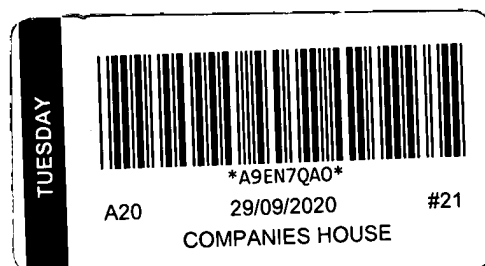


**Urban Splash Group Holdings Limited (formerly Urban
Splash Newco One Limited)**

Financial Statements

For the year ended

30 September 2019



Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Financial Statements

Year ended 30 September 2019

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Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Officers and Professional Advisers

The board of directors

Mr. T.P.R. Bloxham M.B.E.
Mr. J. M. Falkingham
Mr. J.P. Curnuck
Mr. S.D. Gawthorpe
Mr. N.J. Cornish

Company secretary

Kimberley Jane Essop

Registered office

Timber Wharf
16-22 Worsley Street
Manchester
Greater Manchester
M15 4LD

Auditor

BDO LLP
Statutory Auditor
Manchester
United Kingdom

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Strategic Report

Year ended 30 September 2019

Principal activities

The principal activities of the group are property development, property management and property investment. The principal activity of the company is that of a holding company.

Business review

Urban Splash is the leader in its field; it has an established reputation as a pioneer, an advocate of modern design and a record of innovative and exciting development and regeneration. The group works exclusively with brown-field sites in regeneration areas and is renowned for its ability to deliver on its own or in partnership with others. It works with communities and builds on the strengths that exist in areas working 'with the grain' to come up with something extra special.

Strategic review including key performance indicators

The shape of the Urban Splash Group Holdings group of companies changed significantly during the year following the demerger of Urban Splash's modular housing business including its factory operations on 25 April 2019. The demerger, which resulted in new equity investment of £27.5 million and a £26.75 million revolving credit facility in the new group, provided capital to fund the growth ambitions of that business and accelerate housing delivery in the UK. The results of the demerged modular housing business are separately shown as discontinued operations in the financial statements.

To give effect to the demerger, a new holding company, Urban Splash Group Holdings Limited, was incorporated on 29 November 2018 and acquired 100% of the shares in the former holding company, Urban Splash Holdings Limited via a share for share exchange on 21 December 2018. A consequence of the demerger is that property development activity within the group will reduce in future years below historic levels.

Despite the demerger of the modular housing business, much of the group's operational risk rests with its development activities which are often in challenging locations or speculative in nature. The strategic approach and mechanism to deliver development projects emphasises keeping financial and operational risk low by carrying out larger scale developments in joint venture arrangements whilst building strong and regular income streams from development and asset management services provided to those joint ventures and third parties. Smaller scale developments are financed from shareholder equity with conservative levels of third party debt.

Turnover was £30.5 million for the year (2018: £36.3 million) of which £24.7 million was generated from continuing operations (2018 £13.2 million). The demerger of the modular housing business resulted in a loss on disposal of £5.2 million being recorded since the nature of the demerger was such that no consideration was received. This led to a loss before interest and tax of £0.9 million (2018: profit of £24.6 million) of which a profit of £3.8 million was generated from continuing operations (2018 £20.7 million). A revaluation of our commercial properties has shown an increase in value of £2.5 million (2018: £14.7 million), the prior year benefiting from the sales value of exchanged contracts for the sale of certain properties which completed in the current financial year. However, the increase also reflected increases in income, some yield compression but also value generated from the continued investment in the group's commercial property, particularly Beehive Mill in Manchester.

Principally as a result of commercial property sales, third party net debt reduced by £5.5 million from £62.4 million at 30 September 2018 to £56.9 million. Net cash balances reduced by £7.9 million to £6.7 million at the year end in large part reflecting the cash investment into the redevelopment of the Avro residential scheme in Manchester and the Melville building in Royal William Yard, Plymouth, capital expenditure at Beehive Mill in Manchester during the year together with the impact of the demerger of the modular housing business which held cash balances of £1.9 million at the date of demerger.

The group recorded a total comprehensive loss for the year of £2.4 million (2018: income of £18.1 million) and reports net assets of £31.9 million an improvement of £20.8 million. The net asset position increased principally as a result of a restructuring of debt due to the group's shareholders, net of the impact of the demerger of the group's modular housing business. This restructuring reduced the debt due to shareholders to £17.0 million from £40.4 million in the prior year resulting in an increase in net assets of £23.4 million in the year. The demerger resulted in a loss being recorded which reduced net assets by £5.2 million. The reported net asset position of the group continues to be affected by the residual balance due to

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Strategic Report *(continued)*

Year ended 30 September 2019

shareholders which is considered as equity. The directors have prepared an adjusted statement of financial position to provide greater clarity over the underlying financial standing of the group.

Adjusted statement of financial position

	Audited at 30 September 2019 £	Adjustments* £	As adjusted at 30 September 2019* £	As adjusted at 30 September 2018* £
Fixed assets	98,980	–	98,980	101,269
Current assets	22,776	–	22,776	28,858
Current liabilities (1)	(30,421)	17,000	(13,421)	(11,425)
Long term liabilities	(59,387)	–	(59,387)	(67,159)
Net assets	<u>31,948</u>	<u>17,000</u>	<u>48,948</u>	<u>51,543</u>

* Unaudited, non-statutory analysis of the statement of financial position.

Notes

1. In October 2014, the company's shareholders purchased all rights and entitlements to the remaining HSBC debt from HSBC. The nominal value of the debt and accrued interest purchased by the shareholders, which bears no interest, is regarded as quasi-equity by the directors and is therefore added back to the net asset position as if the debt was equity. The debt will however continue to be presented as a liability in the group's balance sheet until it is otherwise restructured into permanent equity.

Financial risk management objectives and policies

The group, as with all businesses, is exposed to a number of risks and uncertainties that can affect its operational and financial performance in both the short and long term. The key risks and uncertainties based on the deep-seated knowledge and understanding of the industry and the substantial experience of the group's directors, together with how they are managed are outlined below.

Liquidity

Funding may not be available to finance the group's or its joint venture operations. The directors ensure that all the group's development schemes (either in joint ventures or on balance sheet) are fully funded with committed equity or debt finance before they start on-site. The directors closely manage the day to day liquidity position through detailed daily and monthly cash flow forecasts for the group which are reviewed regularly by the board against established minimum group-wide cash targets. Cash flow forecasts are prepared for all operational companies / divisions and spending commitments regularly reviewed against those forecasts.

Health and safety

Accidents and incidents in the factory and on building sites and buildings owned, developed and managed by the group can result in serious injury and possibly loss of life. As the group has historically constructed and managed most of its commercial and residential buildings in-house, addressing health and safety is paramount and a key focus of the board. The group has dedicated, well trained health and safety staff and extensively uses third parties to monitor compliance. Training and site procedures are reviewed regularly to ensure the highest standards are continually maintained. Health and safety is reported on in detail at all board meetings.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Strategic Report *(continued)*

Year ended 30 September 2019

Mortgage availability

The current market conditions and regulatory changes in the mortgage industry can make it hard for many of the group's customers to access sufficient mortgage finance due to more stringent bank lending criteria which has been further strengthened following the onset of COVID-19. As most of the group's customers need mortgage finance to complete purchases, this could have a detrimental impact on sales levels. The status of all sales where mortgages are required is closely monitored and reviewed by the board. The group works closely and pragmatically with all customers and mortgage lenders to try and resolve the many issues that arise through the completion process.

Rent collection

The group owns a large portfolio of commercial property and the inability to collect rent when it is due from occupiers puts pressure on the group's cash flows and loan covenants. This risk has been heightened following the onset of COVID-19 as a result of forced business closures and other pressures placed on occupier's businesses. The group monitors the collection of rent closely with regular reporting to the board. The dedicated commercial team has a regular engagement with all of its commercial occupiers to understand their business performance and individual circumstances. Where necessary payment plans are agreed to ensure debt is ultimately collected.

Economic outlook

As a property developer and investor, the group is exposed to factors affecting the wider economy such as interest rates, inflation, consumer and business confidence, economic growth, uncertain political climate and levels of employment. Adverse impacts on any of these factors can reduce demand for the group's new homes and office space. The cyclical nature of the market is recognised by the directors. Forward investment decisions and commitments are closely monitored and financial risks aimed to be mitigated by maintaining headroom against all covenants and holding sufficient cash reserves. The uncertain outcome of the negotiations over the UK's future relationship with the EU together with the uncertainty over the lasting effects of the COVID 19 pandemic have been taken into consideration by the directors when considering the strategy of the group. Consequently, whilst the directors firmly believe in investing in the group for future growth, a reduced risk appetite has been adopted given these unprecedented levels of uncertainty and the prospect of a lasting economic down turn.

Rental demand

The group manages large portfolios of both commercial and residential property and rental cash flows or management fees generated from properties under management now represent a significant proportion of total group revenue. Generating a high demand and retaining a high level of occupation is essential. In providing well designed, unique and affordable office space and homes, the group is able to generate demand and maintain occupancy at high levels. In managing all of its commercial and residential property it has developed, the group takes a very customer focussed approach to property management which in turn helps to maintain standards and support high occupation.

Development costs and programme

Remaining within tight construction budgets and programmes is essential for scheme profitability and remaining within established funding criteria. The group undertakes some construction in-house and as a result is exposed to all cost and delivery risks which might otherwise be passed on to a main contractor. Other developments are procured from main contractors to reduce exposure to cost and delivery risks. The board regularly monitors performance and quality assurance against agreed contract and delivery programs. The group retains close control of procurement, cost commitments and scheme progress against programme through detailed reporting on all schemes at monthly board meetings.

Government housing policy

Government policy on housing, the environment, purchase assistance and funding, particularly for regeneration projects and affordable housing has a significant impact on the group's future development activity and many other aspects of its business. The directors actively engage with government officials at both a national and regional level and monitor closely actual and likely developments in policy. Where appropriate, directors make representations on policy formation and future direction.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Strategic Report *(continued)*

Year ended 30 September 2019

Planning process

If planning consents are delayed or rejected, the ability of the group to grow will be significantly constrained. The group has a strong track record of achieving successful planning applications. This is because we believe no two sites are the same and each scheme deserves a unique response. The skills of the group's development team, the quality and vision of the architects we use and our engagement with all parties throughout the process from local authorities to local residents has ensured that planning decisions have been favourable.

This report was approved by the board of directors on 24/09/2020 and signed on behalf of the board by:



Mr. J.P. Curnuck
Director

Registered office:
Timber Wharf
16-22 Worsley Street
Manchester
Greater Manchester
M15 4LD

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Directors' Report

Year ended 30 September 2019

The directors present their report and the financial statements of the group for the year ended 30 September 2019.

Financial risk management

The group's financial risk management objectives and policies are presented in the Strategic Report.

Directors

The directors who served the company during the year were as follows:

Mr. T.P.R. Bloxham M.B.E.
Mr. J. M. Falkingham
Mr. J.P. Curnuck
Mr. S.D. Gawthorpe
Mr. N.J. Cornish

Dividends

The directors do not recommend the payment of a dividend (2018 - same).

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 28 to the financial statements, which include the impact of COVID-19. On 30 January 2020, the World Health Organisation (WHO) announced COVID-19 as a global health emergency. On 11 March 2020, it announced that COVID-19 was a global pandemic. On 23 March 2020, the UK Government announced a nationwide lockdown which severely restricted the group's operations. The group closed its construction sites whilst it assessed the risks posed by COVID-19, only reopening when it was satisfied that stringent measures were in place to mitigate those risks. The directors have considered the impact of COVID-19 on the group, and further details can be found in the strategic report.

Going concern

As described in the accounting policies, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and have specifically assessed the impact of COVID-19 on the group. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Other matters

On 30 September 2019 the group completed a restructuring of the £40.4 million loan owed to the shareholders of the ultimate parent company. The loan was segregated into two tranches - an amount deemed to be recoverable (£17 million) and an amount deemed to be irrecoverable (£23.4 million). The irrecoverable debt was novated from various subsidiaries to a newly incorporated subsidiary, Newco ES 2019 Limited. Immediately following the debt novation, the shareholders released Newco ES 2019 Limited from its debt obligations in respect of the irrecoverable shareholder debts in consideration for the issue of 100 ordinary Newco ES 2019 Limited £1 shares to the shareholders of the ultimate parent company in the same proportion as the shareholdings in the ultimate parent. The shares issued are considered to have no significant value and hence no non-controlling interest has been recognised in the group's consolidated accounts. The legal release of the irrecoverable shareholder debt has therefore given rise to a credit to an other reserve of £23.4 million.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Directors' Report *(continued)*

Year ended 30 September 2019

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware;
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information; and
- this confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act.

The auditor, BDO LLP, was appointed in the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Directors' Report *(continued)*

Year ended 30 September 2019

This report was approved by the board of directors on 24/09/2020 and signed on behalf of the board by:



Mr. J.P. Curnuck
Director

Registered office:
Timber Wharf
16-22 Worsley Street
Manchester
Greater Manchester
M15 4LD

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Independent Auditor's Report to the Members of Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Year ended 30 September 2019

Opinion

We have audited the financial statements of Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited) (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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

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

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

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Independent Auditor's Report to the Members of Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited) *(continued)*

Year ended 30 September 2019

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Independent Auditor's Report to the Members of Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited) (continued)

Year ended 30 September 2019

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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.

BDO LLP

Gary Harding (Senior Statutory Auditor)

For and on behalf of
BDO LLP
Statutory Auditor
Manchester
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Date:- 25 September 2020

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Consolidated Statement of Comprehensive Income

Year ended 30 September 2019

		2019			2018		
		Continuing operations	Discont'd operations	Total	Continuing operations	Discont'd operations	Total
	Note	£	£	£	£	£	£
Turnover	4	24,714,143	5,811,804	30,525,947	13,218,934	23,054,216	36,273,150
Cost of sales		(13,577,088)	(3,751,433)	(17,328,521)	(3,300,800)	(17,596,078)	(20,896,878)
Gross profit		11,137,055	2,060,371	13,197,426	9,918,134	5,458,138	15,376,272
Administrative expenses (including profit on disposal of tangible assets and subsidiary undertakings of £752,887 (2018: £4,031,273))		(10,581,800)	(1,577,428)	(12,159,228)	(4,388,345)	(1,551,831)	(5,940,176)
Other operating income	5	190,000	—	190,000	600,000	—	600,000
Revaluation of tangible assets		2,474,250	—	2,474,250	14,743,060	—	14,743,060
Operating profit	6	3,219,505	482,943	3,702,448	20,872,849	3,906,307	24,779,156
Loss on disposal of operations		—	(5,167,778)	(5,167,778)	—	—	—
Share of profit/(loss) of joint ventures	14	534,187	—	534,187	(207,296)	—	(207,296)
Other interest receivable and similar income	9	251,306	20,355	271,661	201,812	11,328	213,140
Interest payable and similar expenses	10	(2,699,883)	(989)	(2,700,872)	(3,510,477)	(1,183)	(3,511,660)
Profit/(loss) before taxation		1,305,115	(4,665,469)	(3,360,354)	17,356,888	3,916,452	21,273,340
Tax on profit/(loss)	11	1,060,011	(80,488)	979,523	(3,034,646)	(115,356)	(3,150,002)
Profit/(loss) for the financial year and total comprehensive income/(loss)		<u>2,365,126</u>	<u>(4,745,957)</u>	<u>(2,380,831)</u>	<u>14,322,242</u>	<u>3,801,096</u>	<u>18,123,338</u>

The consolidated statement of comprehensive income continues on the following page.
The notes on pages 21 to 51 form part of these financial statements.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Consolidated Statement of Comprehensive Income *(continued)*

Year ended 30 September 2019

	Note	Continuing operations £	2019 Discont'd operations £	Total £	Continuing operations £	2018 Discont'd operations £	Total £
Total comprehensive income for the year attributable to:							
The owners of the parent company				(2,492,402)			17,630,104
Non-controlling interests				<u>111,571</u>			<u>493,234</u>
				<u>(2,380,831)</u>			<u>18,123,338</u>

The notes on pages 21 to 51 form part of these financial statements.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Consolidated Statement of Financial Position

30 September 2019

	Note	2019 £	2018 £
Fixed assets			
Negative goodwill	12	–	(1,468,615)
Tangible assets	13	96,459,004	100,751,212
Investments:	14		
Investments in joint-ventures		2,520,633	1,986,396
		<u>98,979,637</u>	<u>101,268,993</u>
Current assets			
Stocks	15	6,224,945	8,788,349
Debtors	16	9,814,819	5,465,384
Cash at bank and in hand		6,736,225	14,604,187
		<u>22,775,989</u>	<u>28,857,920</u>
Creditors: amounts falling due within one year	17	(30,420,254)	(51,830,211)
Net current liabilities		<u>(7,644,265)</u>	<u>(22,972,291)</u>
Total assets less current liabilities		91,335,372	78,296,702
Creditors: amounts falling due after more than one year	18	(56,194,451)	(63,052,280)
Provisions			
Deferred tax	19	(3,192,557)	(4,106,344)
Net assets		<u>31,948,364</u>	<u>11,138,078</u>
Capital and reserves			
Called up share capital	23	45	100
Other reserve	24	23,404,887	–
Revaluation reserve	24	33,954,012	38,528,226
Capital redemption reserve	24	(42)	–
Profit and loss account	24	(24,748,235)	(26,830,047)
Equity attributable to the owners of the parent company		32,610,667	11,698,279
Non-controlling interests		<u>(662,303)</u>	<u>(560,201)</u>
		<u>31,948,364</u>	<u>11,138,078</u>

The consolidated statement of financial position
continues on the following page.

The notes on pages 21 to 51 form part of these financial statements.

**Urban Splash Group Holdings Limited (formerly Urban Splash
Newco One Limited)**

Consolidated Statement of Financial Position *(continued)*

30 September 2019

These financial statements were approved by the board of directors and authorised for issue on ~~24/09/2020~~, and are signed on behalf of the board by:



Mr. J.P. Curnuck
Director

Company registration number: 11704307

The notes on pages 21 to 51 form part of these financial statements.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Company Statement of Financial Position

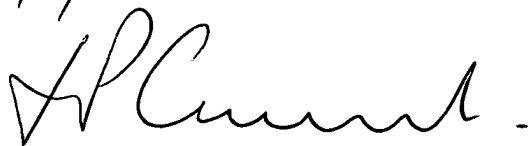
30 September 2019

	Note	2019 £
Fixed assets		
Investments	14	100
Current assets		
Debtors	16	1,000
Net current assets		<u>1,000</u>
Total assets less current liabilities		<u>1,100</u>
Capital and reserves		
Called up share capital	23	45
Capital redemption reserve	24	(42)
Profit and loss account	24	<u>1,097</u>
Members funds		<u>1,100</u>

The profit for the financial year of the parent company was £1,097 (2018: £Nil).

The group has taken advantage of the exemption to exclude the parent company's statement of comprehensive income.

These financial statements were approved by the board of directors and authorised for issue on 24/09/2020, and are signed on behalf of the board by:



Mr. J.P. Curnuck
Director

Company registration number: 11704307

The notes on pages 21 to 51 form part of these financial statements.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Consolidated Statement of Changes in Equity

Year ended 30 September 2019

	Note	Called up share capital £	Other reserve £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non-controlli ng interests £	Total £
At 1 October 2017		100	–	25,580,929	–	(31,512,854)	(5,931,825)	(1,053,435)	(6,985,260)
Profit for the year				14,397,297		3,232,807	17,630,104	493,234	18,123,338
Reclassification from revaluation reserve to profit and loss account		–	–	(1,450,000)	–	1,450,000	–	–	–
Total comprehensive income for the year		–	–	12,947,297	–	4,682,807	17,630,104	493,234	18,123,338
At 30 September 2018		100	–	38,528,226	–	(26,830,047)	11,698,279	(560,201)	11,138,078
Loss for the year				2,406,285		(4,898,687)	(2,492,402)	111,571	(2,380,831)
Reclassification from revaluation reserve to profit and loss account		–	–	(6,980,499)	–	6,980,499	–	–	–
Total comprehensive income for the year		–	–	(4,574,214)	–	2,081,812	(2,492,402)	111,571	(2,380,831)

The consolidated statement of changes in equity
continues on the following page.
The notes on pages 21 to 51 form part of these financial statements.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Consolidated Statement of Changes in Equity (continued)

Year ended 30 September 2019

	Note	Called up share capital £	Other reserve £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non-controlli ng interests £	Total £
Issue of shares		—	—	—	—	—	—	100	100
Cancellation of subscribed capital	(55)	—	—	—	(42)	—	(97)	—	(97)
Release of irrecoverable shareholder debts		—	23,404,887	—	—	—	23,404,887	—	23,404,887
Disposal of subsidiary with minority interest		—	—	—	—	—	—	(213,773)	(213,773)
Total investments by and distributions to owners	(55)	23,404,887	—	—	(42)	—	23,404,790	(213,673)	23,191,117
At 30 September 2019	45	23,404,887	33,954,012	—	(42)	(24,748,235)	32,610,667	(662,303)	31,948,364

The notes on pages 21 to 51 form part of these financial statements.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Company Statement of Changes in Equity

Year ended 30 September 2019

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 29 November 2018	—	—	—	—
Profit for the year	—	—	1,097	1,097
Total comprehensive income for the year	—	—	1,097	1,097
Issue of shares	100	—	—	100
Cancellation of subscribed capital	(55)	(42)	—	(97)
Total investments by and distributions to owners	45	(42)	—	3
At 30 September 2019	45	(42)	1,097	1,100

The notes on pages 21 to 51 form part of these financial statements.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Consolidated Statement of Cash Flows

Year ended 30 September 2019

	2019 £	2018 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(2,380,831)	18,123,338
<i>Adjustments for:</i>		
Revaluation	(2,474,250)	(14,743,060)
Depreciation of tangible assets	366,709	230,594
Release of negative goodwill	(606,187)	(604,724)
Fair value adjustment of stocks	–	2,073,340
Share of profit of joint ventures	(534,187)	207,296
Other interest receivable and similar income	(271,661)	(213,140)
Interest payable and similar expenses	2,700,872	3,511,660
Gains on disposal of tangible assets	(552,888)	(4,031,273)
Gain on disposal of subsidiary undertakings	(199,999)	–
Loss on disposal of operations	5,167,778	–
Tax on profit	(979,523)	3,150,002
Stock to fixed asset/fixed asset to stock transfer	(404,416)	222,072
<i>Changes in:</i>		
Stocks	(1,852,336)	2,191,668
Trade and other debtors	(7,376,282)	350,481
Trade and other creditors	5,082,730	(948,611)
Cash generated from operations	(4,314,471)	9,519,643
Interest paid	(2,206,420)	(2,620,805)
Interest received	85,044	88,266
Tax paid	(261,581)	–
Net cash (used in)/from operating activities	<u>(6,697,428)</u>	<u>6,987,104</u>
Cash flows from investing activities		
Purchase of tangible assets	(3,229,382)	(5,124,887)
Proceeds from sale of tangible assets	9,967,912	11,097,473
Purchase of intangible assets	–	(1)
Proceeds from sale of subsidiaries	(1,739,589)	–
Acquisition of trade and assets	–	(423,500)
Net cash from investing activities	<u>4,998,941</u>	<u>5,549,085</u>
Cash flows from financing activities		
Proceeds from borrowings	3,921,744	6,186,005
Repayments of borrowings	(10,091,219)	(21,421,480)
Net cash used in financing activities	<u>(6,169,475)</u>	<u>(15,235,475)</u>
Net decrease in cash and cash equivalents	<u>(7,867,962)</u>	<u>(2,699,286)</u>
Cash and cash equivalents at beginning of year	<u>14,604,187</u>	<u>17,303,473</u>
Cash and cash equivalents at end of year	<u>6,736,225</u>	<u>14,604,187</u>

The notes on pages 21 to 51 form part of these financial statements.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements

Year ended 30 September 2019

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Timber Wharf, 16-22 Worsley Street, Manchester, Greater Manchester, M15 4LD.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited) was incorporated on 29 November 2018. On 21 December 2018, Urban Splash Group Holdings Limited acquired 100% of the ordinary share capital of Urban Splash Holdings Limited via a share for share exchange. The business combination has been accounted for as a group reconstruction using merger accounting.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

Going concern

The financial statements have been prepared on a going concern basis.

The group's business activities, together with the factors likely to affect its future development, performance and position, and its exposures to liquidity risk are set out in this Strategic Report on pages 2 to 5.

The group has net debt of £67.7 million as at 30 September 2019, comprising £74.4 million of debt and £6.7 million in cash. The debt is provided through a number of secured facilities from banks, the group's shareholders and a private company. At 31 July 2020 total net debt, was £78.3 million.

The principal components of the group's funding at 31 July 2020 were as follows:

- an on-demand loan facility from the group's shareholders totalling £17 million including accrued interest;
- a term bank loan facility totalling £16.2 million excluding accrued interest under a facility which expires on 5 November 2024;
- a term bank loan facility totalling £22.2 million excluding accrued interest under a facility which expires on 28 September 2022;
- an unsecured, subordinated £15.8 million loan facility, including accrued interest, provided by a private company, which becomes repayable on 28 September 2022;
- a term bank loan facility totalling £9.8 million excluding accrued interest under a facility which expires on 25 August 2022;
- a development loan facility totalling £3.3 million excluding accrued interest which was repayable on demand, however the term has since been extended to 31 March 2021;
- £6.0 million of cash.

The group's debt is performing in line with the current expectations of its lenders and in spite of the challenging environment arising from COVID-19 is able to pay its interest in full when due.

One loan facility which is in large part secured against commercial property which is let to the food and beverage sector has breached interest covenants since April 2020 as a result of reduced cash collection from occupiers who are unable to meet rent payments due to closures forced by government restrictions or other pressures resulting from stalled economic activity. The lender has provided covenant waivers for the interest periods affected and the directors have advised of their expectation that covenants will continue to be breached until economic activity is such that occupiers are able to trade profitably. The directors have sought and gained assurances from the lender of its continued support given the current environment and have indicated this support to be provided for the foreseeable future. The group does not rely on the net cash flows received from the subsidiary company concerned to support the group cash flows and the wider group provides no guarantees of other security in connection with that loan.

For other loan facilities and where tested, loan covenants are met and are forecast to continue to be so for the foreseeable future. The group has no overdraft facility and meets its day to day working capital requirements through trading activities and cash flows generated from asset sales. The current cash flow forecasts indicate that no further facilities, other than development finance facilities in the ordinary course of business are required in the foreseeable future.

The directors have prepared financial projections for the foreseeable future which reflect the existing

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

facilities currently being made available to the group and its available cash resources and consider the ongoing impact of COVID-19 on the group's financial performance.

The economic environment remains challenging and there remain a number of uncertainties for all companies in the sectors in which the group operates with regard to future market valuation movements, consumer confidence over the economy and employment, mortgage availability as a result of market regulation, rental demand and the resultant impact on occupancy, rent collection and the group's ability to realise asset value via sale in the short term should a need arise.

In addition to the above, the directors remain focussed on working capital management and the management of operating costs to ensure that the day to day cash flow requirements of the business are controlled.

On the basis of the forecasts, existing cash resources, that the group's lenders have indicated that the current on-demand facilities will not be demanded for the foreseeable future and where expected to be in breach of covenants as a result of the impact of COVID-19 on a certain loan portfolio, gained the continued support and assurances of the lender, the directors consider that the group and the company will continue to meet its working capital requirements and not require any additional facilities for the foreseeable future. However, continued support for one of its loan facilities will be required from the lender due to expected covenant breaches in the future and have gained that assurance to their satisfaction.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account (or capitalised into work in progress or assets under construction as appropriate) using the effective interest method and are added to accruals to the extent they are not settled in the period in which they arise.

Government grants

Grants receivable in respect of properties under development are initially held on the balance sheet as deferred income. In the case of assets which are subsequently sold once development is complete, the grant is credited to the profit and loss account in line with the costs on the development. Where the terms of the grant include a possible repayment, provision for such a repayment is made immediately.

In the case of investment properties, the grants are deferred until the asset is transferred to fixed assets, at which point they are credited directly to the cost of the asset. This treatment is not in accordance with section 404 to the Companies Act 2006 which requires fixed assets to be shown at cost and grants as deferred income. The treatment has been adopted in accordance with section 404(5) of the Companies Act 2006 in order to show a true and fair view as, in the opinion of the directors, it is not appropriate to treat grants on investment properties as deferred income. Investment properties are not depreciated and accordingly no basis exists on which to recognise the release of deferred income to the profit and loss account.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

Disclosure exemptions

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited) meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to prior year comparatives for investment movements, financial instruments, presentation of a cash flow statement, related party transactions with wholly-owned subsidiaries and remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited) and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Non-controlling interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

Judgements and key sources of estimation and uncertainty

In the application of the group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The directors do not consider there to be any critical accounting judgements that must be applied.

Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below:

- Investment properties

A key source of estimation and uncertainty relates to the valuation of investment properties, where a valuation is obtained annually, as at 30 September, either by professionally qualified external valuers, or by the company's own internal qualified staff. The evidence to support these valuations is based primarily on recent, comparable market transactions on an arm's length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty.

Revenue recognition

Turnover represents amounts receivable for properties and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Revenue is recognised when the group has obtained the right to receive consideration in exchange for its performance under contracts for sale or rental. Revenue is recognised on sales of apartments and commercial units when the notice for legal completion is served on the purchaser at the point of the completion of the group's obligations to the purchaser under the contract for sale. Rents receivable are recognised on a straight line basis over the lease term, even if the rents are not received on such a basis. Construction turnover represents amounts receivable for construction services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. All construction costs are recoverable from customers, therefore revenue is recognised based on actual costs incurred on a monthly basis.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

Taxation

Corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property measured at fair value is calculated using the tax rates and allowances that would apply to the disposal of such assets.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Negative goodwill

Negative goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Negative goodwill is included in the statement of financial position and is credited to the income statement in the periods expected to benefit.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

Tangible assets

Investment properties

Investment properties are measured at fair value annually with any change recognised in the profit and loss account.

Properties in the course of development or practically completed but not substantially let are included in the balance sheet at cost subject to provisions if the directors consider it prudent having regard to the prevailing market conditions. Cost includes interest and directly attributable overheads whilst the property is in the course of development.

Reclassifications between investment properties, other fixed assets and stocks are made at the lower of net book value and net realisable value.

Investment property sales are recognised upon unconditional exchange.

Operational land and buildings

Operational land and buildings represent properties occupied by group companies and therefore cannot be classed as investment properties. These categories of asset are not depreciated as the charge would be immaterial due to the estimated length of remaining useful economic life. All assets within these categories are reviewed annually for impairment.

Development property assets

Development property assets represent land and buildings and other property related assets held for future development or sale. This category of asset is not depreciated as the charge would be immaterial due to the estimated length of remaining useful economic life. All assets within this category are reviewed annually for impairment.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Operational land & buildings	-	Not depreciated
Development property assets	-	Not depreciated
Fixtures, fittings & equipment	-	3 to 5 years straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the joint venture.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date, with the exception of goodwill.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks of completed properties include all interests in residential schemes comprising apartments, car bays, stores and freehold interests and are stated at the lower of cost and net realisable value. Provision is made for impairment in value where appropriate.

Properties awaiting and under development are valued on the basis of total costs incurred, net of amounts transferred to the profit and loss account in respect of properties sold.

Interest costs incurred in bringing assets to a state where they are ready to be used are capitalised as part of the cost of the asset.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

3. Accounting policies *(continued)*

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payment discounted at a market rate of interest.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or are settled or when the company transfers to another party the financial asset and substantially all of the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised only when the obligation specified on the contract is discharged, cancelled or expires.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

4. Turnover

Turnover arises from:

	2019 £	2018 £
Asset management fees	567,989	798,602
Asset sales	4,678,297	23,950,937
Commercial rental income	7,764,808	7,560,202
Construction income	14,324,161	1,704,291
Other income	2,279,933	1,347,528
Residential rental income	80,074	110,379
Utility income	830,685	801,211
	<u>30,525,947</u>	<u>36,273,150</u>

Other income includes development management and administration fees charged predominantly to related parties.

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Other operating income

	2019 £	2018 £
Other operating income	<u>190,000</u>	<u>600,000</u>

Other operating income relates to the release of historic liabilities. The directors have assessed the likelihood of repayment to be remote.

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2019 £	2018 £
Release of negative goodwill	(606,187)	(604,724)
Depreciation of tangible assets	286,709	230,594
Impairment of tangible assets recognised in:		
Administrative expenses	80,000	—
Gains on disposal of tangible assets	(552,888)	(4,031,273)
Gain on disposal of subsidiary undertakings	(199,999)	—
Cost of stocks recognised as an expense	6,318,433	18,325,232
Operating lease rentals	255,598	255,936
Loss on disposal of operations (note 25)	<u>5,167,778</u>	<u>—</u>

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

6. Operating profit *(continued)*

Fees payable to the company's auditor for the audit of the company's financial statements was £9,000 (2018: £10,000) and for the audit of subsidiaries was £81,000 (2018: £100,000).

Amounts payable to Deloitte LLP and their associates, whilst appointed as auditor, by the company and its subsidiary undertakings in respect of non-audit services were:

	Year to 30 Sep 19	Year to 30 Sep 18
	£	£
Corporation tax compliance and advice	38,000	74,900
Other taxation advice	44,500	32,500
Corporate finance services	125,475	29,550
Property services	1,000	—
	<u>208,975</u>	<u>136,950</u>

Fees payable to Deloitte LLP and its associates for non-audit services to the company itself are not disclosed in the individual financial statements of Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited) because the company's consolidated accounts are required to disclose such fees on a consolidated basis.

7. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2019	2018
	No	No
Administrative staff	77	64
Construction staff	40	49
Sales staff	9	7
Development staff	11	8
	<u>137</u>	<u>128</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£	£
Wages and salaries	5,986,656	5,264,346
Social security costs	624,365	549,867
Other pension costs	193,681	148,457
	<u>6,804,702</u>	<u>5,962,670</u>

During the year £1,535,569 (2018: £1,334,196) of payroll costs were capitalised or recharged resulting in a payroll charge of £5,269,133 (2018: £4,628,474) to the statement of comprehensive income.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

8. Directors' and key management personnels' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019 £	2018 £
Remuneration	1,087,866	1,019,816
Company contributions to defined contribution pension plans	63,426	53,120
	<u>1,151,292</u>	<u>1,072,936</u>

Remuneration of the highest paid director in respect of qualifying services:

	2019 £	2018 £
Aggregate remuneration	199,444	174,811
Company contributions to defined contribution pension plans	9,439	11,104
	<u>208,883</u>	<u>185,915</u>

Five directors and key management personnel have accrued pension contributions in the current and prior year.

9. Other interest receivable and similar income

	2019 £	2018 £
Interest on loans and receivables	213,630	154,750
Interest on cash and cash equivalents	50,008	55,426
Interest receivable and similar income	8,023	2,964
	<u>271,661</u>	<u>213,140</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Other interest payable and similar charges	<u>2,700,872</u>	<u>3,511,660</u>

Other interest payable and similar charges comprises:

	2019 £	2018 £
Loan interest	2,119,752	2,619,977
Loan arrangement and associated fees	546,592	869,745
Bank charges and other interest payable	34,528	21,938
	<u>2,700,872</u>	<u>3,511,660</u>

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

11. Tax on profit

Major components of tax income

	2019 £	2018 £
Current tax:		
UK current tax income	–	261,581
Adjustments in respect of prior periods	(65,736)	–
Total current tax	<u>(65,736)</u>	<u>261,581</u>
Deferred tax:		
Origination and reversal of timing differences	(913,787)	2,888,421
Tax on profit	<u>(979,523)</u>	<u>3,150,002</u>

Reconciliation of tax (income)/expense

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
(Loss)/profit on ordinary activities before taxation	<u>(3,360,354)</u>	<u>21,273,340</u>
(Loss)/profit on ordinary activities by rate of tax	(638,467)	4,041,935
Revaluation gains not taxable	(470,108)	(2,801,182)
Effect of expenses not deductible for tax purposes	745,329	48,316
Effect of capital allowances and depreciation	71,554	(270,787)
Utilisation of tax losses	(744,210)	(1,032,895)
Movement in short term timing differences	(81,197)	(81,197)
Chargeable gains	1,264,536	1,103,953
Income not taxable	(147,437)	(746,562)
Deferred tax	(913,787)	2,888,421
Tax credit in respect of previous years	(65,736)	–
Tax on profit	<u>(979,523)</u>	<u>3,150,002</u>

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

11. Tax on profit *(continued)*

Factors that may affect future tax income

As at the reporting date, reductions in the UK tax rate from 19% to 17%, effective from 1 April 2020, had been substantively enacted. The deferred tax asset has been calculated based on the rate substantively enacted at the reporting date. Under legislation substantively enacted on 17 March 2020, after the reporting date, the UK tax rate will remain to be 19% from 1 April 2020 onwards. This will affect the calculation of future deferred tax charges.

The deferred tax asset (valued at a rate of 17% in both years) was £5,334,584 (2018: £5,442,571) at the end of the year and has not been recognised because, in the opinion of the directors, it is uncertain whether there will be suitable taxable profits available in the foreseeable future.

Analysis of deferred tax asset:-

	2019 £	2018 £
Fixed assets	(33,441)	89,076
Other losses	4,932,123	4,810,432
Short term timing differences	435,902	543,063
	<u>5,334,584</u>	<u>5,442,571</u>

12. Intangible assets

Group	Negative goodwill £
Cost	
At 1 October 2018	(2,073,339)
Disposals of previously acquired businesses	<u>2,073,339</u>
At 30 September 2019	<u>-</u>
Amortisation	
At 1 October 2018	(604,724)
Credit for the year	(606,187)
Disposals of previously acquired businesses	<u>1,210,911</u>
At 30 September 2019	<u>-</u>
Carrying amount	
At 30 September 2019	<u>-</u>
At 30 September 2018	<u>(1,468,615)</u>

The company has no intangible assets.

Negative goodwill of £2,073,339 arose in the prior year on the acquisition of the trade and assets of a modular housing construction business, which was being amortised over 2 years, which is equal to the period over which the related non-monetary assets of the acquired business are being depreciated. The acquiring subsidiary, Urban Splash Modular Limited, was disposed of during the year. Further information is included in note 24.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

13. Tangible assets

Group	Investment properties £	Operational land & buildings £	Development property assets £	Fixtures, fittings & equipment £	Total £
Cost					
At 1 October 2018	95,777,688	770,000	3,004,337	1,849,691	101,401,716
Additions	1,425,773	–	1,550,263	253,346	3,229,382
Disposals	(9,676,261)	–	–	(678,114)	(10,354,375)
Revaluations	2,474,249	–	–	–	2,474,249
Transfers	354,416	110,000	(60,000)	–	404,416
At 30 September 2019	90,355,865	880,000	4,494,600	1,424,923	97,155,388
Depreciation					
At 1 October 2018	–	–	–	650,504	650,504
Charge for the year	–	80,000	–	286,709	366,709
Disposals	–	–	–	(320,829)	(320,829)
At 30 September 2019	–	80,000	–	616,384	696,384
Carrying amount					
At 30 September 2019	90,355,865	800,000	4,494,600	808,539	96,459,004
At 30 September 2018	95,777,688	770,000	3,004,337	1,199,187	100,751,212

The company has no tangible assets.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

13. Tangible assets *(continued)*

Transfers represents transfers (to)/from stock.

Investment properties, which are a combination of freehold and leasehold, were valued on an open market existing use basis by Jones Lang LaSalle Limited and Savills (UK) Limited, external firms of chartered surveyors and by a director of the company as follows:-

Current year:-

	1 Sept 19 £	23 Sept 19 £	30 Sept 19 £	Total £
Jones Lang La Salle Limited	16,770,000	–	47,174,999	63,944,999
Savills (UK) Limited	–	25,602,520	–	25,602,520
Director's valuation	–	–	808,345	808,345
Total	16,770,000	25,602,520	47,983,344	90,355,864

Prior year:-

	Jul 18 £	Aug 18 £	Sept 18 £	Total £
Jones Lang La Salle Limited	63,345,000	6,980,000	–	70,325,000
Savills (UK) Limited	–	25,063,780	–	25,063,780
Director's valuation	–	–	388,908	388,908
Total	63,345,000	32,043,780	388,908	95,777,688

Investment properties are not depreciated. If the investment properties had not been revalued, they would have been included at a historical cost of £55,623,924 (2018: £56,539,497).

Where valuations were performed at dates other than the year end, the directors do not believe there was a material change in value during the intervening periods.

14. Investments

Group	Joint ventures £
Cost or valuation	
At 1 October 2018	501
Additions	107,335
Disposals	(107,286)
Transfers	1
At 30 September 2019	551
Share of retained profits	
At 1 October 2018	1,985,895
Profit for the year	534,187
At 30 September 2019	2,520,082

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

14. Investments *(continued)*

Group	Joint ventures £
Carrying amount	
At 30 September 2019	2,520,633
At 30 September 2018	<u>1,986,396</u>

The group has a 50% interest in PFP US JV LLP, a holding company which holds investments in trading subsidiaries which are all property development entities. The accounting reference date for this company is 31 March. The figures included in these financial statements are derived from the un-audited management accounts for the 12 month period to 30 September 2019.

Disposals represent the disposal of the 50% joint venture investment in USP WW Limited owned by Urban Splash House Limited, which was acquired during the year, and then subsequently disposed of as part of a statutory demerger - further information can be found in note 24.

Company	Shares in group undertakings £
Cost	
At 29 November 2018	—
Additions	197
Disposals	(97)
At 30 September 2019	<u>100</u>
Impairment	
At 29 November 2018 and 30 September 2019	<u>—</u>
Carrying amount	
At 30 September 2019	<u>100</u>
At 29 November 2018	<u>—</u>

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited) was incorporated on 29 November 2018. On 21 December 2018, Urban Splash Group Holdings Limited acquired 100% of the ordinary share capital of Urban Splash Holdings Limited via a share for share exchange. The business combination has been accounted for as a group reconstruction using merger accounting.

The table above shows the movement in investments of the new parent company, Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited).

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

14. Investments *(continued)*

Subsidiaries, associates and other investments

Group investments

The parent company and the group have investments in the following subsidiary undertakings:

Name	Country of incorporation	Holding	Proportion of voting rights	Principal activity
Subsidiary undertakings				
Urban Splash Management Limited	England	Ordinary shares	100%*	Head office function
Urban Splash Developments Limited	England	Ordinary shares	100%*	Property development and investment
Urban Splash (RWY) Limited	England	Ordinary shares	100%*	Property investment
Urban Splash (New Cooperage) Limited	England	Ordinary shares	100%*	Dormant
Urban Splash Holdings Limited	England	Ordinary shares	100%	Holding company
Urban Splash New Islington Limited	England	Ordinary shares	100%*	Estate management
Urban Splash Construct Limited	England	Ordinary shares	100%*	Property construction
Newco ES 2019 Limited	England	Ordinary shares	83%*	Asset investment
Urban Splash Assets 1 Limited	England	Ordinary shares	100%*	Property investment
Urban Splash Assets 2 Limited	England	Ordinary shares	100%*	Property investment
Urban Splash Lettings Management Limited	England	Ordinary shares	100%*	Property investment
Urban Splash Walsall 2 Limited	England	Ordinary shares	100%*	Non-trading
Urban Splash Group Limited	England	Ordinary shares	95%*	Holding company
Urban Splash Limited	England	Ordinary shares	95%*	Property development
Urban Splash Build Limited	England	Ordinary shares	95%*	Non-trading
Urban Splash Work Limited	England	Ordinary shares	95%*	Property investment
Urban Splash Yorkshire Limited	England	Ordinary shares	95%*	Property development
Urban Splash (South West) Limited	England	Ordinary shares	95%*	Property development
Urban Splash (South West) Birnbeck Limited	England	Ordinary shares	95%*	Non-trading
Urban Splash Lakes Limited	England	Ordinary shares	95%*	Property development
New Islington Utilities Company Limited	England	Ordinary shares	95%*	Provision of utilities
Urban Splash (Factory Cooperage) Limited	England	Ordinary shares	100%*	Property development
Urban Splash (Melville) Limited	England	Ordinary shares	100%*	Property development
Urban Splash Plymouth Limited	England	Ordinary shares	100%*	Property development
Urban Splash Investments Limited	England	Ordinary shares	100%*	Holding company
Urban Splash (RWY Investments) Limited	England	Ordinary shares	100%*	Holding company

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

14. Investments *(continued)*

Urban Splash Director Limited	England	Ordinary shares	95%*	Holding company
Urban Splash Director 2 Limited	England	Ordinary shares	100%*	Dormant
Urban Splash Hotels Limited	England	Ordinary shares	95%*	Non-trading
Urban Splash Walsall Limited	England	Ordinary shares	95%*	Non-trading
Urban Splash Residential Management Limited	England	Ordinary shares	95%*	Non-trading
Urban Splash South West (Bridewell) Limited	England	Ordinary shares	95%*	Non-trading
Urban Splash Eight Limited	England	Ordinary shares	95%*	Non-trading
Urban Splash Homes Limited	England	Ordinary shares	95%*	Non-trading
Urban Splash Midlands Limited	England	Ordinary shares	95%*	Non-trading
Avro Building Management Company Limited	England	Ordinary shares	100%*	Dormant
DLG Newco 2 Limited	England	Ordinary shares	100%*	Property investment
DLG Newco 3 Limited	England	Ordinary shares	100%*	Dormant
Lease To Us 1 Limited	England	Ordinary shares	95%*	Dormant
Lease To Us 2 Limited	England	Ordinary shares	95%*	Dormant
Lease To Us 5 Limited	England	Ordinary shares	95%*	Dormant
Lease To Us 6 Limited	England	Ordinary shares	95%*	Dormant
Urban Splash (Brownsfield Mill) Limited	England	Ordinary shares	100%*	Property development
Urban Splash Commercial 2017 Limited	England	Ordinary shares	100%*	Property investment
Joint ventures				
Urban Splash (Park Hill) Limited	England	Ordinary shares	50%*	Property development
Smiths Dock LLP	England	Membership interest	50%*	Property development
Lakeshore Timber LLP	England	Membership interest	50%*	Property development
4 Canal Street Limited	England	Ordinary shares	50%*	Property investment
PFP US Residential (Park Hill) Limited	England	Ordinary shares	50%*	Property investment
PFP US JV LLP	England	Membership interest	50%*	Holding company
PFP US JV (Nominee 1) Limited	England	Ordinary shares	50%*	Dormant
Park Hill Estate Management Company Limited	England	Ordinary shares	50%*	Dormant
PFP US (IPL) LLP	England	Membership interest	50%*	Property development
PU Properties (Salford) Limited	England	Ordinary shares	50%*	Property investment
Icknield Port Loop LLP	England	Ordinary shares	25%*	Property development
Campbell Park Limited	England	Ordinary shares	50%*	Property development
Park Hill Management (Estate) Limited	England	Ordinary shares	50%*	Dormant
Port Loop Estate Management Limited	England	Ordinary shares	25%*	Dormant

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

14. Investments *(continued)*

Park Hill Phase 2 Management Limited	England	Ordinary shares	50%*	Dormant
Park Hill Phase 3 Management Limited	England	Ordinary shares	50%*	Dormant
Park Hill Phase 4 Management Limited	England	Ordinary shares	50%*	Dormant
Park Hill Phase 5 Management Limited	England	Ordinary shares	50%*	Dormant
Irwell Riverside Developments Limited	England	Ordinary shares	47.5%**	Trading

* These investments are held indirectly.

** Urban Splash Limited, a 95% owned subsidiary, owns 50 "B" shares in Irwell Riverside Developments Limited, 50% of the total ordinary share capital. The B shareholders have no voting rights and are not entitled to any dividends. Consequently, the group's share of Irwell Riverside Developments Limited is not consolidated into the group accounts.

The registered office of the subsidiaries and joint ventures is Timber Wharf, 16-22 Worsley Street, Manchester, M15 4LD with the exception of PU Properties (Salford) Limited (Ground Floor, 30 City Road, London, England, EC1Y 2AB).

15. Stocks

	Group		Company
	2019	2018	2019
	£	£	£
Completed properties	826,858	1,412,661	—
Raw materials	—	280,612	—
Properties awaiting and under development	5,398,087	7,095,076	—
	<u>6,224,945</u>	<u>8,788,349</u>	<u>—</u>

Stock includes £26,525 (2018: £26,525) of capitalised interest.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

16. Debtors

	Group		Company
	2019	2018	2019
	£	£	£
Trade debtors	894,892	1,182,773	–
Amounts owed by group undertakings	–	–	1,000
Amounts owed by related parties	7,508,691	2,571,399	–
Prepayments and accrued income	1,325,728	1,534,598	–
Corporation tax repayable	65,736	–	–
Directors' current accounts	742	151	–
Other debtors	19,030	176,463	–
	<u>9,814,819</u>	<u>5,465,384</u>	<u>1,000</u>

The debtors above include the following amounts falling due after more than one year:

	Group		Company
	2019	2018	2019
	£	£	£
Other debtors	–	125,521	–
	<u>–</u>	<u>125,521</u>	<u>–</u>

A 100% bad debt provision was made in the current year against other debtors due after more than one year.

All amounts owed by related parties are repayable on demand and no interest is charged, with the exception of the balance due from 4 Canal Street Limited and PU Properties (Salford) Limited, further details are included in note 28.

17. Creditors: amounts falling due within one year

	Group		Company
	2019	2018	2019
	£	£	£
Bank loans	1,371,744	–	–
Deposits held	915,555	866,398	–
Trade creditors	2,753,800	2,959,419	–
Amounts owed to related parties	19,421,895	40,756,267	–
Accruals and deferred income	5,157,467	6,266,369	–
Corporation tax	–	261,581	–
Social security and other taxes	275,940	240,899	–
Other creditors	523,853	479,278	–
	<u>30,420,254</u>	<u>51,830,211</u>	<u>–</u>

All amounts owed to related parties are repayable on demand and no interest is charged.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

18. Creditors: amounts falling due after more than one year

	Group		Company
	2019	2018	2019
	£	£	£
Bank loans	39,688,449	39,752,883	—
Accruals and deferred income	636,188	636,188	—
Other loans	15,869,814	22,663,209	—
	<u>56,194,451</u>	<u>63,052,280</u>	<u>—</u>

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

Bank loans represents the net of total loans outstanding of £40,220,508 (2018 £40,424,370) less prepaid loan arrangement and associated fees of £532,059 (2018 £671,487) which are charged to the statement of comprehensive income over the term of the loan.

Group borrowings are repayable as follows:-

	2019 £	2018 £
In one year or less	18,371,744	40,404,886
Between two and five years	56,090,322	63,087,579
	<u>74,462,066</u>	<u>103,492,465</u>
Less prepaid fees	(532,059)	(671,487)
	<u>73,930,007</u>	<u>102,820,978</u>

Interest on debt repayable within one year is chargeable as follows:

	2019 £	2018 £
Amounts owed to related parties (0%)	17,000,000	40,404,886
Bank loans (6.5%)	1,371,744	-
	<u>18,371,744</u>	<u>40,404,886</u>

As a result of the restructure of the Urban Splash Group in the period ended 30 September 2014, all the group's bank loans with HSBC were consolidated into a single, two year on demand facility. As a consequence of this and with effect from 26 July 2013, no interest was chargeable on the group's debt due to HSBC and the loans were classified as repayable within one year.

The shareholders of the company purchased debt and accrued interest due to HSBC plc in a prior year, all terms and conditions of the loan facilities remain the same. This debt is now shown within amounts due from related parties, which is secured through a fixed charge on freehold and leasehold properties of certain group companies, together with a floating charge over the company's assets.

During the year the shareholders restructured the debt owed by the group, resulting in a reduction to £17,000,000, being the amount of debt deemed to be recoverable. Further information in respect of this transaction is included in The Directors' Report.

Other loans totalling £15.9 million (2018: £22.7 million) represent a loan from a private company.

Interest on debt repayable between two and five years is chargeable as follows:

	2019 £	2018 £
4.79% repayable in full on 31 Oct 2019	10,172,500	10,172,500
3.46% repayable in full on 25 Aug 2022	7,826,294	5,276,294
3.92% repayable in full on 28 Sept 2022	22,221,714	24,975,576
	<u>40,220,508</u>	<u>40,424,370</u>
Total bank loans		
Other loans: 2.35% above LIBOR repayable after 28 Sept 2022	15,869,814	22,663,209
	<u>56,090,322</u>	<u>63,087,579</u>

Bank loans are secured against investment properties owned by the group and certain land and stock held by the group.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

Other loans represent a loan of £7,684,058 (2018 £15,021,416) and accrued interest of £8,185,756 (2018 £7,641,793) from a private company which is subordinated to the £22,221,714 (2018 £24,975,576) bank loan and is repayable in more than one year. This debt is unsecured.

19. Provisions

Group	Deferred tax (note 20) £
At 1 October 2018	4,106,344
Additions	122,789
Unused amounts reversed	(1,036,576)
At 30 September 2019	<u>3,192,557</u>

The company does not have any provisions.

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group 2019 £	2018 £	Company 2019 £
Included in provisions (note 19)	<u>3,192,557</u>	<u>4,106,344</u>	<u>—</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group 2019 £	2018 £	Company 2019 £
Fair value adjustment of investment property	<u>3,192,557</u>	<u>4,106,344</u>	<u>—</u>

Subsequent to the year-end the reduction in the future rate of corporation tax to 17% was repealed, and accordingly, the deferred tax liability will be increased in the next financial year.

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £193,681 (2018: £148,457).

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	Group	
	2019	2018
	£	£
Financial assets that are debt instruments measured at amortised cost	15,159,580	18,534,973

Financial liabilities measured at amortised cost

	Group	
	2019	2018
	£	£
Financial liabilities measured at amortised cost	85,653,235	112,675,479

Financial assets measured at amortised cost comprise cash, trade debtors, accrued income, other debtors and amounts owed by related parties.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, amounts owed to related parties, other creditors and accruals.

23. Called up share capital

Group

Issued, called up and fully paid

	2019		2018	
	No	£	No	£
Ordinary shares of £0.0005 each	90,000	45.00	–	–
A ordinary shares of £0.0005 each	–	–	90,000	45.00
B ordinary shares of £0.0005 each	–	–	110,000	55.00
	<u>90,000</u>	<u>45.00</u>	<u>200,000</u>	<u>100.00</u>

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

23. Called up share capital *(continued)*

The table above shows the share capital of the group, created on 21 December 2018 when Urban Splash Group Holdings Limited acquired 100% of the ordinary share capital of Urban Splash Holdings Limited via a share for share exchange. The business combination has been accounted for as a group reconstruction using merger accounting. Consequently the consolidated accounts presume the group has always been in existence, with share capital in the prior year of £100.

Company

Issued, called up and fully paid

	2019 No £	2019 £
Ordinary shares of £0.0005 each	90,000	45

On 29 November 2018 one subscriber "A" ordinary share was issued at par to a shareholder of the company. On 21 December 2018 89,999 "A" ordinary shares and 110,000 "B" ordinary shares were issued at par to shareholders of Urban Splash Holdings Limited via a share for share exchange. On 25 April 2019, 110,000 "B" ordinary shares were cancelled. On 25 April 2019, the remaining 90,000 "A" ordinary shares were redesignated into ordinary shares.

24. Reserves

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in the statement of comprehensive income.

Profit and loss account - This reserve records retained earnings and accumulated losses.

Capital redemption reserve - This reserve was created on 25 April 2019 when the 110,000 £0.0005 B shares in Urban Splash Group Holdings (formerly Urban Splash Newco One Limited) were cancelled.

Other reserve - This reserve was created following the legal release of a proportion of shareholder debt deemed to be irrecoverable. Further details can be found in the directors' report.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

25. Disposals

On 25 April 2019, the group disposed of Urban Splash House Limited and Urban Splash Modular Limited through a statutory de-merger process. The two subsidiaries are now owned by a separate group headed by Urban Splash House Holdings Limited (formerly Urban Splash Newco Three Limited), a related party of the Urban Splash Group Holdings Limited group of companies. The loss on disposal has been calculated as follows:-

	£	£
Cash proceeds		—
Net assets disposed of:-		
Negative goodwill	(862,428)	
Fixed assets and investments	618,524	
Stocks	4,440,663	
Debtors	3,279,199	
Cash	1,939,589	
Creditors	(4,086,196)	
	5,329,351	(5,329,351)
Minority interests		161,573
Loss on disposal of subsidiary undertakings		<u>(5,167,778)</u>

The net outflow of cash in respect of the sale of Urban Splash House Limited and Urban Splash Modular Limited was £1,939,589.

On 19 December 2018, Urban Splash Holdings Limited, a subsidiary of the group, sold its £1 100% investment in Urban Splash Modular Limited to Urban Splash House Limited for cash consideration of £200,000. This resulted in a realised profit of £199,999 following the departure of Urban Splash House Limited from the group, through the statutory de-merger process noted above.

The total net cash outflow in respect of these two transactions was £1,739,589.

26. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company
	2019	2018	2019
	£	£	£
Not later than 1 year	975	433,166	—
Later than 1 year and not later than 5 years	—	1,706,938	—
Later than 5 years	—	589,991	—
	<u>975</u>	<u>2,730,095</u>	<u>—</u>

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

26. Operating leases *(continued)*

The group owns the long leasehold interest in a number of investment properties, and annual ground rents are payable of £32,463 (2018 - same). The remaining lease terms range from 45 years to 978 years, and the total ground rent due over the remaining term totals £16,809,825 (2018 - £16,842,289).

Operating lease receivables

The future amounts receivable by the group under non-cancellable operating leases are as follows:

	2019 £	2018 £
Within:		
1 year	6,367,440	6,061,820
1-2 years	4,290,137	4,569,787
2-5 years	7,633,053	7,359,825
Over 5 years	14,795,248	21,393,597
	<u>33,085,878</u>	<u>39,385,029</u>

27. Contingencies

Under the development agreements relating to certain schemes, liabilities exist to make overage payments should certain levels of project returns be met. At the balance sheet date, provision is not made for potential liabilities as the final profits for those schemes will be determined by future events which are uncertain.

28. Events after the end of the reporting period

Bank loans

On 5 November 2019, the group refinanced one of its bank loans which amounted to £10,172,500 at year end. The loan was rolled into a new £21,500,000 facility, of which £16,000,000 was drawn as at 5 November 2019. The loan is repayable in full on 5 November 2024, bears interest 3.85% and is secured against all investment properties of the borrower and certain properties owned by fellow group undertakings.

COVID-19

On 30 January 2020, the World Health Organisation (WHO) announced COVID-19 as a global health emergency. On 11 March 2020, it announced that COVID-19 was a global pandemic. On 23 March 2020, the UK Government announced a nationwide lockdown which severely restricted the group's operations. The group closed its construction sites whilst it assessed the risks posed by COVID-19, only reopening when it was satisfied that stringent measures were in place to mitigate those risks. The directors have considered the impact of COVID-19 on the group, and further details can be found in the strategic report.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements (continued)

Year ended 30 September 2019

29. Related party transactions

Group

The group and its subsidiaries have taken advantage of the exemption in section 33 of FRS 102, from disclosing transactions with other members of the group headed by Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited).

The company and group was under the control of Mr. T.P.R. Bloxham M.B.E. throughout both years. Mr. Bloxham is the chairman and majority shareholder of the company.

	2019			2018		
Less than one year:			Net trading activity~			Net trading activity~
	Debtors £	Creditors £	£	Debtors £	Creditors £	£
Urban Splash (Park Hill) Limited	1,162,198	–	3,575,539	50,836	–	519,276
Smiths Dock LLP	284,693	–	193,412	115,633	–	1,752,489
Lakeshore Timber LLP	44,737	–	211,811	41,891	–	226,889
Campbell Park Limited	–	–	–	–	–	127,271
PFP US Residential (Park Hill) Limited	–	–	–	75	–	–
Shed K.M. Limited	–	15,600	(148,000)	–	349,041	(1,136,289)
Stubbs Mill LLP	6,050	–	20,000	–	–	22,500
Shareholder loan	–	17,000,000	–	–	40,404,886	–
4 Canal Street Limited	559,559	–	24,900	559,559	–	24,900
PU Properties (Salford) Limited	2,015,282	–	68,523	1,795,719	–	55,928
TBI 2000 Limited	27,310	–	22,676	5,733	–	22,595
BL08 LLP	1,260	–	1,050	–	–	1,050
Icknield Port Loop LLP	633	–	20,527	527	–	20,000
PFP US (IPL) LLP	2,066,351	–	10,254,770	–	–	570,000
Urban Splash UK Residential LLP	18,232	5,604	2,598,372	1,426	2,340	3,802,553
Cow Properties Limited	2,329	–	1,941	–	–	216
Mr. C. Bloxham	–	–	–	–	–	280,531
USP WW Limited	45,000	–	37,500	–	–	–
Urban Splash House Holdings Limited	–	–	956,545	–	–	–
Urban Splash House Limited	1,263,504	–	1,325,444	–	–	–
Urban Splash Modular Limited	11,553	2,400,691	(7,957,183)	–	–	–
	<u>7,508,691</u>	<u>19,421,895</u>	<u>11,207,827</u>	<u>2,571,399</u>	<u>40,756,267</u>	<u>6,289,909</u>

~ Brackets denote purchases and the converse represents sales or recharge of costs. The transactions and balances listed above all relate to trading activities which have arisen in the normal course of business, and are conducted on an arm's length basis. The relationships between the related parties and the group are as follows:

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

- Urban Splash (Park Hill) Limited, Smiths Dock LLP, Lakeshore Timber LLP, Campbell Park Limited and PFP US Residential (Park Hill) Limited are joint ventures of Urban Splash Developments Limited, a subsidiary of the company.
- Icknield Port Loop LLP is a joint venture of PFP US (IPL) LLP which is a joint venture of Urban Splash Developments Limited, a subsidiary of the company.
- Shed K.M. Limited, an architecture practice, is a company in which Mr. J.M. Falkingham, a director of the company, is materially interested as a director and shareholder.
- TBI 2000 Limited is a company in which Mr. T.P.R. Bloxham M.B.E. is materially interested as a director and shareholder.
- BL08 LLP is an entity in which Mr. T.P.R. Bloxham M.B.E. is materially interested as a designated member.
- Cow Properties Limited is a company in which Mr. N.J. Cornish is materially interested as a director and shareholder.
- Mr. C. Bloxham is the son of Mr. T.P.R. Bloxham M.B.E.
- Urban Splash UK Residential LLP holds residential property for investment and its members are Urban Splash Management Limited and Urban Splash Residential Limited. Mr. T.P.R. Bloxham M.B.E., the majority shareholder of Urban Splash Group Holdings Limited, has a material interest in the share capital of Urban Splash Residential Limited.
- Included within amounts owed by related parties is £559,559 (2018: £559,559) due from 4 Canal Street Limited. Interest is receivable on the balance outstanding at 4% above LIBOR, there is no fixed repayment date and the loan is unsecured. A subsidiary of the company owns 50% of the issued share capital of 4 Canal Street Limited.
- Included within amounts owed by related parties is £2,015,282 (2018: £1,795,219) due from PU Properties (Salford) Limited. Interest is receivable on the balance outstanding at 9% per annum and is unsecured. A subsidiary of the company owns 50% of the issued share capital of PU Properties (Salford) Limited.
- Included within amounts owed to related parties is a loan of £17,000,000 (2018: £40,404,886) from the company's shareholders. On the 30 September 2019 the shareholder loans were restructured. Further information is included in The Directors' Report.
- The members of Stubbs Mill LLP are the same as the shareholders of Urban Splash Group Holdings Limited.
- Urban Splash House Holdings Limited, Urban Splash Modular Limited and Urban Splash House Limited are companies in which Mr. T.P.R. Bloxham, a director and shareholder of the company, is materially interested as a director and shareholder. Urban Splash Modular Limited and Urban Splash House Limited were part of the group headed by Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited) until 25 April 2019. The figures shown above are for the full year as if the entities had been classed as related parties from 1 October 2018.
- USP WW Limited is a 50% owned joint venture of Urban Splash House Limited, a company in which Mr. T.P.R. Bloxham, a director and shareholder of the company, is materially interest as a director and shareholder.

Urban Splash Group Holdings Limited (formerly Urban Splash Newco One Limited)

Notes to the Financial Statements *(continued)*

Year ended 30 September 2019

29. Related party transactions *(continued)*

Company

The company did not enter into any transactions with related parties.

30. Controlling party

The directors regard Mr. T.P.R. Bloxham M.B.E. as the ultimate controlling party.