

**LONDON SQUARE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2020**  
**REGISTERED NUMBER: 07774351**



# MAKING LONDON GREATER

Founded in 2010, the company has already created a development pipeline worth over £1.2 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

- 559 units completed (2019: 253)
- Revenue under management of £314.2m (2019: £196.6m)
- Embedded gross profit margin across land bank 20.4% (2019: 20.6%)
- Gross Profit Margin of 9.9% (2019: 11.8%)
- Operating Profit of £10.8m (2019: £6m)
- Net Gearing Ratio 43% (2019: 112%)
- Year End Cash Balance £33.7m (2019: £33.9m)
- Gross Tangible Asset Value £200.7m (2019: £300.0m)
- Net Tangible Asset Value £140.8m (2019: £141.8m)

## Portfolio Highlights

- Completed final sales at Spitalfields and Caledonian Road sites
- First completions at Tadworth
- Awarded Best London Home and Grand Prix at the Evening Standard Awards 2019 for Caledonian Road
- Established new partnership with Clarion
- Forward sales of £189.0m (2019: £179.9m)
- Land Pipeline of 2,353 (2019: 2,356) units representing £1.2 billion (2019: £1.3billion) of GDV
- 4 sites exchanged (2019: nil)
- 3 planning consents received (2019: 1)

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### CHAIRMAN'S STATEMENT

The Group delivered a strong operational performance for the financial year ended 31 March 2020, with 559 completions. This was achieved despite the impact of the growing likelihood of the UK leaving the EU without a formal withdrawal agreement and the year-end being impacted by the effects of the COVID-19 pandemic. These factors combined putting future profit margins under pressure.

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

- Residential Sales – the Group has delivered its strongest year yet in trading performance with 559 units delivered;
- London Square Partners - strategic initiative has progressed with significant contracts being achieved with Peabody and Clarion and post year-end with One Housing improving the Group's Land Bank; and
- Strong Cash Generation – the Group has successfully reduced the net gearing levels to 43% from 112% and finished the year in a good liquidity position with a solid forward sales position setting the Group up well for the next financial year.

A handwritten signature in black ink, appearing to read 'M. A. P.', with a horizontal line underneath.

Mark Pain  
Chairman

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### 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.

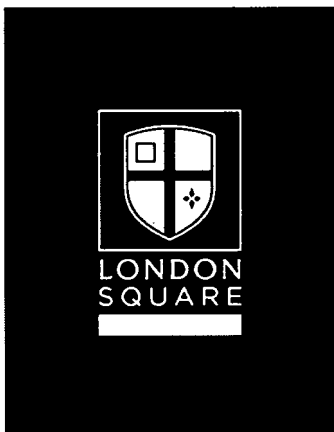
## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### 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 2020

### 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 of the Group for over 7 years. Scott has an outstanding track record. In his 20+-year career he has worked at board level of listed and private companies across industries including technology, healthcare and financial services and managed all manner of debt and equity transactions.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### 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.

#### *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 2020

### SECTION 172 STATEMENT

In July 2018, the Financial Reporting Council published the new guidance on Companies (Miscellaneous Reporting) Regulations 2018, including the ways in which the Company demonstrates how they have discharged their section 172 duties under the Companies Act 2006. Section 172 imposes a general duty on all company directors to act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholders as a whole. Including:

- The likely consequences of any decision in the long term;
- The interests of the Group's employees;
- The need to foster the Group's business relationships with suppliers, customers and others;
- The impact of the Group's operations on the community and the environment;
- The desirability of the Group maintaining a reputation for high standards of business; and
- The need to act fairly as between members of the Group.

Details of how we have engaged with and taken into consideration, the interests of those members who are material to the long-term success of the business are listed below:

#### **Investors**

##### *Engagement*

##### **Monthly Board Meetings**

A formal Board Pack is produced each month and submitted to all Board members prior to the date of the Board meeting. The CEO, CFO, COO along with each department head will produce a report summarising the events of the month for their department and providing updates on ongoing items.

##### *Outcome of engagement*

The Board has the responsibility for establishing and reviewing the long-term strategic objectives and policies of the Group. The Board is collectively responsible for the success of the business, the executive directors are directly responsible for running the business operations and the non-executive directors are responsible for bringing independent judgement and scrutiny to decisions taken by the Board.

#### **Employees**

##### *Engagement*

##### **Health, safety and wellbeing**

The health and safety of our employees, along with our suppliers, sub-contractors and customers visiting our show rooms, is a priority for the Group.

##### *Outcome of engagement*

The Health and Safety manual is published on the Company intranet and updated annually to ensure all stakeholders within the company adhere to health and safety guidance to create a safe work environment.

The Health and Safety Manager regularly visits sites on a rotational basis to talk to employees and contractors and obtain feedback on the effectiveness of the health and safety environment.

Feedback received from sites visits are reported to the Construction Director and measured against industry standards set by the Health & Safety Executive. Any shortfall in meeting our health and safety obligations is addressed to ensure compliance with current regulations.

##### **Internal communication**

The Group provide regular updates to employees to ensure they are kept informed of developments via Square Times publications on the Company's intranet. In addition, we hold an annual Company Briefing at an offsite location. This has been replaced in 2020 by a more frequent State of the Nation address via Microsoft Teams, due to COVID-19.

We continue to monitor the effectiveness of our communications through an informal feedback loop. Our 'Work life in Lockdown' survey told us that 87% of employees felt that 'Communication has been good; I feel I am part of a team and have understood what we are doing and why we are doing it, throughout the lockdown period'.

##### **Performance Reviews**

During the annual employee appraisal process, some employees indicated a desire to also have an informal mid-year meeting.

This feedback resulted in an Employee Appraisal Process known as a Café Meeting. These happen annually, with an informal half yearly review. Café Meetings are used to monitor and manage employee performance, set goals and identify development opportunities, they are however not part of a formal performance management system

##### **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 firmly believe our people are our greatest asset and our team is built upon a strong foundation of talent

See Director's Report - Equal Opportunities

##### **Engagement survey**

The Group completed the second of three engagements surveys, specifically measuring the engagement of employees in 2019. The last in the series is planned for the last quarter of 2021.

The results of this survey can be found in the Directors Report - Equal Opportunities



# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## SECTION 172 STATEMENT

### **Work life in lock down**

We asked all employees to complete a 'Work life in Lockdown' survey in May, in order to gain a general understanding of our employees' health and wellbeing in lockdown. As well as understanding how well the Company is communicating, whether we are providing the right tools and equipment and the teams thoughts on returning to work in the future.

The results of this survey can be found within the Directors Report under Employee Involvement.

### **Customers**

#### **Engagement**

##### **Customer events**

The sales and marketing team play an active part in the community. Regular events are organised to ensure potential new customers and local residents are made aware of new developments and the positive impact this will have on the local community.

##### **Customer feedback**

After the completion of a residential sale, buyers are requested to take part in a survey conducted by an independent research company, Inhouse Research. Inhouse Research asks buyers to answer a list of questions in relation to their interaction with buying a home from London Square.

##### **Customer care and satisfaction**

London Square endeavours to make the buyers experience a pleasant one and engages with its customers throughout the purchase process. Two weeks prior to completion the Customer Care team will contact the buyer to book a home demonstration. This is the first point of contact with customers which is subsequently followed by a key handover. Inhouse Research asks buyers to answer a list of questions in relation to their interaction with buying a home from London Square.

#### **Outcome of engagement**

Historically the feedback from attendees of these events has been positive. London Square continues to organise events for all new developments, ensuring key stakeholders are invited, including the local Mayor.

As a result of customer feedback during 2019, London Square has received 99% positive feedback and has been awarded the 2020 Gold award for customer satisfaction.

### **Suppliers, Sub-contractors and Others**

#### **Engagement**

##### **Supplier relations**

The Group builds relationships with its suppliers and contractors and regularly communicates its current progress and any future development plans.

##### **Lenders**

London Square regularly meets with its lenders providing them with updates.

#### **Outcome of engagement**

Ongoing discussions with suppliers have led to mutually beneficial arrangements to improving costs and consistency of material supplies.

This results in a fluid but stable capital base upon which the Group can draw.

### **Community and the Environment**

#### **Engagement**

##### **Regulators**

The Group take their regulatory responsibilities seriously. The Board is committed to ensuring that it is open and transparent with regulators

##### **Local authorities**

We work closely with local authorities to ensure that our developments meet the relevant planning requirements to provide safe homes and a safe environment in which to live.

##### **Partnerships**

Our strategic initiative into Partnering with public sector organisations was launched in 2017 and has met with considerable success to date.

##### **Corporate Social Responsibility**

As part of the initial development process, the Group engages with local residents by organising Town Hall meetings. Local residents are notified a few weeks prior to the meeting and encouraged to provide their feedback on the proposed plan forming part of their community.

#### **Outcome of engagement**

See Principal Risks - Health, Safety and Environmental Procedures on how we maintain a safe environment for our employees, contractors and visitors to our sites.

See Principal Risks - Planning and Regulatory Environmental Procedures on how we meet the requirements of the community.

The Group works with housing associations to provide affordable homes within the local authority to ensure the needs of the customer base are met. See Strategic Report - Partnerships.

The occurrence of these Town Meetings has led to instances where local authorities and residents have made requests and suggestions resulting in a specific change to the planning of the development. Planning applications have changed resulting in zebra crossings being added to facilitate access to local parks, concerns by local residents around existing homes being overlooked by new developments, have been addressed and local authority requests to minimise carbon footprint have been addressed by, for instance, implementing energy saving photovoltaic windows in our developments.

### **Recycling**

As part of our corporate responsibility we aim to reduce our carbon footprint.

The Group works with our main subcontractors and local recycling companies to recycle waste materials.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### SECTION 172 STATEMENT

#### *Ecology*

Part of the initial planning process involves engaging professional ecologists who survey the area around the planned development.

The Company adheres to the recommendations from the ecologist's report to protect the local flora and fauna. Resulting in steps taken by the Company to protect newts, bats, badgers and acid grass.

#### *Charities*

The Group supports a number of local and national charities.

See Director's report - Charitable Donations

#### Impact of Board decisions

As a result of engagement with the various stakeholders of the Group, below are some examples of responses to some of the feedback received:

#### Principal decisions

- At a strategic level the Board has been developing the Partnerships business to further enhance the operations of the Group as outlined in the Strategic Report.
- On recognition of the impact of the COVID-19 Pandemic, the Board implemented policies and procedures to mitigate the impact on our suppliers, staff and customers. These procedures have been outlined in the Strategic Report.

#### Other decisions

- The Board's understanding of Government policy and regulation means decisions are made within a predefined framework making the planning process more efficient.
- The results from our surveys have told us we need to work on inter-departmental teamwork and communications, so we have continued to invest in our iSquare and iQ SharePoint platforms. In addition, we have committed to develop and deliver two new Management and Leadership programmes in response to the demand for more learning and development opportunities.
- In the Work life in lock down survey our employees told us they would like to return to work post COVID-19, to a new working pattern that splits their time between the office and home. As a result, we have introduced an Agile Working Policy.
- The Group will complete a full audit of our supply chain and from the audit we will produce a supply chain risk analysis and action plan.
- In May 2020, as part of our recycling initiative, 98.61% of waste materials from our Bermondsey site, sent to Westminster Waste were recycled.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### STRATEGIC REPORT

London Square started 10 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 established a reputation as a premier residential house builder in the London area.

The Group set out with the strategic objectives at the beginning of the year to:

- *Lower Gearing* – during the year the Net Gearing ratio reduced from 112% to 43% and the Group finished the year with £33.7m of cash on the balance sheet
- *Grow Partnerships* – during the year the Group secured contracts with Clarion and Peabody to help boost the Land Bank to over 3,500 units, the highest it has ever been. Approximately 33% of this Land Bank are Affordable Units. In addition to this we are now seeing positive traction in longer term projects with London Square having been chosen by London Borough of Waltham Forest to partner with One Housing in the delivery of a further 300 new homes.
- *Deliver Quality Units* – during the year the Group delivered 559 (2019: 253) residential units, surpassing the 500 unit a year target and has done so with an outstanding level of quality and construction safety.
- *Improve Private Sales Rates* – The continual market overhang of the UK referendum decision to leave the EU has dampened the private residential market for some time. The Group has been focused on improving sales rates and activity in the private residential market and achieved a rate of 0.71 units per site per week for the year ended 31 March 2020 (2019: 0.39)
- *Continue on the cost saving initiatives* – Although implemented the nature of the business is it will take some years for the cost certainty exercises on projects to be reflected in the margin, but management are confident that significant inroads have been achieved in the past financial year.

At the very end of the financial year, the market was significantly impacted by the COVID-19 pandemic and the UK Government issued guidelines that required all construction sites and sales outlets to close. The Group complied with these guidelines but through maintaining social distancing and use of technology in sales has been able to reopen all sites and sales offices by the end of May 2020. Although construction operations are at approximately 80% capacity due to the social distancing requirements, management are confident that programmed delivery can be maintained.

Fortunately, having just completed a major delivery programme of units, the Group found itself in a very strong capital position at the beginning of the lock down period, with significant balances of cash and the lowest gearing level the business has experienced since it was established.

In addition to this the Group has finished the 31 March 2020 with a growing forward sales position driven by the success achieved in our Partnerships business. As at 31 March 2020 the forward contracted sales order book was at £189.0m (2019: £179.9m) a 5% growth year on year with Affordable Housing representing 49.4% of the value (2019: 16.2%).

However, the Group cannot avoid that the sales market activity is depressed while the world gets used to a new way of operating and as a result the directors thought it prudent to revise the margin assessment of the projects that are currently selling in this market. This resulted in a significant deterioration of the profitability for the 31 March 2020 year despite the strong trading activity achieved during the year. The Group delivered 559 residential units (2019: 253) with a further £14.9m of revenue primarily from commercial units, the Groups strongest results to date.

Looking beyond the 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 reinvest Group capital to exploit opportunities within the land market as they arise. In the past year, we have invested a further £121.1m (2019: £125.6m) in development projects.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### STRATEGIC REPORT

#### *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 2020 the market experienced a continual soft market with low consumer confidence limiting purchaser decision making and 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 during the year.

At the year end, the market was impacted by the COVID-19 pandemic with a shutdown of all activities. By May 2020 activity had resumed generally in the housing market on both construction and sales sides of the industry but the continued uncertainty in the market is expected to have a further prolonged dampening effect on consumer confidence and credit availability to support the 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. 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 exchanged on four new sites (2019: nil), which enabled the Group to maintain its land bank level consisting of 2,353 units (2019: 2,356 units). The embedded gross profit margin across our land bank remained constant at 20.4% (2019: 20.6%) as the land prices being achieved and cost management exercises are starting to play through compared to market pressures on current projects delivering. Since year end we have significantly advanced the land bank with the further contracting of a new Greenwich site with over 700 units. On the Development side, the difficulties associated with achieving planning continue to restrict activity with 3 planning consents achieved during the year adding 221 units (2019: 104 units) but since year end a further 251 units have received resolutions to grant planning.

#### *Partnerships*

Our strategic initiative into Partnering with public sector organisations was launched in 2017 and has met with considerable success to date. We continue to work with Peabody on the Stratford and Holloway Projects. Additions to the activity this year include bringing in Clarion as a partner on three projects:

- West Croydon, site acquired with planning for 232 units of which 55% are affordable;
- Neasden – site with planning for 121 units of which 100% are affordable; and
- Staines – site with planning for 104 units of which 100% are affordable.

Subsequent to year end, there has been further success with London Square having been chosen along with One Housing as our partner for the development of a 300-unit scheme with the London Borough of Waltham Forest.

#### *London Square Works*

Within the Group's Land Bank, there is over £123m (2019: £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 places of destination.

During the year ended 31 March 2020 London Square has realised the commercial unit value of £11.2m (2019: £8.5m). This was primarily through the Caledonian Road project.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### STRATEGIC REPORT

#### 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, Average Selling Price of the private units and anticipated completion.

Project	Units	Nature	Affordable	ASP	Completing	
Caledonian Road	252	Flatted	40%	£679k	2020	
Orpington	115	Mixed	10%	£535k	2020	
Neasden	121	Flatted	100%	-	2021	Partnership
Chigwell*	86	Housing	-	£484k	2022	
Bermondsey	276	Flatted	30%	£783k	2022	
Staines-upon-Thames	364	Flatted	29%	£370k	2022	Partnership
Tadworth	229	Mixed	28%	£493k	2022	
Greenwich	59	Flatted	31%	£587k	2022	
Walton-on-Thames	104	Mixed	12%	£737k	2023	
Twickenham	116	Mixed	50%	£739k	2023	
Kingston	52	Flatted	35%	£501k	2023	
West Croydon	232	Flatted	55%	£446k	2023	Partnership
Watford	72	Flatted	-	£360k	2023	
Ruislip	106	Flatted	23%	£441k	2024	
Tonbridge*	185	Flatted	30%	£291k	2024	
Stratford*	644	Flatted	35%	£479k	~2026	Partnership
Holloway*	~1,100	Flatted	~60%	-	~2028	Partnership
Bermondsey P3*	188	Flatted	33%	£900k	~2028	

\* Remains subject to planning at date of report

#### Outlook

Continued uncertainty regarding the UK's trading position with the European Union along with the continual impact and further threat from COVID-19 pandemic provides a difficult back drop against which to forecast future activity. Currently the trading activity of the Group has been curtailed by the COVID-19 social distancing requirements, but the Group remains on track for delivery of its planned residential unit sales. The significant forward order book position for the next financial year provides some underwriting of the outlook. However, there is some exposure to Commercial Units should investor appetite not return during this period of uncertainty. Under these circumstances it will be challenging for the Group to return to former levels of profitability in the coming year. Nevertheless, we continue to believe forecast results will be better than currently reported.

The Strategic report is approved on behalf of the Board



A P Lawrence  
Director  
24 July 2020

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### 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.

##### Performance

In the year ended 31 March 2020 the Group delivered £314.2m of Revenue Under Management (2019: £196.6m) a 59.8% increase. This reflected a concerted effort of improvement from the previous year which was heavily influenced by stalled contracts influenced by the uncertainty of a Brexit decision.

#### *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 2020 the Group reported revenue of £272.5m (2019: £168.3m), an increase of 61.9%. The business mix during the year ended 31 March 2020 showed a shift to a decreased reliance upon private residential sales with Revenue being comprised of 74.5% Private (2019: 81.5%) and 20.4% Social (2019: 7.9%). The remainder of the Revenue has resulted primarily from Commercial Unit transactions 4.1% (2019: 5.2%).

#### *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. 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.

##### Performance

In the year ended 31 March 2020 the Group completed 559 units (2019: 253) of which 363 units were private (2019: 200) 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 2020

### 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 and maintained in the current year.

##### Performance

In the year ended 31 March 2020 the Average Value per Unit decreased by 27.7% contributed to by the increase in the proportion of Social Units discussed above. The Average Value per Private Unit decreased to 650.9k (2019: £805.4k), a 19.2% decrease created by the predominance of the Staines-upon-Thames and Caledonian Road sites. Social Residential Average Value per unit also rose by 22.0% to £298.3k (2019: £244.5k).

#### *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 2020 the sales rate increased to 0.7 units per week per site compared to 0.4 in the prior year. This was helped by bulk sales during the year but even removing this the comparable rate was 0.5, in the Group's target range. The COVID-19 pandemic has had a considerable impact on this since the year end.

#### *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

Over the past 18 months the Group has been seeking to improve the stability of the business through the Partnerships business and this has started to be reflected in the Forward Sales. As at 31<sup>st</sup> March 2020 the Forward Sales position was £189.9m compared to £179.9m at 31 March 2019. The composition of the forward sales has moved toward partnership lead business with 49% of the total being Affordable Revenue.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### 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

To address this Key Performance Indicator the Directors have initiated a number of internal cost management strategies in order to improve results. The principal involves achieving earlier cost certainty on new projects 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 increased to 4.0% (2019 3.8%) Despite positive trading the prospect of COVID-19 depressing margins in the future has resulted in addressing the historical profitability of existing projects.

#### *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 changes in Operating Profit the Return on Capital Employed has improved over the same period from 2.2% to 4.3%.

#### *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 £140.8m as at 31 March 2020, consistent with the position reported 12 months earlier of £141.8m.



## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### KEY PERFORMANCE INDICATORS

#### *Gross Tangible Assets*

##### Definition

London Square calculates Gross Tangible Assets as its Tangible Net Asset Value plus Net Debt, being total bank debt less cash.

##### 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.

##### Performance

The level of lower investment in the year ended 31 March 2020 and the trading activity resulting in the Group's tangible gross assets decreasing to £202.8m (2019: £300.0m).

#### *Net Gearing*

##### Definition

London Square calculates the Net Gearing performance indicator as the Net Debt, being total bank debt less cash, divided by Tangible Net Assets.

##### Strategy

During the period of growth, the Group has adopted a strategy of maximising the Net Gearing. Over the year ended 31 March 2020, the Group has successfully reduced this indicator through a return of cash.

##### Performance

The level of Net Gearing has reached its lowest point of 43% as at 31 March 2020 compared to 112% at the same time last year.

#### *Land Bank*

##### Definition

Land Bank represents the number of units the Group has control over the delivery through contractual arrangements or ownership.

##### Strategy

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

The year ended 31 March 2020 saw the Group invest in its Partnership business and private residential sites to offset the completions in the year. Accordingly, the Land Bank has remained constant at 2,353 units (2019: 2,356) which continues to underpin the revenue and profit for the next 3 years.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### 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:

**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. At the year end the economic climate uncertainty was greatly increased through the impact of COVID-19 pandemic, increasing the risk of falling consumer confidence. As such the Group seeks to secure forward sales and purchase contracts with the intention of reducing the exposure to such fluctuations.

**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 and more recently by the impact of the COVID-19 pandemic.

**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.

**Capital Availability** – London Square is dependent upon the provision of capital from the current lending group to continue in operation. This support is particularly acute during the uncertain times presented by the impact of the COVID-19 pandemic. Management are in regular dialog with the lending group to ensure continued support and are regularly reviewing the capital structure and adequacy of facilities as well as exploring opportunities in the market to diversify the capital base.

**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.

**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.

**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).

**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.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### DIRECTORS REPORT

The directors present their report and audited consolidated financial statements for the year ended 31 March 2020.

#### Dividends

No dividends were recommended, approved or paid during the year (2019: £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 market impact of the COVID-19 pandemic upon the market in general and the political uncertainty around the final nature of the implementation of the referendum decision on the UK's membership of the European Union.

#### Directors

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

M A Pain  
A P Lawrence  
M S Evans  
S D Brown  
S C Casey  
S S Hudson  
R S Littler (Resigned 3rd April 2020)  
A Maciejewski  
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.

#### Going Concern

The directors have conducted a rigorous 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, severe but plausible sensitivities have been applied to key factors affecting the expected financial performance and liquidity of the Group which take account of the continuing impact on the business caused by the outbreak of COVID-19 pandemic. The assessment has considered downside case forecasts where significant delays, cost increases and revenue reductions are experienced. Stress test sensitivities have then been applied to these forecasts to model the impact of a second extended period of tighter government restrictions, a significant fall in house prices and substantial increases in build costs.

As detailed in the Strategic Report, the Group has a comprehensive portfolio of projects and forward sales orderbook underwriting its forecast cashflows which provides significant support for the conclusion that the Group is a going concern. Risk is also mitigated through the Group's land bank principally comprises land acquisition contracts conditional upon the receipt of satisfactory planning permission or in partnership with

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### DIRECTORS REPORT

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 Strategic Report, the Group faces significant political and economic uncertainties that could impact the achievement of forecast returns.

Due to the impact of the COVID-19 pandemic, from 17 March 2020, all non-construction staff were instructed to work from home and by 27 March 2020 all construction sites had been closed down. On 15 April the government had issued revised guidelines to enable construction work to re-commence and by mid-May all sites had resumed work on sites. Sales activities had continued throughout the period utilising technology for virtual viewings and electronic signatures to enable contracting. As at the date of this report all roles and sites are back at full capacity.

Due to the current cycle of projects within the Group's portfolio, as at 31 March 2020, the Group was at the highest point of liquidity that it has been for the past 3 years. With a cash balance of £34m and undrawn debt facilities of £112m the directors take significant comfort from the Group's financial health as it has sufficient liquidity to continue trading for the foreseeable future even under the severe stress test scenarios described above.

However, the continued operation of the Group is dependent upon the support of the lenders of the £150m revolving credit facility, NatWest, HSBC and AIB and the £50m Loan note placement with Pricoa. Closing of operations and revision of the level and timing of profit-making activities due to the impact of the pandemic has resulted in a requirement for a waiver of the Interest Cover Ratio covenant as at 31 March 2020. In addition, the forecasts considered as part of this assessment indicate it is likely that the Group will not remain in compliance with the Interest Cover Ratio, Net Asset test and other requirements of the facilities throughout the whole going concern review period. This has resulted in the Group requiring the continual support of the lenders, the provision of which is a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

The directors are in regular dialogue with the lenders and the lenders have expressed their support for the business, allowed the continual drawing of facilities and, to date, granted the necessary waivers of facility requirements in order to allow uninterrupted flow of capital to the business.

Accordingly, with the Lenders continued support, 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. Therefore, the financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

#### Employee Involvement

In 2019 we completed the second of three annual engagement surveys, specifically aimed at measuring the engagement of our people. We are proud to say that 86% of our staff are engaged, a slight drop of 2% on the year, against a background of no salary review and a small restructure in 2019. 85% of the team say they wish to be working for London Square in two years' time and 95% care about the future of London Square. We hold regular communication forums with our people and have worked hard to meet their needs through a new intranet platform and various benefit revisions throughout the year, including the introduction of a holiday purchase scheme and long service awards.

#### 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 firmly believe our people are our greatest asset and our team is built upon a strong foundation of young talent. Our diversity figures continue to be industry leading with 35.6% female, 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. 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 32.5% of our employees between the ages of 25-34 years of age, our highest age

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### DIRECTORS REPORT

demographic, with the NHBC Foundation reporting the largest demographic in the industry being 45-54 years of age at 27.2% and 56.5% of our employees under the age of 45. 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. We are proud to say we now have four employees enrolled in National Apprenticeship Programmes and plan to grow this number organically. In 2020 we are launching two new development programmes, bringing additional management and leadership skills to our already talented team.

#### 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.

London Square has continued to play active part in local communities.

At London Square Orpington, schoolchildren from nearby Darrick Wood Junior school have been able to cross the road safely with the help of lollipop lady Pat Saunders, following our donation to support her role. New residents at Tadworth Gardens, along with people living locally, joined in the fun at a midsummer fair - a welcome event for the community. At London Square Staines Upon Thames, we sponsored a business plan competition for young entrepreneurs run by Spelthorne Borough Council and our sales team took part in a pancake race to raise funds for Shopmobility in Staines town centre. At Bermondsey, we sponsored the annual street festival and staged a Love Bermondsey event, providing local businesses with a showcase for their goods in the sales suite. At Caledonian Road, the London Square team took part in a litter pick in Market Road Gardens, the park next to the development.

The final chapter in the restoration of The Star and Garter on Richmond Hill was the completion of the renovation of the historic Memorial Chapel. London Square, with The Royal Star & Garter Homes charity, hosted a re-hallowing service, allowing worship to continue to commemorate the lives and the care of veterans by the charity for years to come.

#### Charitable Donations

The Group supports a number of local and national charities. Donations to charitable organisations for the year were £3,518 (2019: £2,379). The Group does not make donations to political parties, organisations or their representatives.

In 2020 we have committed to support the charity St Mungo's in their endeavours to end homelessness and rebuild lives, by supporting their London Recovery College with materials, placement and employment opportunities.

#### 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).

## **ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**

### **DIRECTORS REPORT**

#### 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 2020 there was only 1 reportable incident (2019: 1) and the projects maintained an average score of 94.0% (2019: 95.9%) 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 'M. A. P.', followed by a horizontal line and a flourish underneath.

Mark Pain  
Director  
24 July 2020

## **ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**

### **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.



A P Lawrence  
Chief Executive Officer

24 July 2020

# **ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**

## **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 2020 which comprise Group Income Statement, the Group Statement for Change in Equity, the Group Balance Sheet, the Group Cash Flow Statement, the Company Statement of Changes in Equity, the Company Balance Sheet and the related notes 1 to 24, 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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 group and parent 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.

### **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which discloses that the Group's forecasts, informed by the impact of COVID-19 on trading, indicate that the Group will not meet covenant requirements during the going concern period. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **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.

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.



## **ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON SQUARE LIMITED**

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 directors' responsibilities statement set out on page 22, 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.

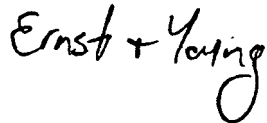
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON SQUARE LIMITED**

#### 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.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

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

29 July 2020

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**  
**GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2020**

	<u>Note</u>	<u>2020</u> <u>£'000</u>	<u>Restated</u> <u>2019</u> <u>£'000</u>
Revenue	2	272,417	168,318
Cost of sales		(245,485)	(142,828)
Land cost write off	12	-	(5,608)
<b>Gross profit</b>		<b>26,932</b>	<b>19,882</b>
Selling costs		(9,123)	(9,225)
Administrative expenses		(13,529)	(9,182)
Other operating income		749	114
Profit on derecognition of a subsidiary	10	-	5,000
Share of operating profits / (losses) of joint ventures	10	1,222	(74)
Reduction of provision for indemnity	17	4,575	-
<b>Operating profit</b>	3	<b>10,826</b>	<b>6,515</b>
Finance income	6	80	163
Finance costs			
- Group	7	(10,734)	(12,544)
- Joint venture	7	(97)	(409)
<b>Profit / (Loss) before tax</b>		<b>75</b>	<b>(6,275)</b>
Tax			
- Group	8	229	476
- Joint venture		(165)	73
<b>Profit / (Loss) for the year</b>		<b>139</b>	<b>(5,726)</b>

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

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

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**  
**GROUP STATEMENT FOR CHANGES IN EQUITY FOR 31 MARCH 2020**

	<u>Ordinary share capital £'000</u>	<u>Share premium £'000</u>	<u>Retained earnings £'000</u>	<u>Total equity £'000</u>
<b>At 31 March 2018, as previously reported</b>	29,481	107,608	13,643	150,732
Adjustment on initial application of IFRS 16, before tax	-	-	(147)	(147)
Deferred tax effect of IFRS 16	-	-	28	28
<b>Restated balance at 1 April 2018</b>	29,481	107,608	13,524	150,613
Restated loss for the year	-	-	(5,726)	(5,726)
<b>Restated balance at 31 March 2019</b>	29,481	107,608	7,798	144,887
Profit for the year	-	-	139	139
<b>At 31 March 2020</b>	29,481	107,608	7,937	145,026

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**  
**GROUP BALANCE SHEET AS AT 31 MARCH 2020**

	<u>Note</u>	<u>31 Mar</u> <u>2020</u> <u>£'000</u>	<u>Restated</u> <u>31 Mar</u> <u>2019</u> <u>£'000</u>	<u>Restated</u> <u>1 Apr</u> <u>2018</u> <u>£'000</u>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	9	2,507	3,203	3,883
Investments in joint ventures	10	12,138	11,203	2,407
Trade and other receivables		-	-	1,053
Deferred tax asset	8	3,559	3,329	4,087
Total non-current assets		18,204	17,735	11,430
<b>Current assets</b>				
Inventories	12	227,148	351,562	369,247
Trade and other receivables	13	38,080	16,943	20,649
Cash and cash equivalents	14	33,749	38,993	63,202
Total current assets		298,977	407,498	453,098
Total assets		317,181	425,233	464,528
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	15	(94,514)	(145,268)	(209,212)
Trade and other payables	16	(69,981)	(70,213)	(87,532)
Provisions	17	(5,431)	(9,456)	(10,147)
Corporation tax payable		-	(2,713)	(3,889)
Total current liabilities		(169,926)	(227,650)	(310,780)
Net current assets		129,051	179,848	142,318
<b>Non-current liabilities</b>				
Borrowings	15	-	(50,000)	-
Trade and other payables	16	(2,229)	(2,696)	(3,135)
Total non-current liabilities		(2,229)	(52,696)	(3,135)
Total liabilities		(172,155)	(280,346)	(313,915)
Net assets		145,026	144,887	150,613
<b>Capital and reserves</b>				
Ordinary share capital	19	29,481	29,481	29,481
Share premium		107,608	107,608	107,608
Retained earnings		7,937	7,798	13,524
Total equity		145,026	144,887	150,613

The financial statements on pages 26 to 58 were approved and authorised for issue by the Board of Directors on 24 July 2020.



A P Lawrence  
Director  
24 July 2020

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**  
**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020**

	<u>2020</u> <u>£'000</u>	<u>Restated</u> <u>2019</u> <u>£'000</u>
<b>Cash flows from operating activities</b>		
Profit / (Loss) before tax	75	(6,275)
Adjustments for:		
Depreciation of property, plant and equipment	742	767
Loss on disposal of motor vehicle	-	25
Profit on derecognition of a subsidiary	-	(5,000)
Provision for indemnity	(4,575)	-
Share of operating profit / (loss) of joint ventures	(1,222)	74
Finance income	(80)	(163)
Finance costs	10,831	13,153
Increase in trade and other receivables	(22,167)	(833)
Decrease in inventories	124,414	17,685
Decrease in trade and other payables	(149)	(18,318)
Tax paid	(2,714)	-
<b>Net cash generated by operating activities</b>	<u>105,155</u>	<u>1,115</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(30)	(7)
Loans advanced to joint ventures	-	(558)
Acquisition of equity of existing joint venture	-	(5,000)
Distributions received from joint venture	1,162	-
Acquisition of loan notes of existing joint venture	-	(3,267)
Disposal of equity investment	-	5,000
Loan repayments and interest receipts from joint ventures	1,064	10,777
Investments in joint venture	(1,137)	(5,660)
<b>Net cash generated by investing activities</b>	<u>1,059</u>	<u>1,285</u>
<b>Cash flows from financing activities</b>		
Decrease in bank loans	(101,508)	(38,763)
Decrease in promissory notes	-	(23,375)
Increase in Loan notes	-	50,000
(Decrease) / Increase in lease liabilities	(16)	(80)
Finance costs paid	(9,980)	(14,423)
Finance income received	46	32
<b>Net cash used by financing activities</b>	<u>(111,458)</u>	<u>(26,609)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(5,244)</u>	<u>(24,209)</u>
<b>Cash and cash equivalents at start of year</b>	<u>38,993</u>	<u>63,202</u>
<b>Cash and cash equivalents at end of year</b>	<u>33,749</u>	<u>38,993</u>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	<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>
As at 1 April 2018	29,481	107,608	(5,210)	131,879
Loss for the year	-	-	(163)	(163)
At 31 March 2019	29,481	107,608	(5,373)	131,716
Loss for the year	-	-	(497)	(497)
At 31 March 2020	29,481	107,608	(5,870)	131,219

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**  
**COMPANY BALANCE AS AT ENDED 31 MARCH 2020**  
**LONDON SQUARE LIMITED**  
**REGISTERED NUMBER 07774351**

		<u>31 Mar</u>	<u>Restated</u> <u>31 Mar</u>	<u>Restated</u> <u>1 Apr</u>
	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment in subsidiary	11	73,187	73,187	73,187
Trade and other receivables	13	2,130	2,529	3,962
Total non-current assets		75,317	75,716	77,149
<b>Current assets</b>				
Trade and other receivables	13	74,981	75,605	89,389
Cash and cash equivalents		16	14	164
Total current assets		74,997	75,619	89,553
Total assets		150,314	151,335	166,702
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	15	-	-	(15,345)
Trade and other payables	16	(16,965)	(17,090)	(16,920)
Total current liabilities		(16,965)	(17,090)	(32,265)
Net current assets		58,032	58,529	57,288
<b>Non-current liabilities</b>				
Trade and other payables	16	(2,130)	(2,529)	(2,558)
Total non-current liabilities		(2,130)	(2,529)	(2,558)
Total liabilities		(19,095)	(19,619)	(34,823)
<b>Net assets</b>		<b>131,219</b>	<b>131,716</b>	<b>131,879</b>
<b>Capital and reserves</b>				
Ordinary share capital	19	29,481	29,481	29,481
Share premium		107,608	107,608	107,608
Retained earnings		(5,870)	(5,373)	(5,210)
<b>Total equity</b>		<b>131,219</b>	<b>131,716</b>	<b>131,879</b>

The financial statements on pages 26 to 58 were approved and authorised for issue by the Board of Directors on 24 July 2020.



A P Lawrence  
 Director  
 24 July 2020



**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020****COMPANY CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020**

	<u>2020</u> <u>£'000</u>	<u>2019</u> <u>£'000</u>
<b>Cash flows from operating activities</b>		
Loss before tax	(497)	(163)
Adjustments for:		
Finance income	(136)	(3)
Finance costs	131	164
Decrease in trade and other receivables	643	798
Decrease in trade and other payables	(124)	(444)
<b>Net cash generated by operating activities</b>	<u>17</u>	<u>352</u>
<b>Cash flows from investing activities</b>		
Loans repaid from joint ventures	-	1,380
Decrease in loans made by Company	(19)	12,680
<b>Net cash generated by investing activities</b>	<u>(19)</u>	<u>14,060</u>
<b>Cash flows from financing activities</b>		
Decrease in bank loans	-	(15,000)
Increase in loans from subsidiary undertakings	(1)	585
Finance costs paid	5	(147)
<b>Net cash used generated by financing activities</b>	<u>4</u>	<u>(14,562)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>2</u>	<u>(150)</u>
<b>Cash and cash equivalents at start of year</b>	<u>14</u>	<u>164</u>
<b>Cash and cash equivalents at end of year</b>	<u>16</u>	<u>14</u>

# **ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**

## **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 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, severe but plausible sensitivities have been applied to key factors affecting the expected financial performance and liquidity of the Group which take account of the continuing impact on the business caused by the outbreak of COVID-19 pandemic. The assessment has considered downside case forecasts where significant delays, cost increases and revenue reductions are experienced. Stress test sensitivities have then been applied to these forecasts to model the impact of a second extended period of tighter government restrictions, a significant fall in house prices and substantial increases in build costs.

As detailed in the Strategic Report, the Group has a comprehensive portfolio of projects and forward sales orderbook underwriting its forecast cashflows which provides significant support for the conclusion that the Group is a going concern. Risk is also mitigated through the Group's land bank principally comprises land acquisition contracts conditional upon the receipt of satisfactory planning permission or 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 Strategic Report, the Group faces significant political and economic uncertainties that could impact the achievement of forecast returns.

Due to the impact of the COVID-19 pandemic, from 17 March 2020, all non-construction staff were instructed to work from home and by 27 March 2020 all construction sites had been closed down. On 15 April the government had issued revised guidelines to enable construction work to re-commence and by mid-May all sites had resumed work on sites. Sales activities had continued throughout the period utilising technology for virtual viewings and electronic signatures to enable contracting. As at the date of this report all roles and sites are back at full capacity.

Due to the current cycle of projects within the Group's portfolio, as at 31 March 2020, the Group was at the highest point of liquidity that it has been for the past 3 years. With a cash balance of £34m and undrawn debt facilities of £112m the directors take significant comfort from the Group's financial health as it has sufficient liquidity to continue trading for the foreseeable future even under the severe stress test scenarios described above.

However, the continued operation of the Group is dependent upon the support of the lenders of the £150m revolving credit facility, NatWest, HSBC and AIB and the £50m Loan note placement with Pricoa. Closing of operations and revision of the level and timing of profit-making activities due to the impact of the pandemic has resulted in a requirement for a waiver of the Interest Cover Ratio covenant as at 31 March 2020. In addition, the forecasts considered as part of this assessment indicate it is likely that the Group will not remain in compliance with the Interest Cover Ratio, Net Asset test and other requirements of the facilities throughout the whole going concern review period. This has resulted in the Group requiring the continual support of the

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES (CONTINUED)

#### Going concern (continued)

lenders, the provision of which is a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

The directors are in regular dialogue with the lenders and the lenders have expressed their support for the business, allowed the continual drawing of facilities and, to date, granted the necessary waivers of facility requirements in order to allow uninterrupted flow of capital to the business.

Accordingly, with the Lenders continued support, 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. Therefore, the financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

#### New and amended standards and interpretations

IFRS 16 Leases has been adopted in this report for the first-time replacing IAS 17 Leases. IFRS 16 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.

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 has recognised right-of-use assets reflecting the future economic benefits of the assets being leased, this is initially measured at the value of the corresponding lease liability plus any other initial direct costs incurred.

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.

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>2019</u> <u>As previously</u> <u>reported</u>	<u>IFRS 16</u> <u>Transition</u> <u>adjustment</u>	<u>2019</u> <u>Restated</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Administrative expenses	(9,289)	107	(9,182)
Finance costs - Group	(12,379)	(165)	(12,544)
Tax - Group	465	11	476
<b>Increase in loss for the year</b>	<b>(5,679)</b>	<b>(47)</b>	<b>(5,726)</b>
Fixed assets	650	2,553	3,203
Deferred Tax Asset	3,290	39	3,329
Inventory	351,567	(5)	351,562
Trade and other receivables	16,951	(8)	16,943
Trade and other payables - current	(70,164)	(49)	(70,213)
Trade and other payables - non -current	-	(2,696)	(2,696)
<b>Total equity</b>	<b>145,053</b>	<b>(166)</b>	<b>144,887</b>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES (CONTINUED)

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

	<u>2018</u>	<u>IFRS 16</u>	<u>2018</u>
	<u>As previously</u>	<u>Transition</u>	<u>Restated</u>
	<u>reported</u>	<u>adjustment</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Administrative expenses	(11,844)	74	(11,770)
Finance costs - Group	(15,421)	(165)	(15,586)
Tax - Group	(2,515)	(28)	(2,543)
<b>Increase in loss for the year</b>	<b>5,890</b>	<b>(119)</b>	<b>5,771</b>
Fixed assets	1,003	2,880	3,883
Deferred Tax Asset	4,059	28	4,087
Trade and other receivables	20,657	(8)	20,649
Trade and other payables - current	(87,648)	116	(87,532)
Trade and other payables - non-current	-	(3,135)	(3,135)
<b>Total equity</b>	<b>150,732</b>	<b>(119)</b>	<b>150,613</b>

#### 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 2020**

### **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**

IFRS 15 Revenue from Contracts with Customers, this standard establishes a comprehensive five-step model to determine the amount and timing of revenue recognised from contracts with customers.

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.

# **ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 ACCOUNTING POLICIES (CONTINUED)**

#### **Revenue and contract balances (continued)**

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.

#### **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 / expenses comprises rent receivable and other incidental sundry income and costs 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

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 ACCOUNTING POLICIES (CONTINUED)

- 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.

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 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.

## **ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 ACCOUNTING POLICIES (CONTINUED)**

##### **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.

##### **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.



# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 2 REVENUE

	<u>2020</u> <u>£'000</u>	<u>2019</u> <u>£'000</u>
Sale of properties	215,487	151,117
Contracted development sales	56,930	17,201
	<u>272,417</u>	<u>168,318</u>

Included within revenue for the year was £11,270,000 which was included as a contract liability at the previous balance sheet date (2019: £12,541,000).

### 3 OPERATING PROFIT

	<u>2020</u> <u>£'000</u>	<u>Restated</u> <u>2019</u> <u>£'000</u>
The operating profit is stated after charging:		
Depreciation of property, plant and equipment	742	761
Loss on disposal of motor vehicle	-	25
Services provided by the Group's auditors:		
Audit of Company's financial statements	20	5
Audit of other Group financial statements	190	111

### 4 EMPLOYEE INFORMATION

	<u>2020</u> <u>£'000</u>	<u>2019</u> <u>£'000</u>
Wages and salaries	14,138	12,108
Social security costs	1,693	1,454
Pension costs	619	541
	<u>16,450</u>	<u>14,103</u>

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

	<u>2020</u> <u>Number</u>	<u>2019</u> <u>Number</u>
Production	30	36
Selling	26	30
Administration	84	89
	<u>140</u>	<u>155</u>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 5 DIRECTORS EMOLUMENTS

	<u>2020</u>	<u>2019</u>
	<u>£'000</u>	<u>£'000</u>
Aggregate emoluments:		
Directors		
- Wages and salaries	2,925	2,229
- Benefits in kind	127	293
- Pension costs	-	-
Other key management personnel	25	25
	<u>3,077</u>	<u>2,547</u>

The total emoluments paid to the highest paid director were £819,000 (2019: £751,000).

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

### 6 FINANCE INCOME

	<u>2020</u>	<u>2019</u>
	<u>£'000</u>	<u>£'000</u>
Bank interest on short term deposits	27	21
Other finance income	53	142
	<u>80</u>	<u>163</u>

### 7 FINANCE COST

	<u>2020</u>	<u>Restated</u>
	<u>£'000</u>	<u>2019</u>
	<u>£'000</u>	<u>£'000</u>
Bank loan and loan note interest payable	7,953	8,677
Leasing finance costs	145	165
Amortisation of finance issue costs	666	1,156
Other finance costs	1,970	2,546
	<u>10,734</u>	<u>12,544</u>
Group finance costs	97	409
Share of joint venture finance costs		
	<u>10,831</u>	<u>12,953</u>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 8 TAX

	<u>2020</u> <u>£'000</u>	<u>Restated</u> <u>2019</u> <u>£'000</u>
<b>Current taxation:</b>		
Current tax on profits / (losses) for the year	-	-
Adjustments in respect of prior years	1	(1,234)
<b>Total current tax</b>	<b>1</b>	<b>(1,234)</b>
<b>Deferred taxation:</b>		
Origination and reversal of temporary differences	(205)	(263)
Adjustments in respect of prior years	153	835
Effects of changes in tax rate	(178)	186
<b>Total deferred tax</b>	<b>(230)</b>	<b>758</b>
<b>Tax</b>	<b>(229)</b>	<b>(476)</b>
The tax assessed for the year is different from the rate of corporation tax in the UK of 19% (2019: 19%). The difference is explained below:		
Profit / (Loss) before tax	75	(6,275)
Tax at the UK standard rate of tax of 19% (2019: 19%)	14	(1,192)
Effects of:		
Expenses not deductible for tax purposes	109	205
Expenses qualifying for enhanced deduction	(119)	(213)
Non-taxable income	(869)	(143)
Permanent differences	16	16
Adjustments in respect of prior years	154	(399)
Effects of changes in tax rate	(178)	186
Movement in unrecognised deferred tax	2,844	3,667
Group relief not paid for	(1,981)	(1,742)
Joint ventures' results not included in Group tax	(219)	(861)
<b>Total tax for the year</b>	<b>(229)</b>	<b>(476)</b>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 8 TAX (CONTINUED)

#### Deferred tax

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

	<u>2020</u>	<u>Restated</u>
	<u>£'000</u>	<u>2019</u>
		<u>£'000</u>
Decelerated /(Accelerated) capital allowances	17	(8)
Asset tax bases in excess of carrying amount	291	91
Losses carried forward	3,251	3,246
	<hr/>	<hr/>
Deferred tax asset	3,559	3,329
	<hr/>	<hr/>

£1,507,000 (2019 restated: £1,748,000) 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 (2019: 19%). £2,052,000 (2019: £1,581,000) is expected to reverse in greater than one year accordingly has been measured using the 19% tax rate (2019: 17%).

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 19% tax rate (2019: 17%) applicable to the period, it might be expected to reverse in the deferred tax asset would have amounted to £8,083,000 (2019: £4,660,000) 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 charge in the Income Statement comprises the following:

	<u>2020</u>	<u>Restated</u>
	<u>£'000</u>	<u>2019</u>
		<u>£'000</u>
Decelerated capital allowances	(25)	(29)
Accruals deductible on paid basis	-	825
Asset tax bases in excess of carrying amount	(200)	1,741
Losses carried forward	(5)	(1,779)
	<hr/>	<hr/>
Deferred tax charge	(230)	758
	<hr/>	<hr/>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 9 PROPERTY, PLANT AND EQUIPMENT

	<u>Leased Buildings £'000</u>	<u>Leased Computer Equipment £'000</u>	<u>Leased Motor Vehicles £'000</u>	<u>Owned Computer Equipment £'000</u>	<u>Owned Furniture, Fixtures and Fittings £'000</u>	<u>Total £'000</u>
<b>Cost</b>						
At 1 April 2019 - restated	3,614	18	161	231	1,441	5,465
Additions	-	3	13	20	10	46
Disposals	-	-	-	-	-	-
At 31 March 2020	3,614	21	174	251	1,451	5,511
<b>Accumulated Depreciation</b>						
At 1 April 2019 - restated	1,158	6	76	172	850	2,262
Charge	361	10	41	45	285	742
Disposals	-	-	-	-	-	-
At 31 March 2020	1,519	16	117	217	1,135	3,004
<b>Net Book Value</b>						
At 31 March 2020	2,095	5	57	34	316	2,507
At 1 April 2019 - restated	2,456	12	85	59	591	3,203

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS

#### 10 INVESTMENTS IN JOINT VENTURES

	<u>Group</u> <u>£'000</u>
At 1 April 2019	11,203
Decrease in investments	(1,162)
Increase in investments	1,137
Share of operating profit	1,222
Share of finance costs	(97)
Share of tax	(165)
	<hr/>
At 31 March 2020	12,138
	<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 the year Richmond Hill made a distribution to its investors, the amount received by the Group being £439,000 and repaid capital to the Group of £723,000.

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 2018 the Group had loaned Vulcan Wharf £4,089,000 to fund the development. In the prior 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 prior 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. In 2019 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 increase in its original 50% investment in 2018.

In 2018 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.

During the year the Group increased its investment in Vulcan Wharf Holdings' by £1,137,000, bringing the Group's total investment to £6,800,000.

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 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 10 INVESTMENTS IN JOINT VENTURES (CONTINUED)

As at and for the year ended 31 March 2020

	<u>Richmond Hill</u>	<u>Vulcan Wharf</u>	<u>Vulcan Wharf</u>
	<u>£'000</u>	<u>£'000</u>	<u>Holdings</u>
			<u>£'000</u>
Current assets	6,191	4	13,561
Current liabilities	(3,629)	(4)	(183)
Net assets	2,562	-	13,378
Group's ownership interest	15%	50%	50%
Sub-total	384	-	6,689
<i>Adjust for:</i>			
Increase in fair value	-	-	5,000
Carrying value	384	-	11,689
<i>Included in the above:</i>			
Cash and cash equivalents	5,149	-	129
Current financial liabilities*	-	-	-
<i>*excluding trade and other payables and provisions</i>			
Revenue	41,744	-	-
Profit / (Loss) and total comprehensive expense for the year	6,588	-	(55)
<i>Included in the above:</i>			
Finance costs	(646)	-	-
Tax	1,100	-	(10)

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 10 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	<u>Richmond Hill</u>	<u>Vulcan Wharf</u>	<u>Vulcan Wharf Holdings</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'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)	-	-
*excluding trade and other payables and provisions			
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	-	-

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

### 11 INVESTMENT IN SUBSIDIARY

	<u>Company</u>
	<u>£'000</u>
At 1 April 2019	73,187
Increase in investment	-
At 31 March 2020	73,187

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 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 12 INVENTORIES

	<u>Group</u> <u>2020</u> <u>£'000</u>	<u>Restated</u> <u>Group</u> <u>2019</u> <u>£'000</u>
Land	150,518	210,213
Work in progress	76,630	141,349
	<u>227,148</u>	<u>351,562</u>

In the year there were £nil (2019: £5,608,000) of previously incurred costs relating to the write down of inventories.

### 13 TRADE AND OTHER RECEIVABLES

	<u>Group</u> <u>2020</u> <u>£'000</u>	<u>Restated</u> <u>Group</u> <u>2019</u> <u>£'000</u>	<u>Company</u> <u>2020</u> <u>£'000</u>	<u>Company</u> <u>2019</u> <u>£'000</u>
<b>Current assets</b>				
Trade receivables	1,982	891	223	-
Amounts owed by parent undertakings	858	858	859	859
Amounts owed by subsidiary undertakings	-	-	72,488	72,488
Other receivables	4,694	5,030	794	1,296
Contract Assets	28,181	4,536	-	-
Net investment	-	-	399	380
Prepayments and accrued income	2,365	4,614	218	582
Loans receivable from joint ventures	-	1,014	-	-
	<u>38,080</u>	<u>16,943</u>	<u>74,981</u>	<u>75,605</u>
<b>Non-current assets</b>				
Net investment	-	-	2,130	2,529
	<u>-</u>	<u>-</u>	<u>2,130</u>	<u>2,529</u>

Included within other receivables is an amount relating to a loan of £974,000 (2019: £970,000) made to Estera Trust (Jersey) Ltd, the trustees of the London Square Employee Benefit Trust. The loan facilitated the purchase of preference shares of another Group company for the benefit of the Group. An impairment provision of £505,000 has been made against this loan.

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

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

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 14 CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances includes £4,511,000 (2019: £21,428,000) 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 £713,000 (2019: £458,000) 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.

### 15 BORROWINGS

	<u>Group</u>	<u>Restated</u>	<u>Company</u>	<u>Restated</u>
	<u>2020</u>	<u>Group</u>	<u>2020</u>	<u>Company</u>
	<u>£'000</u>	<u>2019</u>	<u>£'000</u>	<u>2019</u>
		<u>£'000</u>		<u>£'000</u>
<b>Current liabilities</b>				
Bank loans	46,536	148,044	-	-
Unamortised loan issue costs	(2,022)	(2,776)	-	-
Loan notes	50,000	-	-	-
	<u>94,514</u>	<u>145,268</u>	<u>-</u>	<u>-</u>
<b>Non-current liabilities</b>				
Loan notes	-	50,000	-	-
	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>

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.

A £150m revolving credit facility from RBS, HSBC and AIB for a 4 year term. 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.

An additional £50m loan note placement with Pricoa for a 7 year term due to expire in October 2025. The Pricoa loan is due for repayment in four equal tranches, the first of which is due in October 2022.

The £50m loan notes have been reclassified from non-current liabilities to current liabilities in the year as the Group was not compliant with the interest cover covenant requirements at 31 March 2020. Subsequent to year end the Group received full support of the lenders and the necessary waivers, as detailed in Note 1 Going Concern, reclassifying these loan notes as non-current liabilities.

A £8.1m facility with Secure Bank Trust PLC for an initial 18 month term, extended in October 2019 and now repayable in September 2020, so the balance is shown as current.

At the year end the Group had caps in place covering £nil (2019: £22,328,000) 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 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 16 TRADE AND OTHER PAYABLES

	<u>Group</u> <u>2020</u> <u>£'000</u>	<u>Group</u> <u>2019</u> <u>£'000</u>	<u>Company</u> <u>2020</u> <u>£'000</u>	<u>Company</u> <u>2019</u> <u>£'000</u>
<b>Current liabilities</b>				
Trade payables	25,201	28,922	223	166
Amounts owed to subsidiary undertakings	-	-	16,125	16,126
Other taxation and social security	750	658	-	-
Land payables	11,330	4,600	-	-
Contract liabilities	18,858	24,745	-	-
Lease liabilities	468	439	399	380
Other payables	316	-	-	-
Accruals and deferred income	13,058	10,849	218	418
	<hr/> 69,981	<hr/> 70,213	<hr/> 16,965	<hr/> 17,090
<b>Non-current liabilities</b>				
Lease liabilities	2,229	2,696	2,130	2,529
	<hr/> 2,229	<hr/> 2,696	<hr/> 2,130	<hr/> 2,529

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 £10,647,000 (2019: £17,724,000).

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 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 17 PROVISIONS

	<u>Group</u> <u>Completed</u> <u>Developments</u>	<u>Group</u> <u>Indemnity</u>	<u>Group</u> <u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1 April 2019	3,631	5,825	9,456
Utilised in year	(1,403)	-	(1,403)
Unused amounts released	(225)	(4,575)	(4,800)
Created in the year	2,178	-	2,178
At 31 March 2020	4,181	1,250	5,431

	<u>Group</u> <u>Completed</u> <u>Developments</u>	<u>Group</u> <u>Indemnity</u>	<u>Group</u> <u>Total</u>
	<u>£'000</u>	<u>£'000</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

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. During the year further information has been received and assessed, resulting in a reduction of the provision.

### 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.

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 18 FINANCIAL INSTRUMENTS (CONTINUED)

**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:

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

	<u>Less than 1 year</u>	<u>2 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>As at 31 March 2020</u>				
Bank loans	46,536	-	-	46,536
Loan notes	50,000	-	-	50,000
Land payables	11,330	-	-	11,330
Trade and other payables	25,951	-	-	25,951
Accruals and deferred income	13,058	-	-	13,058
Lease liabilities	468	2,229	-	2,697
	<u>147,343</u>	<u>2,229</u>	<u>-</u>	<u>149,572</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, the balance shown as current.

	<u>Less than 1 year</u>	<u>2 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</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	10,849	-	-	10,849
Lease liabilities	439	1,847	849	3,135
	<u>193,512</u>	<u>26,847</u>	<u>25,849</u>	<u>246,208</u>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 18 FINANCIAL INSTRUMENTS (CONTINUED)

**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 reducing the value of loans with floating interest rates. The following table sets out the interest rate risk associated with the Group's financial (assets) and financial liabilities:

	<u>Fixed rate</u>	<u>Floating rate</u>	<u>Non-interest bearing</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>As at 31 March 2020</b>				
Cash and cash equivalents	-	(33,749)	-	(33,749)
Loans receivable from joint ventures	(645)	-	645	-
Bank loans	-	46,536	-	46,536
Loan notes	50,000	-	-	50,000
Land payables	-	-	11,330	11,330
Trade and other payables	-	-	25,951	25,951
Accruals and deferred income	-	-	13,058	13,058
Lease liabilities	2,697	-	-	2,697
	<u>52,052</u>	<u>12,787</u>	<u>50,984</u>	<u>115,823</u>
	<u>Fixed rate</u>	<u>Floating rate</u>	<u>Non-interest bearing</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>As at 31 March 2019</b>				
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	-	-	10,849	10,849
Lease liabilities	3,135	-	-	3,135
	<u>52,490</u>	<u>109,051</u>	<u>44,660</u>	<u>206,201</u>

### 19 ORDINARY SHARE CAPITAL

	<u>Group &amp; Company</u>	<u>Group &amp; Company</u>
	<u>2020</u>	<u>2019</u>
	<u>£'000</u>	<u>£'000</u>
<i>Authorised, allotted, called up and fully paid:</i>		
29,261,346 (2019: 29,261,346) ordinary A shares of £1 each	29,261	29,261
220,000 (2019: 220,000) ordinary B shares of £1 each	220	220
	<u>29,481</u>	<u>29,481</u>

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 20 OPERATING LEASE COMMITMENTS

#### Lease liabilities

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

	<u>2020</u>	<u>Restated</u> <u>2019</u>
	<u>£'000</u>	<u>£'000</u>
<b>Gross obligations repayable</b>		
Within one year	591	584
More than one year and less than five years	2,501	2,243
More than five years	-	849
	<hr/> 3,092	<hr/> 3,676
<b>Finance charges repayable</b>		
	<u>2020</u>	<u>2019</u>
	<u>£'000</u>	<u>£'000</u>
Within one year	124	145
More than one year and less than five years	272	357
More than five years	-	38
	<hr/> 396	<hr/> 540
<b>Net Obligations repayable</b>		
	<u>2020</u>	<u>2019</u>
	<u>£'000</u>	<u>£'000</u>
Within one year	467	439
More than one year and less than five years	2,229	1,887
More than five years	-	810
	<hr/> 2,696	<hr/> 3,136

# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 20 OPERATING LEASE COMMITMENTS (CONTINUED)

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

		<u>Restated</u>
	<u>2020</u>	<u>2019</u>
	<u>£'000</u>	<u>£'000</u>
<b>Gross obligations repayable</b>		
Within one year	516	516
More than one year and less than five years	2,063	2,063
More than five years	333	849
	<hr/> 2,911	<hr/> 3,427
<b>Finance charges repayable</b>		
	<u>2020</u>	<u>2019</u>
	<u>£'000</u>	<u>£'000</u>
Within one year	117	136
More than one year and less than five years	258	344
More than five years	7	38
	<hr/> 382	<hr/> 518
<b>Net Obligations repayable</b>		
	<u>2020</u>	<u>2019</u>
	<u>£'000</u>	<u>£'000</u>
Within one year	399	380
More than one year and less than five years	1,805	1,719
More than five years	326	810
	<hr/> 2,529	<hr/> 2,909



# ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

## 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
London Square Partners Limited	Holding company	£1 ordinary shares
London Square (West Croydon) Holdings Limited	Holding company	£1 ordinary shares
London Square (West Croydon) Limited	Land developer and housebuilder	£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
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

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS

#### 21 RELATED UNDERTAKINGS (CONTINUED)

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

Star & Garter (Richmond Hill) Management Company Limited	Residents' Management Company Limited by guarantee
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Ancaster House (Richmond Hill) Management Company Limited	Residents' Management Company Limited by guarantee
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##### *Indirectly held joint ventures:*

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

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

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 has provided funding to its subsidiary undertakings. At the year end the receivable outstanding amounted to £56,363,000 (2019: £56,363,000).

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**

In February 2016 the Group provided loans of £6,619,000 of funding to Richmond Hill Development (Jersey) Limited (Richmond Hill). In the current year Richmond Hill paid £50,000 (2019: £117,000) of interest and repaid £1,014,000 (2019: £1,371,000) of the remaining loan principal. During the year interest receivable of £34,000 (2019: £131,000) accrued on this loan. At 31 March 2020 Richmond Hill owed the Group £nil (2019: £1,030,000) in respect of the loans and associated interest.

At the year end the Group had trade receivables of £291,000 (2019: £251,000) owed by Richmond Hill in respect of cost recharges.

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

During the year the Group rescinded two sales agreements with two directors for the purchase of units at the Group's Caledonian Road development. As at 31 March 2020, none of the Company's directors (2019: 2) had exchanged on sale agreements to purchase any units (2019: 2).

Included within other receivables is £nil (2019: £35,000) owed to the Group by A P Lawrence.

Included within other receivables is an amount relating to a loan of £974,000 (2019: £970,000) made to Estera Trust (Jersey) Ltd, the trustees of the London Square Employee Benefit Trust. The loan facilitated the purchase of preference shares of another Group company for the benefit of the Group. An impairment provision of £505,000 has been made against this loan.

During 2018, 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. £154,000 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.

## **ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **24. SUBSEQUENT EVENTS**

Subsequent to 31 March 2020, an additional loan was made to Estera Trust (Jersey) Ltd, the trustees of the London Square Employee Benefit Trust, for £682,000, bringing the total loans to £1,656,000. The loan facilitated the purchase of preference shares of another Group company for the benefit of the Group. £1,151,000 has since been repaid, leaving a balance of £505,000 outstanding that has been fully provided for.

Subsequent to the year end, the Company has advanced loans totalling £1,099,000 to certain directors of the Company. The loans bear interest at 2.25% per annum and are repayable on the earlier of the borrower leaving employment or a sale of the Group.