000).

Interest is recognised on the lease liability and charged to the Income Statement within Finance Costs. The right-of-use asset is depreciated on a straight-line basis over the lease term with a corresponding depreciation charge recognised within Administrative Expenses in the Income Statement. If the standard had been effective in the current year it is estimated that EBITDA would have increased by £515,000 (2018: £493,000), Operating Profit would have increased by £115,000 (2018: £112,000) and Profit before Tax would have decreased by £50,000 (2018: £68,000).

Consistent with the approach taken with IFRS 15, the accounting standard will be applied fully retrospectively in order to present consistent comparative information. The new accounting standard leads to an acceleration in the timing of the recognition of the lease expenses and it is estimated that the retrospective application of the accounting standard will lead to a reduction in the Group's Net Assets as at 31 March 2019 of £202,000 (2018: £152,000).

#### *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 judgements have the most significant impact on the amounts recognised in the financial statements:

#### *Inventory impairment and margin estimation*

To determine the profit and loss that the Group is able to recognise on its developments in a specific period, the Group has to allocate total costs of each 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 each 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.

#### *Customer care provisions*

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

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES (CONTINUED)

#### *Indemnity provision*

The indemnity provision relates to the Group's 2014 sale of its investment in Fulham Developments (Jersey) Limited, a special purpose residential property development joint venture company. The joint venture company was sold for a variable consideration dependent upon the return the purchaser made from that company. The Group provided an indemnity to the purchaser whereby should that return decrease the Group would repay a proportion of the consideration received. Events have arisen that may give rise to significant costs to the purchaser and accordingly the Group has recognised a provision for the amount of consideration that would be repayable to the purchaser.

#### *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. All intra group revenues, expenses, assets, liabilities and equity are eliminated on consolidation.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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 and contract balances*

In the current year, the Group adopted IFRS 15 Revenue from Contracts with Customers. The new standard establishes a comprehensive five-step model to determine the amount and timing of revenue recognised from contracts with customers. Further information on the adoption of IFRS 15 and the impact on the financial position and performance of the Group for the current and prior year can be found above earlier in Note 1.

Revenue represents the total receivable in respect of sales and services provided once performance obligations are met.

Revenue from the sale of individual private residential dwellings, commercial units, land sales and freehold reversions are 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 input method i.e. cost completion percentage over 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 compared to the estimated total contract costs.

Where payments from customers are received after the associated performance obligations being met and therefore revenue recognised in the income statement, contract assets are recognised. Conversely where payments from customers are received in advance of the associated performance obligations being met and therefore revenue being recognised in the income statement; contract liabilities are recognised and these include buyer deposits.



# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES (CONTINUED)

#### *Cost of sales*

Costs attributable to fully develop the private residential dwellings and commercial units are regularly assessed and are fairly apportioned and charged to the income statement to reflect the legal completions recognised in the financial period.

Costs associated with contracted 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/expenses*

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

#### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES (CONTINUED)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

#### *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. 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. The annual rates of depreciation are as follows:

- |                                    |         |
|------------------------------------|---------|
| • Computer equipment and software  | 3 Years |
| • Motor vehicles                   | 4 Years |
| • Furniture, fixtures and fittings | 4 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.

#### *Trade and other receivables*

Trade receivables on normal terms do not carry any interest, are stated at amortised cost and are assessed for recoverability on an ongoing basis.

#### *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.

#### *Trade and other payables*

Trade payables on normal terms are not interest bearing and are stated at amortised cost.

#### *Accruals and deferred income*

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.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 ACCOUNTING POLICIES (CONTINUED)

##### *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 recognised over the period of the facility using the effective interest rate method.

##### *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.

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 2 REVENUE

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Sale of properties	151,117	216,144
Contracted development sales	17,201	26,072
	<u>168,318</u>	<u>242,216</u>

Included within revenue for the year was £12,541,000 which was included as a contract liability at the previous balance sheet date (2018: £15,501,000).

No revenue was recognised in the year from performance obligations satisfied in previous periods (2018: £nil).

### 3 OPERATING PROFIT

	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
The operating profit is stated after charging:		
Depreciation of property, plant and equipment	360	345
Loss on disposal of motor vehicle	25	-
Operating lease charge - motor vehicles	37	29
Operating lease charge - land and buildings	473	485
Services provided by the Group's auditors:		
Audit of Company's financial statements	5	5
Audit of other Group financial statements	111	90
	<u>111</u>	<u>90</u>

### 4 EMPLOYEE INFORMATION

	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
Wages and salaries	12,108	13,965
Social security costs	1,454	1,682
Pension costs	541	417
	<u>14,103</u>	<u>16,064</u>

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

	<u>2019</u> <u>Number</u>	<u>2018</u> <u>Number</u>
Production	36	35
Selling	30	30
Administration	89	77
	<u>155</u>	<u>142</u>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 5 DIRECTORS' EMOLUMENTS

	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
Aggregate emoluments:		
Directors		
- Wages and salaries	2,339	4,376
- Benefits in kind	293	66
- Pension costs	-	-
Other key management personnel	25	25
	<hr/> 2,657 <hr/>	<hr/> 4,467 <hr/>

The total emoluments paid to the highest paid director were £751,000 (2018: £976,000), no contributions were made to a money purchase pension scheme in the current year (2018: £nil).

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

	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
Bank interest on short term deposits	21	12
Other finance income	142	624
	<hr/> 163 <hr/>	<hr/> 636 <hr/>

### 7 FINANCE COSTS

	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
Bank loan and loan note interest payable	8,677	8,859
Preference share dividend payable	-	2,548
Amortisation of finance issue costs	1,156	1,079
Other finance costs	2,546	2,935
	<hr/>	<hr/>
Group finance costs	12,379	15,421
Share of joint venture finance costs	409	848
	<hr/> 12,788 <hr/>	<hr/> 16,269 <hr/>

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8 TAX**

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
<b>Current taxation:</b>		
Current tax on (losses) / profits for the year	-	3,888
Adjustments in respect of prior years	(1,234)	(948)
<b>Total current tax</b>	<u>(1,234)</u>	<u>2,940</u>
<b>Deferred taxation:</b>		
Origination and reversal of temporary differences	(252)	(376)
Adjustments in respect of prior years	835	(49)
Effects of changes in tax rate	186	-
<b>Total deferred tax</b>	<u>769</u>	<u>(425)</u>
<b>Tax</b>	<u>(465)</u>	<u>2,515</u>

The tax assessed for the year is different from the rate of corporation tax in the UK of 19% (2018: 19%). The difference is explained below:

(Loss) / Profit before tax	(6,217)	8,565
<b>Tax at the UK standard rate of tax of 19% (2018: 19%)</b>	<u>(1,181)</u>	<u>1,627</u>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	205	1,865
Expenses qualifying for enhanced deduction	(213)	-
<b>Non-taxable income</b>	<u>(143)</u>	<u>-</u>
<b>Permanent differences</b>	16	16
Adjustments in respect of prior years	(399)	(997)
Effects of changes in tax rate	186	-
<b>Movement in unrecognised deferred tax</b>	3,667	1,716
Group relief not paid for	(1,742)	(1,631)
Joint ventures' results not included in Group tax	(861)	(81)
<b>Total tax for the year</b>	<u>(465)</u>	<u>2,515</u>

*Corporation tax rate changes*

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

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8 TAX (CONTINUED)**

**Deferred Tax**

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

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Accelerated capital allowances	(8)	(37)
Accruals deductible on paid basis	-	825
Asset tax bases in excess of carrying amount	52	1,804
Losses carried forward	3,246	1,467
	<hr/>	<hr/>
Deferred tax asset	3,290	4,059
	<hr/>	<hr/>

£1,709,000 (2018 restated: £2,592,000) of the Group's deferred tax at year end is expected to reverse within one year and accordingly has been measured using the 19% tax rate (2018: 19%). £1,581,000 (2018: £1,467,000) is expected to reverse in greater than one year accordingly has been measured using the 17% tax rate (2018: 19%).

The Group has not recognised a deferred tax asset in respect of carried forward Corporate Interest Restriction disallowances due to uncertainties over the timing and recoverability in the foreseeable future. If recognised at the 17% tax rate (2018: 19%) applicable to the period it might be expected to reverse in the deferred tax asset would have amounted to £4,660,000 (2018: £1,716,000) at year end.

The Group's portfolio of developments continues 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:

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Decelerated capital allowances	(29)	(12)
Accruals deductible on paid basis	825	(522)
Asset tax bases in excess of carrying amount	1,752	124
Losses carried forward	(1,779)	(15)
	<hr/>	<hr/>
Deferred tax charge / (credit)	769	(425)
	<hr/>	<hr/>

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**9 PROPERTY, PLANT AND EQUIPMENT**

	<u>Computer Equipment &amp; Software £'000</u>	<u>Motor Vehicles £'000</u>	<u>Furniture, Fixtures and Fittings £'000</u>	<u>Total £'000</u>
<b>Cost</b>				
At 1 April 2018	219	60	1,421	1,700
Additions	12	-	20	32
Disposals	-	(60)	-	(60)
At 31 March 2019	231	-	1,441	1,672
<b>Accumulated Depreciation</b>				
At 1 April 2018	114	21	562	697
Charge	58	14	288	360
Disposals	-	(35)	-	(35)
At 31 March 2019	172	-	850	1,022
<b>Net Book Value</b>				
At 31 March 2019	59	-	591	650
At 1 April 2018	105	39	859	1,003



# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 10 INVESTMENTS IN JOINT VENTURES

	<u>Group</u> <u>£'000</u>
At 1 April 2018	2,407
Decrease in investment upon consolidation	(1,454)
Increase in investment upon deconsolidation	5,000
Increase in investment	5,660
Share of operating loss	(74)
Share of finance costs	(409)
Share of tax	73
	<hr/>
At 31 March 2019	11,203
	<hr/> <hr/>

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

In July 2017 the Group acquired 50% of the share capital of Vulcan Wharf Limited ('Vulcan Wharf'), a special purpose company incorporated in England and Wales for the development of a site in Stratford, London. In the prior year the Group had loaned Vulcan Wharf £4,089,000 to fund the development. In the year £1,380,000 was repaid to the Company and the remainder of the loan repaid to Broadwick Estates Limited, a subsidiary company. In the year the Group paid £8,300,000 to acquire the remaining 50% of the equity and shareholder loans of Vulcan Wharf Limited from the joint venture partner leading to the investment being derecognised as a joint venture and fully consolidated. This represented a £5,000,000 premium over book value of the equity and loans. Later in the year the Group sold a 50% stake in Vulcan Wharf to another joint venture partner who paid the commensurate £5,000,000 premium leading to the deconsolidation of the assets and liabilities of this company and the recognition of an investment in a joint venture. As a result the Group recognised a corresponding £5,000,000 fair value increase in its original 50% investment in the year through the income statement.

During the year the Group acquired 50% of the membership capital of Vulcan Wharf Holdings LLP ('Vulcan Wharf Holdings'), a special purpose entity incorporated in England and Wales for the development of a site in Stratford, London. The development contracts held by Vulcan Wharf were transferred at par in the year to Vulcan Wharf Holdings after the second joint venture partner had purchased 50% of Vulcan Wharf.

Summarised financial information of the joint venture companies, reflecting 100% of the Group's balances, is set out overleaf:

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**10 INVESTMENTS IN JOINT VENTURES (CONTINUED)**

*As at and for the year ended 31 March 2019*

	<u>Richmond Hill £'000</u>	<u>Vulcan Wharf £'000</u>	<u>Vulcan Wharf Holdings £'000</u>
Current assets	31,357	-	11,651
Current liabilities	(27,635)	-	(361)
Net assets	3,722	-	11,290
Group's ownership interest	15%	50%	50%
Sub-total	558	-	5,645
<i>Adjust for:</i>			
Increase in fair value	-	-	5,000
Carrying value	558	-	10,645
<i>Included in the above:</i>			
Cash and cash equivalents	1,453	-	719
Current financial liabilities*	(23,934)	-	-
<i>*excluding trade and other payables and provisions</i>			
Revenue	28,270	-	-
Loss and total comprehensive expense for the year	(2,631)	8	(38)
<i>Included in the above:</i>			
Finance costs	(1,851)	-	-
Tax	489	-	-

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**10 INVESTMENTS IN JOINT VENTURES (CONTINUED)**

*As at and for the year ended 31 March 2018*

	<u>Richmond Hill £'000</u>	<u>Vulcan Wharf £'000</u>
Current assets	58,883	7,981
Current liabilities	(52,530)	(7,989)
Net assets / (liabilities)	6,353	(8)
Group's ownership interest	15%	50%
Sub-total	953	(4)
<i>Adjust for:</i>		
Costs associated with investment	-	1,458
Carrying value	953	1,454
<i>Included in the above:</i>		
Cash and cash equivalents	5,691	18
Current financial liabilities*	(45,523)	(6,719)
<i>*excluding trade and other payables and provisions</i>		
Revenue	58,422	-
Profit and total comprehensive income for the year	1,783	(8)
<i>Included in the above:</i>		
Finance costs	(5,656)	-
Tax	(1,067)	-

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

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**11 INVESTMENT IN SUBSIDIARY**

	<u>Company</u> <u>£'000</u>
At 1 April 2018:	73,187
Increase in investment	-
At 31 March 2019	<u>73,187</u>

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

**12 INVENTORIES**

	<u>Group</u> <u>2019</u> <u>£'000</u>	<u>Group</u> <u>2018</u> <u>£'000</u>
Land	210,213	254,572
Work in progress	141,354	114,675
	<u>351,567</u>	<u>369,247</u>

In the year the Group wrote off £5,608,000 (2018: £414,000) of previously incurred costs relating to the write down of inventories.

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 13 TRADE AND OTHER RECEIVABLES

	<u>Group</u>	<u>Restated</u> <u>Group</u>	<u>Company</u>	<u>Company</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Current assets</b>				
Trade receivables	891	1,012	-	-
Amounts owed by parent undertakings	858	1,117	-	-
Amounts owed by subsidiary undertakings	-	-	72,488	86,994
Other receivables	5,030	2,816	1,296	-
Contract Assets	4,536	5,468	-	-
Prepayments and accrued income	4,622	3,769	582	653
Amounts owed from parent undertakings	-	-	859	-
Loans receivable from joint ventures	1,014	6,475	-	1,380
	<u>16,951</u>	<u>20,657</u>	<u>75,225</u>	<u>89,027</u>
<b>Non-current assets</b>				
Other receivables	-	1,053	-	1,053
	<u>-</u>	<u>1,053</u>	<u>-</u>	<u>1,053</u>

No trade and other receivables are impaired at year end (2018: £nil). Further details about the non-current other receivables in the prior year are provided in Note 22. All other amounts are expected to be settled within one year.

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

The Group has made loans to its joint ventures. Further details are provided in Note 10.

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

### 14 CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances includes £21,428,000 (2018: £34,441,000) of 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 £458,000 (2018: £981,000) 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 not restricted and are under the absolute control of London Square Limited as the parent company of the Group.

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 15 BORROWINGS

	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Current liabilities</b>				
Bank loans	148,044	186,807	-	15,000
Unamortised loan issue costs	(2,776)	(970)	-	(17)
Promissory note	-	23,375	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	145,268	209,212	-	14,983
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Non-current liabilities</b>				
Loan notes	50,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	50,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The bank loans and loan notes 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. Interest costs on loan notes are incurred at a fixed rate and paid on a quarterly basis.

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

In October 2018, following the successful conclusion of its debt refinancing, the Group successfully concluded the refinancing of its £200m revolving credit facility which had been due to expire in March 2019. The Group secured a £150m revolving credit facility from RBS, HSBC and AIB for a 4 year term and an additional £50m loan note placement with Pricoa for a 7 year term. The Pricoa loan is due for repayment in four equal tranches, the first of which is due in October 2022. While the revolving credit facility is in place until October 2022, the rolling loans are all due and expected to be paid within 12 months of the balance sheet date so the balance is shown as current.

The Group has entered into interest rate caps at 1% (2018: 1%). At the year end the Group had caps in place covering £22,328,000 (2018: £102,975,000) of the bank loans balance.

The directors consider the carrying amounts of borrowings to approximate to their fair value.

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**16 TRADE AND OTHER PAYABLES**

	<u>Group</u>	<u>Restated</u> <u>Group</u>	<u>Company</u>	<u>Company</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Trade payables	28,922	28,262	166	160
Amounts owed to parent undertakings	-	259	-	-
Amounts owed to subsidiary undertakings	-	-	16,126	15,541
Other taxation and social security	658	446	-	-
Land payables	4,600	10,721	-	-
Contract liabilities	24,745	26,863	-	-
Accruals and deferred income	11,239	21,097	418	868
	<hr/>	<hr/>	<hr/>	<hr/>
	70,164	87,648	16,710	16,569
	<hr/>	<hr/>	<hr/>	<hr/>

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

Contract liabilities includes amounts held in relation to monies received on exchange of contracts amounting to £17,724,000 (2018: £19,420,000).

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.

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 17 PROVISIONS

	<u>Group</u> <u>Completed</u> <u>Developments</u> <u>£'000</u>	<u>Group</u> <u>Indemnity</u> <u>£'000</u>	<u>Group</u> <u>Total</u> <u>£'000</u>
At 1 April 2018	4,322	5,825	10,147
Utilised in year	(671)	-	(671)
Unused amounts released	(1,776)	-	(1,776)
Created in the year	1,756	-	1,756
At 31 March 2019	3,631	5,825	9,456

	<u>Group</u> <u>Completed</u> <u>Developments</u> <u>£'000</u>	<u>Group</u> <u>Indemnity</u> <u>£'000</u>	<u>Group</u> <u>Total</u> <u>£'000</u>
At 1 April 2017	1,854	-	1,854
Utilised in year	(311)	-	(311)
Created in the year	2,779	5,825	8,604
At 31 March 2018	4,322	5,825	10,147

Completed developments provisions relate to customer care and estimated remaining costs for completed residential units.

The indemnity provision relates to the Group's 2014 sale of its investment in Fulham Developments (Jersey) Limited, a special purpose residential property development joint venture company. The joint venture company was sold for a variable consideration dependent upon the return the purchaser made from that company. The Group provided an indemnity to the purchaser whereby should that return decrease the Group would repay a proportion of the consideration received. Events have arisen that may give rise to significant costs to the purchaser and accordingly the Group has recognised a provision for the amount of consideration that would be repayable to the purchaser.



## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### NOTES TO THE FINANCIAL STATEMENTS

#### 18 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, bank loans and loan notes.

The Group monitors capital primarily using a loan-to-cost ratio, which is calculated as the amount of outstanding bank loans and loan notes 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 and loan note 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 under development agreements usually with 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 assets and liabilities of the Group:

	<u>Less than 1</u> <u>year</u> <u>£'000</u>	<u>2 to 5</u> <u>years</u> <u>£'000</u>	<u>&gt; 5 years</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<u>As at 31 March 2019</u>				
Bank loans	148,044	-	-	148,044
Loan notes	-	25,000	25,000	50,000
Land payables	4,600	-	-	4,600
Trade and other payables	29,580	-	-	29,580
Accruals and deferred income	11,239	-	-	11,239
	<u>193,463</u>	<u>25,000</u>	<u>25,000</u>	<u>243,463</u>

While the revolving credit facility is in place until October 2022, the rolling loans are all due within 12 months of the balance sheet date so the balance shown as current.

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**18 FINANCIAL INSTRUMENTS (CONTINUED)**

	<u>Less than 1</u> <u>year</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<u>As at 31 March 2018 (Restated)</u>		
Bank loans	186,807	186,807
Promissory Note	23,375	23,375
Land payables	10,721	10,721
Trade and other payables	28,967	28,967
Accruals and deferred income	21,097	28,331
	<hr/> 270,967	<hr/> 278,201 <hr/>

**Interest rate risk** - The Group is funded by a combination of ordinary shares, retained earnings, fixed rate preference shares, fixed rate loan notes 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 £22,328,000 (2018: £102,975,000) over the bank loans. The following table sets out the interest rate risk associated with the Group's financial (assets) and financial liabilities:

	<u>Fixed rate</u> <u>£'000</u>	<u>Floating</u> <u>rate</u> <u>£'000</u>	<u>Non-</u> <u>interest</u> <u>bearing</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<u>As at 31 March 2019</u>				
Cash and cash equivalents	-	(38,993)	-	(38,993)
Loans receivable from joint ventures	(645)	-	(369)	(1,014)
Bank loans	-	148,044	-	148,044
Loan notes	50,000	-	-	50,000
Land payables	-	-	4,600	4,600
Trade and other payables	-	-	29,580	29,580
Accruals and deferred income	-	-	11,239	11,239
	<hr/> 49,355	<hr/> 109,051	<hr/> 45,050	<hr/> 203,456 <hr/>

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019**  
**NOTES TO THE FINANCIAL STATEMENTS**

**18 FINANCIAL INSTRUMENTS (CONTINUED)**

	<u>Fixed rate</u> <u>£'000</u>	<u>Floating</u> <u>rate</u> <u>£'000</u>	<u>Non-</u> <u>interest</u> <u>bearing</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
<b>As at 31 March 2018</b>				
Cash and cash equivalents	-	(63,202)	-	(63,202)
Loans receivable from joint ventures	(1,517)	-	(4,958)	(6,475)
Bank loans	-	186,807	-	186,807
Promissory Note	-	23,375	-	23,375
Land payables	-	-	10,721	10,721
Trade and other payables	-	-	28,967	28,967
Accruals and deferred income	-	-	28,331	28,331
	<u>(1,517)</u>	<u>146,980</u>	<u>63,061</u>	<u>208,524</u>

**19 ORDINARY SHARE CAPITAL**

	<u>Group &amp;</u> <u>Company</u>  <u>2019</u> <u>£'000</u>	<u>Group &amp;</u> <u>Company</u>  <u>2018</u> <u>£'000</u>
<i>Authorised, allotted, called up and fully paid:</i>		
29,261,346 (2018: 29,261,346) ordinary A shares of £1 each	29,261	29,261
220,000 (2018: 220,000) ordinary B shares of £1 each	220	220
	<u>29,481</u>	<u>29,481</u>

In March 2018 the Company issued 28,481,341 A ordinary shares to LSQ HoldCo 3 Limited, its parent undertaking, full details are provided in Note 22.

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 20 OPERATING LEASE COMMITMENTS

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

	<u>Land &amp; buildings</u>	<u>Motor vehicles</u>	<u>Land &amp; buildings</u>	<u>Motor vehicles</u>
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Within one year	545	43	545	31
More than one year and less than five years	2,179	48	2,063	28
More than five years	978	-	1,490	-
	<u>3,701</u>	<u>91</u>	<u>4,098</u>	<u>59</u>

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

	<u>Land &amp; buildings</u>	<u>Land &amp; buildings</u>
	<u>2019</u>	<u>2018</u>
	<u>£'000</u>	<u>£'000</u>
Within one year	516	516
More than one year and less than five years	2,063	2,063
More than five years	978	1,490
	<u>3,556</u>	<u>4,069</u>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 21 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
<i>Directly held subsidiaries:</i>		
London Square Developments (Ventures) Limited	Holding company	£1 ordinary shares
London Square (Staines) Limited	Land developer and housebuilder	£1 ordinary shares
<i>Indirectly held subsidiaries:</i>		
London Square (Holdings) Limited	Holding company	£1 A & B ordinary 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 Works Limited	Commercial Land developer	£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 (Walton-on-Thames) Holdings Limited	Holding company	£1 ordinary shares
London Square (Walton-on-Thames) Limited	Land developer and housebuilder	£1 ordinary shares
London Square Development Management Limited	Property development management service provider	£1 ordinary shares
London Square (Fulham) Limited	Holding company	£1 ordinary shares
London Square (RSG) Limited	Holding company	£1 ordinary shares
Broadwick Estates Limited	Holding company	£1 ordinary shares
London Square (Charter Square) Management Company Limited	Residents' Management Company	Limited by guarantee
London Square (NKR) Management Company Limited	Residents' Management Company	Limited by guarantee
London Square (Tadworth) Management Company Limited	Residents' Management Company	Limited by guarantee
London Square (Spitalfields) Management Company Limited	Residents' Management Company	Limited by guarantee
London Square (Streatham Hill) Management Company Limited	Residents' Management Company	Limited by guarantee

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

## NOTES TO THE FINANCIAL STATEMENTS

### 21 RELATED UNDERTAKINGS (CONTINUED)

#### *Indirectly held subsidiaries (continued):*

London Square (Canada Water) Management Company Limited	Residents' Management Company	Limited by guarantee
London Square (Isleworth) Management Company Limited	Residents' Management Company	Limited by guarantee
London Square (Orpington) Management Company Limited	Residents' Management Company	Limited by guarantee
London Square (Crimscott Street) Management Company Limited	Residents' Management Company	Limited by guarantee
London Square (Caledonian Road) Management Company Limited	Residents' Management Company	Limited by guarantee
Chigwell Grange Management Company Limited	Residents' Management Company	Limited by guarantee
Star & Garter (Richmond Hill) Management Company Limited	Residents' Management Company	Limited by guarantee
Ancaster House (Richmond Hill) Management Company Limited	Residents' Management Company	Limited by guarantee

#### *Indirectly held joint ventures:*

Richmond Hill Developments (Jersey) Limited*	Land developer and housebuilder	£1 ordinary shares
Bulk Property Investor Limited**	Property investor	£1 ordinary shares
Vulcan Wharf Limited***	Land developer and housebuilder	1p ordinary shares
Vulcan Wharf Holdings LLP***	Land developer and housebuilder	1p 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.

\*\*\*The Company indirectly holds 50% of the share capital of Vulcan Wharf Limited and 50% membership share of Vulcan Wharf Holdings LLP, entities registered in England and Wales both with a registered office of One York Road, Uxbridge, Middlesex UB8 1RN.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### NOTES TO THE FINANCIAL STATEMENTS

#### 22 RELATED PARTY TRANSACTIONS

##### *Transactions between the Group and its parent*

LSQ HoldCo 3 Limited, the Company's immediate parent undertaking, was the shareholder of the Company's preference shares. In March 2018 the Company issued A Ordinary Shares to LSQ HoldCo 3 Limited in consideration for settling all the preference shares and associated accrued dividends and redemption premium, this amounted to consideration of £44,773,000. Included in the Group's finance costs were dividends payable of £nil (2018: £2,548,000) that accrued to LSQ HoldCo 3 Limited.

The Group has provided £858,000 of funding to LSQ HoldCo 3 Limited which remained outstanding at the current and prior year ends.

##### *Transactions between the Company and its subsidiaries*

The Company was the noteholder of loan notes issued by London Square Developments (Ventures) Limited, the Company's subsidiary undertaking. In March 2018 London Square Developments (Ventures) Limited issued ordinary shares to the Company in consideration for settling all the loan notes and associated accrued interest, this amounted to consideration of £43,741,000. During the year the loan interest receivable accruing to the Company amounted to £nil (2018: £3,855,000).

The Company has provided funding to its subsidiary undertakings. At the year end the receivable outstanding amounted to £56,363,000 (2018: £71,453,000).

The Company leases office space used by the Group and has a sublease for this space with a subsidiary company.

##### *Transactions between the Group and its joint ventures*

The Group provides funding and development management services to Richmond Hill Developments (Jersey) Limited ('Richmond Hill'), its joint venture. During the year the Group received a fee of £nil (2018: £450,000) for the provision of development management services. At the year end the Group had trade receivables of £251,000 (2018: £343,000) owed by Richmond Hill in respect of fees and cost recharges.

In February 2016 the Group provided loans of £6,619,000 of funding to Richmond Hill. In the current year Richmond Hill paid £117,000 (2018: £1,197,000) of interest and repaid £1,371,000 (2018: £4,233,000) of the loan principal. During the year interest receivable of £131,000 (2018: £587,000) accrued on this loan. At 31 March 2019 Richmond Hill owed the Group £1,030,000 (2018: £2,388,000) in respect of the loans and associated interest.

As detailed in Note 10, in the year the Group acquired 50% of Vulcan Wharf Holdings LLP, a new joint venture LLP.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019

### NOTES TO THE FINANCIAL STATEMENTS

#### 22 RELATED PARTY TRANSACTIONS (CONTINUED)

##### *Transactions between the Group and its key management personnel*

During the year none of the Company's directors and their close family members completed the acquisition of any units at any development (2018: four were completed for a total of £2,208,000). In the year the Group rescinded two sales agreements with a director for the purchase of a unit at the Group's Caledonian Road and Streatham Hill developments.

As at 31 March 2019, two of the Company's directors (2018: three) had exchanged on sale agreements to purchase 2 units (2018: 4) at the Group's Caledonian Road for £1,080,000 (2018: £1,946,000) and subsequent to the year end the Group rescinded the sales agreements for these two units. Included within accruals and deferred income are £54,000 of deposits (2018: £119,000) received in relation to these purchases.

During a prior year the Company made a loan of £1,000,000 to B A Betsy, a director. The loan bore interest at a fixed rate of 3% per annum, which, at the option of the borrower, was paid or capitalised annually. The loan was repayable on the earliest of 28 June 2021, the borrower leaving employment and a sale of the Group. During the year £3,000 (2018: £31,000) of interest accrued on the loan, this is reported within other finance income. In the year the Company reached agreement with B A Betsy for him to substantially repay the outstanding loan and associated interest and the Company waived £57,000 of the balance resulting in the loan being fully settled. At the year end included within other receivables is £nil (2018: £1,053,000) in respect of the loan and accrued interest.

Included within other receivables is £35,000 (2018: £75,000) owed to the Group by A P Lawrence, and £900 (2018: £nil) owed to the Group by R L Littler, both directors.

Included within other receivables is a loan of £970,000 (£2018: £nil) to Estera Trust (Jersey) limited which is the trustee of the London Square Employee Benefit Trust which was setup in the year. The loan facilitated the purchase of preference shares of another Group company for the benefit of the Group.

During the year a director became a board member of AXA PPP Healthcare Ltd, a company the Group already had a contract to receive medical insurance from on an arms length basis. £117,000 was paid to AXA in the year.

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

#### 23 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.