

Urban Splash House Holdings Limited
Financial Statements
30 September 2020



Urban Splash House Holdings Limited

Financial Statements

Year ended 30 September 2020

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Urban Splash House 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. T. Ishii
Mr. K. Konishi
Mr. N. Tamori
Ms. C Kober
Mr. T. Tsuji

Company secretary

Kimberley Jane Essop

Registered number

11705899

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 House Holdings Limited

Chair's Statement

Year ended 30 September 2020

Claire Kober, Independent Chair

I am pleased to release our second annual accounts for Urban Splash House Holdings Limited – trading as House by Urban Splash; these results represent our first full year of trading to 30th September 2020.

In what has been a very challenging year for businesses across the world, I have been impressed with our colleagues' commitment to safely delivering homes using modern methods of construction.

In three short years, since the acquisition of our own manufacturing facility in 2018, House by Urban Splash has committed to making modern, industrialised processes the norm for UK housebuilding.

One of the key benefits of modern methods of construction is the speed at which homes can be created. An example of this came at Piercy Street at New Islington; within the financial year, we turned Piercy Street from a disused patch of grass into 17, canalside homes, all of which were built and sold out in under 12 months.

It was one of many House by Urban Splash neighbourhoods we created in this financial period; in September, we launched our first homes for sale at Inholm Northstowe in Cambridgeshire, we delivered more homes for sale at Port Loop in Birmingham, progressed construction of our first Mansion House apartments at New Islington – and started on site with a further 38 Town House homes there – as well as being appointed to create new neighbourhoods such as Grappenhall in Warrington.

Our expansion into new neighbourhoods comes following two significant years of growth since our 2019 announcement of a partnership with the world's biggest housebuilder Sekisui House, and Homes England (part of the UK Government). It is a journey which has led us to this, the conclusion of our second year of business, against the backdrop of a very challenging trading and operating landscape resulting from the significant uncertainty and disruption caused by COVID 19, the national lockdown and enforced closures of our building sites and factory.

The results reflect the impact of COVID 19 but also the start-up nature of the business with losses before interest, tax, amortisation and depreciation of £9.5 million. We have net assets of £44.7 million, and turnover this year of £10.7 million which comes from sales of Town House at New Islington and at Port Loop. At the year end, we had cash reserves of £5 million and undrawn debt facilities of £18.1 million.

Since the year end, I am pleased to see that we are active on site, delivering homes on more phases at Port Loop, Wirral Waters in Merseyside – a joint venture with Peel L&P, not to mention working on plans for future sites such as Campbell Park in Milton Keynes and Grappenhall in Warrington.

Also since the year end, I am also pleased to report we have agreed a significant funding package with Sekisui House which will support the businesses growth strategy and reflects our partner's confidence in both the UK market and our business.

We have invested in our factory, evolved our product design and we have also established a new research and development division of our business called Future Lab which will help us develop not only our range of homes and how they serve our customer needs but also our methods of manufacture and delivery.

While we have invested and grown this year, we must also reflect on the impact of COVID-19, which has affected the world in many ways and as mentioned, the financial performance of our business. Prioritising colleague safety at the start of the pandemic, we suspended our factory operations and sites for six weeks, using that time to implement strict health and safety protocols across our business to protect colleague wellbeing. In late spring 2020, those changes allowed our business to safely restart, reopening show homes and other public facing areas of our business in accordance with government guidelines.

Even through those periods of lockdown, we still saw continued demand from customers especially at Port Loop and New Islington. This demand for our products has largely come from customers who, having spent so much time at home this year, want to move into a house that's right for them. Appreciating that buyers are now assessing their homes not just as an asset class, but as a place in which they are living, working and playing in, we launched our Live Well by Design™ manifesto in 2020 – our blueprint for the future of housing which underpins the designs of all of our new neighbourhoods.

Urban Splash House Holdings Limited

Chair's Statement *(continued)*

Year ended 30 September 2020

We put the design decisions in our customers' hands this year, unveiling our configurator in the summer of 2020. This industry-first tool uses gaming technology to allow customers to design their dream home online, and we invested in other technology too, which allows buyers to view our homes from afar, thanks to a virtual viewings platform. We showed innovation and resilience in finding a way to safely satisfy customer demand during lockdown.

By enabling technology, by fully understanding the 'new normal' and diverse ways in which we use our home, and by using modern methods of construction, we are evolving our vision for the future of housing. As we look ahead to another year, and to moving the world back to some normality, I am incredibly excited to be working with so many talented colleagues to deliver that vision. I look forward to us working together to create more incredible homes and neighbourhoods in which people can live, work and play.



C. Kober
Chair

Date: 29 September 2021

Urban Splash House Holdings Limited

Strategic Report

Year ended 30 September 2020

Principal activities

The principal activities of the group are property development and modular housing manufacture and construction. The principal activity of the company is that of a holding company. The directors expect the general level of activity to increase in future years.

Strategic review including key performance indicators

These financial statements represent the first full financial year of the group since its formation in April 2019 following new equity investment from Sekisui House and Homes England.

The group remains in the start-up phase of its growth and is working very closely with its partners, Sekisui House on all areas of the business to establish a firm platform for growth. In the current financial year, the focus has been on securing land and development opportunities, improving and investing in the productivity capability of its manufacturing operations at Alfreton, research and development into expanding the product range, talent acquisition and brand development. This has resulted in the establishment of a core philosophy, Live Well By Design, which sits at the heart of the business and which guides everything it does to help accelerate the delivery of quality and affordable housing in the UK founded on modern methods of construction.

The majority of the group's operational risk rests with its development activities and modular housing factory operations. Development projects are often in challenging locations or speculative in nature given the group's focus on regeneration areas but also increasingly semi-urban and greenfield sites which bring different challenges. The strategic approach and mechanism to deliver development projects emphasises robust internal governance procedures based on a series of gateway approvals which must be met before sites can be acquired and progressed. These procedures, combined with the oversight of monthly executive board meetings with Sekisui House senior executives, keep financial and operational risk low by ensuring schemes meet minimum performance hurdles with a focus on phased delivery to limit working capital commitment and sales risk.

The modular housing manufacturing facility brings different operational risks and further working capital exposure and needs to operate efficiently to remain cost effective. Operational and financial risk is reduced by keeping output consistent and by continually investing in improving processes, procurement and design. The factory benefits from the growing development pipeline for modular homes secured by the group which stands at over 1,246 as at 30 August 2021 and the ability and flexibility to phase multiple developments to suit factory capacity and demand. It also benefits from contracts to supply houses to joint venture companies in which Urban Splash is a partner.

The financial performance for the year has been adversely impacted by uncertainty and disruption caused by COVID-19 and the imposition of national lockdowns. This resulted in the closure of the group's factory and building sites for a period of two months and subsequent reduced productivity on restarting operations. This has increased costs and deferred income and sales events to future financial years. Turnover for the year was £10.69 million (5 month trading period ended 30 September 2019 - £3.83 million) and loss before interest, tax, depreciation and amortisation was £9.50 million (5 month trading period ended 30 September 2019 - £2.95 million). Despite the delays resulting due to COVID-19, the group recorded its first direct sales of new homes since its formation with £4.66 million generated from sales at the Piercy Street scheme in Manchester with a further £5.92 million of turnover generated from the sale of modular houses to the Urban Splash joint venture with Places for People at Port Loop in Birmingham. The shareholders and directors recognise the need to invest in this start-up phase and expect and have forecast for a further period of loss-making activity before operations become sustainably profitable.

The group recorded a loss for the financial year and total comprehensive income of £12.67 million (5 month trading period ended 30 September 2019 £3.56 million) and reports net assets of £44.73 million (2019 - £57.40 million). The reported net asset position of the group reflects goodwill recognised on the formation of the group of £28.96 million which is being amortised over a 10-year period.

In the current financial year, the group has benefited significantly across its business from the direct involvement of its new shareholders and specifically from the involvement of Sekisui House. This has been felt in its factory operations, product development and also in the groups approach and research into sustainable living where Sekisui House are world leaders.

Urban Splash House Holdings Limited

Strategic Report *(continued)*

Year ended 30 September 2020

Strategic review including key performance indicators *(continued)*

Subsequent to the year end a substantial funding package of approximately £130 million was agreed with Sekisui House to provide financial support to grow the business and fund key development activity in the coming years. Consequently, the directors expect the overall level of activity of the group to grow significantly in the following years.

Financial risk management objectives and policies

The group, 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 as it grows. 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 project and group cash flow forecasts for the group which are reviewed regularly by the board. Cash flow forecasts are prepared separately for the factory operations and development projects with spending commitments and working capital requirements regularly reviewed against those forecasts.

Health and safety

Accidents and incidents in the factory and on building sites and buildings owned, developed and managed by the group can result in serious injury and possibly loss of life. 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 and factory 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 and regulatory changes in the mortgage industry can make it hard for many of the group's customers to access sufficient mortgage finance due to more stringent bank lending criteria which has been further strengthened following the continued impact of COVID-19. As most of the group's customers need mortgage finance to complete purchases, this could have a detrimental impact on sales levels. The status of all sales where mortgages are required is closely monitored and reviewed by the board. The group works closely and pragmatically with all customers and mortgage lenders to try and resolve the many issues that arise through the completion process.

Generating sales demand

Failure to match supply with demand could result in both high levels of unsold stock but also ineffective factory operations which rely on accurate forecasts to plan production activity. Potential new sites are reviewed for market demand before being progressed to acquisition. Site master planning, design and product assessment are determined based on local requirements and the group's investment in developing new products and customer choices provides an increasing range of housing to suit a wide range of customer requirements and price points. Working with partners such as Places for People and the Urban Splash Residential Fund, the group is able to secure a volume of presales to de-risk the sales pipeline but also enabling its developments to offer a wide range of tenures, further generating demand and helping to build diverse communities.

Economic and political outlook

As a property developer and manufacturer, 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 homes. 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 uncertainty over the lasting effects of the COVID 19 pandemic have been taken into consideration by the directors when considering the strategy of the group. Consequently, whilst the directors firmly believe in 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 down turn.

Urban Splash House Holdings Limited

Strategic Report *(continued)*

Year ended 30 September 2020

Development costs and programme

Remaining within tight construction budgets and programmes is essential for scheme profitability and remaining within established funding criteria. The group procures on-site delivery from main contractors to reduce some exposure to cost and delivery on certain schemes however contracts for modular housing are delivered under management contracts and as a result the group is exposed to all cost and delivery risks which might otherwise be passed on to a main contractor. The board regularly monitors factory progress, performance and quality assurance against agreed contract and delivery programs. The group retains close control of procurement, cost commitments and scheme progress against programme through detailed reporting on all schemes at monthly board meetings. Working with its partner, Sekisui House, the group continually reviews its procurement, design, production methodology and other operational activities to reduce costs whilst maintaining quality standards.

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.

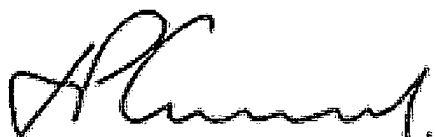
Planning process

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.

COVID-19

The group is exposed to the potential risks arising from the COVID-19 pandemic, which include reduction in sales price and volume, delays in sales completions, and construction cost and time overruns. The directors have performed sensitivities arising as a consequence of COVID-19 and are confident mitigating factors can be implemented to ensure these risks can be managed effectively.

This report was approved by the board of directors on 29 September 2021 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 House Holdings Limited

Directors' Report

Year ended 30 September 2020

The directors present their report and the financial statements of the group for the year ended 30 September 2020.

Financial risk management

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

Directors

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

Mr. T.P.R. Bloxham M.B.E.	
Mr. J. M. Falkingham	
Mr. J.P. Curnuck	
Mr. S.D. Gawthorpe	
Mr. T. Ishii	
Mr. K. Konishi	
Mr. N. Tamori	
Ms. C Kober	(Appointed 6 January 2020)
Mr. T. Tsuji	(Appointed 1 April 2020)
Mr. F. Suguro	(Retired 1 April 2020)

Dividends

The directors do not recommend the payment of a dividend and no dividends were paid during the year.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 25 to the financial statements.

Going concern

The directors wish to draw attention to the statement of accounting policies regarding the basis of preparation of the financial statements, which specifically addresses the potential impact of COVID-19 on the group.

Directors' responsibilities statement

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

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

Urban Splash House Holdings Limited

Directors' Report *(continued)*

Year ended 30 September 2020

Directors' responsibilities statement *(continued)*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

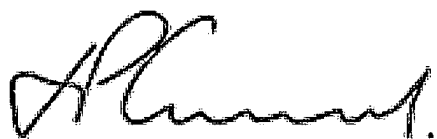
Auditor

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

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

The auditor, BDO LLP, 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 29 September 2021 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 House Holdings Limited

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

Year ended 30 September 2020

Opinion

We have audited the financial statements of Urban Splash House Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Urban Splash House Holdings Limited

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

Year ended 30 September 2020

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the companies act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Urban Splash House Holdings Limited

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

Year ended 30 September 2020

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

DocuSigned by:

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Gary Harding (Senior Statutory Auditor)

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

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

Date:- 29 September 2021

Urban Splash House Holdings Limited

Consolidated Statement of Comprehensive Income

Year ended 30 September 2020

	Note	Year to 30 Sep 20 £	Period from 30 Nov 18 to 30 Sep 19 £
Turnover	5	10,690,081	3,827,005
Cost of sales		(10,369,605)	(3,618,699)
Gross profit		320,476	208,306
Administrative expenses		(13,096,453)	(4,308,132)
Other operating income	6	169,728	–
Operating loss	7	(12,606,249)	(4,099,826)
Share of loss of joint ventures	14	(38,455)	(25,390)
Other interest receivable and similar income	9	92,873	66,604
Interest payable and similar expenses	10	(116,466)	(37,618)
Loss before taxation		(12,668,297)	(4,096,230)
Tax on loss	11	–	541,081
Loss for the financial year and total comprehensive income		<u>(12,668,297)</u>	<u>(3,555,149)</u>

All the activities of the group are from continuing operations.

The notes on pages 18 to 34 form part of these financial statements.


Urban Splash House Holdings Limited

Consolidated Statement of Financial Position

30 September 2020

		2020	2019 (restated)
	Note	£	£
Fixed assets			
Intangible assets	12	24,859,255	27,755,473
Tangible assets	13	683,601	616,154
Investments	14	43,441	81,896
		<u>25,586,297</u>	<u>28,453,523</u>
Current assets			
Stocks	15	25,800,143	7,999,335
Debtors	16	10,513,630	5,370,824
Cash at bank and in hand		4,982,339	23,464,437
		<u>41,296,112</u>	<u>36,834,596</u>
Creditors: amounts falling due within one year	17	(12,831,068)	(7,106,057)
Net current assets		<u>28,465,044</u>	<u>29,728,539</u>
Total assets less current liabilities		54,051,341	58,182,062
Creditors: amounts falling due after more than one year	18	(9,321,842)	(784,266)
Net assets		<u>44,729,499</u>	<u>57,397,796</u>
Capital and reserves			
Called up share capital	21	101	101
Share premium account	22	25,952,844	25,952,844
Other reserves, including the fair value reserve	22	35,000,000	35,000,000
Profit and loss account	22	(16,223,446)	(3,555,149)
Members funds		<u>44,729,499</u>	<u>57,397,796</u>

These financial statements were approved by the board of directors and authorised for issue on 29 September 2021, and are signed on behalf of the board by:



Mr. J.P. Curnuck
Director

Company registration number: 11705899

The notes on pages 18 to 34 form part of these financial statements.

Urban Splash House Holdings Limited

Company Statement of Financial Position

30 September 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	3,417	–
Investments	14	57	57
		<u>3,474</u>	<u>57</u>
Current assets			
Debtors	16	24,575,139	3,788,140
Cash at bank and in hand		<u>1,320,440</u>	<u>22,214,081</u>
		25,895,579	26,002,221
Creditors: amounts falling due within one year	17	<u>(726,402)</u>	<u>(160,130)</u>
Net current assets		25,169,177	25,842,091
Total assets less current liabilities		<u>25,172,651</u>	<u>25,842,148</u>
Net assets		<u>25,172,651</u>	<u>25,842,148</u>
Capital and reserves			
Called up share capital	21	101	101
Share premium account	22	25,952,844	25,952,844
Profit and loss account	22	<u>(780,294)</u>	<u>(110,797)</u>
Members funds		<u>25,172,651</u>	<u>25,842,148</u>

The loss for the financial year of the parent company was £669,497 (2019: £110,797).

These financial statements were approved by the board of directors and authorised for issue on 29 September 2021, and are signed on behalf of the board by:



Mr. J.P. Curnuck
Director

Company registration number: 11705899

The notes on pages 18 to 34 form part of these financial statements.

Urban Splash House Holdings Limited
Consolidated Statement of Changes in Equity
Year ended 30 September 2020

	Called up share capital £	Share premium account £	Other reserves, including the fair value reserve £	Profit and loss account £	Total £
At 30 November 2018	-	-	-	-	-
Loss for the year	-	-	-	(3,555,149)	(3,555,149)
Total comprehensive income for the year	-	-	-	(3,555,149)	(3,555,149)
Issue of shares	101	27,499,955	-	-	27,500,056
Transaction costs	-	(1,547,111)	-	-	(1,547,111)
Investments by owners	-	-	35,000,000	-	35,000,000
Total investments by and distributions to owners	101	25,952,844	35,000,000	-	60,952,945
At 30 September 2019	101	25,952,844	35,000,000	(3,555,149)	57,397,796
Loss for the year	-	-	-	(12,668,297)	(12,668,297)
Total comprehensive income for the year	-	-	-	(12,668,297)	(12,668,297)
At 30 September 2020	101	25,952,844	35,000,000	(16,223,446)	44,729,499

The notes on pages 18 to 34 form part of these financial statements.

Urban Splash House Holdings Limited

Company Statement of Changes in Equity

Year ended 30 September 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 30 November 2018	–	–	–	–
Loss for the year	–	–	(110,797)	(110,797)
Total comprehensive income for the year	–	–	(110,797)	(110,797)
Issue of shares	101	27,499,955	–	27,500,056
Transaction costs	–	(1,547,111)	–	(1,547,111)
Total investments by and distributions to owners	101	25,952,844	–	25,952,945
At 30 September 2019	101	25,952,844	(110,797)	25,842,148
Loss for the year	–	–	(669,497)	(669,497)
Total comprehensive income for the year	–	–	(669,497)	(669,497)
At 30 September 2020	101	25,952,844	(780,294)	25,172,651

The notes on pages 18 to 34 form part of these financial statements.

Urban Splash House Holdings Limited

Consolidated Statement of Cash Flows

Year ended 30 September 2020

	2020 £	2019 (restated) £
Cash flows from operating activities		
Loss for the financial year	(12,668,297)	(3,555,149)
<i>Adjustments for:</i>		
Depreciation of tangible assets (note 13)	212,128	(33,874)
Amortisation of intangible assets (note 12)	2,896,218	1,206,757
Share of loss of joint ventures (note 14)	38,455	25,390
Other interest receivable and similar income (note 9)	(92,873)	(66,604)
Interest payable and similar expenses (note 10)	116,466	37,618
Gains on disposal of tangible assets	(1,594)	–
Tax on loss (note 11)	–	(541,081)
<i>Changes in:</i>		
Stocks	(17,656,996)	(3,558,672)
Trade and other debtors	(5,449,988)	(1,243,363)
Trade and other creditors	5,862,622	3,804,126
Cash used in operations	(26,743,859)	(3,924,852)
Interest paid	(2,223)	(344,799)
Interest received	65,682	66,604
Net cash used in operating activities	<u>(26,680,400)</u>	<u>(4,203,047)</u>
Cash flows from investing activities		
Purchase of tangible assets (note 13)	(281,981)	(224,994)
Proceeds from sale of tangible assets	4,000	–
Acquisition of subsidiaries	–	1,939,589
Net cash (used in)/from investing activities	<u>(277,981)</u>	<u>1,714,595</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	–	27,500,000
Payments of share issue costs	–	(1,547,111)
Proceeds from loans from participating interests	8,476,283	–
Net cash from financing activities	<u>8,476,283</u>	<u>25,952,889</u>
Net (decrease)/increase in cash and cash equivalents	(18,482,098)	23,464,437
Cash and cash equivalents at beginning of year	23,464,437	–
Cash and cash equivalents at end of year	<u>4,982,339</u>	<u>23,464,437</u>

The notes on pages 18 to 34 form part of these financial statements.

Urban Splash House Holdings Limited

Notes to the Financial Statements

Year ended 30 September 2020

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.

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

Going concern

On inception of the business, the group raised £27.5 million of cash equity and a £26.9 million revolving credit facility. Subsequent to this initial fund raising, the A and B shareholders of the parent company agreed a memorandum of understanding which will see significant further capital from the B shareholder to fund the working capital requirements and provide capital to grow the business. The funding package totals approximately £130 million and is expected to be provided through a combination of financial instruments, the first of which is a £7.5 million convertible loan note (see note 17) which has been entered into and of which, £4 million had been drawn down as at 28 September 2021. The group meets its day to day working capital requirements from these cash resources and committed loan facility. At the year-end, the group was in breach of one of its loan covenants which had been waived prior to the year end. The waiver for this breach was extended subsequent to the year end and, in addition and also subsequent to the year end, two further covenants were breached, these have also been waived. Forecasts indicate covenant compliance for one of those covenants to be achieved in the short term and the group is currently in talks with the lender to resolve the remaining covenant issue. Through the preparation of a detailed forecast and business plans, the directors have assessed the future funding requirements of the group taking into account the committed loan facility, the new finance currently under negotiation with the B shareholder under the memorandum of understanding and available cash resources over the short to medium term. This assessment demonstrates that given forecast sales and existing cash balances, the business is able to continue to operate within its committed facilities in the unlikely event that further finance is not made available.

In making this assessment the directors have specifically considered the inherent uncertainty in future financial forecasts which have arisen as a result of COVID-19 and the lasting impacts this could have on both the group and the wider economy. The directors have undertaken sensitivity analysis over key assumptions which affect the financial performance of the group and considered the extent of mitigation available in downside scenarios enabling the group to remain within available facilities. The directors have specifically identified sensitivities arising as a consequence of COVID-19, which include reduction in sales price and volume, delays in sales completions, and construction cost and time overruns. The group has used its direct experience of the COVID-19 crisis and specifically the impact on supply chains in assessing the extent of the impact caused by the pandemic and its lasting effects. However, the directors do not consider at this stage that there is an impact on whether the group is a going concern.

As a consequence, the directors have a reasonable expectation that the group has adequate resources to continue its operational existence for the foreseeable future, and not less than 12 months from the date of approval of these financial statements. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

3. Accounting policies *(continued)*

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.

Disclosure exemptions

Urban Splash House 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 House Holdings Limited and all of its subsidiary undertakings.

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

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

Judgements and key sources of estimation and uncertainty

In preparing these financial statements, the directors have made the following judgements:

Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Revenue recognition

Turnover represents amounts receivable for properties and services, including construction 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 houses 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.

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

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.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. Goodwill is being amortised to 'administrative expenses' over 10 years. Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

3. Accounting policies *(continued)*

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - 10 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated 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:

Fixtures, fittings & equipment - 3 to 5 years straight line

Investments

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

Investments in joint ventures

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

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 are largely independent of the cash inflows from other assets or groups of assets.

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

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

3. Accounting policies *(continued)*

Stocks

Stocks of completed properties include all interests in residential schemes comprising houses, 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.

Financial instruments

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

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

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

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

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

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

Defined contribution plans

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

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

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.

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

3. Accounting policies *(continued)*

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.

Government Grants

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). The group has not directly benefited from any other forms of government assistance

4. Prior period errors

During the current year, a transaction recorded in a subsidiary now owned by the group was identified as having been accounted for incorrectly. This has a material impact on the Statement of Financial Position, and therefore a prior year adjustment has been processed. The error is in relation to the recognition of a finance lease receivable on the sublease of land. The land was held within work in progress but the sublease is considered to be a finance lease and therefore there has been a reallocation of £504,000 from work in progress to other debtors. There was no impact on profit or loss or equity. The prior year adjustment occurred in the subsidiary, Urban Splash House Limited which was acquired during the prior financial year.

This also had an impact on the Statement of Cash Flows. Whilst there has been no overall change to net cash used in operating activities the movement in stocks and trade and other debtors have been amended to reflect the adjustment above.

5. Turnover

Turnover arises from:

	Year to 30 Sep 20 £	Period from 30 Nov 18 to 30 Sep 19 £
Asset sales	4,657,000	–
Commercial rental income	41,331	16,315
Manufacture of modular housing	5,924,893	3,785,348
Other income	66,857	25,342
	<u>10,690,081</u>	<u>3,827,005</u>

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

6. Other operating income

	Year to 30 Sep 20 £	Period from 30 Nov 18 to 30 Sep 19 £
Other operating income	<u>169,728</u>	<u>–</u>

Other operating income represents the total amount of grant received from HMRC in respect of the Coronavirus Job Retention Scheme.

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

7. Operating loss

Operating loss is stated after charging/(crediting):

	Year to 30 Sep 20 £	Period from 30 Nov 18 to 30 Sep 19 £
Amortisation of intangible assets	2,896,218	1,206,757
Depreciation of tangible assets	212,128	(33,874)
Gains on disposal of tangible assets	(1,594)	–
Fees payable for the audit of the financial statements	20,000	15,000
Operating lease rentals	<u>515,435</u>	<u>177,328</u>

Fees payable to the company's auditor for the audit of the company's financial statements was £2,667 (2019 £2,000) and for the audit of subsidiaries was £17,333 (2019 £13,000).

8. Staff costs

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

	2020 No	2019 No
Production staff	72	47
Administrative staff	<u>37</u>	<u>25</u>
	<u>109</u>	<u>72</u>

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

	Year to 30 Sep 20 £	Period from 30 Nov 18 to 30 Sep 19 £
Wages and salaries	3,154,628	859,591
Social security costs	287,227	77,704
Other pension costs	<u>101,205</u>	<u>32,871</u>
	<u>3,543,060</u>	<u>970,166</u>

During the year £1,640,249 (2019 £517,099) of payroll costs were capitalised or recharged resulting in a payroll charge of £1,902,811 (2019 £453,067) to the statement of comprehensive income.

9. Other interest receivable and similar income

	Year to 30 Sep 20 £	Period from 30 Nov 18 to 30 Sep 19 £
Interest on loans and receivables	27,191	7,770
Interest on cash and cash equivalents	65,682	58,829
Other interest receivable	–	5
	<u>92,873</u>	<u>66,604</u>

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

10. Interest payable and similar expenses

	Year to 30 Sep 20 £	Period from 30 Nov 18 to 30 Sep 19 £
Other interest payable and similar charges	<u>116,466</u>	<u>37,618</u>

11. Tax on loss

Major components of tax income

	Year to 30 Sep 20 £	Period from 30 Nov 18 to 30 Sep 19 £
Deferred tax:		
Origination and reversal of timing differences	<u>—</u>	<u>(541,081)</u>
Tax on loss	<u>—</u>	<u>(541,081)</u>

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	Year to 30 Sep 20 £	Period from 30 Nov 18 to 30 Sep 19 £
Loss on ordinary activities before taxation	<u>(12,668,297)</u>	<u>(4,096,230)</u>
Loss on ordinary activities by rate of tax	(2,406,977)	(778,284)
Adjustment to tax charge in respect of prior periods	109,704	—
Effect of expenses not deductible for tax purposes	626,080	243,639
Effect of capital allowances and depreciation	(22,681)	(6,436)
Unused tax losses	<u>1,693,874</u>	<u>—</u>
Tax on loss	<u>—</u>	<u>(541,081)</u>

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

12. Intangible assets

Group	Goodwill £
Cost	
At 1 October 2019 and 30 September 2020	28,962,230
Amortisation	
At 1 October 2019	1,206,757
Charge for the year	2,896,218
At 30 September 2020	4,102,975
Carrying amount	
At 30 September 2020	24,859,255
At 30 September 2019	27,755,473

The company has no intangible assets.

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. Goodwill arose on the acquisition of Urban Splash House Limited and subsidiary undertakings on 25 April 2019.

13. Tangible assets

Group	Fixtures, fittings & equipment £
Cost	
At 1 October 2019	582,280
Additions	281,981
Disposals	(4,500)
At 30 September 2020	859,761
Depreciation	
At 1 October 2019	(33,874)
Charge for the year	212,128
Disposals	(2,094)
At 30 September 2020	176,160
Carrying amount	
At 30 September 2020	683,601
At 30 September 2019	616,154

In the prior year, a subsidiary of the group amended the depreciation rates of certain assets from 2 years to 3-5 years following the decision not to exercise a break clause in the subsidiary's property lease. In the prior year, this resulted in a credit the consolidated statement of comprehensive income for depreciation for the period from acquisition of the subsidiary to year-end.

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

13. Tangible assets (continued)

Company	Fixtures, fittings & equipment £
Cost	
At 1 October 2019	–
Additions	3,551
At 30 September 2020	3,551
Depreciation	
At 1 October 2019	–
Charge for the year	134
At 30 September 2020	134
Carrying amount	
At 30 September 2020	3,417
At 30 September 2019	–

14. Investments

Group	Joint ventures £
Cost	
At 1 October 2019 and 30 September 2020	107,286
Share of net assets	
At 1 October 2019	25,390
Loss for the year	38,455
At 30 September 2020	63,845
Carrying amount	
At 30 September 2020	43,441
At 30 September 2019	81,896
Company	Shares in group undertakings £
Cost	
At 1 October 2019 and 30 September 2020	57
Impairment	
At 1 October 2019 and 30 September 2020	–
Carrying amount	
At 1 October 2019 and 30 September 2020	57
At 30 September 2019	57

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

14. Investments *(continued)*

Subsidiaries, associates and other investments

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

Name	Country of incorporation	Holding	Proportion of voting rights	Principal activity
Subsidiary undertakings				
Urban Splash House Investments Limited	England	Ordinary shares	100%	Intermediary holding company
Urban Splash House Limited	England	Ordinary shares	100%*	Property development
Urban Splash Modular Limited	England	Ordinary shares	100%*	Property construction
Irwell Riverside Management Company Limited	England	Ordinary shares	100%*	Dormant
USP WW Limited	England	Ordinary shares	50%*	Property development
Piercy Street (New Islington) Residents Management Company Limited	England	Ordinary shares	100%*	Dormant

The registered office of the subsidiaries is Timber Wharf, 16-22 Worsley Street, Manchester, M15 4LD with the exception of Irwell Riverside Management Company Limited and Piercy Street (New Islington) Residents Management Company Limited which are registered at RMG House, Essex Road, Hoddesdon, Essex, EN11 0DR and USP WW Limited which is registered at Venus Building 1 Old Park Lane, Traffordcity, Manchester, M41 7HA.

* These investments are held indirectly.

Investments in associates and joint ventures

The group has a 50% interest in USP WW Limited, a property development company. The accounting reference date for this company is 31 March. The figures included in these financial statements are derived from the unaudited management accounts for the 12 month period to 30 September 2020.

15. Stocks

	Group 2020	2019 <i>(restated)</i>	Company 2020	2019
	£	£	£	£
Raw materials and consumables	435,912	401,389	—	—
Work in progress	25,364,231	7,597,946	—	—
	<u>25,800,143</u>	<u>7,999,335</u>	<u>—</u>	<u>—</u>

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

16. Debtors

	Group		Company	
	2020	2019	2020	2019
		<i>(restated)</i>		
	£	£	£	£
Trade debtors	2,655,299	11,118	–	–
Amounts owed by group undertakings	–	–	24,184,632	3,658,487
Amounts owed by related parties (note 26)	5,808,192	2,756,130	165,631	–
Deferred tax asset	541,081	541,081	–	–
Prepayments and accrued income	653,789	700,151	112,961	15,129
Other debtors	855,269	1,362,344	111,915	114,524
	<u>10,513,630</u>	<u>5,370,824</u>	<u>24,575,139</u>	<u>3,788,140</u>

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Deferred tax asset	<u>541,081</u>	<u>541,081</u>	<u>–</u>	<u>–</u>

All amounts owed by related parties are repayable on demand and no interest is charged, with the exception of the balance due from USP WW Limited included in amounts owed by related parties. A £6,000,000 (of which £355,053 was drawn at year end) loan facility is in place between Urban Splash House Limited, a subsidiary of the group, and USP WW Limited which accrues interest at 6% per annum.

17. Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Deposits held	66,295	170,100	–	–
Trade creditors	3,703,336	3,588,143	126,994	–
Amounts owed to related parties (note 26)	5,212,715	1,530,998	516,413	120,000
Accruals and deferred income	3,706,526	1,758,683	51,910	40,130
Social security and other taxes	120,167	53,867	30,493	–
Other creditors	22,029	4,266	592	–
	<u>12,831,068</u>	<u>7,106,057</u>	<u>726,402</u>	<u>160,130</u>

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

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Accruals and deferred income	921,876	784,266	–	–
Other loans	8,399,966	–	–	–
	<u>9,321,842</u>	<u>784,266</u>	<u>–</u>	<u>–</u>

Included in accruals and deferred income is £nil (2019 £242,069) due after more than 5 years.

On 1 May 2019, a subsidiary company entered into a committed loan facility totalling £26,875,000 which as at 30 September 2019 was undrawn. The balance outstanding as at 30 September 2020 represents £8,610,658 of capital and £120,702 of accrued interest, less £331,394 of prepaid loan arrangement and associated fees which are charged to the statement of comprehensive income over the term of the loan.

Interest accrues at 4.5% and repayment is required in full by 31 March 2023. The loan is secured by fixed and floating charges over certain of the group's assets.

19. Deferred tax

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Included in debtors (note 16)	<u>541,081</u>	<u>541,081</u>	<u>–</u>	<u>–</u>

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Unused tax losses	<u>541,081</u>	<u>541,081</u>	<u>–</u>	<u>–</u>
	<u>541,081</u>	<u>541,081</u>	<u>–</u>	<u>–</u>

The Finance Act 2016 reduced the corporation tax rate to 17% with effect from 1 April 2020 and so this rate was used in the September 2019 deferred tax calculations. In the Budget of 11 March 2020, the Chancellor of the Exchequer announced that the planned rate reduction to 17% would no longer be taking effect. The changes announced during the Budget of 11 March 2020 were substantively enacted as at the 2020 balance sheet date, therefore, all opening deferred taxation balances have been remeasured at 19%.

The Finance Bill 2021, published on 11 March 2021 received royal assent 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 will be remeasured at the new rate of corporation tax in the next financial year.

Whilst the group is forecasting future profitability, the ability to utilise the deferred tax asset generated from current year losses in the near term is uncertain, and as a consequence a deferred tax asset of £1,693,874 (2019 - £nil) has not been recognised.

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £101,205 (2019: £32,871).

21. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No	£	No	£
A ordinary shares of £0.0005 each	112,268	56	112,268	56
B ordinary shares of £0.0005 each	70,876	35	70,876	35
C ordinary shares of £0.0005 each	10,125	5	10,125	5
D ordinary shares of £0.0005 each	9,234	5	9,234	5
	<u>202,503</u>	<u>101</u>	<u>202,503</u>	<u>101</u>

All classes of shares rank pari passu with respect to dividends and in the event of capital distribution. The percentage of votes each class of share has in aggregate is as follows: A ordinary shares - 55.4%, B ordinary shares - 35.0%, C ordinary shares - 5.0% and D ordinary shares - 4.6%.

22. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

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

Other reserve - This reserve arises on consolidation, and represents investments made by certain shareholders of the group. It is equal to the fair value of the shares in Urban Splash House Investments Limited which were acquired by the group via a share for share exchange on 28 April 2019.

23. Analysis of changes in net debt

	At 1 Oct 2019	Cash flows	Other non-cash changes	At 30 Sep 2020
	£	£	£	£
Cash at bank and in hand	23,464,437	(18,482,098)	–	4,982,339
Debt due after one year	–	(8,476,283)	76,317	(8,399,966)
	<u>23,464,437</u>	<u>(26,958,381)</u>	<u>76,317</u>	<u>(3,417,627)</u>

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

24. Operating leases

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Not later than 1 year	488,255	426,752	–	–
Later than 1 year and not later than 5 years	1,628,102	1,703,511	–	–
Later than 5 years	–	163,239	–	–
	<u>2,116,357</u>	<u>2,293,502</u>	<u>–</u>	<u>–</u>

25. Events after the end of the reporting period

On 15 December 2020, Urban Splash House Holdings Limited acquired 100% of the issued share capital of Campbell Park Limited, a property development company registered in England.

On 31 August 2021, the company entered into a £7.5 million convertible loan with its B shareholder. The loan which is non-interest bearing, is to be drawn down in two tranches and on payment of the second tranche converts into 50,626 new B shares of £0.0005 each. The first tranche of £4.0 million was drawn down on 2 September 2021.

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

26. 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 House Holdings Limited.

The company and group were under the control of Mr. T.P.R. Bloxham M.B.E throughout the period.

	2020			2019		
Less than one year:	Debtors	Creditors	Net trading activity~	Debtors	Creditors	Net trading activity~
	£	£	£	£	£	£
Urban Management Limited	44,066	241,314	(2,551,345)	–	118,262	(1,133,280)
Urban Splash Construct Limited	3,700,760	4,376,714	3,468,285	2,400,678	1,154,866	6,966,762
Sekisui House UK Limited	–	262,546	(1,222,546)	–	120,000	(500,000)
USP WW Limited	2,063,366	–	3,705	355,053	–	680
Shed K.M. Limited	–	310,598	(822,029)	–	137,870	(491,228)
Urban Splash UK Residential LLP	–	–	332	399	–	940
Homes England	–	21,543	–	–	–	–
	<u>5,808,192</u>	<u>5,212,715</u>	<u>(1,123,598)</u>	<u>2,756,130</u>	<u>1,530,998</u>	<u>4,843,874</u>
More than one year:						
Homes England - loan	–	8,731,360	–	–	–	–
	<u>5,808,192</u>	<u>13,944,075</u>	<u>(1,123,598)</u>	<u>2,756,130</u>	<u>1,530,998</u>	<u>4,843,874</u>

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

- Urban Splash Management Limited and Urban Splash Construct Limited are subsidiary undertakings of Urban Splash Group Holdings Limited, a company in which Mr. T.P.R. Bloxham M.B.E. is materially interested as a director and shareholder.
- Sekisui House UK Limited is a minority shareholder of Urban Splash House Holdings Limited.
- USP WW Limited is a joint venture of Urban Splash House Limited, a subsidiary undertaking of Urban Splash House Holdings Limited.
- Shed K.M. Limited, an architecture practice, is a company in which Mr. J.M. Falkingham, a director and shareholder of Urban Splash House Holdings Limited, 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 ultimate controlling party of Urban Splash House Holdings Limited, has a material interest in the share capital of Urban Splash Residential Limited.

Urban Splash House Holdings Limited

Notes to the Financial Statements *(continued)*

Year ended 30 September 2020

26. Related party transactions *(continued)*

- Homes England is a minority shareholder of Urban Splash House Holdings Limited. It has provided a loan facility to Urban Splash House Investments Limited, a subsidiary of the group. As at 30 September 2020 £8,660,901 (2019 £nil) of capital was outstanding, plus accrued interest of £70,459 (2019 £nil).

Company

Less than one year:	Debtors	2020 Creditors	Net trading activity~	Debtors	2019 Creditors	Net trading activity~
	£	£	£	£	£	£
Urban Management Limited	43,902	240,963	(2,530,294)	–	–	(956,545)
Urban Splash Construct Limited	117,119	–	97,599	–	–	–
Sekisui House UK Limited	–	262,546	(1,222,546)	–	120,000	(500,000)
USP WW Limited	4,446	–	3,705	–	–	–
Shed K.M. Limited	–	–	(10,000)	–	–	–
PFP US (IPL) LLP	164	–	137	–	–	–
Homes England	–	12,903	–	–	–	–
	<u>165,631</u>	<u>516,412</u>	<u>(3,661,399)</u>	<u>–</u>	<u>120,000</u>	<u>(1,456,545)</u>

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

The transactions and balances listed above all relate to trading activities which have arisen in the normal course of business, and are conducted on an arm's length basis.

27. Controlling party

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