LONDON SQUARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2023

REGISTERED NUMBER: 07774351

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ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

CHAIRMAN'S STATEMENT

London Square has consolidated its position and shored up its Balance Sheet to withstand a difficult time in the market. With the continuing impact of Brexit and COVID-19 putting pressure on margins, the year ended 31st March 2023 presented new challenges for the Group to contend with. Firstly, the Ukrainian Invasion drove costs up further and then the Autumn Mini-Budget caused significant volatility in the interest rate market that is still being felt today. On top of this the various levels of Government have been undecided on the level of regulation to be introduced to govern construction while making it more difficult to get planning decisions.

In such a market the future uncertainty created is difficult for anyone to manage and it is positive to see that the Group has delivered on its strategic intent. A strategy that should mitigate the risks posed in the current market and put the Group in an even stronger position when the market returns.

- *Diversifying Capital Base* – during the year the Group continued to build on its Partnership strategy of sourcing alternate capital suited to different product profiles.
    - Federated Hermes has continued to remain active in the Affordable Housing initiative and the Group has successfully attracted an additional funder, Pension Insurance Corporation plc, with the first deal being singed in June 2023.
    - Homes England has agreed to fund the Group at a corporate level with a new £31m Bilateral Facility that is aimed at increasing delivery of housing.
    - Peabody and Clarion relationships have continued to be developed with new opportunities being presented and existing ones continuing.
- *Certainty of Revenues* – The move to forward funded contracts, although exposing the Group to further cost increases has put the Group in a strong position for the next financial year with £192m revenue already contracted.
- *Delivering Sustainability Platform* – Tangible impact has been achieved through the various initiatives implemented from significant social impact through the delivery of affordable housing to the doubling of our efficiency in respect of reducing our environmental impact.

Whilst acknowledging that the market conditions have required a reassessment of the carrying value of land and the corresponding adjustment to the net asset value it is positive to see the Group finish the year in such a strong position with reduced debt balances and a significant cash holding.

Subsequent to year end, Management have successfully sourced a new equity sponsor in the form of Aldar Properties PJSC (Aldar) who have contracted to purchase 100% of the equity capital from the previous sponsor, funds managed by affiliates of Ares Management LLC, with an intention of recapitalising the balance sheet. Combining the operational excellence of the London Square vehicle with the backing of significant capital positions the Group is well-placed for the coming year.

I would like to thank all of our colleagues, suppliers and partners for their efforts during what was a truly difficult year and for setting the Group up for success in the future.

Mark Pain
Chairman

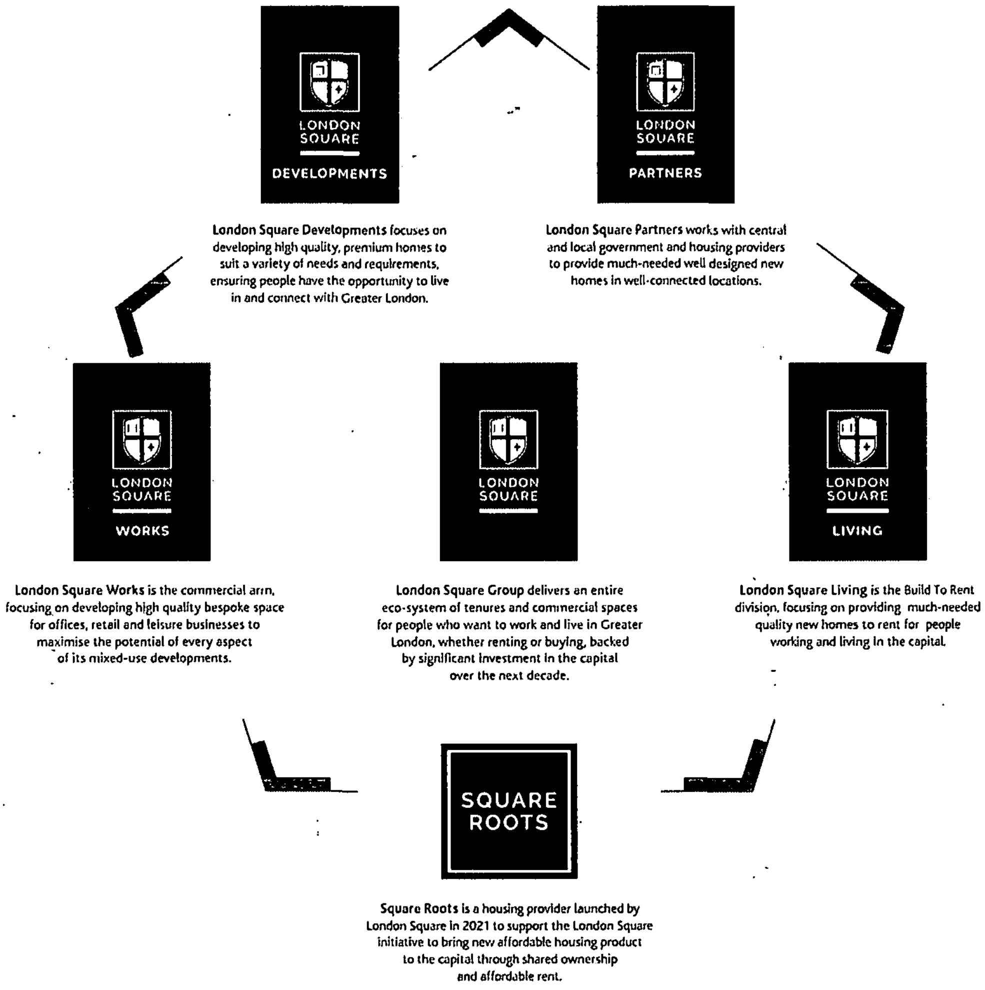
ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

OUR BUSINESS

At London Square, we are dedicated to making London Greater and are proud to be at the heart of delivering much-needed new homes, creating communities and revitalising forgotten areas of the capital. Inspired by our name taken from the ethos of London's famous squares, the legacy and community they have created over the centuries, our mission is to build flourishing new neighbourhoods that make a difference to people's lives, developing homes across all tenures. Respectful of the past and inspired by the future, we are committed to creating exceptional properties that reflect the aspirations of our residents and set a new benchmark for modern living.

Today, London Square has over 20 first-class development sites across Greater London. Central to our strategy is the identification of well-connected sites within Greater London, targeting suitable developments from 50 to 500 homes.

We have made an absolute commitment to Greater London over the next decade. Expanding our existing platform of tenures for people who want to work and live in London, whether renting or buying. Every prospective site is now viewed through three lenses for its potential – private for sale, affordable, or build to rent – or a mix of all three tenures and then we look to enhance with relevant commercial space to add the placemaking.



ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

STRATEGIC REPORT

CEO'S REPORT

Overview

Created in 2010 to capture the opportunity for developing bespoke sites in London, we have built a strong reputation for efficiently developing complex sites as a premier house builder with £1.8 billion GDV under development.

We have been successful with our historical focus on direct sales in the London market and have implemented a number of key strategic objectives to ensure continual creation of value for our stakeholders:

- Development of London Square Partners to work with partners in enhancing the delivery of new housing to Greater London
- Roll out of the London Square Living Build to Rent model
- Introduction of Square Roots, our own registered provider to facilitate further investment in truly accretive affordable housing
- A wide-ranging cost optimisation programme to ensure improvement in our margins and returns

While the core activity of direct sales under the London Square Development brand will remain the key area of investment of our capital, the future growth of the Group is dependent upon matching the right source of capital to specific land opportunities. Over the next 5 years, we will leverage our transferable urban development capabilities to capitalise on each incremental opportunity in high growth markets, unlocking new capital with attractive investment characteristics, to fund more of our sites.

- We will continue to build our track record in the high growth Build-to-Rent segment developing the London Square Living brand, working with institutional investors to facilitate their capital deployment strategies
- We will continue to enter into strong, profitable partnerships and joint ventures with housing associations and local authorities through our London Square Partners brand
- We will continue to grow Square Roots to allow us to better support the delivery of affordable housing in London in a low capital manner, leveraging our existing relationships with local authorities

Taking this multi-channel approach enables us to work with capital from a range of sources, unlocks new and profitable opportunities and gives us the flexibility required to maximise our returns whilst balancing our risk across the portfolio.

We aim to achieve this under a sustainable framework, setting industry leading targets to support the environmental and social impact of our business.

London Square Business Model

Over the past few years, the residential housing market in the UK has undergone significant change as a result of both internal and external forces. London Square has adapted to these changes and formed a business model that is designed to withstand these changing dynamics and to thrive upon them.

The key components of this Business Model are:

- Capital Availability – The Group is established as a conduit for different sources of capital to invest in the different residential products the Group can deliver. By matching these different sources of capital to the right product and returns, London Square can add value to the process by removing friction points and ensuring a consistency of supply to all stakeholders.
- Land and Development – The Group is well established in the land market in the London region and has a strong reputation as a house builder who delivers on promises. Identifying development potential in residential sites and having the ability to convert that vision into reality is a significant skill set to offer the market and all stakeholders.

- Product Delivery – There are three areas of product delivery in which the Group is currently operating, direct sales residential, affordable housing and build to rent. All three require specific skills and know how to first build the units at economical values and then to deliver them to end users through either sale or tenancy arrangements.
- Sustainability – The Group understands that we build communities and communities are more about the environment and all manner of creatures that live in that environment, not just bricks and mortar. It is an integral part of our strategy that actions we take enhance the sustainability of the communities we are building be it through quality of the product, provision of social value add or environmental impact.

The following sections of this report explain each of these components and how we have performed in them during the year.

UK Housing Market

The Group operates in the UK housing market with a specific focus on the Greater London region. During the year ended 31st March 2023 the market was still in recovery mode with the lingering impact of Brexit and the COVID-19 pandemic. This was then compounded with the Ukrainian Invasion and the corresponding cost crisis that then followed. This volatility was then further added to with the Autumn Mini-Budget disrupting financial markets. All this has led to lower than normal consumer activity in the housing market generally.

Three factors dominated the market conditions over the last year and are likely to be a theme in future years:

- Cost Increases – Driven by the remaining impact of COVID, Brexit and then the additional market uncertainty provided by the Ukrainian Invasion. These factors and general market inflation continued to put pressure on operating margins
- Regulatory Changes – Uncertainties around the introduction of Building Regulations and removal of Planning requirements from the Government contributed additional costs but also has caused significant delays in planning approvals and the ability for our operations to start on new sites
- Interest Rate Volatility – The current interest rate market volatility caused by a combination of Government intervention and world economic conditions has impacted our business in several areas. Firstly, it has limited our ability to attract new capital as the general cost of capital has risen. Secondly, the financing cost we are required to pay on existing capital has risen. Lastly, the increase in mortgage rates directly impacts our direct sales customers and consequently reduces the liquidity of our stock.

This has resulted in the Group having to reassess its priorities, cost base and sources of capital in order to continue to deliver value to stakeholders. Such changes, although necessary can have a distorting impact upon the reported results. For this reason, the Directors have provided an analysis of the 'Underlying Operating Profit' in order to improve a reader's understanding.

The Underlying Operating Profit is after adding back one-off items of Land Write Downs, Redundancy Costs and Aborted Re-Financing Costs. These costs do not reflect ongoing operations and have resulted largely from the economic market the Group has had to operate in.

	Year ended 31 March 2023	Year ended 31 March 2022
Operating (Loss)/Profit	(13,353)	30,732
Impairment of Inventories	17,820	452
Restructuring Costs	1,118	-
Impairment of inventories in joint ventures	10,365	-
Underlying Operating Profit	**15,950**	**31,184**

Going forward, the fundamental imbalance between supply and demand of housing stock, particularly in the London region has resulted in a steady market. The imbalance between supply and demand has been a long term factor of the market, driven by long term low levels of housing development starts in the capital, and a highly complex planning environment between the needs of local boroughs, the mayor and central government initiatives. This imbalance appears across all sectors of the residential market but has been most prominent at the lower Average Selling Prices (ASP). This is the reason behind the Group's long-term strategy of lowering the ASP and more recently with the drive into affordable housing. The ASP of the Group's residential properties for the year ended 31st March 2023 was £534k (2022: £515k) has stayed below £600k in line with this strategy.

It is widely accepted that the imbalance is significantly impacting the provision of Affordable Housing in the market. This has not been helped by the recent diversion of capital resources towards existing buildings identified as at risk due to the issues identified from the Grenfell fire incident. With no exposure to this issue, the Group has been able to divert its resources to address the provision of new Affordable Housing through the Square Roots initiative, as detailed further later in this report.

Cost pressure has been maintained with material prices seeing pressure build over the year as supply lines have been tested in a post-Brexit import market and with the additional burden of increased activity from demand returning. Profit margins have consequently been under pressure.

Government stimulus of the Housing Market in the form of the stamp duty, planning reform proposals and housing support schemes continue to be a factor in the overall market. Most significant this year has been the impact of the removal of planning targets by the central government as well as the uncertainty around the level of requirements that are being built into the Building Regulations. These, along with factors such as the introduction of Residential Property Developers Tax and other schemes that are designed to recover costs from the industry rather than the perpetrators of cladding issues, will result in the consequential increase in the cost of housing.

Key to the activity levels are the interest rate and mortgage approval environment. In the latter half of the year and more recently this market has been equally as volatile with the Bank of England increasing base rates and mortgage providers pulling products and increasing the cost of borrowing for new and expiring fixed-rate borrowers.

Capital Availability

London Square funds it projects through sourcing Direct Capital from its own balance sheet and by partnering with Investment Partners Capital on specific projects.

Direct Capital

The Group had a Tangible Gross Asset position of £263m as of 31 March 2022 which declined to £198m as of 31 March 2023. The decline was primarily due to two factors, firstly the write down of land, and secondly the repayment of debt during the year. The Tangible Gross Assets held on the balance sheet are funded by the Group's Tangible Net Asset position of £141m (2022: £169m) and the Net Debt position of £60m (2022: £95m).

Net Debt consists of primarily the corporate facilities held by the Group that were successfully renegotiated in July 2022. The main funding line held by the Group is a Senior Revolving Credit Facility of £120m, supported by NatWest, Bank ABC and Allied Irish Bank. This facility expires in July 2026 but also has, at the lenders' discretion, an extension to £150m and a further 12 months in maturity. In addition to this, the Group has a Note Purchase Agreement of £37m (2022: £50m) with Pricoa which is due to expire in October 2025. These debt facilities are expected to be restructured subsequent to year end through the change of sponsor noted in the subsequent events.

With £37m (2022: £48m) of Cash on the Balance Sheet at 31 March, the Directors are satisfied that the Group has sufficient capital resources to implement the proposed strategy.

As a protection against the rising interest rates the Group also took out significant interest rate caps during the year. The most relevant of these that is still in force is a notional £50m SONIA cap at 3%, expiring in July 2025. With base rates already at 4.75% and rising, this cap is already effective and returning value to the Group.

Investment Partner Capital

London Square has sourced more development projects than can be funded by its own direct capital. Consequently, the Group initiated a strategy that deliberately targeted projects and product that would attract different forms of capital from different types of funding partners.

Public Sector Partners - The Group has been successful through its Partnership initiatives to attract funding from both local government and housing associations. Capital commitments in this regard consist of the continuing work with Peabody Developments Ltd on the Stratford and Holloway projects. Meanwhile the partnership with Clarion is developing with £15m of funds committed and a future project in Twickenham under offer. Meanwhile the project with London Borough of Waltham Forest continues at Lea Bridge.

Square Roots Funding Partners – As reported last year, the partnership with Federated Hermes has continued during the year with total committed funding rising to £163m including the latest contract entered into after year end. In addition to this, the Group has been in discussions with Pension Insurance Corporation plc and has entered into a funding agreement for the first project together in Kingston. Total funding secured under Square Roots was £80m at 31 March 2023 (2022: £109m)

Build to Rent Funding Partners – Consistent with previous years the Group continues to work on the Nine Elms Project as the primary Build to Rent funded project with £134m (2022: £177m) of capital committed.

Land and Development Investment

Land Investment activity by the Group has been focused upon securing new sites to suit our Partnership capital. This has been a strategic imperative to preserve the capital of the Group but due to the success at growing this activity going forward the intent will be to bring in new sites targeted at the direct sales market. Below we highlight the activity we have engaged in with our Partners. Our current approach to investing is to apply a disciplined approach to margins and capital returns with regard to the risks.

During the year, the Group exchanged on five new sites (2022: four), which added a further 879 units to the land bank but planning decisions and failed viability tests resulted in the Land Bank falling to 3,441 units (2022: 4,897 units). In line with the cost increases outlined and an increase in Partnership forward funded activity, the embedded gross profit margin across our land bank fell to 15.7% (2022: 18.4%). Since the year end, we have continued to build the land bank with the securing of a further site with 559 units.

On the development side, the past year was faced with significant difficulty with the changes to the planning regime removing the urgency from local councils to award planning agreements. This was also hampered by the uncertainty associated with Building Regulations that we have adapted for. During the year the Group secured one planning consent adding 125 units (2022: 2,088 units). The timing of such consents remains the key determinant of our long-term activity.

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.

Product Delivery

Construction Activity

During the year ended 31 March 2023, the Group commenced on 2 new sites and was working on 14 sites in total in the construction and completion phase. This represents an average of 2,071 units (2022: 1774 units) under construction during the year. Collectively with land costs £196m (2022: 251m) has been invested across the sites. This increase in activity over the past two years is reflective of the strategy to successfully attract different sources of capital to expand the production base of London Square. During the year the operational teams were split into North and South divisions to better aid the delivery efficiency. This enhanced management structure as well as the cost control process implemented three years ago now has proved effective at managing the current cost pressures.

Sales Activity

London Square directly employs its own sales and marketing staff, bringing in-house the wealth and experience required to deliver sales but also to ensure the customer journey is a positive and fruitful one. Although the market for each of our products is different, we endeavour to maintain the same customer journey regardless of price point or tenure.

The Sales Activity of the Group has been analysed below in the four different product categories and brands in which the Group operates, London Square Developments for the direct sales market, Square Roots for the affordable housing product, London Square Living for build to rent product and London Square Works for the commercial product activity.

London Square Developments

During the year ended 31 March 2023 it has been well reported that the Housing market in the UK has been depressed. The experience at London Square has been more positive than that, maintaining our sales rate at acceptable levels of 0.54 units per week per outlet although not as high as historically (2022: 1.06). This level of sales rate is within the targeted range that the Group is looking to achieve and had been impacted by past success and the fact that London Square as a Group had forward sold a significant portion of direct sales meaning the Group had a reduced exposure to the current market.

Overall, the Group completed 205 private units (2022: 178) at an average value of £710k (2022: 683k). The increase in average price representing the influence of our Bermondsey site. Going forward the expectation is that this average will decline with a change in sites and a reduced reliance on direct sales activity.

Square Roots

During the year, we continued on with the implementation of the affordable homes partnership with Square Roots and our funders. Having successfully been awarded full registration as a For Profit Registered Provider by the Regulator of Social Housing, Square Roots has embarked on committing to new projects and finding additional capital to develop units with the objective of achieving 3,500 units.

As it currently stands, we have 6 schemes (2022: 4) in different stages of development representing 832 units. The first of these units are due to become tenanted during the next financial year, when the operations of Square Roots will become that of a fully operational Registered Provider. This initiative has been widely supported by the GLA and Local Councils as delivering additional affordable housing to the sector.

London Square Living

A key element of our strategy is to expand into the Build to Rent sector with the appropriate funding partners. To this end, this year, we have continued construction of our first Build to Rent contract with Ares on the Nine Elms project. The largest project we have started construction on to date, it consists of 756 units of which 467 are being forward funded under a Build to Rent arrangement with Ares.

The Build to Rent market is heavily dependent upon cost of capital for the forward funding and as detailed in the economic overview current interest rate pressures have meant a drop in this activity. The Group is still actively pursuing new projects but continues to review them against strict investment criteria to mitigate against further adverse market movement.

London Square Works

Within the Group's land bank, there is over £146m (2022: £111m) of value attributed to the sale of 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 2023, London Square has sold commercial units valued at £9.5m (2022: £17.5m). The commercial lease market was significantly impacted by COVID-19 and has failed to return to levels seen previously. The Group strategy remains the same, to look at each unit individually and devise a sales strategy for that unit that maximises the value achieved on sale of the investment once the site is complete.

Sustainability

Sustainability and the impact our business has on the environment, customers, community and staff has always been of concern to The Group. The nature of our work is such that this is paramount. We are now in the third year of our journey towards measuring the impact and are pleased to include in this report the first of our Annual Sustainability Reports.

The Group's philosophy is that Sustainability must be an integral part of the business operations at all levels and the successes during the year listed in that report cover almost every aspect of the business. Some examples:

- Completed 60% of units using Modern Methods of Construction
- Diverted 97.4% of operational waste from landfill
- Facilitated 66 apprenticeships, 150 new construction-related jobs and over 100 hours of free training to local unemployed people
- Achieved an annual engagement score of 96% earning the Company People Insights Outstanding Workplace Award in 2022, for the second consecutive year
- Reduced our AIIR (Annual Injury Incidence Rate) to just 19 from 77 the year before

As part of the ongoing commitment the Group has become the first private company member of NextGeneration Benchmarking process, an industry-wide review of the ESG standards being met. In our first review, we were ranked 11th and above the industry average. The Group will look to improve that result in each year.

Outlook

The economic background remains uncertain but the expectation that higher inflation and consequently higher interest rates are to remain for the foreseeable future. However, for the housing market the demand supply imbalance also appears to be here to stay and accordingly, the current trading activity of the Group has been steady, and the Group remains on track for delivery of its planned residential unit sales. The significant forward order book position of £311.6m provides a solid underwriting of the outlook especially with £192.4m already contracted for the next financial year. However, there is some exposure to the commercial property market where investor appetite remains to be proven during this period of uncertainty. The economic back drop has also bought about cost pressures particularly on the material prices. Processes put in place continue to prove effective at managing these increases in the current market. We are very excited by the prospect of the coming year as part of the Aldar group.

This Strategic Report is approved on behalf of the Board.

A P Lawrence - Director
30 November 2023

KEY PERFORMANCE INDICATORS

Revenue Under Management

Definition

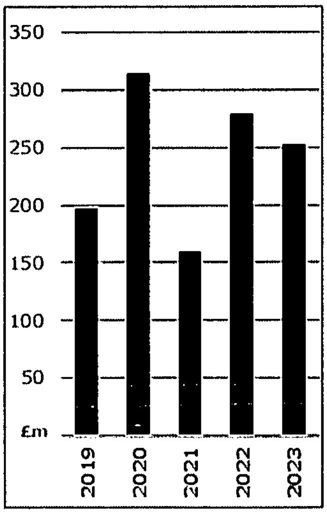
London Square engages in revenue generating activities in two different guises, on projects that are owned and controlled by the Group directly and projects where the Group has contracted to manage the project as the principal Development Manager. Revenue Under Management is the total of these two. Statutory revenue differs in so far as revenue generated by the Group's Joint Ventures is excluded.

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 2023 the Group delivered £252.1m of Revenue Under Management (2022: £278.3m) a 9% decrease. This reflected the change in maturity of our projects as the Group moves toward future revenue investment.



Revenue

Definition

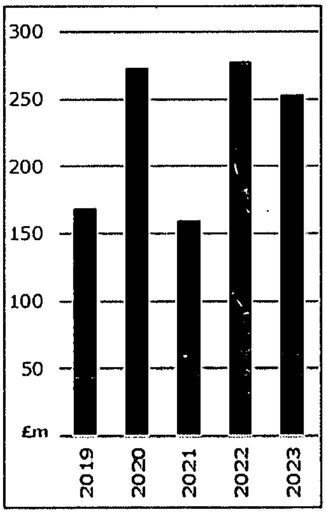
Revenue as reported under the Accounting Policies detailed in Note 1.

Strategy

London Square generates Revenue primarily from the sale of Residential Units. These Units are either sold to private individuals and investors or to institutions through registered providers of Affordable Housing, Build to Rent Investors or Square Roots funders. Additional revenue is sourced from commercial units, freehold sales, land sales and development management services.

Performance

In the year ended 31 March 2023 the Group reported revenue of £252.1m (2022: £277.6m), a decrease of 9%. The business mix during the year ended 31 March 2023 showed a shift back toward private residential sales with Revenue being comprised of 58% private residential (2022: 44%), 21% affordable residential (2022: 21%) and Build to Rent sales comprising 17% (2022: 29%). This trend is expected to show a growing proportion of affordable residential going forward.



Residential Units Completed

Definition

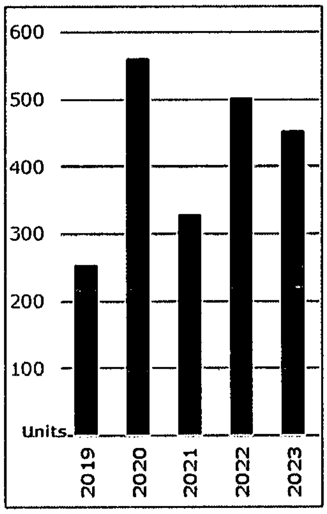
Supporting the Revenue Under Management is the underlying volume of transactions the Group performs measured in residential units. Units are traded in the same period as the associated revenue is recognised. For Private units this is usually upon legal completion of the sale of the unit. For Affordable and BTR units this is usually on an equivalent basis over the course of the development in line with the revenue recognition.

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 and Square Roots initiatives discussed above will result in a greater emphasis of Affordable and BTR Units.

Performance

In the year ended 31 March 2023 the Group recognised revenue in relation to 452 units (2022: 502) of which 205 units were private residential (2022: 178), 170 equivalent affordable units (2022: 179) and 77 equivalent Build to Rent units (2022: 145).



Average Value Per Unit

Definition

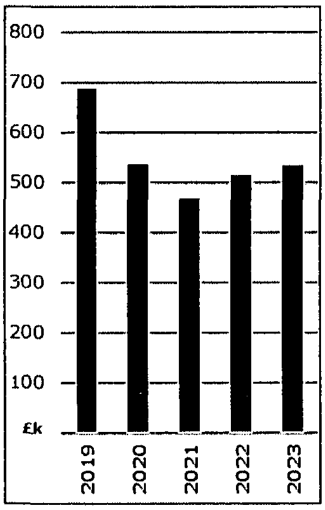
Average Value Per Unit is the total residential Revenue Under Management for the period divided by the number of residential units completed for the period. This can then be further subdivided to private, affordable and BTR units and is a representative of the capital value achieved during the period.

Strategy

In 2015 the Directors adopted the strategy to target a value below £600k for this Key Performance Indicator. This was achieved in each of the past three financial years. Going forward, the Directors expect this to be maintained at this level.

Performance

In the year ended 31 March 2023 the Average Value Per Unit increased by 4% (2022: 10%) consistent with the change in mix achieved. The Average Value per Private Unit increased to £710k (2022: £684k), a 4% increase due to site mix. Affordable Residential Average Value per unit decreased by 2% to £313k (2021: £319k).



Private Sales Rate

Definition

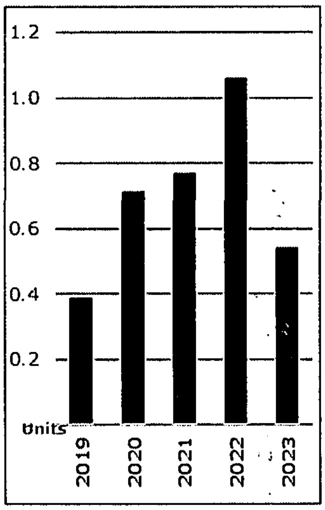
Calculated by taking the number of Reservations of Private Residential Units in a period divided by the number of weeks in that period divided by the number of sites actively selling in that period. Reservations are qualified as having paid a reservation deposit and having provided proof of availability 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 2023 the sales rate dropped to 0.54 units per week per site compared to a historically high 1.06 in the prior year. This represents a return to a more normal rate and is in line with the market conditions described earlier in the CEO Report.



Forward Sales

Definition

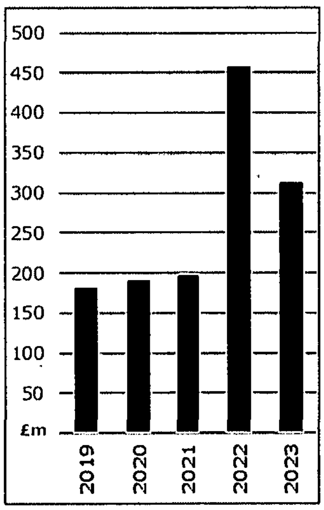
At any point in time, the Group holds contracts for sale of private, affordable, BTR and commercial units that are not yet complete. This statistic is the aggregate value of those contracts.

Strategy

This statistic provides visibility of the certainty of revenue in the future. Accordingly, London Square has aimed to maximise this position without compromising on the overall profitability of the revenue contracted. Going forward the strategy is to maintain a balanced approach between certainty of income and coverage of cost variability.

Performance

As per the strategic intent of the Group, improving the stability of the business through expanding the three lines of business in parallel is reflected in the Forward Sales. As at 31 March 2023, the Forward Sales position was £311.6m compared to £456.2m at 31 March 2022. Short term position is £192.4m (2022: £232.2m) of Forward Sales are expected to be realised in the forthcoming financial year. Longer term the mix of business of the Forward Sales is consistent with the prior year with affordable partnerships comprising 34.0% (2022: 33.9%) and BTR business 44.4% (2022: 38.8%).



Underlying Operating Profit Margin

Definition

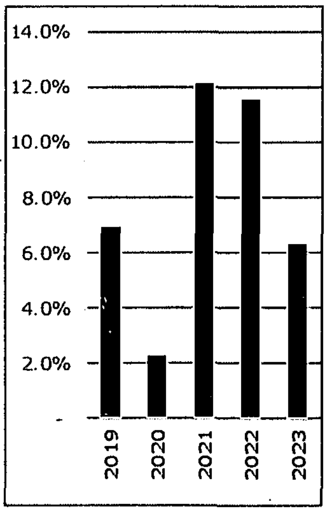
Statutory reported Operating Profit adjusted for unusual non-recurring items divided by Revenue provides the Operating Margin. In the previous year, this was reported on the basis of unadjusted Operating Profit, comparative figures have been updated to be consistent with the revised definition.

Strategy

To support 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 project lifecycles it will take a number of years before the full impact has been realised.

Performance

The Underlying Operating Profit Margin decreased to 6.3% (2022: 11.6%). Due to a cost inflation, regulatory changes and interest rate activity during the year, the Group faced significant margin pressure.



Return on Capital Employed

Definition

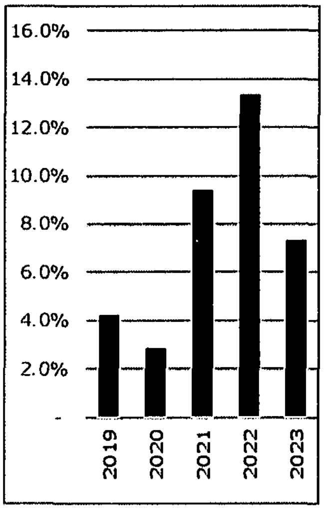
The Return on Capital Employed is calculated by dividing the underlying Operating Profit for the year by the average of the Gross Tangible Assets balances at the start and end of the financial year. In the previous year, this was reported on the basis of unadjusted Operating Profit comparative figures have been updated to be consistent with the revised definition.

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

The Return on Capital Employed has decreased to 7.3% (2022: 13.3%). This reflects the declining margin and cost pressures for the year.



Tangible Net Asset Value

Definition

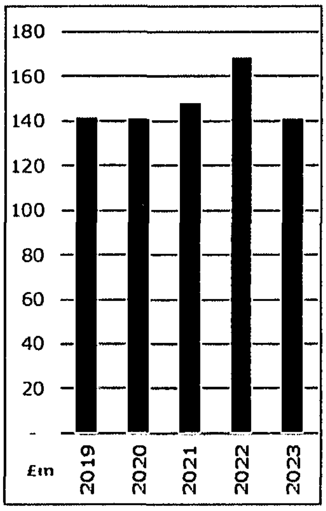
Statutory net asset value as reported, excluding deferred tax balances and intangible assets and after adding back shareholder balances classified as financial liabilities.

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 £140.9m as at 31 March 2023, a 16.4% decrease compared with the position reported 12 months earlier of £168.5m. This is in line with the asset revaluation that was performed at the year end.



Gross Tangible Assets

Definition

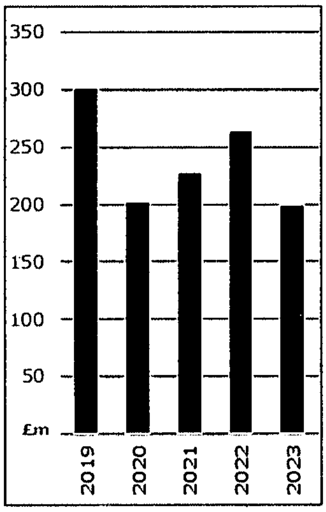
London Square calculates Gross Tangible Assets as its Tangible Net Asset Value plus Net Debt, being total bank debt less cash.

Strategy

An indicator of the underlying growth potential of the Group, London Square has been cautious in land investment over recent years given recent economic factors. This cautiousness remains but the Group is seeking to grow this indicator.

Performance

The difficult trading conditions and in particular the difficult regulatory environment of the year resulted in the Group's Gross Tangible Assets decreasing to £197.7m (2022: £263.0m), a 24.8% decrease year on year.



Net Gearing

Definition

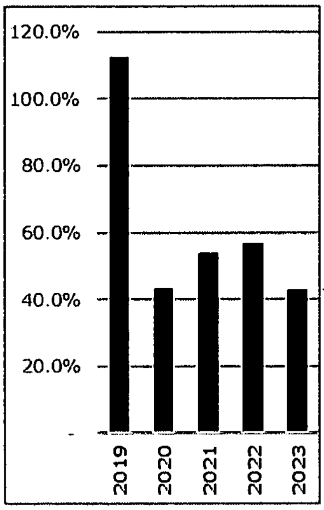
London Square calculates the Net Gearing performance indicator as the Net Debt, being total bank debt less cash, divided by Tangible Net Assets.

Strategy

The Group seeks to maintain sufficient and manageable levels of debt within the context of the asset risk and interest rate risk provided by the market.

Performance

The past year has been a tumultuous one with respect to the cost of debt influenced by external factors. In light of these market conditions the Group has consolidated its balance sheet position, lowering the level of Net Gearing to 43% as at 31 March 2023 (2022: 57%)



Land Bank

Definition

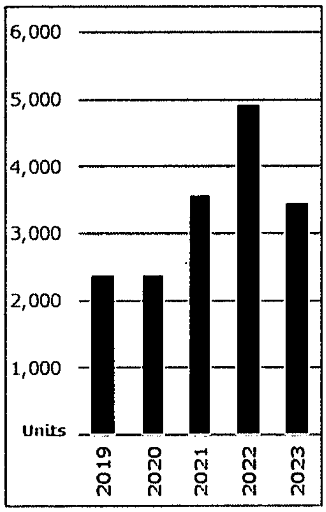
Land Bank represents the number of residential units the Group has control over the delivery through contractual arrangements or ownership.

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.

Performance

The year ended 31 March 2023 saw the Group invest in its land pipeline by exchanging on 879 units across 5 sites resulting in a land bank of 3,441 units (2022: 4,897). The decrease was caused by the loss of two sites becoming economically unviable in the current climate.



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.

The Group's approach to the risk proposed by the economic climate is to seek an appropriately balanced portfolio between fixed forward sold revenue and pressures of cost inflation. As such the Group seeks to secure forward sales and purchase contracts with the intention of reducing the exposure to adverse fluctuations but aims to keep sufficient variable revenue to take advantage of market improvements. Meanwhile, management of costs through advanced design works and fixed price contracts are secured wherever possible.

Over the past 12 months, the Group has been impacted by significant build cost inflation driven by the post-COVID-19 pandemic, the uncertainties around Brexit and the war in Ukraine. The increased fuel prices have led to an escalation of costs for steel, concrete, bricks, etc. The Group is benefiting from its strong relationship with its key suppliers and subcontractors. Although the overall impact remains to be seen, management is developing a number of initiatives to mitigate this impact, e.g., supply chain management, standardisation, modern methods of construction, etc.

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's membership of the European Union and the lingering impact of the COVID-19 pandemic. More latterly, government intervention in the market with the Autumn Mini-Budget disrupted the financial markets and increased interest rates. The long-term impact of these major disruptions is yet to fully materialise. The Government is showing an overall support for the sector with recent announcement of major changes to the affordable sector. The Group takes into account any political risks and reflects these into its overall strategy.

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 partnerships, particularly in the affordable sector. At the time of writing the report, the Bank of England has increased the interest rate to 5% and has indicated a further increase in the coming months. The Management and the Board are closely monitoring these movements and analysing the impact on the operational and financial performance of the Group.

Capital Availability – London Square is dependent upon the provision of capital from the current lending group to continue in operation. The directors are in regular dialogue 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. In particular, the Group refinanced its main corporate facility as disclosed in the accounts. Subsequent to year end, Management secured additional new equity funding from Aldar that has largely mitigated this risk.

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 and sustainable 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. The Group's diversification into the affordable and build-to-rent sectors is giving London Square access to a greater range of land opportunities. The Management and Land Department of London Square have a good-standing relationship with well-established land agents who present an array of land opportunities.

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. Upcoming and expected changes to legislation are reviewed with an assessment of impact on the Group's activities and costs, leveraging the significant in-house technical and regulatory expertise. The Group commits to high design standards for units and developments that exceed current and expected statutory requirements. The Group's financial plan considers the financial impact of future legislation - i.e., energy efficiency / building safety costs.

Employee Availability – the overall performance of the Group is dependent upon the Group being able to attract and maintain suitable quality staff to fulfil the roles and responsibilities. London Square takes great pride in its staff and ensures that we provide market leading conditions to work under as well as regular training and development courses from apprenticeship level to senior management levels. The Group maintains good morale in the workplace, sets remuneration packages at attractive levels and provides industry leading benefits. We are an Outstanding Employer, having been recognised for our industry leading employee engagement score in 2021 by People Insights. We are also proud to be a certified Living Wage Employer and to have achieved accreditation with the Greater London Authority's good work standard.

Health, Safety and Environmental Procedures – a deterioration in the Group's health, safety and environmental standards could put the Group's 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 45001) 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 recently upgraded all security systems and is continually monitoring and scanning all services to detect and respond to security events. The internal IT department regularly send awareness reminders to update employees and reduce any potential adverse impact.

Sustainability - the Government's sustainability agenda is fast-moving and has tended to result in significant cost implications for the residential development industry. The UK Government has made a commitment to Net Zero by 2050 and the Mayor of London has a commitment to Carbon Neutrality by 2030, with industry commitments of Net Zero between 2030 - 2050. The Future Homes Standard will result in an increase in design requirements from 2025 with a focus on future-proofing buildings with low carbon heating and world-leading levels of energy efficiency, enabling zero carbon homes. The Group considers all impacts of ESG and related industry regulation and commitments, ensuring compliance with the Future Homes Standard by 2025. During the year, the Group has made a formal commitment to its sustainability journey publishing the first of its annual Sustainability Reports.

S172 STATEMENT

In accordance with section 172(1) of the Companies Act, the Board recognises that the directors need to act in good faith at all times and to promote the success of the Group for the benefit of its stakeholders as a whole. In doing so they need to consider, amongst other things:

- 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 sustainability of the Group's operations and its impact 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 between members of the Group.

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.

The various sections of the Strategic and Directors Report detail how the Board of directors have generally engaged with, and taken into consideration, the interests of the key stakeholders who are material to the long-term success of the business. The following sections set out examples of the stakeholder engagement during the year.

<u>Shareholders</u>

Engagement

Shareholders own the business. In line with the Shareholder Agreement, shareholders have representatives on the Board of Directors of London Square.

A formal Board Pack is produced for each Board Meeting and is distributed to all Board members prior to the date of the Board meeting. The Executive Directors produce a report summarising the events of the past period across all departments and provide updates to the Board Members on ongoing items.

The Chair of the Board ensures all matters arising from board discussions are followed up and actioned appropriately.

Board members' attendance for the year is indicated in the Governance section of this report.

Outcome of Engagement

Some of the key focuses of the Board Members during the year were the challenges from the build costs inflation and the increase in interest rates. Shareholders have been kept informed through timely disclosures of the impact to the business operations and financial performance.

At the February 2023 Board Meeting, the Shareholders and Board Members were briefed on the upcoming changes resulting from the Building Safety Act (BSA) and the imminent impact on the London Square developments. London Square established an internal working group to monitor the latest developments and building requirements deriving from the BSA to ensure future compliance with all regulations.

During the year London Square committed to the Building Safety Pledge with the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), and subsequently signed the Developer Remediation Agreement issued by DLUHC.

Banks

Engagement

Executives are in regular dialogue with the lenders. A formal Banking Pack is prepared on quarterly basis and presented to the lenders, followed by a meeting to discuss the business performance.

The lenders are regularly invited to visit London Square schemes under construction to monitor the progress as provided in the Banking Pack.

In addition, the CFO is in regular contact with the lenders throughout the year.

Outcome of Engagement

The engagement with the lenders provides a two-way opportunity to discuss the latest market conditions and how those are affecting the London Square Group as a whole. The banks gained an in-depth understanding of how the business is managing the impact of the economic challenges faced in the past 12 months.

Lenders have expressed their continued support for the business.

Partnership Stakeholders

Engagement

Our strategic initiative into Partnering with public sector organisations was launched in 2017 and has been met with considerable success to date. The Group works with housing associations to provide affordable homes within the local authority to ensure the needs of the customer base are met.

The business' focus has shifted in the past few years where we now have a far greater number of third-party partnership stakeholders than ever before.

The Company has committed to produce a minimum of 35% affordable homes annually for The Group's registered provider Square Roots and other Housing Association partners.

Outcome of Engagement

During the year, London Square re-assessed the role of our partnership stakeholders and allocated critical resource to managing those strategic relationships and the coordination of day-to-day activities which are critical to the longevity of these relationships. During the last 12 months, London Square successfully won a number of key contracts alongside our partners.

Further details can be found in the CEO Report.

Employees

Engagement

The employees are London Square's most valuable asset and are at the heart of everything we do. Through their commitment and hard work, the company has delivered on its strategic intent during a challenging year.

The health and safety of our employees, along with our suppliers, sub-contractors and customers, is a priority for the Group. 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. Directors conduct regular and spot-check site visits to ensure the working standards are maintained at all times. .

London Square is committed to ensuring a fair wage is received by all and as a certified Living Wage employer, the Living Wage is mandated as the minimum pay rate across all our developments.

London Square recognises that a happy, healthy workforce is a productive workforce and is committed to providing support and wellbeing initiatives to its employees, helping them to lead healthy and balanced lives. The Company's Wellbeing Strategy outlines the initiatives and support available to all employees.

London Square is an Equal Opportunities employer.

Outcome of Engagement

London Square has a range of benefits available to all its workforce. During the year the company introduced Payroll Giving, allowing employees to manage charity donations via their pay package. The employees were given the opportunity to access a range of 'Wellness Wednesday' discounts, made available to all employees from third party providers to aid their physical and mental health. A number of employees took advantage of the Electric Car scheme introduced in the previous financial year, offering a fully electric or ultra-low emission vehicles from pre-tax pay.

Employees continued to benefit from the Hybrid Working Policy, introduced as a result of the COVID-19 pandemic. We are proud to say that in that past 5 years 75% of flexible working requests by female employees have been approved.

This year London Square participated in the Mind Annual Wellbeing Index Survey for the first time.

In 2023 we have started to measure the socio-economic background of our employees, as the first step in improving our socio-economic diversity.

The Group provides regular updates to employees to ensure they are kept informed of developments via Square Times publications on The Group's intranet. Company briefings, known as State of the Nation, were held via Microsoft Teams meetings, at regular intervals throughout the year.

Inevitably, the challenges experienced during the financial period resulted in a redundancy round in December 2022 of c.10% of the London Square workforce.

Further details on employees' engagement can be found in the Sustainability Review section.

<u>Customers</u>

Engagement

We are proud to say we are winning awards for our exemplary customer service at London Square, something we want to continue as we strive to give customers the most enjoyable and helpful experience possible. As part of this commitment, London Square continues to innovate, providing the latest energy, waste and water innovations in our new homes. We aim to give our customers the best possible home living experience in the most cost-efficient way. We promote the sustainable features of our homes to our customers and ensure London Square homeowners can make the most of these functions by providing new home demonstrations to all new buyers.

Building great homes in places where people want to live, is at the heart of London Square's ethos. As a Company we strive to maintain high levels of customer satisfaction.

Outcome of Engagement

To build awareness and integrate each development into the local community, London Square continued to organise events for all new developments, ensuring key stakeholders are invited and supported by local businesses. Response to these events has been extremely positive, with local businesses knowing some of our customers on a first name basis and receiving return business as a result.

In April 2022 the Company created a customer care task force made up of key departments across the business to delve into the customer journey and make improvements to ensure our customers feel communication is good, are happy with their new homes and have a positive journey with London Square. This has resulted in our net promoter score over the six months to March 2023 increasing to 86 and 91 for the latest quarter. Since the task force efforts started, The Group has seen zero detractors in the last 6 months and an increase in our response rate to 57.9% of residents responding to the surveys.

London Square has been awarded the In-House Gold Award for 2023, this means that over 90% of our customers in 2023 would recommend London Square to a friend.

Suppliers and Subcontractors

Engagement

The Commercial and Procurement teams are in constant communication with our suppliers and subcontractors regarding the issues that matter the most.

As an official partner of the Supply Chain Sustainability School, London Square's supply chain are invited to join the School and take advantage of the resources available.

The Group is committed to eradicating Modern Slavery in all its forms. All London Square suppliers and subcontractors are required to complete the Company's Social and Ethical Questionnaire, which ask questions around the supplier's approach to labour standards.

Outcome of Engagement

Ongoing discussions with suppliers have led to mutually beneficial arrangements to improving costs and consistency of material supplies. We endeavour to pay all our suppliers within fair credit terms and our average nett payment terms for the year ended 31 March 2023 were 35 days (2022: 34).

In FY23 the Company carried out a Modern Slavery supply chain risk analysis, as well as training for the commercial and buying teams. The risk analysis resulted in London Square engaging with the Company's labour suppliers, to further establish if there is a risk of modern slavery in our labour workforce.

Community and the Environment

Engagement

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 whom we work in partnership with. People are at the heart of the environment in which they live, and we seek to create opportunities that strengthen and add value to our neighbourhoods.

At London Square our vision is to bring sustainable living to the Capital. Combining our collaborative and innovative approach to design, build and customer service with sustainability; creating places and communities where people really want to live, now and in the future.

From increasing biodiversity, to tackling poverty and reducing greenhouse gas emissions, the Company's plan for a sustainable future sets out our target for a more sustainable London and more importantly, what we at London Square are doing about it.

Outcome of Engagement

London Square are proud to work throughout London's diverse boroughs and to have the opportunity to play a part in reducing poverty and creating inclusive communities in our Capital, whilst assessing the impact of our developments on the environment.

London Square is committed to ensuring that our developments are not car dependant and that our homes provide strong community links. We are proud to say that all developments completed in the financial year to

31 March 2023 were within 500 meters of a public transport hub. Furthermore, all developments have secure cycle storage at a minimum ratio of 1 space per unit and a site-specific travel plan, providing access to greener transport for commuting, health and leisure. For those who need to use a car, 33% of developments completed have a dedicated car club on site and we aim to increase this provision in future years.

During the year, London Square has been involved in a number of social value initiatives helping to support the local communities in the areas in which we work. More details can be found in our Social Impact Strategy 2023-25.

Open Gardens Weekend – on the weekend of 11 and 12 June 2022, London Square supported the Open Gardens Weekend, organised by the London Gardens Trust. More than 100 gardens and green spaces, not usually open to the public, took part in the event – giving the general public the chance to visit some of the capital's secret gardens.

The Group supports a number of local and national charities. London Square was the main sponsor of Ottilie Quince, world cycling champion, on The Grand Tour charity ride, The London Square OQ Vuelta A Casa.

The Group does not make donations to political parties, organisations or their representatives.

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

GOVERNANCE

At London Square we are transparent. Our culture promotes integrity and openness. We do business fairly and are responsive to the views of our shareholders and the wider range of stakeholders. In doing so, we apply formal and transparent policies and procedures to ensure fair and best practices are at the heart of everything we do. We are subject to numerous external audits, which are independent and effective.

'Building Sustainable Communities' is London Square's sustainability report first published during the year ended 31 March 2023 and details our strategy and progress towards a sustainable future for London Square, communities, stakeholders, and the planet. Our sustainability goals are supported by our long-term business strategy and are integrated within our business plan. The bonus targets of the Company's Senior Leaders have been reviewed to include sustainability targets from the next financial year.

The Financial Reporting Council published the Corporate Governance Code ('Code') in 2018. Although London Square is not required to comply with the Code, Senior Leaders constantly consider the principles contained within the Code and comply wherever possible.

- Board Leadership and Company Purpose
- Division of Responsibilities
- Composition, Succession and Evaluation
- Audit, Risk and Internal Control
- Remuneration

STRATEGIC BOARD MEMBERS

Our experienced Board Members are fundamental in driving the continued success of London Square. They are responsible for the Group's strategy and its overall management. Through entrepreneurial leadership and a flexible business model, the Board is able to promote long-term business growth and value for shareholders.

MARK PAIN - Non-Executive Chairman - Formerly CFO of Abbey National Plc and Barratt Developments Plc with Non- Executive Directorships at; Ladbroke Coral Group Plc, Aviva Insurance Ltd, Spirit Pub Group Plc, Johnston Press Plc, Northern Rock, Yorkshire Building Society, LSL Property Services plc and Punch Taverns Plc. Mark's experience spans the real estate, financial services and Consumer / Leisure sector and he brings a strong Financial, customer and shareholder focus to London Square. Mark is currently Chairman of AXA UK Ltd, Chairman of Empiric Student Property Plc, and a Non-Executive Director and Senior Independent Director at Close Brothers Group Plc.

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

ADAM LAWRENCE - Chief Executive - Adam founded London Square in 2010 and remains the driving force behind the continued success of the company. Prior to founding London Square, Adam had 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.

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 9 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.

Board and Committee Attendance

The table below summarises the scheduled meetings and the attendance of each Director during the year ended 2023 whilst they were a member. The Strategic Board met 10 times (2022: 10).

Strategic Board Attendance:

	Position	Strategic Board	Remuneration Committee	Audit Committee
Mark Pain	Independent Chair	10	1	1
Adam Lawrence	Chief Executive Officer	10	-	1
Mark Evans	Chief Operating Officer	10	-	-
Scott Brown	Chief Financial Officer	9*	-	1
Stephen Casey	Independent Non-Executive	7*	1	1
Investor Representative		10	1	1
Scheduled Meetings		10	1	1

*Scott Brown and Stephen Casey did not attend all meetings due to personal reasons. Both received the Board Pack and were briefed after the meetings.

Executive Board Attendance:

During the year, the Executive Board met 9 times (2022: 12).

Non-executive Directors

The independence of our Non-executive Directors is reviewed to confirm they remain independent from executive management and free from any business or other relationship which could materially interfere with the exercise of their judgement.

Mark Pain and Stephen Casey have served the company as Non-executive Directors since 2011. The Board is satisfied that the directors continue to exhibit independence of character and judgement. In the Board's opinion, both Mark and Stephen have continued to demonstrate strong commitment to their roles and to exercise their judgement in an effective and independent manner. They also do not have any association with management that might compromise their independence.

Accordingly, the Board considers them to be independent Non-executive Directors of the Company.

MATTERS RESERVED FOR THE BOARD

A schedule of regular business, financial and operational matters is maintained to ensure that all matters that the Board and its committees have responsibility for are addressed and reviewed during the year. Certain matters are reserved for approval by the Board. These include:

- Strategy and business plan approval
- Changes in share capital and dividends
- Board membership and Committees and delegation of authority
- Remuneration and employment benefits
- Corporate statutory reporting
- Appointment of auditors
- Major capital and revenue commitments including land acquisitions
- Corporate governance, policy approval, internal control and risk management
- Corporate social responsibilities

BOARD CONDUCT

The Board is committed to a strong ethical corporate ethos and ensuring the culture within the business is consistent with our strategic objectives and business model.

The Board monitors and assesses the culture in the business through an externally managed employee engagement survey. The results of those survey are reviewed by the Board to identify areas of focus – either to maintain and improve on strengths or to develop actions and initiatives to address any areas of concern.

The Board achieves this by:

- encouraging diversity, inclusion and equal opportunities for all employees;
- investment in training and development;
- regular communication with employees; and
- appropriate induction for new employees.

The Non-executive Directors' role is to provide an independent view of the Group's business and to constructively challenge management and help develop proposals on strategy. The Executive Directors are responsible for business operations and for ensuring that the necessary financial, operational, and human resources are in place to deliver the Group's strategic targets. The Board as a whole reviews all strategic issues and key strategic decisions. Control over the performance of the Group is maintained through evaluation of financial information, the monitoring of performance against key budgetary targets and by monitoring the return on strategic investments.

A formal Board Pack is produced for each Board Meeting and is distributed to all Board members prior to the date of the Board meeting. The Executive Directors produce a report summarising the events of the past period across all departments and provide updates to the Board Members on ongoing items. The Board Pack includes standing items such as Financial Performance, Health and Safety and Customer Care reports, HR and Sustainability sections, etc.

The Chair of the Board ensures all matters arising from board discussions are followed up and actioned appropriately.

The Board has ultimate responsibility for the Group's system of internal control, but responsibility for monitoring and ensuring the ongoing effectiveness of this framework is delegated to the Audit Committee.

Further details can be found in the Audit Committee Report. The principal risks faced by the business are set out in the Principal Risks section.

The operation of the Board is broken down into two principal groups, the main Strategic Board and the Executive Board. The Strategic Board comprises of non-executive directors, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, and shareholder representatives. The Executive Board comprises the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, and is attended by the Finance Director, Group Sales & Marketing Director and HR & Sustainability Manager. The same matters and papers are considered by both boards with the Strategic Board taking into consideration the input of the shareholders to be considered in more detail by the Executive Board.

Regional Board Meetings with representatives across various departments are conducted each month, the discussions from which are summarised in the Board Packs presented at the Executive Board and Strategic Board. The Non-executive Director, Stephen Casey, is present at those Reginal Board Meetings in the role of independent assessor.

KEY DISCUSSIONS IN THE YEAR ENDED 31 MARCH 2023

During the year, the Board agreed capital investments in number of schemes across various London boroughs to support the business growth.

Following Board's approval in June 2022, London Square incorporated a subsidiary entity in Hong Kong to showcase its developments to prospective investors from Hong Kong and the surrounding areas. The responsibilities of the new entity are limited to marketing activities from the Hong Kong marketing suite.

Some of the key focuses of the Board Members during the year were the challenges from the build costs inflation and the increase in interest rates and the impact on the business operations and financial performance.

At the February 2023 Board Meeting, the Board Members were briefed on the upcoming changes resulting from the Building Safety Act (BSA) and the imminent impact on the London Square developments.

The Board adopted the proposal by the Executive Directors to conduct a redundancy round in December 2022 of c.10% of the London Square workforce.

During the year London Square committed to the Building Safety Pledge on remediation of high-rise buildings with the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC). The Board subsequently approved the entering into the Developer Remediation Agreement issued by DLUHC. This agreement would obligate London Square to remediate life-safety defects to any of our buildings over 11m in height and or repay the taxpayer for any work carried out on our behalf. London Square commissioned an independent advisor to assess the external walling system and provide a fire review of the entire London Square portfolio of projects. This fire review, concluded in March 2022, highlighted no immediate remedial work requirements, and confirmed that no work has been carried out on our behalf by the taxpayer. The risk to London Square by signing this agreement is therefore low.

Sustainability – the Board oversaw the Company's Square Future Framework which outlines London Square's goals for a more sustainable future, and more importantly, how we will meet these targets.

AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Strategic Board, responsible for ensuring the financial performance of the Group is properly measured and reported on. Its role includes monitoring the integrity of the financial statements, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors (if any), advising on the appointment of external auditors and meeting with external auditors without the Executive Directors and management present.

Membership and attendance

The Committee consists of the following independent Non-executive Directors: Mark Pain (as Chair), Stephen Casey and a shareholder representative. Other members of the Board or management may attend Committee meetings by invitation, if required. We ensure Committee members have the skills and knowledge relevant to the remit of the Committee as well as the personal attributes to enable us to work with management and external auditors and to challenge matters if needed.

The committee met once during the year (2022: once) with full attendance.

Role of the external auditor

The Audit Committee monitors the relationship with the external auditor, Ernst & Young LLP, to ensure we maintain auditor independence and objectivity. As part of its review, the Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in Note 3 of the Notes to the Financial Statements.

Internal controls and risk

The Group continually reviews its controls framework to ensure adherence to best practice, while also having regard to its size and the resources available.

The principal elements of the Group's internal control system include:

- close management of the day-to-day activities of the Group by the Executive Directors;
- an organisational structure with defined levels of responsibility and approvals, which promotes entrepreneurial decision-making and implementation, while mitigating risks;
- segregation of duties so no individual can have undue influence or control over an activity, process or transaction;
- central control over key areas such as authorising capital expenditure and banking facilities; and
- the formal risk framework agreed by the Board.

Whistleblowing

The Group has in place a Whistleblowing Policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Audit Committee reviewed the policy and was satisfied that it was fit for purpose.

Anti-Bribery and Corruption

The Group has a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business relationships. The Group is bound by UK laws, including the Bribery Act 2010. The Group has in place an Anti-Bribery and Corruption Policy which sets the guidelines for employees to act ethically in all their business conduct. The Audit Committee reviewed the policy and was satisfied that it was fit for purpose.

This report was approved by the Board on 30 November 2023 and is signed on its behalf by:

M.A.P

Mark Pain - Chair of the Audit Committee

REMUNERATION COMMITTEE

The Remuneration Committee reviews the performance of the directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment.

The Remuneration Committee also makes recommendations to the Board on proposals for granting shares, share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time.

The Remuneration Committee has access to information provided by the directors of London Square and independent advice from external consultants, where it considers this to be appropriate.

Membership and attendance

The Board has established a Remuneration Committee which currently consists of Mark Pain (Chair), Steven Casey and a shareholder representative.

The Remuneration Committee met formally once during the year (2022: twice) with full attendance.

Policy for directors' remuneration

The policy for directors' remuneration is designed to attract, motivate and retain high-calibre individuals with a competitive remuneration package. The remuneration policy considers the overall performance of the Group and the individual directors and the prevailing pay structures in the markets in which London Square operates.

The directors' remuneration is designed to provide a balance between fixed and variable rewards, although it is recognised that it is common industry practice for total remuneration to be significantly influenced by annual bonuses and long-term incentive plans.

Consequently, remuneration packages for individual directors comprise a basic salary, bonus plan, a long-term incentive plan and benefits in kind. In agreeing the basic salary and annual bonuses, in addition to the factors outlined above, the Remuneration Committee considers the aggregate remuneration to be received by the individual director.

Basic salary

The basic salaries of the directors are reviewed on an annual basis. The Remuneration Committee seeks to establish a basic salary for each position commensurate with the individual's responsibilities and performance, considering comparable salaries for similar companies of a similar size in the same industry.

Bonus plan

The Bonus Plan allows, at the Board's discretion, for the Executive Directors to receive a percentage of Operating Profit reported each year up to a certain cap. The Operating Profit is derived from the reported annual results each year subject to pre-agreed adjustments.

Other benefits

Depending on the exact terms of each individual Executive Director's service contract with the Company, they are entitled to a range of benefits, including private fuel, electric car lease scheme, cycle to work scheme, private health care insurance, permanent health insurance and death in service insurance.

Service contracts and notice periods

Each of the Executive Directors are employed under service agreements which contain confidentiality provisions and restrictive covenants for the Company's protection.

The Executive Directors' service contracts do not provide specifically for any termination payments, although the Company might make payments in lieu of notice. For this purpose, such payments would consist of basic salary and other benefits for the relevant period and, depending on the circumstances, any awards due.

Non-executive Directors

The Group currently has two Non-executive Directors:

Mark Pain, who is Chair of the Strategic Board and Head of the Audit Committee and Remuneration Committee and
Stephen Casey, who sits on the sub-committees and attends the Regional Board Meetings.

The Non-executive Directors are engaged under agreements for service, which were reviewed during the year. The appointment of the Non-executive Directors is on a three-year period rolling period and may be terminated on from either the Company or the individual. The agreements contain the conditions of appointment, confidentiality provisions for the Company's benefit, and the termination arrangements.

The Non-executive Directors' letters of appointment do not provide specifically for any termination payments, although the Company might make payments in lieu of notice.

Non-executive Directors' fees are determined by the Executive Directors, having regard to the requirement to attract high-calibre individuals with the right experience, the time commitments, and the responsibilities incumbent on an individual acting as a Non-executive Director for a company. The Non-executive Directors are not eligible for annual discretionary bonuses.

This report was approved by the Board on 30 November 2023 and is signed on its behalf by:

M.A.P

Mark Pain
Chairman of the Remuneration Committee

SUSTAINABILITY REVIEW

At London Square our vision is to bring sustainable living to the Capital. Combining our collaborative and innovative approach to design, build and customer service with sustainability, creating places and communities where people really want to live, now and in the future.

From increasing biodiversity, to tackling poverty and reducing greenhouse gas emissions, the Company's plan for a sustainable future sets out our target for a more sustainable London and more importantly, what we, at London Square, are doing about it.

Our Chief Finance Officer holds Executive Committee level accountability for sustainability within the London Square Group. He is supported by the Head of HR & Sustainability, who in turn chairs the Sustainability Committee and is responsible for delivery, alongside the Directors and Senior Managers of the Company.

The Sustainability Committee is made up of departmental representatives from across the business, who are *responsible for leading individual sustainability workstream projects, according to their expertise and discipline.* London Square recognises that our people are the key to sustainable change, progress and growth.

The committee meet a minimum of 6 times per year and are the driving force that bring sustainability to life at London Square.

During the year, London Square is proud to have:

- *Published the Company's first Sustainability Report: Building Sustainable Communities*
- Completed the Company's first NextGeneration Benchmarking process, finishing with a score of 34 (after weighting), ranked 11th and above industry average
- Invested in the BRE's sustainability application 'SmartWaste' to collate data and improve the accuracy of the Company's sustainability reporting
- Measured operational water consumption for the first time together with the Company's water reduction roadmap
- Become signatories of the Social Mobility Pledge
- Published the Company's commitment to 'A Just Transition' in line with the Paris Agreement
- Published our first roadmap to net zero carbon and net zero homes
- Completed 60% of units using Modern Methods of Construction
- Diverted 97.4% of operational waste from landfill
- Published the Company's roadmap and strategy to net zero waste
- Facilitated 66 apprenticeships, 150 new construction-related jobs and over 100 hours of free training to local unemployed people
- Achieved an annual engagement score of 96% earning the Company People Insights Outstanding Workplace Award in 2022, for the second consecutive year
- Participated in Mind's annual wellbeing index survey
- Reduced our AIIR (Annual Injury Incidence Rate) to just 19

SQUARE FUTURE

FRAMEWORK FOR BUILDING SUSTAINABLE COMMUNITIES

Materiality Process

In September 2021, London Square engaged the services of PwC to undertake a robust materiality review of the market to support the development of the Company's ESG (Sustainability) strategy. An analysis of the market was undertaken, along with interviews with key internal and external stakeholders. The resulting report shaped the future direction of the Company's Sustainability strategy and targets for building sustainable communities, both of which will be reviewed annually and fed into London Square's overall Company strategy.

In 2023 London Square surveyed our customers to understand their views on sustainability and what matters most to them when buying or renting a new home. In addition, staff were asked to respond to a survey which asked their views on the Company's approach to building sustainably. The results will be summarised in You Said, We Did – Building Sustainable Communities, and will be fed into the Square Future Framework, ensuring our strategy for a sustainable future is aligned to our Stakeholders views.

Square Future Framework

The Company's Square Future Framework outlines London Square's goals for a more sustainable future, and more importantly, how we will meet these targets.

The NextGeneration Benchmark Standard is central to London Square's sustainability commitment, acting as an industry leading key performance indicator framework that is externally verified. The Benchmark allows London Square to monitor progress and show continuous improvement and commitment to a sustainable future, through the annual benchmarking process.

NextGeneration Benchmark Standard

As part of London Square's commitment to a sustainable future, we have joined the NextGeneration Benchmark standard as a member. The Benchmark forms the basis of our Square Future Framework, with all 15 focus areas forming London Squares key performance indicators for sustainability.

NextGeneration is an independent annual sustainability benchmark of the 25 largest homebuilders in the UK, alongside any voluntary participants. The standard measures the sustainability of homebuilders' operations and the new homes they build. The NextGeneration Executive Committee consists of Homes England, Lloyds Bank and UKGBC and the initiative's secretariat JLL.

2022 was London Square's first benchmark assessment year. Our total score of 36 (before weighting applied) put us above industry average against the top 25 housebuilders and members who were benchmarked, and we are delighted to be recognised as an industry leading housebuilder.

The 2022 NextGeneration Sustainability Benchmark Report highlight's London Square as: 'Noteworthy to mention is London Square's commendable 11th placing in its first year of membership, particularly as a non-listed homebuilder, with fewer mandatory reporting requirements'.

ENVIRONMENT

Carbon

London Square is committed to a Just Transition: reducing greenhouse gas emissions (GHGs) in line with the Paris Agreement. The activities within our Square Future Framework support the Agreement's commitment to reduce global temperature increases to a maximum of 2 degree Celsius this century, which is key to creating a sustainable future for all.

The Group has set an aspirational target of net zero carbon homes by 2030 and to be net zero across our operations by 2040 (across scopes 1, 2 and 3). We have developed a roadmap to achieve this having established a Sustainability Committee who is responsible for leading individual sustainability workstream projects.

London Square's greenhouse carbon emissions for the 12-month period ending 31 March 2023 were 3,887 gross tonnes of carbon dioxide and equivalent gasses (tCO_2e), equating to 1,928,083 kWh, which resulted from:

- energy consumed from activities for which the company is responsible, including the consumption of fuel for the purposes of transport;
- energy consumed resulting from the purchase of electricity by the company for its own use, including for the purposes of transport;
- water consumption; and
- waste to incineration resulting from the company's construction activities.

The methodology used to calculate the emissions is in accordance with the principles of the international standard for quantifying and reporting greenhouse gas emissions, ISO14064 and the World Resources Institute and World Business Council for Sustainable Development GHG Reporting Protocols (revised edition).

Materiality level for undisclosed information and estimation was +/- 13%, which returns a "Good" level of confidence using the methodology for the data collection, scope and boundary.

The greenhouse carbon emissions include all emissions sources for scopes 1 and 2 plus scope 3 emissions as presented in this table:

Total tCO2e by Scope and GHG Protocol Category	Yead Ending 31 March 2023 (tCO2e)	Year Ending 31 March 2022 (tCO2e) Revised	Annual Change to Revised Reporting	Year Ending 31 March 2022 (tCO2e) Previously Reported
Scope 1 – Total	**108.07**	**612.42**	**(82)%**	**612.42**
Site Energy	5.33	522.44	(99)%	522.44
Controlled Vehicles & Plant	102.74	89.98	14%	89.98
Scope 2 – (Location Based) Total	**224.94**	**287.75**	**(22)%**	**287.75**
Scope 3 – Total	**3,553.53**	**3,469.44**	**3%**	**94.83**
Water Supplied	3.79	2.13	80%	2.13
Fuel & energy-related activities	20.23	82.65	(76)%	82.65
Waste Generated in Operations	3,360.18	3,374.60	(0%)	0
Business Travel	169.33	10.06	16%	10.06
Total	**3,886.54**	**4,370.61**	**(11)%**	**995.00**

The Group has selected the following intensity ratios ("IR") as these most effectively reflect our emissions performance, enable development of our emissions management strategy and strategic decisions to be made.

	Year Ending 31 March 2023	Year Ending 31 March 2022	Change
Full Time Equivalent (FTE)	179	161	11%
Sq ft sold ('000)	413	572	(28)%
Turnover (£m)	252	278	(9)%

During the year ended 2023, the Group invested in the BRE's sustainability application 'SmartWaste' to collate data and improve the accuracy of the Company's sustainability reporting. This resulted in more comprehensive and better-quality data becoming available in 2022/23 which was not available in 2021/22. To this end revised data for the emissions and ratios has been included alongside the previously reported data for the prior year. In addition, for the first time in 2022/23 waste has been included in the SECR which accounts for the increase in the scope 3 emissions.

Gross tCO2e/relative unit	Year Ending 31 March 2023 Gross TCO_2e /IR	Year Ending 31 March 2022 Gross TCO_2e /IR Revised	Annual Change to Revised Reporting	Year Ending 31 March 2022 Gross TCO_2e /IR Previously Reported
TCO_2e / Full Time Equivalent (FTE)	21.71	27.14	(2)%	6.18
TCO_2e / Sq ft Sold ('000)	9.41	7.64	23%	1.74
TCO_2e / Turnover (£m)	15.42	15.72	(2)%	3.58

Management are committed to working towards achieving the company's carbon targets through the identification and implementation of principal measures for the purpose of increasing the company's energy efficiency in its operations going forward. Some of those actions taken during the period were:

- Maintaining an accredited ISO 14001 Environmental Management system covering the entire scope of our business.
- Installing solar PV reducing energy consumption and carbon emissions into developments.
- Installing electric charging points into developments.
- Installing air source heat pumps into developments.
- Hybrid working for office workers reducing commute to work emissions.
- Reducing clean water consumption in our construction operations and setting water usage targets for all new sites.
- Managing assets – such as buildings or infrastructure – in ways that reduce carbon emissions and utilise renewable and clean energy sources in the most efficient way.
- Collaborating with our supply chain to develop and procure lower carbon materials.
- Embedding low carbon principles into the way we estimate and design, particularly utilising data driven whole-life principles.
- Reduction in energy required to construct and then maintain our buildings through fabric standards.
- Setting up an energy and carbon working-group.

London Square's Sustainability Report: Building Sustainable Communities contains more information on the Company's journey to net zero. The report can be viewed on the Company's website.Energy

In FY23, the Company recorded an average EPC rating of B, same as the previous year, with a target of A by 2028. The FY22 average SAP rating for London Square homes was 84.74 against a Company target of 86 by 2023, which, we are pleased to confirm has been achieved with an average SAP rating for completed units to 31 March 2023 of 86.035.

Waste

Striving to reduce, re-use and recycle.

According to the Department for Environment, Food and Rural Affairs (DEFRA), the construction industry generated 62% of the UK's total waste in 2018. Which, even given the age of the statistic, is a devastatingly high figure and one London Square is committed to play its part in reducing, by setting a Company net zero waste target across our operations by 2040.

In setting the Company's waste reduction target, London Square aim to reduce the 2022 waste figure of 30.1 tonnes per $100m^2$, by 3% year on year and to maintain a recycling rate of at least 95%.

The Company roll out of the BRE's application SmartWaste will facilitate future waste and sustainability data collation, supporting a more sustainable future and allowing London Square to analyse waste impact and identify where future reductions may be made throughout our operational build.

FY23 was the first year that London Square recorded waste data through SmartWaste, in which 97.41% was diverted from landfill in the year. The Company's total waste diversion was 102.35 tonnes per $100m^2$.

London Square's sustainable procurement strategy has been updated in the year and sets out the Company's approach to the reduction of packaging waste and increasing recycled, biodegradable and recyclable content. London Square is committed to reducing unnecessary packaging and plastic use in our operations, whilst at the same time ensuring that products are properly protected minimising waste from transport damage.

Natural Resources & Biodiversity

Putting biodiversity and the natural world at the heart of our developments

London Square is committed to ensuring that the Company's environmental commitments are kept. Working with an ecological consultant, schemes are stringently reviewed at all stages to ensure the best possible biodiversity outcome. We believe that community living means living in harmony with nature and enjoying green spaces, and that like London's green squares, nature should be centric to our developments.

London Square's biodiversity net gain (BNG) figure for FY22 is approximately 20%, against a company target of 15%, without the use of offsets. The numbers are approximate as the sites completed in the year commenced before Natural England's BNG calculation was formulated. Future sites are being measured against Natural England's standard, over a 30-year period and will consider how an overall environmental net gain may be achieved.

London Square does not, now or in the future, develop or purchase land within areas of nutrient stress.

The Company's Biodiversity Net Gain (BNG) strategy, which can be found on the Company's website, outlines our approach in more detail.

The materials we use are intrinsic to the Company's carbon, waste and biodiversity net gain targets. London Square are proud to state that 100% of timber used by the Company is FSC or PEFC certified sustainable, including the timber supplied by our subcontractors. All subcontracts mandate that where timber is to be used, it must be FSC or PEFC certified. The same requirement is specified on all material orders.

London Square is working to measure the sustainability of other materials and ensure that sustainable options are provided. The Company continues to seek out new innovations, switching where possible to more sustainable product options such as Keller carbon neutral kitchens and Reynaers recycled aluminium windows. In 2022 we made the decision to reduce scope 3 carbon and support the UK economy by buying British bricks and blocks, sanitaryware, carpets and doors, wherever the scheme design allows.

London Square are continuously improving. FY24 will be the first year that we use SmartWaste to measure the embodied carbon of the materials used within the year, contributing to more accurate carbon data reporting, which will ultimately support the future of people, places and the planet.

Water

Attention is focusing on water and climate change and the agendas for water security and climate action are uniting. Whilst we are fortunate in the UK not to suffer from water scarcity, London Square understand the need for greater water efficiency in our sector, not least because the climate emergency is likely to result in a 7% decrease in water supply by 2045, according to Water UK. Furthermore, they predict that between 2020 – 2050 the country is twice as likely to have water restrictions imposed due to drought, compared to the 1997 – 2004 period.

The improvements the Company make must reflect at least a 10% reduction in water to use to compensate for this.

In FY22, our baseline year, the average water efficiency for a London Square home was 106.3 litres per person, per day (lpppd). In FY23 the average water efficiency fell to 119.2 lpppd, primarily due to the completion of two older housing schemes which did not include the latest water saving technologies. Our newer Watford scheme, however, did achieve 104.6 lpppd.

Post Occupancy Evaluations have been completed for the Greenwich development. This has compared the designed water consumption against the actual water consumption, showing an average water consumption of 93.24 lpppd, an improvement of 11.36 lpppd less than our designed value (104.6 lpppd). It is fantastic to see that our average consumption for occupied homes meet the RIBA target of 95 lpppd. Using this 'actual' consumption figure, together with the design figures for the remaining developments, gives a new average unit figure of 109.2 lpppd for the year.

In targeting water efficiency in new homes, the Company continues to work towards achieving the RIBA target of 95 lpppd by 2025.

SOCIAL

Communities

Building sustainable communities where people can live, work and play.

Socio-Economic Development: London Square are proud to work throughout London's diverse boroughs and to have the opportunity to play a part in reducing poverty and creating inclusive communities in our Capital. Working with our supply chain, commercial and retail leaseholders, London Square create meaningful employment and training opportunities for local residents. In FY23, this included 66 apprenticeships, 150 construction-related jobs and over 100 hours of free training to support local unemployed people into work, through our partnership with The Skills Centre, Learning Curve Group and Workers' Educational Association.

As signatories to the Social Mobility Pledge, London Square ensure fairness and inclusion are at the heart of our developments. Providing opportunities for skills development and new employment opportunities for local people and those from disadvantaged groups, is centric to our development schemes.

The Company are proud to have achieved the Mayor's Good Work Standard in 2021.

In partnership with the Skills Centre and Peabody, London Square will be opening a Green Skills Training Hub at Holloway Park, delivering free green skills training for local residents.

The training programme will provide high value social impact, by targeting women and underrepresented groups by supporting them into meaningful and sustainable apprenticeship and employment opportunities. The programme has been designed to address the government's top priority of addressing the skills shortages facing the built environment, particularly in the interiors, sustainable energy and green skills sectors.

Accessibility: London Square is committed to ensuring that our developments aren't car dependant and that our homes provide strong community links. We are proud to say that all developments completed in the financial year to 31 March 2023 were within 500 meters of a public transport hub. Furthermore, all developments had secure cycle storage at a minimum ratio of 1 space per unit and a site-specific travel plan, providing access to greener transport for commuting, health and leisure. For those who need to use a car, 33% of developments completed had a dedicated car club on site and we aim to increase this provision in future years.

Affordability: London Square recognise that a sustainable future goes beyond homes for private sale and work successfully in partnership with both local authorities and housing associations to deliver a significant proportion of homes for social rent. It is recognised that mixed communities promote a more socially cohesive society, with more sustainable communities with less need for regeneration.

The Company have committed to produce a minimum of 35% affordable homes annually, for the Group's registered provider Square Roots and other Housing Association partners. In the previous year, the total provided was 35.65%, 43% higher than the number required by our section 106 obligations. In FY23, however, this figure fell to 10% due to site availability. However, 75% of current units in production are affordable, with a further 50% affordable units in the development pipeline.

Our varied portfolio of private sale, build to rent, shared ownership and affordable rent properties enables the Company to continue to meet the diverse housing requirements of the Capital's communities.

Customer Satisfaction

We are proud to say we're winning awards for our exemplary customer service at London Square, something we want to continue as we strive to give customers the most enjoyable and helpful experience possible. As part of this commitment, London Square continues to innovate, providing the latest energy, waste and water innovations in our new homes. We aim to give our customers the best possible home living experience in the most cost-efficient way. We promote the sustainable features of our homes to our customers and ensure London Square homeowners can make the most of these functions, by providing new home demonstrations to all new buyers.

Building great homes in places where people want to live, is at the heart of London Square's ethos. As a Company we strive to maintain high levels of customer satisfaction.

In FY23 London Square's Net Promotor Score (NPS) was 57, an increase of 10 points on the FY22 score. In April 2022 the Company created a customer care task force made up of key departments across the business to delve into the customer journey and make improvements to ensure our customers are feeling well communicated with, are happy with their new homes and have a positive journey with London Square. In doing this, our net promoter score over the six months to March 2023 has increased to 86 and for the latest quarter to 91. This reflects the strong work being carried out at London Square to focus on the customer journey.

Since the task force efforts started, the Company have seen zero detractors in the last 6 months and an increase in our response rate to 57.9% of residents responding to the surveys.

London Square has been awarded the In-House gold award for 2023, this means that over 90% of our customers in 2023 would recommend London Square to a friend.

Employment

An inclusive employer of choice.

Fair Employment: At London Square we believe it is important to go beyond minimum standards and we realise that living and working in the Capital is expensive. London Square is committed to ensuring a fair wage is received by all and as a certified Living Wage employer, the Living Wage is mandated as the minimum pay rate across all of our developments.

Minorities: The Company is an Equal Opportunities employer. We believe that great things can be achieved through true diversity. In FY23 an average of 36% of London Square employees were either Black, Asian or from a minority ethnic background (BAME). The Company are proud of our Diversity and will strive to increase this number year on year, until it is representative of London's 2021 census figure of 46%. In 2023 we have started to measure the socio-economic background of our employees, as the first step in improving our socio-economic diversity.

We recognise that the number of London Square employees with a declared disability is low at only 2% to the end of FY23. We are an inclusive employer and recognise that disabilities can exist without being seen or declared. London Square support our people as the life blood of our business.

Women: London Square recognise the benefits of a balanced gender workforce and the barriers that women can face balancing both caring commitments and a career. We are proud to say that in that past 5 years 75% of flexible working requests by female employees have been approved.

The Company's current workforce demographic for FY23 was 32% female, a figure we believe to be industry leading. However, the number of women in Leadership roles for the same year was only 24%. We recognise the strength that woman in Leadership can bring to London Square and as a result, we have an ambitious target to increase the number of women in Leadership positions to 33% by 2030, to match our current demographic.

Across our developments, our promotion of women into the industry continues at Holloway Park. The project, managed by a female Project Director, will be industry-leading in its approach to employing Women in Construction, with an aspirational target of 30% of all apprentices on the project to be female. The Company will work closely with Women in Construction, the London Borough of Islington, Peabody and other Women's Groups to bring this vision to life.

Employment: An outstanding employer who people want to work for.

Engagement: At London Square we are small but mighty. At the end of FY23 we only just entered the top 25 housebuilders in the UK and with a workforce of only 179 employees. Our size allows us to be agile and dynamic. We believe in achieving great things and our people are at the heart of everything we do. We are therefore very proud that London Square has been recognised as an outstanding employer by People Insights by achieving an employee engagement score of >85% annually in both 2021 and 2022. The Company's industry leading engagement score of 96% earned London Square People Insight's Outstanding Workplace Award in both years.

Education & training: London Square continues to champion the development of our team running a diverse range of development programs for employees. In addition to HSE and mandatory training, the Company equip the team with a leadership 'toolkit' of skills to support their everyday roles and career development.

We extend this offering to the communities in which we work, through our partnership with the Workers Education Association, providing free training to community residents.

In addition, the Company are proud to support 8 employees through apprenticeships at either early careers or further development stage, representing 4.5% of London Square's workforce. Developmental opportunities are open to all, and the Company aims to increase this number to 7% by 2025.

2023 has seen the introduction of mandatory role-specific sustainability learning pathways for all London Square employees, delivered through the Supply Chain Sustainability School's learning resources. Mapped by job type, the pathways aim to increase sustainability awareness and skills across the business. If successful, the Company plan to extend these pathways to our supply chain on a mandatory basis, later in the year. London Square's supply chain have already been invited to join the School and benefit from the free resources by personal invitation of the Commercial Director.

Mental Health & Wellbeing: London Square recognises that a happy, healthy workforce is a productive workforce and is committed to providing support and wellbeing initiatives to our employees, helping them to lead healthy and balanced lives. The Company's Wellbeing Strategy outlines the initiatives and support available to all employees.

This year London Square has participated in Mind's annual Wellbeing Index survey for the first time. Mind, a mental health charity in England and Wales, are the experts on mental health in the workplace, helping employers create mentally healthy workplaces by supporting and respecting everyone's mental health.

London Square's focus on wellbeing does not stop at just employees. We recognise that the community benefits of wellbeing-led design are an important factor in making a residential property a happy, healthy home. To *formalise this commitment the Company is researching community wellbeing standards for possible inclusion in* our schemes.

HEALTH & SAFETY

London Square is committed to ensuring that our workforce is kept safe and free from harm at work; all day, every day. The Company is proud of our excellent safety record, and we firmly believe this is achieved through strong supply chain partnerships. The health and safety of our employees, along with our suppliers, sub-contractors, and members of the public, is paramount to the Group.

The Health and Safety Managers make regular visits to 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 is reported to the Construction Director and measured against industry standards set by the Health and Safety Manager. Any shortfall in meeting our health and safety obligations is addressed to ensure compliance with the Health and Safety at Work Act 1974. The scores from these assessments are reported to the Board and any issues are discussed and appropriately addressed.

The Company's AIIR for FY22 was 77, compared to an industry average, as published by the Homebuilders federation of 239. In FY23 London Square's AIIR reduced to 19 (3 accidents with an average workforce of 15,933).

London Square maintain a formal management system, regularly reported to the Board and audited by external parties using an Occupational Health and Safety Management System (registered to ISO 45001), which includes a H&S training matrix for all construction personnel. In addition, all Directors carry out random Health, Safety and Environmental spot checks quarterly. During our most recent ISO 450001 no H&S findings were raised, which is a significant achievement.

Our customers deserve exceptional quality and to be delighted with their new home. To support this, the Company 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 45001) and also an Environmental Management System (registered to ISO 14001).

Summary: London Square is committed to sustainability and believe that sustainable choices must be at the heart of our decision making. The Company is in the early stages of our sustainability journey; however, London Square is proud of the progress delivered so far and the pace at which we are delivering sustainable change.

London Square will not Green Wash. Our commitment is to sustainable change, building sustainable communities for a better future.

SUPPLIERS

We procure ethically, making every effort to ensure there is no modern slavery in our supply chain. We continue to communicate with our supply chain regarding the issues that matter most. The Company is committed to eradicating Modern Slavery in all its forms.

Modern Slavery: London Square's commitment to our people extends throughout our supply chain. Fairness and equality are at the heart of everything we do, and the Company are committed to an ethos of freedom and fair treatment of all workers. London Square procures ethically and where possible locally, making every effort to ensure that there is no Modern Slavery in our supply chain. All London Square suppliers and subcontractors are required to complete the Company's Social and Ethical Questionnaire, which ask questions around the supplier's approach to labour standards.

In FY23 the Company carried out a Modern Slavery supply chain risk analysis, as well as training for the commercial and buying teams. Training for site personnel will happen this year, with the aim of increasing site-level awareness of the signs of modern slavery in the construction industry workforce.

The risk analysis resulted in London Square engaging with the Company's labour suppliers, to further establish if there is a risk of modern slavery in our labour workforce. Training and additional support will be given to raise standards, if this is required.

Our ongoing discussions with suppliers have also led to mutually beneficial arrangements to improving costs and consistency of material supplies. We endeavour to pay all our suppliers within fair credit terms and our nett payment terms for the year ending 31 March 2023 were 35 days (2022: 34 days).

DATA SECURITY

Data Security continues to be an important factor for the Group, and we ensure that we comply with GDPR requirements for employee and customer data on top of ensuring we maintain the integrity of the Group's own business data.

Over the past year, we have continued to embrace the latest technology and security defences in line with best practice recommendations including having a Microsoft security score that has been nearly double that of comparable businesses that operate in the same sector.

The group also maintains PCI DSS compliance adhering to the high standards in network security that it requires. We continue to achieve a clean record with the group never suffering from an internal network breach due to ransomware or malware.

We also maintain a register of all data breaches and potential GDPR infringements and have not experienced any reportable breaches within the past year.

TAX STRATEGY

London Square has at all times acted in compliance with Part 3 of the Criminal Finances Act 2017 (as applicable) and there have been no related investigations or prosecutions against the Group or any employee of the Group.

London Square's tax strategy statement emphasises the company's commitment to full compliance with all relevant and applicable tax legislation and describes its conservative approach to tax. The tax strategy statement reviewed annually by the Board and is published on the London Square website.

London Square's commercial agreements typically require counterparties to implement anti-facilitation of tax evasion procedures.

DIRECTORS' REPORT

The directors present their report and audited consolidated financial statements for the year ended 31 March 2023.

Dividends

No dividends were recommended, approved or paid during the year (2022: £nil).

Future Developments

The future developments of the Group are discussed in the Chief Executive's Report. Performance of the Group is susceptible to the principal risks identified earlier in this report.

Directors

The directors shown below have held office during the whole of the period from 1 April 2022 to the date of this report.

M A Pain
A P Lawrence
M S Evans
S D Brown
S C Casey
S S Hudson
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 and parent company's ability to continue in operational existence for the period to 31 December 2024 (the going concern period).

In making this assessment consideration has been given to the current business plan and trading performance along with 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.

As detailed in the Strategic Report, the Group has a comprehensive portfolio of projects and a strong 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, which principally comprises land acquisition contracts conditional upon the receipt of satisfactory planning permission or through 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 leaves the Group well positioned. As detailed in the Strategic Report, the Group faces a number of political and economic uncertainties that could impact the achievement of forecast returns, to which due consideration has been given to these when assessing the going concern assumption.

Due to the current cycle of projects within the Group's portfolio, the Group held a cash balance of £37m and undrawn debt facilities of £60m as at 31 March 2023. In July 2022, the Group successfully concluded the refinancing of its £150m revolving credit facility. The Group secured a £120m revolving credit facility with a £30m accordion option exercisable at the lenders' discretion. This facility has a 4-year term from NatWest, AIB and Bank ABC, expiring in July 2026. There remains outstanding a £37.5m loan note placement with Pricoa with a 2-year term remaining, expiring October 2025.

In addition, subsequent to year end, the Group expects to enter into a £31m bilateral loan for 3 years with Homes England, which will expire in the summer of 2026. The Group and its lenders are in the process of documenting the final terms for execution.

In a transaction between the shareholders of the London Square Developments (Holdings) Limited group (the "London Square Group"), funds managed by affiliates of Ares Management LLC, and Aldar Properties PJSC (Aldar), Aldar have exchanged on 30 November 2023 a contract to purchase all of the outstanding equity, preference capital and loan notes of the London Square Group.

Completion of the purchase constitutes a change of control under the London Square Group's debt agreements and provides the lenders with the opportunity to approve the new controlling party or require repayment of the bank loans and loan notes. On completion, the lenders will be requested to approve the change of control or refinance the loans on mutually agreeable terms but at the time of signing these financial statements this is yet to be agreed.

Given the possibility of repayment of the bank loans and loan notes, along with the uncertainty of the terms of the London Square Group's future financing arrangements, Aldar have provided the London Square Group, the holding company, with a letter of support that, once the purchase has completed, Aldar will provide such financial support as is necessary to meet the London Square Group's liabilities as they fall due during the going concern period. Management have taken reassurance from the Aldar entity being a listed entity with a credit rating of Baa2 and from extensive discussions with the new shareholder. The interim financial statements for Aldar as at 30 September 2023 show cash and bank balances of AED12bn (approximately £2.6bn), net current assets of AED20bn (approximately £4.4bn) and net assets of AED37bn (approximately £8.0bn). Completion is expected on 30 November 2023 and there are no significant conditions precedent that the directors believe cannot be met.

The London Square Group's current ultimate controlling parties have provided a similar letter of support confirming that such financial support will be provided as is necessary to meet the London Square Group's liabilities as they fall due during the going concern period, should the above purchase not complete. The directors have satisfied themselves of the current ultimate controlling parties' ability to provide such support based on the available capital commitments at 30 September 2023.

Based on these letters of support, the Group has received a letter of support from London Square Developments (Holdings) Limited confirming that it shall provide such financial support as is necessary to meet the Group's liabilities as they fall due during the going concern period.

The directors take significant comfort from these confirmations of support and accordingly, the directors have a reasonable expectation that the Group and parent company have adequate resources to continue in operational existence for the going concern period and so continue to prepare these financial statements on the going concern basis.

Employee Involvement

London Square understands that it is our employees that make us who we are and through strong engagement with their needs we can improve the performance and sustainability of the Group as a whole. Accordingly, we regularly carry out engagement surveys to score our progress and gain feedback from our employees on how we should adapt. Refer to the Sustainability Review for more information.

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. Refer to the Sustainability Review for more information.

Corporate Social Responsibility

During the year, the Group launched its new commitment to sustainability. London Square has always held concern about the impact on the community and environment of all its activities but this year we have launched a programme to measure and enhance those activities to ensure we are providing the best sustainable value we can offer. Refer to the Sustainability Review for more information.

Customer Engagement

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. 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. Refer to the Sustainability Review for more information.

Supplier Relations

The Group builds relationships with its suppliers and contractors and regularly communicates its current progress and any future development plans. Ongoing discussions with suppliers have led to mutually beneficial arrangements to improving costs and consistency of material supplies. Refer to the Sustainability Review for more information.

Charitable Donations

The Group supports a number of local and national charities. Donations to charitable organisations for the year were £26,000 (2022: £5,200). The Group does not make donations to political parties, organisations or their representatives.

Environmental Policy

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

Health and Safety

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. Our processes and procedures in a normal year include the regular measurement and reporting at Board level of all health and safety matters. 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. Refer to the Sustainability Review for more information.

On behalf of the Board

M.A.P

Mark Pain – Chairman 30 November 2023

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with UK adopted International Accounting Standards. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company 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 UK adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility Statement

The Directors confirm that, to the best of each person's knowledge:

- the Group Financial Statements in the Annual Report and Accounts, which have been prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and Group taken as a whole, and
- the Annual Report and Accounts includes a fair view of the performance position of the Company and the Group taken as a whole, together with a description of the principal risks.

A P Lawrence - Chief Executive Officer
30 November 2023

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

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 2023 which comprise the Group Income Statement, Group Statement of Changes in Equity, Group Balance Sheet, Group Cash Flow Statement, Company Statement of Changes in Equity, Company Balance Sheet, Company Cash Flow Statement and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 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 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 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. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the financial reporting framework.
- We understood how London Square Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers and noted that there was no contradictory evidence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility of fraud. We also considered performance targets and their influence on efforts made by management to manage Key Performance Indicators. Where this risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, a review of the reporting to the board on compliance with regulations, and enquiries of management.

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.

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.

Ernst + Young

Peter McIver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
London
30 November 2023

GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Revenue	2	252,106	277,555
Cost of sales		(214,587)	(220,303)
Impairment of inventories		(17,820)	(452)
Gross profit		19,699	56,800
Selling costs		(7,281)	(7,829)
Administrative expenses		(16,670)	(19,027)
Restructuring costs		(1,118)	-
Other operating income		2,651	656
Share of operating losses of joint ventures	10	(294)	(115)
Impairment of inventories of joint ventures	10	(10,365)	-
Reduction of provision for indemnity	18	25	247
Operating (loss) / profit	3	(13,353)	30,732
Finance income			
- Group	6	76	34
Finance costs			
- Group	7	(14,857)	(8,808)
- Joint venture	7	-	-
(Loss) / Profit before tax		(28,134)	21,958
Tax credit / (expense)			
- Group	8	2,597	(3,672)
- Joint venture		-	(1)
(Loss) / Profit for the year		(25,537)	18,285

All amounts are attributable to the owners of London Square Limited and are derived from continuing operations in the United Kingdom.

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

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Ordinary share capital	Share premium	Foreign Currency Translation Reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 April 2021	29,481	107,608	-	13,153	150,242
Profit for the year	-	-	-	18,285	18,285
At 31 March 2022	29,481	107,608	-	31,438	168,527
Loss for the year	-	-	-	(25,537)	(25,537)
Gain on revaluation of fixed asset	-	-	9	-	9
At 31 March 2023	29,481	107,608	9	5,901	142,999

GROUP BALANCE SHEET AS AT 31 MARCH 2023

	Note	31 Mar 2023 £'000	31 Mar 2022 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,516	1,742
Investments in joint ventures	10	26,402	35,331
Trade and other receivables	13	1,166	1,143
Deferred tax asset	8	2,132	88
Derivative financial asset	15	1,428	-
Total non-current assets		33,644	38,304
Current assets			
Inventories	12	223,627	259,935
Trade and other receivables	13	51,139	37,594
Derivative financial assets	15	945	-
Cash and cash equivalents	14	37,142	48,246
Total current assets		312,853	345,775
Total assets		346,497	384,079
LIABILITIES			
Current liabilities			
Borrowings	16	(70,359)	(105,361)
Trade and other payables	17	(101,883)	(63,119)
Provisions	18	(3,756)	(4,663)
Corporation tax payable		(1,197)	(3,672)
Total current liabilities		(177,195)	(176,815)
Net current assets		169,302	207,264
Non-current liabilities			
Borrowings	16	(25,000)	(37,500)
Trade and other payables	17	(1,303)	(1,237)
Total non-current liabilities		(26,303)	(38,737)
Net assets		142,999	168,527
Capital and reserves			
Ordinary share capital	20	29,481	29,481
Share premium		107,608	107,608
Foreign Currency Translation Reserve		9	-
Retained earnings		5,901	31,438
Total equity		142,999	168,527

The financial statements were approved by the Board of Directors on 30 November 2023 and were signed on its behalf by:

A P Lawrence
Director
30 November 2023

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	£'000	£'000
Cash flows from operating activities		
(Loss) / Profit before tax	(28,134)	21,958
Adjustments for:		
Impairment of inventories	17,820	452
Depreciation of property, plant and equipment	855	578
Release of provision for indemnity	(25)	(247)
Share of operating losses of joint ventures	294	115
Impairment of inventories of joint ventures	10,365	-
Finance income	(76)	(34)
Finance costs	14,857	8,808
Increase in trade and other receivables	(3,884)	(16,202)
Decrease / (Increase) in inventories	18,488	(30,954)
Increase in trade and other payables	24,325	11,002
Tax paid	(254)	(478)
Net cash generated / (used) by operating activities	54,631	(5,002)
Cash flows from investing activities		
Purchase of property, plant and equipment	(500)	(298)
Investments in joint venture	(1,730)	(2,723)
Net cash used by investing activities	(2,230)	(3,021)
Cash flows from financing activities		
(Decrease) / Increase in bank loans	(46,371)	30,943
Grants received from Greater London Authority	11,520	-
Derivative assets purchased	(1,806)	-
Decrease in lease liabilities	(799)	(420)
Lease premiums paid	(9,684)	-
Finance costs paid	(16,441)	(8,137)
Finance income received	76	34
Net cash (used) / generated by financing activities	(63,505)	22,420
Net (decrease) / increase in cash and cash equivalents	(11,104)	14,397
Cash and cash equivalents at start of year	48,246	33,849
Cash and cash equivalents at end of year	37,142	48,246

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Ordinary Share Capital	Share Premium	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
As at 1 April 2021	29,481	107,608	(6,164)	130,925
Loss for the year	-	-	(357)	(357)
At 31 March 2022	29,481	107,608	(6,521)	130,568
Profit for the year	-	-	77	77
At 31 March 2023	29,481	107,608	(6,444)	130,645

COMPANY BALANCE SHEET AS AT 31 MARCH 2023

	Note	31 Mar 2023 £'000	31 Mar 2022 £'000
ASSETS			
Non-current assets			
Investment in subsidiary	11	146,645	146,645
Trade and other receivables	13	1,976	2,415
Total non-current assets		148,621	149,060
Current assets			
Trade and other receivables	13	4,130	2,031
Cash and cash equivalents		1	1
Total current assets		4,131	2,032
Total assets		152,752	151,092
LIABILITIES			
Current liabilities			
Trade and other payables	17	(21,297)	(19,252)
Total current liabilities		(21,297)	(19,252)
Net current liabilities		(17,166)	(17,220)
Non-current liabilities			
Trade and other payables	17	(810)	(1,272)
Total non-current liabilities		(810)	(1,272)
Total liabilities		(22,107)	(20,524)
Net assets		130,645	130,568
Capital and reserves			
Ordinary share capital	20	29,481	29,481
Share premium		107,608	107,608
Retained earnings		(6,444)	(6,521)
Total equity		130,645	130,568

The financial statements were approved by the Board of Directors on 30 November 2023 and were signed on its behalf by:

A P Lawrence
Director
30 November 2023

COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

	2023 £'000	2022 £'000
Cash flows from operating activities		
Profit / (Loss) before tax	77	(357)
Adjustments for:		
Finance income	(76)	(97)
Finance costs	76	97
(Increase) / Decrease in trade and other receivables	(203)	382
Increase / (Decrease) in trade and other payables	48	(567)
Decrease in inventories	-	2,225
Net cash (used) / generated by operating activities	(78)	1,683
Cash flows from financing activities		
Increase in loans from parent undertakings	(1,896)	(438)
Increase / (Decrease) in loans to subsidiary undertakings	1,974	(1,297)
Net cash generated / (used) by financing activities	78	(1,735)
Net Decrease in cash and cash equivalents	-	(52)
Cash and cash equivalents at start of year	1	53
Cash and cash equivalents at end of year	1	1

1 ACCOUNTING POLICIES

General information

The Company is a private company limited by shares incorporated and domiciled in England and Wales. The Group's 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 UK adopted International Accounting Standards (IASs).

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 and parent company's ability to continue in operational existence for the period to 31 December 2024 (the going concern period).

In making this assessment consideration has been given to the current business plan and trading performance along with 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.

As detailed in the Strategic Report, the Group has a comprehensive portfolio of projects and a strong 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, which principally comprises land acquisition contracts conditional upon the receipt of satisfactory planning permission or through 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 leaves the Group well positioned. As detailed in the Strategic Report, the Group faces a number of political and economic uncertainties that could impact the achievement of forecast returns, to which due consideration has been given to these when assessing the going concern assumption.

Due to the current cycle of projects within the Group's portfolio, the Group held a cash balance of £37m and undrawn debt facilities of £60m as at 31 March 2023. In July 2022, the Group successfully concluded the refinancing of its £150m revolving credit facility. The Group secured a £120m revolving credit facility with a £30m accordion option exercisable at the lenders' discretion. This facility has a 4-year term from NatWest, AIB and Bank ABC, expiring in July 2026. There remains outstanding a £37.5m loan note placement with Pricoa with a 2-year term remaining, expiring October 2025.

In addition, subsequent to year end, the Group expects to enter into a £31m bilateral loan for 3 years with Homes England, which will expire in the summer of 2026. The Group and its lenders are in the process of documenting the final terms for execution.

In a transaction between the shareholders of the London Square Developments (Holdings) Limited group (the "London Square Group"), funds managed by affiliates of Ares Management LLC, and Aldar Properties PJSC (Aldar), Aldar have exchanged on 30 November 2023 a contract to purchase all of the outstanding equity, preference capital and loan notes of the London Square Group.

Completion of the purchase constitutes a change of control under the London Square Group's debt agreements and provides the lenders with the opportunity to approve the new controlling party or require repayment of the bank loans and loan notes. On completion, the lenders will be requested to approve the change of control or refinance the loans on mutually agreeable terms but at the time of signing these financial statements this is yet to be agreed.

Given the possibility of repayment of the bank loans and loan notes, along with the uncertainty of the terms of the London Square Group's future financing arrangements, Aldar have provided the London Square Group, the holding company, with a letter of support that, once the purchase has completed, Aldar will provide such financial support as is necessary to meet the London Square Group's liabilities as they fall due during the going concern period. Management have taken reassurance from the Aldar entity being a listed entity with a credit rating of Baa2 and from extensive discussions with the new shareholder. The interim financial statements for Aldar as at 30 September 2023 show cash and bank balances of AED12bn (approximately £2.6bn), net current assets of AED20bn (approximately £4.4bn) and net assets of AED37bn (approximately £8.0bn). Completion is expected on 30 November 2023 and there are no significant conditions precedent that the directors believe cannot be met.

The London Square Group's current ultimate controlling parties have provided a similar letter of support confirming that such financial support will be provided as is necessary to meet the London Square Group's liabilities as they fall due during the going concern period, should the above purchase not complete. The directors have satisfied themselves of the current ultimate controlling parties' ability to provide such support based on the available capital commitments at 30 September 2023.

Based on these letters of support, the Group has received a letter of support from London Square Developments (Holdings) Limited confirming that it shall provide such financial support as is necessary to meet the Group's liabilities as they fall due during the going concern period.

The directors take significant comfort from these confirmations of support and accordingly, the directors have a reasonable expectation that the Group and parent company have adequate resources to continue in operational existence for the going concern period and so continue to prepare these financial statements on the going concern basis.

1 ACCOUNTING POLICIES (CONTINUED)

New and amended standards and interpretations

The Group and Company has not adopted any accounting standards for the first time in the year that have had a material impact on the Group's or Company's performance or position, nor has the Group or Company adopted any standards or interpretations early in either the current or the preceding year. At the date of approving these financial statements there are no new or revised interpretations or standards in existence but not yet effective that are expected to have a material effect to the Groups's or Company's financial position or performance.

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.

Completed Developments 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.

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,* 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 is recognised on legal completions at the value of consideration received or receivable, net of selling discounts.

Revenue from contracted development sales is recognised using the input method i.e. cost completion percentage over the period the work is performed. The percentage of completion is measured through reference to the proportion that contract costs incurred for work performed to date compared to the estimated total contract costs.

1 ACCOUNTING POLICIES (CONTINUED)

Revenue and contract balances (continued)

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

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

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

1 ACCOUNTING POLICIES (CONTINUED)

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:

• Leased Buildings	3 - 10 Years
• Leased Office Equipment	2 Years
• Leased Motor Vehicles	3 Years
• Owned Computer Equipment	3 Years
• Owned Furniture, Fixtures and Fittings	4 Years
• Motor vehicles	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.

Completed Developments 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.

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.

Contract liabilities

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

Trade and other payables

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

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.

Leasing

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Derivative not designated as hedging instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each accounting period with any gains or losses recognised through the profit and loss account.

Foreign currency translations

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominlated in foreign currencies at the year end exchange rates are recognised in reserves.

2 REVENUE

	2023 £'000	2022 £'000
Sale of properties	153,719	140,835
Contracted development sales	98,387	136,720
	252,106	277,555

Included within revenue for the year is £10,867,000 included as a contract liability at the previous balance sheet date (2022: £5,437,000).

3 OPERATING (LOSS) / PROFIT

	2023 £'000	2022 £'000
The operating profit is stated after charging:		
Depreciation of property, plant and equipment	855	578
Restructuring costs	1,118	-
Services provided by the Group's auditors:		
Audit of Company's financial statements	22	22
Audit of other Group financial statements	299	240

4 EMPLOYEE INFORMATION

	2023 £'000	2022 £'000
Wages and salaries	17,957	18,881
Social security costs	2,301	2,409
Pension costs	924	673
	21,182	21,963

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

	2023 Number	2022 Number
Production	43	38
Selling	23	21
Administration	128	104
	194	163

5 DIRECTORS' EMOLUMENTS

	2023 £'000	2022 £'000
Aggregate emoluments:		
Directors		
- Wages and salaries	2,616	3,727
- Benefits in kind	68	119
- Pension costs	12	5
Other key management personnel	476	512
	3,172	4,363

The total emoluments paid to the highest paid director were £637,000 (2022: £923,000).

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

	2023 £'000	2022 £'000
Group		
Bank interest on short term deposits	46	1
Other finance income	30	33
Group finance income	76	34
Share of joint venture finance income	-	-
	76	34

7 FINANCE COSTS

	2023 £'000	2022 £'000
Group		
Bank loan and loan note interest payable	5,930	6,065
Leasing finance costs	114	98
Amortisation of finance issue costs	760	671
Indexation charge on deferred infrastructure charges	6,985	-
Other finance costs	1,068	1,974
Group finance costs	14,857	8,808
Share of joint venture finance costs	-	-
	14,857	8,808

8 TAX

	2023 £'000	2022 £'000
Current taxation:		
Current tax on (losses) / profits for the year	-	1,532
Adjustments in respect of prior years	(553)	-
Total current tax	(553)	1,532
Deferred taxation:		
Origination and reversal of temporary differences	(1,199)	2,631
Effects of changes in tax rate	(512)	-
Adjustments in respect of prior years	(333)	(491)
Total deferred tax	(2,044)	2,140
Tax (credit) / expense	(2,597)	3,672

The tax assessed for the year is different from the rate of corporation tax in the UK of 19% (2022: 19%). The difference is explained below:

	2023 £'000	2022 £'000
(Loss) / Profit before tax	(28,134)	21,958
Tax at the UK standard rate of tax of 19% (2022: 19%)	(5,345)	4,172
Effects of:		
Expenses not deductible for tax purposes	50	119
Expenses qualifying for enhanced deduction	(153)	(27)
Non-taxable income	(5)	(47)
Permanent differences	35	16
Adjustments in respect of prior years	(886)	(491)
Movement in unrecognised deferred tax	2,428	1,009
Effects of changes in tax rate	(512)	-
Losses carried back	851	-
Group relief not paid for	(35)	(1,090)
Joint ventures' results not included in Group tax	975	11
Total tax (credit) / expense for the year	(2,597)	3,672

Corporation tax rate changes

Legislation has been enacted changing the UK corporation tax rate from 1 April 2023, the current rate of 19% will cease to apply and will be replaced to 25%.

8 TAX (CONTINUED)

Deferred tax

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

	2023 £'000	2022 £'000
Decelerated capital allowances	41	27
Asset tax bases in excess of carrying amount	13	61
Losses carried forward	2,078	-
Deferred tax asset	2,132	88

£1,304,000 (2022: £88,000) of the Group's deferred tax at year end is expected to reverse within one year and accordingly has been measured using the 25% tax rate (2022: 19%).

The Group's portfolio of developments continue to progress well and are forecast to generate sufficient future taxable profits against which the tax losses can be relieved.

The Group has not recognised a deferred tax asset in respect of carried forward Corporate Interest Restriction disallowances of £44,656,000 (2022: £35,193,000) due to uncertainties over the timing and recoverability in the foreseeable future. Disallowances of £19,446,000 (2022: £8,112,000) expire within one year with the remainder expiring within two to five years.

The deferred tax (credit) / charge in the Income Statement comprises the following:

	2023 £'000	2022 £'000
Decelerated capital allowances	(14)	(12)
Asset tax bases in excess of carrying amount	48	254
Losses carried forward	(2,078)	1,898
Deferred tax (credit) / charge	(2,044)	2,140

9 PROPERTY, PLANT AND EQUIPMENT

	Leased Buildings £'000	Leased Office Equipment £'000	Leased Motor Vehicles £'000	Owned Computer Equipment £'000	Owned Furniture, Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost							
At 1 April 2022	3,614	11	62	433	1,587	88	5,795
Additions	1,069	6	54	33	467	-	1,629
Disposals	-	(11)	(12)	(1)	(34)	-	(58)
At 31 March 2023	4,683	6	104	465	2,020	88	7,366
Accumulated Depreciation							
At 1 April 2022	2,243	7	19	302	1,480	2	4,053
Charge	599	6	26	70	132	22	855
Disposals	-	(11)	(12)	(1)	(34)	-	(58)
At 31 March 2023	2,842	2	33	371	1,578	24	4,850
Net Book Value							
At 31 March 2023	1,841	4	71	94	442	64	2,516
At 1 April 2022	1,371	4	43	132	107	85	1,742

	Leased Buildings £'000	Leased Computer Equipment £'000	Leased Motor Vehicles £'000	Owned Computer Equipment £'000	Owned Furniture, Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost							
At 1 April 2021	3,614	21	174	320	1,503	61	5,693
Additions	-	-	13	113	84	88	298
Disposals	-	(10)	(125)	-	-	(61)	(196)
At 31 March 2022	3,614	11	62	433	1,587	88	5,795
Accumulated Depreciation							
At 1 April 2021	1,881	20	154	251	1,359	6	3,671
Charge	362	6	22	51	121	16	578
Disposals	-	(19)	(157)		-	(20)	(196)
At 31 March 2022	2,243	7	19	302	1,480	2	4,053
Net Book Value							
At 31 March 2022	1,371	4	43	131	107	86	1,742
At 1 April 2021	1,733	1	20	69	144	55	2,022

10 INVESTMENTS IN JOINT VENTURES

	Group
	£'000
At 1 April 2022	35,331
Increase in investments	1,730
Share of operating loss	(294)
Impairment of inventories	(10,365)
Share of tax	-
At 31 March 2023	26,402

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

The Group owns 50% of Vulcan Wharf Holdings LLP ('Vulcan Wharf Holdings') and Vulcan Wharf Ltd ('Vulcan Wharf'), a special purpose entity incorporated in England and Wales. During the year the Group increased its investment in Vulcan Wharf Holdings by £1,730,000.

During the year the members assessed the carrying value of underlying inventories and concluded due to the uncertainties of the current market and the marginal returns available under realistic circumstances it would be appropriate to reduce the value of inventories by held by Vulcan Wharf LLP £10,730,000.

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

As at and for the year ended 31 March 2023

	Richmond Hill	Vulcan Wharf	Vulcan Wharf Holdings
	£'000	£'000	£'000
Current assets	1,684	-	55,146
Current liabilities	(1,356)	-	(2,440)
Net assets	328	-	52,706
Group's ownership interest	15%	50%	50%
Carrying value	49	-	26,353
Included in the above:			
Cash and cash equivalents	854	-	108
Loss and total comprehensive expense for the year	130	-	165
Impairment of inventories	-	-	10,365
Included in the above:			
Finance costs	-	-	188
Finance income	-	-	-
Tax	-	-	-

10 INVESTMENTS IN JOINT VENTURES (CONTINUED)

As at and for the year ended 31 March 2022

	Richmond Hill	Vulcan Wharf	Vulcan Wharf Holdings
	£'000	£'000	£'000
Current assets	1,567	-	61,899
Current liabilities	(370)	-	(1,597)
Net assets	1,197	-	60,302
Group's ownership interest	15%	50%	50%
Sub-total	180	-	30,151
Adjust for:			
Increase in fair value	-	-	5,000
Carrying value	180	-	785
Included in the above:			
Cash and cash equivalents	1,267	-	437
Revenue	813	-	229
Profit and total comprehensive (expense) / income for the year	(441)	-	(110)
Included in the above:			
Finance costs	-	-	-
Finance income	-	-	-
Tax	(7)	-	-

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

11 INVESTMENT IN SUBSIDIARY

	Company
	£'000
At 1 April 2022	146,645
Increase in investment	-
At 31 March 2023	146,645

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

12 INVENTORIES

	Group 2023 £'000	Group 2022 £'000
Land	126,722	157,684
Work in progress	96,905	102,251
	223,627	259,935

Included in Cost of sales in the Group Income Statement is a charge of £17,820,000 (2022: £452,000) relating to the impairment of inventories.

13 TRADE AND OTHER RECEIVABLES

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Current assets				
Trade receivables	2,589	4,040	10	-
Amounts owed by parent undertakings	3,214	858	3,214	858
Amounts owed by subsidiary undertakings	-	-	-	1
Other receivables	11,415	6,948	387	683
Contract assets	20,646	19,158	-	-
Net investment	-	-	462	440
Prepayments and accrued income	3,591	6,590	57	49
Lease premiums paid	9,684	-	-	-
	51,139	37,594	4,130	2,031
Non-current assets				
Net investment	-	-	810	1,272
Other receivables	1,166	1,143	1,166	1,143
	1,166	1,143	1,976	2,415

In the prior year the Company had amounts owed by subsidiary undertakings amounting to £459,000, the bad debt provision created against this debt was reversed in the current year as all amounts owed were repaid.

Lease premiums paid are cash advances made to Hestia in respect of leases to be granted to Square Roots Registered Provider of £9,684,000.

Contracts assets represents income earned by the Group not yet invoiced.

In the prior years, the Company has advanced loans totalling £1,099,000 to certain directors of the Company. The loans bear interest at 2% per annum and are repayable on the earlier of the borrower leaving employment or a sale of the Group. During the year £23,000 (2022: £22,000) has been recognised as interest receivable and accrued within other receivables.

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.

14 CASH AND CASH EQUIVALENTS

Cash at bank and in hand includes £10,724,000 (2022: £11,231,000) 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 Company. In addition, cash at bank and in hand includes £1,924,000 (2022: £1,356,000) of amounts held by the Company's solicitors in its client account on behalf of the Company. All proceeds included in cash at bank and in hand are not restricted and are under the absolute control of the Company.

15 DERIVATIVE FINANCIAL ASSETS

	Group 2023 £'000
Current assets	
Interest rate cap	945
	945
Non-current assets	
Interest rate cap	1,428
	1,428

The Group is exposed to interest rate risk on interest bearing debt in the form of its £150m revolving credit facility. Interest costs vary on bank loans based on SONIA plus a fixed margin. The Group manages its exposure to interest rate risk through the proportion of fixed and variable rate debt in its total net debt portfolio.

In the year the Group purchased derivatives to manage its exposure to variable rate interest on borrowings. The Group does not designate its derivatives as hedges, the fair value changes being recognised in the Group's profit and loss in accordance with the Group's accounting policy set out in note 1.

16 BORROWINGS

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Current liabilities				
Bank loans	59,670	93,541	-	-
Unamortised loan issue costs	(1,811)	(680)	-	-
Loan notes	12,500	12,500	-	-
	70,359	105,361	-	-
Non-current liabilities				
Loan notes	25,000	37,500	-	-
	25,000	37,500	-	-

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 SONIA 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.

In July 2022, the Group successfully concluded the refinancing of its £150m revolving credit facility. The Group secured a £120m revolving credit facility with a £30m accordion option exercisable in 12 months at the Lenders discretion. This facility has a 4 year term from NatWest, AIB and Bank ABC. There remains outstanding a £37.5m loan note placement with Pricoa for a 7 year term, expiring in October 2025. The Pricoa loan is due for repayment in four equal annual tranches, the first of which was paid in October 2022 amounting to £12.5m, the next tranche of £12.5m becoming due in October 2023.

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

17 TRADE AND OTHER PAYABLES

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Current liabilities				
Trade payables	44,561	36,169	26	-
Amounts owed to subsidiary undertakings	-	-	20,737	18,763
Other taxation and social security	875	783	-	-
Contract liabilities	4,958	12,984	-	-
Lease liabilities	941	572	462	440
Other payables	140	531	-	-
Grants received	11,520	-	-	-
Accruals and deferred income	38,888	12,080	72	49
	101,883	63,119	21,297	19,252
Non-current liabilities				
Lease liabilities	1,303	1,237	810	1,272
	1,303	1,237	810	1,272

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 £4,952,000 (2022: £11,379,000).

The grants received balance of £11,520,000 relates to Greater London Authority as per the Approved Provider Grant Agreement dated 3 March 2022 to support the development of projects in Kingston, Lewisham and Colindale. The grants must be repaid or recycled on the occurrence of a relevant event in accordance with the terms of Recovery Determination under the GLA Capital Funding Guide. The key event is the sale of properties.

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

Accruals and deferred income includes amounts owed to affiliates of Ares Management Corporation amounting to £350,000.

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

18 PROVISIONS

	Group Completed Developments	Group Indemnity	Group Total
	£'000	£'000	£'000
At 1 April 2022	4,638	25	4,663
Utilised in year	(1,945)	-	(1,945)
Unused amounts released	(735)	(25)	(760)
Created in the year	1,798	-	1,798
At 31 March 2023	3,756	-	3,756

	Group Completed Developments	Group Indemnity	Group Total
	£'000	£'000	£'000
At 1 April 2021	4,632	1,056	5,688
Utilised in year	(2,016)	(784)	(2,800)
Unused amounts released	-	(247)	(247)
Created in the year	1,819	-	1,819
At 31 March 2022	4,638	25	4,663

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. In the prior year the value of consideration amounting to £784,000 was settled and the remaining £25,000 accrued outstanding legal fees released in the current year (2022: £247,000).

19 FINANCIAL INSTRUMENTS

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

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

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

The Group is funded by a combination of ordinary shares, retained earnings, 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 55% in accordance with its bank loan and loan note facilities.

Credit risk - The Group's exposure to credit risk is limited for its private residential sales as cash is received at the point of legal completion of its sales.

The Group's exposure to credit risk in respect of its cash and cash equivalents is also limited as the amounts are held by financial institutions with high credit ratings.

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

Maturity analysis

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

	Less than 1 year	2 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000
As at 31 March 2023				
Bank loans	59,670	-	-	59,670
Loan notes	12,500	25,000	-	37,500
Trade and other payables	45,436	-	-	45,436
Accruals and deferred income	38,888	-	-	38,888
Lease liabilities	883	1,361	-	2,244
	157,377	26,361	-	183,738

The bank loans are all due within 12 months of the balance sheet date so are shown as current liabilities.

19 FINANCIAL INSTRUMENTS (CONTINUED)

	Less than 1 year	2 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000
As at 31 March 2022				
Bank loans	93,541	-	-	93,541
Loan notes	12,500	37,500	-	50,000
Trade and other payables	36,952	-	-	36,952
Accruals and deferred income	12,544	-	-	12,544
Lease liabilities	492	1,317	-	1,809
	156,029	38,817	-	194,846

Interest rate risk - The Group is funded by a combination of ordinary shares, retained earnings, 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:

	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
As at 31 March 2023				
Cash and cash equivalents	-	(37,142)	-	(37,142)
Bank loans	-	59,670	-	59,670
Loan notes	37,500	-	-	37,500
Trade and other payables	-	-	45,436	45,436
Accruals and deferred income	-	-	38,888	38,888
Lease liabilities	2,244	-	-	2,244
	39,744	22,528	84,324	146,596

	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
As at 31 March 2022				
Cash and cash equivalents	-	(48,246)	-	(48,246)
Bank loans	-	93,541	-	93,541
Loan notes	50,000	-	-	50,000
Trade and other payables	-	-	36,952	36,952
Accruals and deferred income	-	-	12,544	12,544
Lease liabilities	1,809	-	-	1,809
	51,809	45,295	49,496	146,600

Fair value of financial instruments - The fair value of derivative assets are an estimate of the amount at which the instrument could be exchanged in a transaction between willing parties. The carrying amounts and fair value of the Group's derivative assets are based on their market price:

Fair value of financial assets	Group & Company 2023	Group & Company 2022
	£'000	£'000
Cost	1,806	-
Fair Value Uplift	567	-
Fair Value	2,373	-

20 ORDINARY SHARE CAPITAL

	Group & Company 2023 £'000	Group & Company 2022 £'000
Authorised, allotted, called up and fully paid:		
29,261,346 (2022: 29,261,346) ordinary A shares of £1 each	29,261	29,261
220,000 (2022: 220,000) ordinary B shares of £1 each	220	220
	29,481	29,481

21 OPERATING LEASE COMMITMENTS

Group

Lease liabilities

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

Gross obligations repayable	2023 £'000	2022 £'000
Within one year	1,033	652
More than one year and less than five years	1,361	1,331
More than five years	-	-
	2,394	1,983

Finance charges repayable	2023 £'000	2022 £'000
Within one year	92	80
More than one year and less than five years	58	94
More than five years	-	-
	150	174

Net Obligations repayable	2023 £'000	2022 £'000
Within one year	941	572
More than one year and less than five years	1,303	1,237
More than five years	-	-
	2,244	1,809

21 OPERATING LEASE COMMITMENTS (CONTINUED)

Company

Lease liabilities

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

Gross obligations repayable	2023	2022
	£'000	£'000
Within one year	515	516
More than one year and less than five years	849	1,364
More than five years	-	-
	1,364	1,880

Finance charges repayable	2023	2022
	£'000	£'000
Within one year	54	76
More than one year and less than five years	38	92
More than five years	-	-
	92	168

Net Obligations repayable	2023	2022
	£'000	£'000
Within one year	462	440
More than one year and less than five years	810	1,272
More than five years	-	-
	1,272	1,712

22 RELATED UNDERTAKINGS

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

Name	Business Activity	Class of shares
Directly held subsidiaries:		
London Square Developments (Ventures) Limited	Holding company	£1 ordinary shares
London Square (Staines) Limited	Land developer and housebuilder	£1 ordinary shares
Square Roots Registered Provider Limited	Housing association real estate manager	£1 ordinary shares
Indirectly held subsidiaries:		
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 Living Ltd	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 (Projects) 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 (Bugsby Way) Holdings Ltd	Holding company	£1 ordinary shares
London Square (Bugsby Way) Ltd	Land developer and housebuilder	£1 ordinary shares
London Square (Hong Kong) Limited*****	Selling and marketing services	£1 ordinary shares
London Square PIC Partnership Ltd	Land developer and housebuilder	£1 ordinary shares
Charter Square Management Company Ltd	Residents' Management Company	Limited by guarantee
De Burgh, Tadworth Management Company Ltd	Residents' Management Company	Limited by guarantee
Bassetts, Orpington Management Company Ltd	Residents' Management Company	Limited by guarantee
Crimscott Street, Bermondsey Management Company Ltd	Residents' Management Company	Limited by guarantee
Pewter N7 Management Company Ltd	Residents' Management Company	Limited by guarantee
Amparo House, Greenwich London Management Company Ltd	Residents' Management Company	Limited by guarantee
Albright Gardens, Walton on Thames Management Company Ltd	Residents' Management Company	Limited by guarantee
425-455 St Albans Road, Watford Management Company Ltd	Residents' Management Company	Limited by guarantee

22 RELATED UNDERTAKINGS (CONTINUED)

Name	Business Activity	Class of shares
Indirectly held subsidiaries (continued):		
St Michaels Croydon (No 1) Management Company Ltd	Residents' Management Company	Limited by guarantee
St Michaels Croydon (Tower B) Management Company Ltd	Residents' Management Company	Limited by guarantee
One Linear Place Management Company Ltd	Residents' Management Company	Limited by guarantee
Indirectly held joint ventures:		
Richmond Hill Developments (Jersey) Limited*	Land developer and housebuilder	£1 ordinary shares
Bulk Property Investor Limited**	Property investor	£1 ordinary shares
Vulcan Wharf Limited***	Land developer and housebuilder	1p ordinary shares
Vulcan Wharf Holdings LLP***	Land developer and housebuilder	Limited liability partnership
Alperton Waterside LLP****	Land developer and housebuilder	Limited liability partnership

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

**The Company indirectly holds 15% of the share capital of Bulk Property Limited, a company registered in England and Wales with a registered office of One York Road, Uxbridge, Middlesex UB8 1RN.

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

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

*****Company registered in Hong Kong.

23 RELATED PARTY TRANSACTIONS

Transactions between the Group and its parent

The Group has provided £859,000 of funding to LSQ HoldCo 3 Limited which remains outstanding at the current and prior year ends.

In the prior year the Group entered into a contract for the purchase and development of land at Nine Elms for £256,380,000 with a subsidiary of Ares European Real Estate Fund V, a fund managed by a general partner which itself has the same ultimate ownership (Ares Management Corporation) as the general partner that manages the funds holding an interest in the Group. The land purchase occurred in January 2022 along with the signing build contract which also commenced in January 2022 for a period of 4 years. As at the year end revenue of £42,454,000 (2022: 83,972,000) was recognised in respect of this transaction. As at year end trade debtors includes £100,000 (2022: £1,040,000) for outstanding invoices.

Transactions between the Company and its subsidiaries

In prior years the Company purchased one £1 ordinary share in London Square Developments (Ventures) Limited, a subsidiary undertaking, in consideration for an intercompany debt of £73,458,000 owed to the Company.

At the year end the Company had amounts owed by subsidiary undertakings of £nil (2022: £459,000) owed by Square Roots Registered Provider Ltd.

The Company leases office space used by the Group and has a sublease for this space on identical terms with London Square Developments Limited.

23 RELATED PARTY TRANSACTIONS CONTINUED)

Transactions between the Group and its joint ventures

At the year end the Group had trade receivables of £9,000 (2022: £3,000) owed by Richmond Hill and £451,000 (2022: £585,000) owed by Vulcan Wharf Holdings LLP, in respect of fees and cost recharges.

Transactions between the Group and its key management personnel

In the prior years, the Company has advanced loans totalling £1,099,000 to certain directors of the Company. The loans bear interest at 2% per annum and are repayable on the earlier of the borrower leaving employment or a sale of the Group. The loans are outstanding at year end and during the year £23,000 (2022: £22,000) has been recognised as interest receivable and accrued within other receivables.

As at 31 March 2023, one of the directors and a director's spouse had completed on the purchase of 3 units at the Company's Watford site for £849,500.

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

24 PARENT AND CONTROLLING PARTY

The Company's immediate parent undertaking is LSQ HoldCo 3 Limited and at the balance sheet date the ultimate controlling parties are funds managed by affiliates of Ares Management LLC. Subsequent to year end, the funds managed by affiliates of Ares Management LLC agreed to sell all interests in the London Square Developments (Holdings) Limited group to Aldar Properties PSJC, an entity listed on the Abu Dhabi Stock Exchange. 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.

25 SUBSEQUENT EVENTS

The Group has secured credit approval for a £31m Bilateral loan for 3 years with Homes England. The Group and its lenders are in the process of documenting the final terms for execution. This is dependent upon the approval in change of control noted below.

The Group has secured a new equity sponsor. In a transaction between the ultimate shareholders of the Group, funds managed by affiliates of Ares Management LLC, and Aldar Properties PJSC (Aldar), Aldar have contracted to purchase all of the outstanding equity, preference capital and loan notes of the Group.

Completion of the purchase constitutes a change of control under the Group's debt agreements and provides the lenders with the opportunity to approve the new controlling party or require repayment of the bank loans and loan notes. On completion, the lenders will be requested to approve the change of control or refinance the loans on mutually agreeable terms but at the time of signing these financial statements this is yet to be agreed.