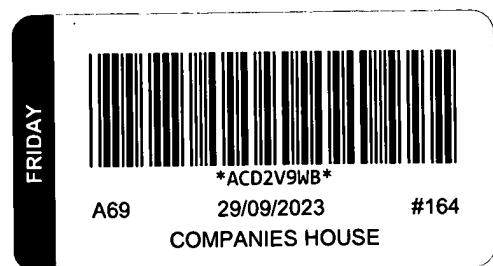


Urban Splash Group Holdings Limited
Financial Statements
For the year ended
31 December 2022



Urban Splash Group Holdings Limited

Financial Statements

Period from 1 October 2021 to 31 December 2022

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Urban Splash Group Holdings 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
Urban Splash Director 2 Limited

Company secretary

Mrs K.J. Essop

Registered office

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

Auditor

BDO LLP
Statutory Auditor
3 Hardman Street
Spinningfields
Manchester
United Kingdom
M3 3AT

Urban Splash Group Holdings Limited

Strategic Report

Period from 1 October 2021 to 31 December 2022

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 predominantly 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

This year has been a period of consolidation following the administration of the previously de-merged modular housing business in May 2022 which negatively impacted the group's results. The loss of construction related trading with the modular housing group resulted in a review of the group's approach to construction. The directors took the decision to reduce in-house construction activity and move towards third party main contractor procurement as the preferred route for construction projects for both 100% owned developments and those held in joint venture partnerships. Consequently, construction turnover has seen a significant reduction from £38.1 million in 2021, to £24.0 million in the current period. As a result of the termination of the provision of services to the demerged business, a number of redundancies were made, with average headcount reducing to 89 (2021: 128).

The resulting change in the group's strategic direction, required a prolonged business planning process to ensure the group has a robust platform to support planned future growth. As a consequence, the year-end was extended to December to accommodate this planning process, and to better align future financial reporting periods to the business planning cycle.

Despite the consequences of the administration, the group successfully refinanced £38.3 million of debt held across 3 separate facilities with a single new lender, Aviva, in a £40.3 million 8-year facility in July 2022. In addition to the investment properties owned by the group, £3.2 million of debt is also secured against an investment property owned by a related party taking the total facility to £43.5 million.

The group has seen growth in commercial property rental income, with turnover totalling £11 million, or £8.9 million pro-rated for a 12-month period (2021: £7.8 million). Commercial property income in both 2020 and 2021 was significantly impacted by COVID related rent reductions, and the current period has seen a return to pre-pandemic income levels. During the period re-development of 56,169 sqft of space was completed at Melville, located at Royal William Yard, Plymouth, which has also contributed to the increase in commercial property income.

The valuation of the investment property portfolio saw a net decrease of £1.6 million in the period, which reflects the uncertainty seen in the investment property markets in the latter half of 2022. Despite the decrease in valuation, loan to value covenants continue to be met with clear headroom.

The group is well placed to weather the uncertain outlook currently being experienced within the wider economy reflected in high levels of inflation and interest rates. Interest rate risk is relatively low, with 90% of the new 8-year facility's interest charge fixed for 8 years, and no development debt outstanding at the end of the period.

The group significantly increased its development pipeline through the acquisition of Campell Park Limited, a company with a development agreement to deliver approximately 800 homes in Milton Keynes. After the period end, the group entered into a joint venture with Glenbrook MK Limited to deliver the first phase of this scheme.

The group also secured a £10 million, 4-year equity loan facility in February 2023 with Grosvenor Developments Limited to provide enabling finance for early stage projects and land acquisition.

Urban Splash Group Holdings Limited

Strategic Report *(continued)*

Period from 1 October 2021 to 31 December 2022

Strategic review including key performance indicators *(continued)*

Turnover was £40.1 million for the year (2021: £66.5 million). Profit before interest and tax was £0.2 million (2021: £8.4 million). The revaluation of the group's commercial properties has shown a decrease in value of £1.6 million (2021: increase of £4.6 million), and the group's share in profits from joint ventures has fallen by £2.0 million.

If revaluation and share of joint venture profits are excluded (both non-cash items), adjusted profit before interest and tax would be £1.8 million (2021: £1.9 million).

Principally as a result of the sale of commercial property assets, third party debt reduced by £2.5 million from £59 million at 30 September 2021 to £56.5 million and cash balances increased by £0.9 million to £5.5 million.

The group recorded a total comprehensive result for the year of £2.3 million deficit (2021: £4.0 million surplus) and reports net assets of £34.5 million a decrease of £2.3 million. The reported net asset position of the group continues to be affected by the residual balance due to shareholders which is considered as equity. The directors have prepared an adjusted statement of financial position below to provide greater clarity over the underlying financial standing of the group.

Adjusted statement of financial position

	Audited at 31 December 2022	Adjustments*	As adjusted at 31 December 2022*	As adjusted at 30 September 2021*
	£	£	£	£
Fixed assets	107,356	–	107,356	111,316
Current assets	19,541	–	19,541	25,030
Current liabilities (1)	31,099	17,000	14,099	59,874
Long term liabilities	61,277	–	61,277	22,639
Net assets	<u>34,521</u>	<u>17,000</u>	<u>51,521</u>	<u>53,833</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 has therefore been added back to the audited net asset position as if the debt was equity for illustrative purposes only. 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. In July 2022 the group refinanced £38.3 million of debt across 3 separate facilities with a single new lender, Aviva, into a £40.3 million 8-year facility, providing liquidity and stability to the group. The new £10 million equity loan facility with Grosvenor also provides financial support for the early stages of development projects where risk tends to be highest.

Urban Splash Group Holdings Limited

Strategic Report *(continued)*

Period from 1 October 2021 to 31 December 2022

Health and safety

Accidents and incidents on building sites and buildings owned, developed and managed by the group can result in serious injury and possibly loss of life. 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.

Mortgage availability

The current market conditions, inflationary and interest rate pressures and regulatory changes in the mortgage industry can make it hard for many of the group's and the group's joint venture customers to access sufficient mortgage finance due to more stringent bank lending criteria. This has been further strengthened following the continued situation in the Ukraine, and the UK cost of living crisis. As most 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 as a result of the continuing situation in the Ukraine, and the economic headwinds to consumers and business alike as a result of the cost of living crisis in the UK. This follows the impact of COVID-19 resulting in 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 and political outlook

As a property developer, the group is exposed to factors affecting the wider economy such as interest rates, inflation, consumer 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 properties. 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 climate of uncertainty over the lasting effects of COVID 19, the war in the Ukraine and the UK cost of living crisis have been taken into consideration by the directors when considering the strategy of the group. Consequently, whilst the directors firmly believe in building the group for strong future growth, a reduced risk appetite has been adopted given these unprecedented levels of uncertainty and the prospect of a lasting economic downturn. As a consequence the group is limiting its exposure to on site construction activity taking a cautious approach to new development activity.

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 limited 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 program through detailed reporting on all schemes at monthly board meetings. The board are mindful of the current cost inflation pressures across its supply chain and is actively monitoring and reviewing all expenditure to minimise impact.

Urban Splash Group Holdings Limited

Strategic Report *(continued)*

Period from 1 October 2021 to 31 December 2022

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.

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 27/09/2023 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

Directors' Report

Period from 1 October 2021 to 31 December 2022

The directors present their report and the financial statements of the group for the period ended 31 December 2022.

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 period 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
Urban Splash Director 2 Limited

Dividends

The directors do not recommend the payment of a dividend (2021 - same).

Events after the end of the reporting period

On 2 August 2022 Urban Splash Developments Limited acquired the entire issued share capital of Campbell Park Limited (company number: 11428430) whose registered office is at Union, 2-10 Albert Square, Manchester, England, M2 6LW. On 1 February 2023, Urban Splash Developments Limited part disposed of Campbell Park Limited and entered into a joint venture agreement with Glenbrook MK Limited. Both parties ultimately completed on the agreement 1 February 2023 at which point one ordinary share was allotted to Glenbrook MK Limited, establishing 50% ownership of the company by each party.

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 the war in the Ukraine, cost of energy and the UK cost of living crisis on the group (please see note 3).

The financial statements have been prepared on a going concern basis and the directors are confident that the group will have sufficient funds to meet its liabilities as they fall due for at least twelve months from the date that these financial statements were signed.

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 period. 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 judgments 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;

Urban Splash Group Holdings Limited

Directors' Report *(continued)*

Period from 1 October 2021 to 31 December 2022

Directors' responsibilities statement *(continued)*

- 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 is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 27/09/2023 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

Independent Auditor's Report to the Members of Urban Splash Group Holdings Limited

Period from 1 October 2021 to 31 December 2022

Opinion on the financial statements

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 31 December 2022 and of the Group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Urban Splash Group Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the 15 month period ended 31 December 2022 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Company statement of financial position, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated statement of cash flows and notes to the financial statements, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, 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.

Urban Splash Group Holdings Limited

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

Period from 1 October 2021 to 31 December 2022

Other Companies Act 2006 reporting

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 has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and 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 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Urban Splash Group Holdings Limited

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

Period from 1 October 2021 to 31 December 2022

Auditor's responsibilities for the audit of the financial statements *(continued)*

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the Company's/Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be those that relate to the form and content of the financial statements, such as United Kingdom Generally Accepted Accounting Practice, the UK Companies Act 2006 and those that relate to the payment of employees.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be UK planning, building and fire safety regulations, health and safety, data protection laws, employment laws and environmental laws.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be related to those posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off.

Urban Splash Group Holdings Limited

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

Period from 1 October 2021 to 31 December 2022

Auditor's responsibilities for the audit of the financial statements *(continued)*

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias;
- Testing a sample of property sales transactions through to completion statements and bank receipt during the year and within a specific cut off window pre and post year end to determine if they have been recorded in the correct period;
- Testing a sample of rental income received throughout the year, and a further sample within a specified cut off window pre and post year end, through to lease agreement and bank receipt to determine if they have been recorded in the correct period;
- Testing a sample of construction income during the year and within a specified cut off window pre and post year end to supporting documentation to determine if they have been recorded in the correct period; and
- Testing a sample of other income during the year and within a specified cut off window pre and post year end to supporting documentation to determine if they have been recorded in the correct period.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent Company's directors, as a body, in accordance with our engagement letter dated 13 December 2022. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK

28 September 2023

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

Urban Splash Group Holdings Limited

Consolidated Statement of Comprehensive Income

Period from 1 October 2021 to 31 December 2022

		Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
Turnover	Note 4	40,116,739	66,500,073
Cost of sales		(24,432,667)	(53,546,324)
Gross profit		15,684,072	12,953,749
Administrative expenses (including profit on disposal of tangible assets of £2,362,292 (2021: profit of £2,395,948))		(13,837,817)	(11,085,682)
Other operating income	5	–	2,207
Revaluation of tangible assets	13	(1,600,878)	4,555,672
Operating profit	6	245,377	6,425,946
Share of (loss)/profit of joint ventures	14	(80,355)	1,926,182
Other interest receivable and similar income	9	189,360	142,089
Interest payable and similar expenses	10	(3,290,134)	(2,488,254)
(Loss)/profit before taxation		(2,935,752)	6,005,963
Tax on (loss)/profit	11	623,619	(2,025,486)
(Loss)/profit for the financial period		(2,312,133)	3,980,477
Total comprehensive income for the period		(2,312,133)	3,980,477
Total comprehensive income for the period attributable to:			
The owners of the parent company		(2,332,766)	3,817,927
Non-controlling interests		20,633	162,550
		(2,312,133)	3,980,477

All the activities of the group are from continuing operations.

The notes on pages 18 to 42 form part of these financial statements.

Urban Splash Group Holdings Limited

Consolidated Statement of Financial Position

31 December 2022

	Note	31 Dec 22 £	30 Sep 21 £
Fixed assets			
Negative goodwill	12	(1,713,072)	–
Tangible assets	13	103,599,292	105,766,314
Investments in joint-ventures	14	5,469,410	5,549,765
		<u>107,355,630</u>	<u>111,316,079</u>
Current assets			
Stocks	15	4,544,873	1,101,732
Debtors	16	9,482,491	19,327,555
Cash at bank and in hand		5,513,841	4,601,055
		<u>19,541,205</u>	<u>25,030,342</u>
Creditors: amounts falling due within one year	17	(31,098,779)	(76,874,435)
Net current liabilities		<u>(11,557,574)</u>	<u>(51,844,093)</u>
Total assets less current liabilities		95,798,056	59,471,986
Creditors: amounts falling due after more than one year	18	(55,929,239)	(16,667,417)
Provisions			
Taxation including deferred tax	19	(5,348,007)	(5,971,626)
Net assets		<u>34,520,810</u>	<u>36,832,943</u>
Capital and reserves			
Called up share capital	22	45	45
Other reserve	23	23,404,887	23,404,887
Revaluation reserve	23	36,018,520	38,680,709
Capital redemption reserve	23	(42)	(42)
Profit and loss account	23	(24,485,147)	(24,814,570)
Equity attributable to the owners of the parent company		34,938,263	37,271,029
Non-controlling interests		<u>(417,453)</u>	<u>(438,086)</u>
		<u>34,520,810</u>	<u>36,832,943</u>

These financial statements were approved by the board of directors and authorised for issue on 27/09/2023, and are signed on behalf of the board by:



Mr. J.P. Curnuck
Director

Company registration number: 11704307

The notes on pages 18 to 42 form part of these financial statements.

Urban Splash Group Holdings Limited

Company Statement of Financial Position

31 December 2022

	Note	31 Dec 22 £	30 Sep 21 £
Fixed assets			
Investments	14	100	100
Current assets			
Debtors	16	1,000	1,000
Net current assets		1,000	1,000
Total assets less current liabilities		<u>1,100</u>	<u>1,100</u>
Capital and reserves			
Called up share capital	22	45	45
Capital redemption reserve	23	(42)	(42)
Profit and loss account	23	1,097	1,097
Members funds		<u>1,100</u>	<u>1,100</u>

The profit for the financial period of the parent company was £nil (2021: £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 27/09/2023, and are signed on behalf of the board by:



Mr. J.P. Curnuck
Director

Company registration number: 11704307

The notes on pages 18 to 42 form part of these financial statements.

Urban Splash Group Holdings Limited
Consolidated Statement of Changes in Equity
Period from 1 October 2021 to 31 December 2022

	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- controlling interests £	Total £
At 1 October 2020	45	23,404,887	36,953,641	(42)	(26,905,429)	33,453,102	(600,636)	32,852,466
Profit for the period	–	–	4,440,183	–	(622,256)	3,817,927	162,550	3,980,477
Other comprehensive income for the period:								
Reclassification from revaluation reserve to profit and loss account	–	–	(2,713,115)	–	2,713,115	–	–	–
Total comprehensive income for the period	–	–	1,727,068	–	2,090,859	3,817,927	162,550	3,980,477
At 30 September 2021	45	23,404,887	38,680,709	(42)	(24,814,570)	37,271,029	(438,086)	36,832,943
Loss for the period	–	–	(1,544,330)	–	(788,436)	(2,332,766)	20,633	(2,312,133)
Other comprehensive income for the period:								
Reclassification from revaluation reserve to profit and loss account	–	–	(1,117,859)	–	1,117,859	–	–	–
Total comprehensive income for the period	–	–	(2,662,189)	–	329,423	(2,332,766)	20,633	(2,312,133)
At 31 December 2022	45	23,404,887	36,018,520	(42)	(24,485,147)	34,938,263	(417,453)	34,520,810

The notes on pages 18 to 42 form part of these financial statements.

Urban Splash Group Holdings Limited
Company Statement of Changes in Equity
Period from 1 October 2021 to 31 December 2022

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 October 2020	45	(42)	1,097	1,100
Profit for the period	-	-	-	-
At 30 September 2021	45	(42)	1,097	1,100
Profit for the period	-	-	-	-
At 31 December 2022	45	(42)	1,097	1,100

The notes on pages 18 to 42 form part of these financial statements.

Urban Splash Group Holdings Limited

Consolidated Statement of Cash Flows

Period from 1 October 2021 to 31 December 2022

	31 Dec 22 £	30 Sep 21 £
Cash flows from operating activities		
(Loss)/profit for the financial period	(2,312,133)	3,980,477
<i>Adjustments for:</i>		
Revaluation (note 13)	1,600,878	(4,555,672)
Depreciation of tangible assets (note 13)	164,542	137,915
Impairment of tangible assets (note 13)	(623,592)	1,245,110
Release of negative goodwill (note 12)	(74,253)	–
Share of (loss)/profit of joint ventures (note 14)	80,355	(1,926,182)
Other interest receivable and similar income (note 9)	(189,360)	(142,089)
Interest payable and similar expenses (note 10)	3,290,134	2,488,254
Gains on disposal of tangible assets	(2,362,292)	(2,395,948)
Tax on (loss)/profit (note 11)	(623,619)	2,025,486
<i>Changes in:</i>		
Stocks	(1,083,364)	9,922,604
Trade and other debtors	10,042,837	(474,471)
Trade and other creditors	(3,960,278)	918,998
Cash generated from operations	3,949,855	11,224,482
Interest paid	(3,813,370)	(2,804,227)
Interest received	3,424	11,511
Net cash (used in)/from operating activities	<u>139,909</u>	<u>8,431,766</u>
Cash flows from investing activities		
Purchase of tangible assets	(3,915,272)	(5,929,359)
Proceeds from sale of tangible assets	7,302,761	6,950,334
Net cash from investing activities	<u>3,387,489</u>	<u>1,020,975</u>
Cash flows from Acquisitions and disposals		
Purchase of subsidiaries net of cash acquired	101,132	–
Net cash from investing activities	<u>101,132</u>	<u>–</u>
Cash flows from financing activities		
Proceeds from borrowings	40,319,473	1,292,499
Repayments of borrowings	(43,035,217)	(11,253,663)
Net cash used in financing activities (note 25)	<u>(2,715,744)</u>	<u>(9,961,164)</u>
Net decrease in cash and cash equivalents	912,786	(508,423)
Cash and cash equivalents at beginning of period	4,601,055	5,109,478
Cash and cash equivalents at end of period	<u>5,513,841</u>	<u>4,601,055</u>

The notes on pages 18 to 42 form part of these financial statements.

Urban Splash Group Holdings Limited

Notes to the Financial Statements

Period from 1 October 2021 to 31 December 2022

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.

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 the Strategic Report on pages 2 to 5.

The group has net debt of £68.0 million (2021 - £71.4 million) as at 31 December 2022, comprising £73.5 million (2021 - £76.0 million) of debt and £5.5 million (2021 - £4.6 million) in cash. The debt is provided through a number of secured facilities from institutional lenders and the group's shareholders. As at 30 June 2023 total net debt, was £68.3 million.

The principal components of the group's funding as at 30 June 2023 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 15 January 2025;
- a term bank loan facility totalling £40.3 million excluding accrued interest under a facility which expires on 13 July 2030; and
- £5.2 million of cash.

All of the group's debt is performing in line with the expectations of its lenders and loan covenants are met with clear headroom and are forecast to continue to be so across the going concern period. 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.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

3. Accounting policies *(continued)*

Going concern *(continued)*

The directors have prepared forecasts for the group covering a period through to 31 October 2024. These forecasts reflect an assessment of current and future market conditions and their impact on the group's future profitability and cashflows. The forecasts have been sensitised for a reduction in total income streams for the going concern period with the impact on cash flow and covenants considered. These forecasts have also been reverse stress tested with some further cost mitigations, each within the control of the business. In the most severe but plausible scenario forecasted, the group would still meet its bank covenant requirements and would retain sufficient liquidity to fund operations. In the reverse stress tested scenario, the group would need further mitigating action such as reducing overhead spend permanently, delaying capital expenditure or using existing surplus funds to repay debt in order to maintain compliance with covenants.

The economic environment, as a result of the war in the Ukraine, cost of energy and the UK cost of living crisis, is uncertain. The risk of rising costs of energy is mitigated, as the vast majority of supplies are recharged to customers through service charges, any risk of non-payment is reduced through the close working relationships with customers, as demonstrated throughout COVID lockdowns, where debt collection remained high. The remaining risks associated with development activities will be significantly reduced through the completion of onsite projects which will complete in 2023. However, there remain a number of uncertainties for all companies within the sectors in which the group operates with regard to future market valuation movements, mortgage availability as a result of market regulation, rental demand, rental payments and the resultant impact on occupancy and the group's ability to realise assets via sale in the short term should a need arise.

In addition to the above, and mindful of the current economic climate, 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.

In May 2022, the previously de-merged modular housing business of the group entered into administration. The group provided services to the demerged business and the group's construction business acted as main contractor on a number of developments. As a result of the termination of the provision of services to the demerged business, a number of redundancies were made. At the date of administration, the group had net receivables due from the demerged group and the ultimate recovery will depend on the final outcome of the administration process. Forward financial forecasts of the group's financial performance do not reflect any recovery of the net amount receivable though forecasts still demonstrate clear headroom against facilities.

On the basis of the forecasts, existing cash resources, future sales completions and that the group's shareholders have indicated that the current on-demand loan facility totalling £17 million will not be demanded for the foreseeable future, 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.

Having considered all the above, the directors remain confident that the group will continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

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.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

3. Accounting policies *(continued)*

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.

Disclosure exemptions

Urban Splash Group Holdings 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 and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the period 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

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

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, 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.

- Bad debt provisions

A key source of estimation and uncertainty relates to the group's provisions made against potentially irrecoverable trade debt. Due to the inherent uncertainties surrounding the impact of the COVID-19 pandemic, and the challenging economic environment on the group's customers, the provisions made at the reporting date are subjective, and consequently subject to a degree of uncertainty.

Revenue recognition

Revenue 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

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

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 shortfall 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

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

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.

Fixtures, fittings and equipment

Fixtures, fittings and equipment are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

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:

Investment properties	-	Not depreciated
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.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

3. Accounting policies *(continued)*

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.

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.

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

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

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.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change of value.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

3. Accounting policies *(continued)*

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Comprehensive Income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

4. Turnover

Turnover arises from:

	Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
Asset management fees	932,998	706,087
Asset sales	455,330	14,824,410
Commercial rental income	10,988,529	7,840,801
Construction income	23,930,859	38,127,591
Other income	2,876,999	3,982,721
Residential rental income	47,243	34,970
Utility income	884,781	983,493
	<u>40,116,739</u>	<u>66,500,073</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

	Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
Other operating income	<u>—</u>	<u>2,207</u>

Other operating income in the prior year, represents the total amount of grants received from HMRC in respect of the Coronavirus Job Retention Scheme.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
Depreciation of tangible assets	164,542	137,915
Impairment of tangible assets recognised in:		
Administrative expenses	208,383	1,325,110
Reversal of impairment of tangible assets recognised in:		
Administrative expenses	(831,975)	(80,000)
Gains on disposal of tangible assets	(545,217)	(2,395,948)
Gain on disposal of Investment Property	(1,817,075)	–
Release of liabilities	(2,159,982)	(677,913)
Operating lease rentals	<u>5,250</u>	<u>5,250</u>

Fees payable to the company's auditor for the audit of the company's financial statements was £13,390 (2021: £11,000) and for the audit of subsidiaries was £96,610 (2021: £88,600).

7. Staff costs

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

	31 Dec 22 No	30 Sep 21 No
Administrative staff	63	83
Construction staff	19	32
Sales staff	2	4
Development staff	<u>5</u>	<u>9</u>
	<u>89</u>	<u>128</u>

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

	Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
Wages and salaries	6,325,351	5,746,841
Social security costs	691,189	547,147
Other pension costs	<u>259,694</u>	<u>220,475</u>
	<u>7,276,234</u>	<u>6,514,463</u>

During the period £1,483,568 (2021: £1,319,233) of payroll costs were capitalised or recharged resulting in a payroll charge of £5,792,666 (2021: £5,195,230) to the statement of comprehensive income.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

8. Directors' and key management personnel's remuneration

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

	Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
Remuneration	729,646	1,016,597
Company contributions to defined contribution pension plans	53,366	72,900
	<u>783,012</u>	<u>1,089,497</u>

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

	Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
Aggregate remuneration	150,572	179,273
Company contributions to defined contribution pension plans	13,320	15,634
	<u>163,892</u>	<u>194,907</u>

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

9. Other interest receivable and similar income

	Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
Interest on loans and receivables	185,936	136,873
Interest on cash and cash equivalents	8	5,206
Interest receivable and similar income	3,416	10
	<u>189,360</u>	<u>142,089</u>

10. Interest payable and similar expenses

	Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
Other interest payable and similar charges	<u>3,290,134</u>	<u>2,488,254</u>

Other interest payable and similar charges comprises:

	2022 £	2021 £
Loan interest	2,840,169	2,143,441
Loan arrangement and associated fees	410,480	321,609
Bank charges and other interest payable	39,485	23,204
	<u>3,290,134</u>	<u>2,488,254</u>

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

11. Tax on (loss)/profit

Major components of tax income

	Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
Current tax:		
Tax charge for the period	-	-
Deferred tax:		
Origination and reversal of timing differences	(623,619)	2,025,486
Tax on (loss)/profit	<u>(623,619)</u>	<u>2,025,486</u>

Reconciliation of tax (income)/expense

The tax assessed on the (loss)/profit on ordinary activities for the period is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	Period from 1 Oct 21 to 31 Dec 22 £	Year to 30 Sep 21 £
(Loss)/profit on ordinary activities before taxation	(2,935,752)	6,005,963
(Loss)/profit on ordinary activities by rate of tax	(557,793)	1,141,133
Revaluation gains not taxable	(306,906)	1,788,239
Income not taxable	(219,773)	(583,636)
Effect of capital allowances and depreciation	167,928	(289,294)
Tax losses created/(utilised)	1,260,493	(837,759)
Short term timing differences	(1,565,989)	(81,197)
Chargeable gains	598,421	888,000
Tax on (loss)/profit	<u>(623,619)</u>	<u>2,025,486</u>

Factors that may affect future tax income

The Finance Bill 2021, published on 11 March 2021 received royal ascent on 10 June 2021 and included measures to increase the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. As a consequence, the group's deferred tax liability has been measured at the new rate of corporation tax in both this period and the previous financial year.

The deferred tax asset (valued at a rate of 25% (2021 - 25%)) was £5,316,608 (2021: £6,535,125) 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

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

12. Intangible assets

Group	Negative goodwill £
Cost	
At 1 October 2021	–
Acquisitions through business combinations	(1,787,325)
At 31 December 2022	(1,787,325)
Amortisation	
At 1 October 2021	–
Credit for the year	(74,253)
At 31 December 2022	(74,253)
Carrying amount	
At 31 December 2022	(1,713,072)
At 30 September 2021	–

The company has no intangible assets.

Negative goodwill arose in the period on the acquisition of shares in Campbell Park Limited, which is being amortised over 10 years. The acquiring subsidiary is Urban Splash Developments Limited. Further information is included in note 24 and note 28.

13. Tangible assets

Group	Investment properties £	Operational land & buildings £	Development property assets £	Fixtures, fittings & equipment £	Total £
Cost					
At 1 October 2021	97,086,488	880,000	8,288,866	1,463,577	107,718,931
Additions	1,310,656	–	2,359,829	244,787	3,915,275
Disposals	(4,940,469)	–	–	–	(4,940,468)
Revaluations	(1,600,878)	–	–	–	(1,600,878)
Transfers	8,518,804	–	(8,518,804)	–	–
At 31 December 2022	100,374,601	880,000	2,129,891	1,708,364	105,092,856
Depreciation					
At 1 October 2021	–	–	1,325,110	627,507	1,952,617
Charge for the period	–	–	–	164,542	164,542
Disposals	–	–	–	–	–
(Reversal of past impairment loss)/impairment loss	–	–	(831,975)	208,383	(623,592)
Transfers	493,135	–	(493,135)	–	–
At 31 December 2022	493,135	–	–	1,000,432	1,493,567
Carrying amount					
At 31 December 2022	99,881,466	880,000	2,129,891	707,935	103,599,292
At 30 September 2021	97,086,488	880,000	6,963,756	836,070	105,766,314

The company has no tangible assets.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

13. Tangible assets *(continued)*

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:-

	30 Nov 22 £	31 Dec 22 £	Total £
Savills (UK) Limited	35,476,408	–	35,476,408
Director's valuation	–	64,405,058	64,405,058
Total	<u>35,476,408</u>	<u>64,405,058</u>	<u>99,881,466</u>

Prior year:-

	31 Aug 21 £	30 Sep 21 £	Total £
Jones Lang La Salle Limited	70,354,296	–	70,354,296
Savills (UK) Limited	25,913,903	–	25,913,903
Director's valuation	–	818,289	818,289
Total	<u>96,268,199</u>	<u>818,289</u>	<u>97,086,488</u>

Investment properties are not depreciated. If the investment properties had not been revalued, they would have been included at a historical cost of £59,344,080 (2021: £54,715,013).

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.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

14. Investments

Group	Joint ventures £
Share of net assets/cost At 1 October 2021 and 31 December 2022	551
Share of profit from joint ventures At 1 October 2021	5,549,214
Loss for the year	(80,355)
At 31 December 2022	5,468,859
Carrying amount At 31 December 2022	5,469,410
At 30 September 2021	5,549,765

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 statutory accounts to 31 March 2022 and the unaudited management accounts for the periods to 30 September 2021 and 31 December 2022.

The group has a 50% interest in 4 Canal Street Limited, a company which has a principal activity of property letting, with an accounting reference date of 30 September. The figures included in these financial statements are derived from the unaudited management accounts for the period to 30 September 2022.

The group also has a 50% interest in PU Properties (Salford) Ltd, a company which has a principal activity of buying and selling of real estate, with an accounting reference date of 30 April. The figures included in these financial statements are derived from the statutory accounts to 30 April 2022 and the unaudited management accounts for the periods to 31 December 2022.

Company	Shares in group undertakings £
Cost At 1 October 2021 and 31 December 2022	100
Impairment At 1 October 2021 and 31 December 2022	—
Carrying amount At 1 October 2021 and 31 December 2022	100
At 30 September 2021	100

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

14. Investments *(continued)*

Group investments

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

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%*	Non-trading
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	97%*	Holding company
Urban Splash Limited	England	Ordinary shares	97%*	Non-trading
Urban Splash Build Limited	England	Ordinary shares	97%*	Non-trading
Urban Splash Work Limited	England	Ordinary shares	97%*	Property investment
Urban Splash Yorkshire Limited	England	Ordinary shares	97%*	Property development
Urban Splash (South West) Limited	England	Ordinary shares	97%*	Non-trading
Urban Splash (South West) Birnbeck Limited	England	Ordinary shares	97%*	Non-trading
Urban Splash Lakes Limited	England	Ordinary shares	97%*	Property development
New Islington Utilities Company Limited	England	Ordinary shares	97%*	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 Director Limited	England	Ordinary shares	97%*	Holding company

Urban Splash Group Holdings Limited

Notes to the Financial Statements (continued)

Period from 1 October 2021 to 31 December 2022

14. Investments (continued)

Urban Splash Director 2 Limited	England	Ordinary shares	100%*	Dormant
Urban Splash Hotels Limited	England	Ordinary shares	97%*	Non-trading
Urban Splash Walsall Limited	England	Ordinary shares	97%*	Non-trading
Urban Splash Residential Management Limited	England	Ordinary shares	97%*	Non-trading
Urban Splash South West (Bridewell) Limited	England	Ordinary shares	97%*	Non-trading
Urban Splash Eight Limited	England	Ordinary shares	97%*	Non-trading
Urban Splash Homes Limited	England	Ordinary shares	97%*	Non-trading
Urban Splash Midlands Limited	England	Ordinary shares	97%*	Non-trading
Avro Building Management Company Limited	England	Limited by guarantee	100%*	Dormant
DLG Newco 2 Limited	England	Ordinary shares	100%*	Property investment
Lease To Us 1 Limited	England	Ordinary shares	97%*	Dormant
Lease To Us 2 Limited	England	Ordinary shares	97%*	Dormant
Lease To Us 5 Limited	England	Ordinary shares	97%*	Dormant
Lease To Us 6 Limited	England	Ordinary shares	97%*	Dormant
Urban Splash (Brownsfield Mill) Limited	England	Ordinary shares	100%*	Property development
Urban Splash Commercial 2017 Limited	England	Ordinary shares	100%*	Property investment
Campbell Park Limited	England	Ordinary shares	100%*	Property Development
US Glenbrook Limited	England	Ordinary shares	50%*	Property Development
Urban Splash Estates Limited	England	Ordinary shares	100%*	Property Development

Joint ventures

Urban Splash (Park Hill) Limited	England	Ordinary shares	50%*	Property development
Port Loop Phase 2 Limited	England	Ordinary shares	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%*	Non-trading
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	Limited by guarantee	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	Limited by guarantee	50%*	Property development
Brick House Port Loop Residents Management Company Limited	England	Limited by guarantee	50%*	Dormant
Park Hill Management (Estate) Limited	England	Ordinary shares	50%*	Dormant
Port Loop Estate Management Limited	England	Limited by guarantee	16.5%*	Dormant
Park Hill Phase 2 Management Limited	England	Limited by guarantee	50%*	Dormant
Park Hill Phase 3 Management Limited	England	Limited by guarantee	50%*	Dormant

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

14. Investments *(continued)*

Park Hill Phase 4 Management Limited	England	Limited by guarantee	50%*	Dormant
Park Hill Phase 5 Management Limited	England	Limited by guarantee	50%*	Dormant
Irwell Riverside Developments Limited	England	Ordinary shares	48.5%**	Trading
Brick House Port Loop Residents Management Company Limited	England	Limited by guarantee	50%*	Dormant
Phase 1a Port Loop Residents Management Company Limited	England	Limited by guarantee	50%*	Dormant

* 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.

On 2 August 2022, Urban Splash Developments Limited acquired the entire issued share capital of Campbell Park Limited (company number: 11428430), for a total consideration of £1. On 1 February 2023, Urban Splash Developments Limited part disposed of its investment and entered into a joint venture agreement with Glenbrook MK Limited. Both parties ultimately completed on the agreement at which point one ordinary share was allotted to Glenbrook MK Limited, establishing 50% ownership of the company by each party.

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) and Campbell Park Limited (Union, 2-10 Albert Square, Manchester, England, M2 6LW).

15. Stocks

	Group		Company	
	31 Dec 22	30 Sep 21	31 Dec 22	30 Sep 21
	£	£	£	£
Completed properties	683,857	683,857	–	–
Properties awaiting and under development	3,861,016	417,875	–	–
	<u>4,544,873</u>	<u>1,101,732</u>	<u>–</u>	<u>–</u>

Stock includes £26,525 (2021: £39,001) of capitalised interest.

16. Debtors

	Group		Company	
	31 Dec 22	30 Sep 21	31 Dec 22	30 Sep 21
	£	£	£	£
Trade debtors	1,957,461	1,623,364	–	–
Amounts owed by group undertakings	–	–	1,000	1,000
Amounts owed by related parties	4,229,481	12,528,226	–	–
Prepayments and accrued income	2,030,449	2,105,450	–	–
Other debtors	1,265,101	3,070,515	–	–
	<u>9,482,491</u>	<u>19,327,555</u>	<u>1,000</u>	<u>1,000</u>

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

16. Debtors *(continued)*

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 29.

Due to the inherent uncertainties surrounding the impact of the COVID-19 pandemic in the prior year and current economic uncertainty on the group's customers, the group has made provisions against potentially irrecoverable trade debt of £759,516 (2021: £562,244).

In addition, the group has made provisions of £3,118,288 against amounts owed by Urban Splash House Limited, Urban Splash House Holdings Limited, Urban Splash Modular Limited and Port Loop (SUBCO 1) Limited following those entities being placed in administration during the financial year.

17. Creditors: amounts falling due within one year

	Group		Company	
	31 Dec 22	30 Sep 21	31 Dec 22	30 Sep 21
	£	£	£	£
Bank loans	–	41,998,968	–	–
Deposits held	1,149,675	1,074,696	–	–
Trade creditors	2,238,814	4,245,524	–	–
Amounts owed to related parties	17,827,682	21,345,087	–	–
Accruals and deferred income	7,986,163	6,860,729	–	–
Social security and other taxes	951,081	801,633	–	–
Other creditors	945,364	547,798	–	–
	<u>31,098,779</u>	<u>76,874,435</u>	<u>–</u>	<u>–</u>

Bank and other loans represent the net of total loans outstanding of £nil (2021 £42,178,405) less prepaid loan arrangement and associated fees of £nil (2021 £179,437) which are charged to the statement of comprehensive income over the term of the loan.

All amounts owed to related parties are repayable on demand and no interest is charged with the exception of amount owed to Stubbs Mill LLP where interest is charged.

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

	Group		Company	
	31 Dec 22	30 Sep 21	31 Dec 22	30 Sep 21
	£	£	£	£
Bank loans	55,293,051	16,031,229	–	–
Accruals and deferred income	636,188	636,188	–	–
	<u>55,929,239</u>	<u>16,667,417</u>	<u>–</u>	<u>–</u>

Bank loans represents the net of total loans outstanding of £56,519,476 (2021 £16,200,000) less prepaid loan arrangement and associated fees of £1,226,425 (2021 £168,771) which are charged to the statement of comprehensive income over the term of the loan.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

18. Creditors: amounts falling due after more than one year *(continued)*

Group borrowings are repayable as follows:-

	2022 £	2021 £
In one year or less	17,593,530	59,794,710
Between two and five years	16,200,000	16,200,000
Greater than five years	40,319,476	–
	<u>74,113,006</u>	<u>75,994,710</u>
Less prepaid fees	(1,226,425)	(348,209)
	<u>72,886,581</u>	<u>75,646,501</u>

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

	2022 £	2021 £
Amounts owed to related parties (0%)	17,000,000	17,000,000
Amounts owed to related parties (4.37%)	593,530	616,305
Bank loans (3.92%) repayable in full on 28 Sep 2022	–	20,108,036
Bank loans (3.46%) repayable in full on 25 Aug 2022	–	10,515,812
Other loans: (2.35% above LIBOR) repayable after 28 Sept 2022	–	11,554,557
	<u>17,593,530</u>	<u>59,794,710</u>

Bank loans are secured against investment properties owned by the group and a related party, Stubbs Mill LLP. Other loans totalling £nil (2021: £11.6 million repayable in less than one year) represented a loan from a private company, which was unsecured, and repaid within the current financial period.

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.

On 13 July 2022 £38.3 million of debt across 3 separate facilities, held by a number of subsidiary undertakings, was refinanced with a single new lender in a £40.3 million 8 year facility. In addition to the investment properties owned by subsidiary undertakings, Urban Splash Work Limited and Urban Splash Commercial 2017 Limited, the debt is also secured against an investment property owned by a related undertaking, Stubbs Mill LLP and £3.2 million of the total £43.5 million facility is allocated to Stubbs Mill LLP.

Interest on debt repayable after more than one years is chargeable as follows:

	2022 £	2021 £
3.85% repayable in full on 5 Nov 2024	16,200,000	16,200,000
Variable rate repayable in full on 13 Jul 2030*	40,319,476	–
	<u>56,519,476</u>	<u>16,200,000</u>

* Interest rate is fixed for 90% of the loan. £35,969,476 fixed at 4.37%. Balance of £4,350,000 is variable at 2.6% above SONIA

Bank loans are secured against investment properties owned by the group and a related party, Stubbs Mill LLP.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

19. Provisions

Group	Deferred tax (note 20) £
At 1 October 2021	5,971,626
Unused amounts reversed	(623,619)
At 31 December 2022	<u>5,348,007</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		Company	
	31 Dec 22	30 Sep 21	31 Dec 22	30 Sep 21
	£	£	£	£
Included in provisions (note 19)	<u>5,348,007</u>	<u>5,971,626</u>	<u>—</u>	<u>—</u>

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

	Group		Company	
	31 Dec 22	30 Sep 21	31 Dec 22	30 Sep 21
	£	£	£	£
Fair value adjustment of investment property	8,946,384	9,557,457	—	—
Fixed assets	543,736	—	—	—
Losses	(2,479,447)	(3,585,831)	—	—
Short term timing differences	<u>(1,662,666)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>5,348,007</u>	<u>5,971,626</u>	<u>—</u>	<u>—</u>

The Finance Bill 2021, published on 11 March 2021 received royal ascent on 10 June 2021 and included measures to increase the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. As a consequence, the group's deferred tax asset has been measured at the new rate of corporation tax in both the current period and the preceding year.

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £259,694 (2021: £220,475).

Urban Splash Group Holdings Limited

Notes to the Financial Statements (continued)

Period from 1 October 2021 to 31 December 2022

22. Called up share capital

Issued, called up and fully paid

	31 Dec 22		30 Sep 21	
	No	£	No	£
Ordinary shares of £0.0005 each	<u>90,000</u>	<u>45</u>	<u>90,000</u>	<u>45</u>

23. 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 were cancelled.

Other reserve - This reserve was created following the legal release of a proportion of shareholder debt deemed to be irrecoverable.

24. Business combinations note

Acquisitions

On 2 August 2022 the group acquired 100% of the issued share capital of Campbell Park Limited for consideration of £1.

The fair value of amounts recognised at the acquisition date in relation to Campbell Park Limited are as follows:

	Fair value £
Stock acquired	2,359,777
Debtors acquired	11,837
Cash acquired	101,132
Creditors acquired	<u>(685,420)</u>
Net assets acquired	1,787,326
	(1,787,325)
Negative goodwill	<u>1</u>
Consideration paid	<u>1</u>

The book value of the assets and liabilities acquired were equal to their fair value (as a consequence, no fair value adjustments occurred), resulting in negative goodwill on acquisition of £1,787,325, being the difference between the consideration of £1 and the fair value of £1,787,326. Goodwill is being amortised over 10 years, being its estimated useful economic life.

The cashflow on acquisition was the receipt of £101,131, being cash and cash equivalents in subsidiaries acquired.

In the period ended 31 December 2022, the turnover and profit after tax included in the Group's profit and loss account in respect of Campbell Park Limited was immaterial

25. Analysis of changes in net debt

	At 1 Oct 2021 £	Cash flows £	Other changes £	At 31 Dec 2022 £
Cash at bank and in hand	4,601,055	912,786	–	5,513,841
Debt due within one year	(59,794,710)	43,035,217	(240,507)	(17,000,000)
Debt due after one year	(16,200,000)	(40,319,473)	–	(56,519,473)
	<u>(71,393,655)</u>	<u>3,628,531</u>	<u>(240,507)</u>	<u>(68,005,632)</u>

Other changes in net debt of £240,507 represents additions to accrued interest.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

26. Operating leases

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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Not later than 1 year	4,411	5,250	–	–
Later than 1 year and not later than 5 years	25,630	20,108	–	–
Later than 5 years	36,152	–	–	–
	<u>66,193</u>	<u>25,358</u>	<u>–</u>	<u>–</u>

The group owns the long leasehold interest in a number of investment properties, and annual ground rents are payable of £27,822 (2021 - £30,119). The remaining lease terms range from 44 years to 977 years, and the total ground rent due over the remaining term totals £16,004,810 (2021 - £16,306,152).

Operating lease receivables

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

	2022	2021
	£	£
Within:		
1 year	7,339,690	6,888,459
1-2 years	5,589,314	5,105,380
2-5 years	9,999,830	8,344,360
Over 5 years	19,908,761	16,657,890
	<u>42,837,595</u>	<u>36,996,089</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.

An historic development completed by a subsidiary undertaking has been subject to remedial works in relation to cladding, and a claim amounting to £3.1m has been received from the landlord to recover costs. It is possible that a contingent liability may exist in relation to costs not recoverable through the group's insurance policies. Considering the nature of the claim, which is in dispute and insurance cover in place, no provision for any liability from such a claim has been made in the financial statements. Similar contingent liabilities may exist, if a claim were to be made, for other historic developments completed by the group.

28. Events after the end of the reporting period

Group Undertakings

On 2 August 2022 Urban Splash Developments Limited acquired the entire issued share capital of Campbell Park Limited (company number: 11428430) whose registered office is at Union, 2-10 Albert Square, Manchester, England, M2 6LW. On 1 February 2023, Urban Splash Developments Limited part disposed of Campbell Park Limited and entered into a joint venture agreement with Glenbrook MK Limited. Both parties ultimately completed on the agreement 1 February 2023 at which point one ordinary share was allotted to Glenbrook MK Limited, establishing 50% ownership of the company by each party.

Urban Splash Group Holdings Limited

Notes to the Financial Statements (continued)

Period from 1 October 2021 to 31 December 2022

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.

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

	2022			2021		
Less than one year:	Debtors	Creditors	Net trading activity~	Debtors	Creditors	Net trading activity~
	£	£	£	£	£	£
Urban Splash (Park Hill) Limited	505,129	–	7,225,231	2,225,600	–	11,872,773
Smiths Dock LLP	–	–	–	18,288	–	144,383
Lakeshore Timber LLP	4,800	–	–	–	2,717	97,899
Campbell Park Limited	–	–	–	254,400	–	–
Port Loop Phase 2 Limited	39,600	–	353,000	60,000	–	1,403,292
Port Loop (SUBCO 1) Limited*	172,157	–	4,127,324	–	–	–
Shed K.M. Limited	–	25,000	(71,250)	–	–	(24,655)
Stubbs Mill LLP	50	593,530	25,000	6,050	616,305	21,000
Shareholder loan	–	17,000,000	–	–	17,000,000	–
4 Canal Street Limited	784,001	–	28,875	757,805	–	24,900
PU Properties (Salford) Limited	2,347,257	–	72,211	2,275,046	–	96,948
TBI 2000 Limited	–	–	16,000	–	–	15,796
BL08 LLP	–	–	1,050	2,520	–	2,100
Icknield Port Loop LLP	3,000	–	12,500	–	–	20,000
PFP US (IPL) LLP	4,950	–	46,500	24,187	–	155,906
Urban Splash UK Residential LLP	4,325	2,340	6,010	1,270	2,340	43,358
Cow Properties Limited	4,162	–	3,467	–	–	2,318
USP WW Limited	269,288	–	4,934,354	1,541,543	–	3,605,702
Urban Splash House Holdings Limited*	7,874	–	1,372,088	258,304	54,408	1,934,037
Urban Splash House Limited*	45,853	–	7,893,571	5,065,378	23,011	22,185,530
Urban Splash Modular Limited*	4,229	206,812	(9,226,229)	5,029	3,646,306	(18,073,344)
PFP US JV LLP	32,806	–	206,250	32,806	–	234,500
	<u>4,229,481</u>	<u>17,827,682</u>	<u>17,025,952</u>	<u>12,528,226</u>	<u>21,345,087</u>	<u>23,762,443</u>

~ Brackets denote purchases and the converse represents sales or recharge of costs.

* Asterisk denote entities currently in administration. The related parties entered into administration during the year and are they are still classed as related parties by virtue of shareholdings.

Urban Splash Group Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 1 October 2021 to 31 December 2022

29. Related party transactions *(continued)*

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 (Park Hill) Limited, Lakeshore Timber LLP, PFP US (IPL) LLP, Port Loop Phase 2 Limited and Icknield Port Loop LLP are subsidiaries of PFP US JV LLP, a joint venture of Urban Splash Developments Limited, a subsidiary of the company. Smiths Dock LLP was a subsidiary of PFP US JV LLP, and was disposed of during the prior year.
- Shed K.M. Limited, an architecture practice, is a company in which Mr. J.M. Falkingham, a director of the company, was 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.
- 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 £784,001 (2021: £757,805) 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 £2,347,257 (2021: £2,275,046) due from PU Properties (Salford) Limited. Interest is receivable on the balance outstanding at 5% (2021: 9%) per annum and is secured by a debenture over the company. 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 (2021: £17,000,000) from the company's shareholders.
- 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, Urban Splash House Limited, Port Loop Limited and Port Loop (SUBCO 1) Limited are companies in which Mr. T.P.R. Bloxham, a director and shareholder of the company, was materially interested as a director and shareholder. During the reporting period these companies have entered into administration, however, by virtue of share ownership, the entities remain related parties
- 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 interested as a director.

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.