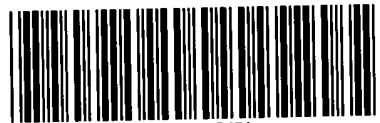


Limited Liability Partnership Registration No. OC351063 (England and Wales)

**ACTON GARDENS LLP**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

WEDNESDAY



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21/03/2018  
COMPANIES HOUSE

# ACTON GARDENS LLP

## MEMBERS' REPORT

### FOR THE YEAR ENDED 30 SEPTEMBER 2017

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The Members present their audited report on Acton Gardens LLP (the "Partnership") for the year ended 30 September 2017.

The Partnership is a joint venture whose Designated Members (the "Members") are Countryside Properties (UK) Limited and L&Q New Homes Limited.

#### **Business activities**

The principal activity of the Partnership is that of property development and the provision of new neighbourhood facilities at South Acton, Ealing.

The Joint Venture entered into a Development Agreement with Ealing Borough Council on the 25th March 2011, for the acquisition and re-development of circa 52 acres of land on the South Acton Estate adjacent to Bollo Bridge Road, South Acton, Ealing.

The site is to be developed in up to 21 phases and is known as Acton Gardens. It will ultimately comprise up to 1,566 new private homes and 1,315 homes for rent and shared ownership through a Registered Provider and associated infrastructure and community facilities.

Construction activity is live across Phases 5, 6 and 7. Phases 1 to 4 are now sales complete.

#### **Trading performance and financial position**

Revenue for the financial year increased by 51.4% to £111.0m (2016: £73.3m). Profit on ordinary activities before interest and members' remuneration increased by 51.8% to £21.1m (2016: £13.9m).

Total members' interests as at 30 September 2017 were £3.5m (2016: £26.6m).

During the year a discretionary profit distribution of £27.5m (2016: £6.2m) was made to Members in the Partnership ratios.

#### **Overview of the market**

Overall the backdrop of the UK housing market remains positive with continued strong customer demand, favorable mortgage lending conditions and good political support. During the year all political parties recognised the need for additional housing, not just because of the chronic need for new homes but also because of the important role that housebuilding plays in the wider economy. In February 2017, the Government issued a housing white paper "Fixing our broken housing market" which set out a broad range of reforms to help shape the housing market and increase the supply of new homes. One of the main themes of the report was a shift in focus from home ownership to increasing supply of mixed tenures housing, including more affordable and Private Rental Sector ("PRS") homes. In October 2017, the Government reaffirmed its support for housing, committing a further £2 billion of funding to deliver more affordable homes and an additional £10 billion of funding for the Help-to-Buy scheme which currently runs to 2021.

Supply of both private and public land remains good. In particular, during the period we saw a further increase in public sector land being released for regeneration giving us additional opportunities to secure more work.

Labour supply continues to be constrained across the industry and we, along with the Home Builders Federation, have been lobbying the Government to protect the status of EU construction workers as a vital part of the UK economy and to protect future development. To mitigate this risk, we are recruiting a record number of apprentices and management trainees and have expanded our supply chain, by offering greater visibility of future work and longer contracts. Overall, build cost inflation was approximately four per cent for the year.

In order to meet the increased demand for housing, despite the labour shortage, the industry must also look at different build methodologies to deliver growth in output and we are examining the way that this process can be enhanced to include all windows, first-fix plumbing and electrical insulation and plasterboard in a closed panel system. We believe that off-site construction is integral to meeting our growth plans and securing our supply chain for the future.

# ACTON GARDENS LLP

## MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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### Strategy

The Partnership's principal objective is to deliver growth year on year, through responsible development.

### Principal risks and uncertainties

The main business risks identified are:

#### *Adverse changes in Government policy and regulation*

Adverse changes to Government policy in areas such as tax, housing and the environment may result in increased costs and/or delays. Failure to comply with laws and regulations could expose the Partnership to penalties and reputational damage.

To mitigate this risk, the potential impact of changes in Government policy and new laws and regulations are monitored and communicated throughout the business. Detailed policies and procedures are in place to address the prevailing regulations.

#### *Constraints on construction resources*

Costs may increase beyond budget due to the reduced availability of skilled labour, shortages of sub-contractors or building materials at competitive prices to support the Partnership's forecast.

To mitigate the risk, the Partnership optimises the use of standard house types and design to maximise buying power. Use of strategic suppliers to leverage volume price reductions and minimise unforeseen disruption. Robust contract terms control costs.

#### *Programme delay (including rising project complexity)*

Failure to secure timely planning permission on economically viable terms or poor project forecasting, unforeseen operational delays due to technical issues, disputes with third party contractors or suppliers, bad weather or changes in purchaser requirements may cause delay or potential termination of the project.

To mitigate this risk, the budgeted programme is monitored weekly.

#### *Inability to source and develop suitable land*

Competition or poor planning may result in a failure to procure land in the right location, at the right price at the right time.

To mitigate this risk, a robust land appraisal process ensures each phase is financially viable and consistent with the Partnership's strategy.

#### *Inadequate Health, Safety and Environmental procedures*

A deterioration in the Partnership's Health, Safety & Environmental standards could put employees, contractors or the general public at risk of injury or death and could lead to litigation or penalties or damage the Partnership's reputation.

To mitigate the risk, procedures, training and reporting are all carefully monitored to ensure that high standards are maintained. An environmental risk assessment is carried out prior to any land acquisition. Appropriate insurance is in place to cover the risks associated with housebuilding.

# ACTON GARDENS LLP

## MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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### Financial risk management

The key financial risks affecting the Partnership are as follows:

#### *Liquidity risk*

The Partnership finances its operations through a mixture of equity (Members capital and reserves) and debt (loans from Members). The Partnership manages its liquidity risk by monitoring its funding headroom against requirements based on short term and long term cash flow forecasts.

#### *Housing market risk*

The Partnership is affected by price fluctuations in the UK housing market. These are in turn affected by the wider economic conditions such as mortgage availability and associated interest rates, employment and consumer confidence.

#### *Credit risk*

The Partnership's exposure to credit risk is limited for housebuilding activities by the fact that the Partnership typically receives cash at the point of legal completion of its sales.

The Partnership's remaining credit risk predominantly arises from receivables under construction contracts and cash and cash equivalents.

### Key performance indicators (KPIs)

The Members consider the Partnership's KPIs are revenue, profit before interest and tax and net assets, which are disclosed in the results and financial position section of the Members' Report.

### Members' capital

Pursuant to the Limited Liability Partnership Agreement dated 25 March 2011, the Partnership had committed secured funding by way of non-interest bearing loans of £nil (2016: £16.3m) from the Members to finance the development at the balance sheet date.

Members' drawings including the allocation of profits and distributions to Members are pursuant to the Partnership Agreement which makes provision for the working capital requirements of the Partnership in priority to Members' drawings and/or distributions and repayment of Members' Loans. Unallocated profits are included in the profit and loss reserves within Members' Interests.

### Members' drawings, contributions and repayments

The Members have confirmed that they will continue to fund the Partnership's future cash requirements and as such it is considered that there is a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Members continue to adopt the going concern basis in preparing the financial statements.

### Designated members

The Designated Members who were in office during the year and up to the date of signing the financial statements were:

L&Q New Homes Limited  
Countryside Properties (UK) Limited

### Future outlook and prospects

The Members believe that the Partnership remains well placed to continue to develop its site at Acton Gardens.

### Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and accordingly shall be deemed to be reappointed as auditor for a further term.

**ACTON GARDENS LLP**

**MEMBERS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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**Statement of disclosure of information to auditors**

So far as the members are aware, there is no relevant audit information of which the limited liability partnership's auditors are unaware. Additionally, the members have taken all the necessary steps that they ought to have taken as members in order to make themselves aware of all relevant audit information and to establish that the limited liability partnership's auditors are aware of that information.

On behalf of the members

  
Countrywide Properties (UK) Limited  
Designated Member  
19 March 2018

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# **ACTON GARDENS LLP**

## **MEMBERS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 30 SEPTEMBER 2017***

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The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year. Under that law the members have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, as applied to limited liability partnerships, the members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations.

The members are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# ACTON GARDENS LLP

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACTON GARDENS LLP

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### Report on the audit of the financial statements

#### Opinion

In our opinion, Acton Gardens LLP's financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 30 September 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2017; the income statement, the reconciliation of members' interests, the statement of cash flows; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

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

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the limited liability partnership's ability to continue as a going concern.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

# ACTON GARDENS LLP

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE MEMBERS OF ACTON GARDENS LLP

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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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the members for the financial statements*

As explained more fully in the Members' Responsibilities Statement set out on page 5, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

##### *Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



# ACTON GARDENS LLP

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF ACTON GARDENS LLP

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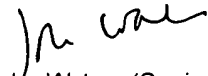
### Other required reporting

#### Companies Act 2006 exception reporting

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the limited liability partnership, 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.

We have no exceptions to report arising from this responsibility.

  
John Waters (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
19 March 2018

# ACTON GARDENS LLP

## INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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	Note	2017 £	2016 £
Revenue	3	111,026,983	73,283,428
Cost of sales		(89,827,626)	(59,335,567)
<b>Gross profit</b>		<u>21,199,357</u>	<u>13,947,861</u>
Administrative expenses		(85,057)	(79,894)
<b>Operating profit</b>	4	<u>21,114,300</u>	<u>13,867,967</u>
Interest receivable and similar income	6	50	-
Interest payable and similar charges	7	-	(691,317)
<b>Profit for the financial year before members' remuneration and profit shares</b>		<u>21,114,350</u>	<u>13,176,650</u>
Members' remuneration charged as an expense	5	-	-
<b>Profit for the financial year available for discretionary division among members</b>		<u>21,114,350</u>	<u>13,176,650</u>

The income statement has been prepared on the basis that all operations are continuing operations.

# ACTON GARDENS LLP

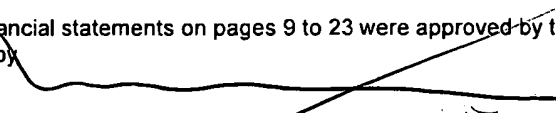
## STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Note	2017 £	£	2016 £	£
<b>Current assets</b>					
Inventories	9	31,321,551		50,565,122	
Trade and other receivables	10	4,048,249		3,099,874	
Cash at bank and in hand		8,734,734		7,986,881	
		<u>44,104,534</u>		<u>61,651,877</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(37,990,184)</u>		<u>(32,543,988)</u>	
<b>Net current assets</b>			6,114,350		29,107,889
<b>Creditors: amounts falling due after more than one year</b>	12		-		(275,748)
<b>Net assets attributable to members</b>			<u>6,114,350</u>		<u>28,832,141</u>
<b>Represented by:</b>					
<b>Members' other interests</b>					
Members' capital classified as equity			-		16,346,224
Other reserves classified as equity			6,114,350		12,485,917
<b>Total</b>			<u>6,114,350</u>		<u>28,832,141</u>
<b>Total members' interests</b>					
Amounts due from members			(3,098,429)		(2,516,539)
Loans and other debts due to members			458,594		269,802
Members' other interests			6,114,350		28,832,141
			<u>3,474,515</u>		<u>26,585,404</u>

The notes on pages 14 to 23 form part of these financial statements.

The financial statements on pages 9 to 23 were approved by the members on 19 March 2018 and signed on its behalf by

  
Countrywide Properties (UK) Limited  
Designated member

Limited Liability Partnership Registration No. OC351063

# ACTON GARDENS LLP

## RECONCILIATION OF MEMBERS' INTERESTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Members' capital classified as equity £	Other reserves classified as equity £	Total £	Other amounts £	Total £	Total 2017 £
Amount due to members				269,802		
Amount due from members				(2,516,539)		
Members' interests at 1 October 2016	16,346,224	12,485,917	28,832,141	(2,246,737)	(2,246,737)	26,585,404
Profit for the financial year available for discretionary division among members	-	21,114,350	21,114,350	-	-	21,114,350
Members' interests after profit for the year	16,346,224	33,600,267	49,946,491	(2,246,737)	(2,246,737)	47,699,754
Division of profits	-	(27,485,917)	(27,485,917)	-	-	(27,485,917)
Introduced by members	9,118,964	-	9,118,964	-	-	9,118,964
Repayments of capital	(25,465,188)	-	(25,465,188)	-	-	(25,465,188)
Other movements	-	-	-	(393,098)	(393,098)	(393,098)
Members' interests at 30 September 2017	-	6,114,350	6,114,350	(2,639,835)	(2,639,835)	3,474,515
Amounts due to members				458,594		
Amounts due from members				(3,098,429)		
				(2,639,835)		

## ACTON GARDENS LLP

### RECONCILIATION OF MEMBERS' INTERESTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Members' capital classified as equity £	Other reserves classified as equity £	Total £	Other amounts £	Total £	Total 2016 £
Members' interests at 1 October 2015	6,906,940	5,499,479	12,406,419	(115,796)	(115,796)	12,290,623
Profit for the financial year available for discretionary division among members	-	13,176,650	13,176,650	-	-	13,176,650
Members' interests after profit for the year	6,906,940	18,676,129	25,583,069	(115,796)	(115,796)	25,467,273
Allocation of profit for the financial year	-	(6,190,212)	(6,190,212)	-	-	(6,190,212)
Introduced by members	9,439,284	-	9,439,284	-	-	9,439,284
Other movements	-	-	-	(2,130,941)	(2,130,941)	(2,130,941)
Members' interests at 30 September 2016	16,346,224	12,485,917	28,832,141	(2,246,737)	(2,246,737)	26,585,404
Amounts due to members				269,802		
Amounts due from members				(2,516,539)		
				(2,246,737)		

# ACTON GARDENS LLP

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2017

		2017		2016	
	Note	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	15	44,579,943		4,034,478	
Interest paid			-	(1,025)	
<b>Net cash generated from operating activities</b>		<b>44,579,943</b>		<b>4,033,453</b>	
<b>Investing activities</b>					
Interest received		50		-	
<b>Net cash generated from investing activities</b>			<b>50</b>		
<b>Financing activities</b>					
Capital introduced by members (classified as debt or equity)		9,118,964		9,439,284	
Repayment of capital or debt to members		(25,465,188)		-	
Members discretionary profit distribution		(27,485,917)		(6,190,212)	
<b>Net cash (used in)/generated from financing activities</b>		<b>(43,832,141)</b>		<b>3,249,072</b>	
<b>Net increase in cash and cash equivalents</b>		<b>747,852</b>		<b>7,282,525</b>	
Cash and cash equivalents at beginning of year		7,986,881		704,356	
<b>Cash and cash equivalents at end of year</b>		<b>8,734,734</b>		<b>7,986,881</b>	

# ACTON GARDENS LLP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

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### 1 Accounting policies

#### 1.1 Limited liability partnership information

Acton Gardens LLP is a housebuilding business.

The Limited Liability Partnership is a joint venture whose Designated Members are Countryside Properties (UK) Limited and L&Q New Homes Limited. The Limited Liability Partnership is incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is Countryside House, The Drive, Brentwood, Essex, CM13 3AT.

#### 1.2 Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in January 2017, together with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis, in Sterling, which is the functional currency of the Partnership, and under the historical cost convention. The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

# ACTON GARDENS LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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### 1 Accounting policies

(Continued)

#### 1.3 Revenue

Revenue comprises the fair value of the consideration received or receivable, net of applicable Value Added Tax, Stamp Duty Land Tax, rebates and discounts. Revenue and profit are recognised as set out below.

##### *Private housing*

Revenue is recognised in the Income Statement on legal completion at the fair value of the consideration received.

##### *Cash incentives*

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

##### *Affordable housing contracts and design and build contracting*

Contract revenue and costs are recognised in accordance with FRS 102.

Where the outcome of a long-term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the Income Statement within cost of sales.

##### **Cost of sales**

In certain instances, property may be accepted in part consideration for a sale of a residential property. The fair value is established by independent surveyors, reduced for the cost to sell. Net proceeds generated from the subsequent sale of part-exchange properties are recorded as a reduction to cost of sales. The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts.

For sales of private housing, the Partnership determines the value of inventory charged to cost of sales based on the total budgeted cost of developing the site. Once the total expected costs of development are established they are allocated to individual plots to achieve a build cost per plot. These costs are recognised within cost of sales when the related revenue is recognised in accordance with the Partnership's revenue recognition policy.

To the extent that additional costs or savings are identified as the site progresses, these are recognised over the remaining plots unless they are specific to a particular plot, in which case they are recognised in the Income Statement at the point of sale.

As outlined above, costs in relation to the sale of affordable housing and design and build contracts are recognised in accordance with FRS 102.



# ACTON GARDENS LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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### 1 Accounting policies

(Continued)

#### 1.4 Members' participating interests

Members' participation interests are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed remuneration and profits).

Members' participation interests in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with section 22 of FRS 102. A member's participation interests including amounts subscribed or otherwise contributed by members, for example members' capital, are classed as liabilities unless the LLP has an unconditional right to refuse payment to members, in which case they are classified as equity.

All amounts due to members that are classified as liabilities are presented within 'amounts due to members' and, where such an amount relates to current year profits, they are recognised within 'Members' remuneration charged as an expense' in arriving at the relevant year's result. Undivided amounts that are classified as equity are shown within 'Members' other interests'. Amounts recoverable from members are presented as debtors and shown as 'amounts due from members'.

#### 1.5 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

#### 1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

# ACTON GARDENS LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

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### 1 Accounting policies

(Continued)

#### 1.7 Financial instruments

The Partnership classifies its financial assets as loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Partnership transfers substantially all risk and rewards.

##### *Loan and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Partnership's loans and receivables comprise 'trade and other receivables' and 'cash at bank and in hand' in the Statement of Financial Position.

##### *Trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced and any impairment loss is recognised in the Income Statement. If collection is expected in one year or less, receivables are classified as current assets. If not, they are classified as non-current assets.

##### *Impairment of financial assets*

The Partnership assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event or events has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

##### *Financial liabilities*

Financial liabilities are classified according to the substance of each contractual agreement.

##### *Trade payables*

Trade payables on normal terms are not interest bearing and are stated initially at their fair value and subsequently at amortised cost.

Where land is purchased on deferred settlement terms the land and associated liability are discounted to their fair value. The discount to fair value is amortised over the period of the credit term and charged to finance costs using the effective interest rate method. Changes in estimates of the final payment due are capitalised into inventory and, in due course, to cost of sales in the Income Statement.

Trade payables also include liabilities in respect of land overage where the Partnership is committed to make contractual payments to land vendors related to the performance of the development in the future. Land overage is estimated based on expected future cash flows in relation to relevant developments and, where payment will take place in more than one year, is discounted.

Deposits received from customers relating to sales of new properties are classified within current trade payables.

Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are classified as non-current liabilities.

# ACTON GARDENS LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

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### 1 Accounting policies

(Continued)

#### 1.8 Members' loans

The Members' loans have been classified as equity in accordance with Statement of Recommended Practice "Accounting by Limited Liability Partnerships" (issued March 2010).

Members' loans included within Members' Capital are repayable on demand, subject to the consent of all Members and on the disposal of the underlying net assets of the Partnership and may therefore fall due after more than one year.

Members' loans rank in priority to other unsecured creditors in the event of a winding-up.

# ACTON GARDENS LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

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### 2 Critical accounting estimates and judgements

In the application of the Limited Liability Partnership's accounting policies, the Members are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical accounting judgements**

In the process of applying the Partnership's accounting policies, which are described in note 1, the Members have made no individual judgements that have a significant impact on the financial statements, apart from those involving estimates which are described below.

#### **Key sources of estimation uncertainty**

Estimates and underlying assumptions affecting the financial statements are based on historical experience and other relevant factors and are reviewed on an ongoing basis. This approach forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Such changes are recognised in the year in which the estimate is revised.

The key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities are described below.

#### **Estimation of site profitability**

In order to determine the profit or loss that the Partnership recognises on its developments and construction contracts in a specific period, the Partnership allocates the total cost of each development and construction contract between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred requires a degree of estimation due to the long-term nature of the Partnership's activities and because actual costs are subject to market fluctuations. Management has established internal controls to review and ensure the appropriateness of estimates made on an individual contract basis.

#### **Carrying value of inventory**

Inventory generated through the normal course of business is recorded at the lower of cost and net realisable value. A financial appraisal is prepared and updated monthly for each development which records an estimate of future revenues and expenditure. As both future costs and sales prices fluctuate in line with local market conditions, significant adverse variances in either costs or sales prices estimates could lead to an impairment of inventory. In circumstances where forecast revenues are lower than anticipated expenditure, an inventory provision is made. This inventory provision may be reversed in future periods when there is evidence of improved selling prices or reduced expenditure forecast on a development.

### 3 Revenue

All of the Partnership's revenues are derived in the United Kingdom and from its housebuilding and related development activities.

# ACTON GARDENS LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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<b>4 Operating profit</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Operating profit for the year is stated after charging:		
Fees payable to the company's auditors for the audit of the partnership's financial statements	17,000	9,894
Cost of inventories recognised as an expense	88,899,007	59,335,567
	<u>                    </u>	<u>                    </u>

The Limited Liability Partnership had no employees during the financial year (2016: Nil).

<b>5 Members' remuneration charged as an expense</b>	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
The average number of members during the year was	2	2
	<u>                    </u>	<u>                    </u>

The Members did not receive any remuneration in respect of services provided to the Limited Liability Partnership in the current or prior year.

<b>6 Interest receivable and similar income</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest on bank deposits	50	-
	<u>                    </u>	<u>                    </u>

<b>7 Interest payable and similar charges</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Other interest	-	1,025
Unwinding of discount on provisions	-	690,292
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>

<b>8 Financial instruments</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Carrying amount of financial assets</b>		
Measured at amortised cost	11,873,507	10,727,348
	<u>                    </u>	<u>                    </u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	37,990,144	32,819,736
	<u>                    </u>	<u>                    </u>

# ACTON GARDENS LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

<b>9 Inventories</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Land	942,556	13,109,285
Development work in progress	29,962,526	37,455,837
Completed properties unlet, unsold or awaiting sale completion	416,469	-
	<u>31,321,551</u>	<u>50,565,122</u>
<b>10 Trade and other receivables</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	40,344	-
Amounts due from members	2,470,745	2,516,539
Other receivables	909,476	583,335
	<u>3,420,565</u>	<u>3,099,874</u>
<b>Amounts falling due after more than one year:</b>		
Amounts due from members	<u>627,684</u>	<u>-</u>
<b>Total trade and other receivables</b>	<u>4,048,249</u>	<u>3,099,874</u>
<b>11 Creditors: amounts falling due within one year</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade creditors	28,933,253	26,340,999
Amounts due to related parties	294,804	-
Amounts due to members	458,594	269,802
Accruals and deferred income	8,303,533	5,933,187
	<u>37,990,184</u>	<u>32,543,988</u>
Trade creditors include land creditors which relate to forecast overage payments which are unsecured and non interest bearing.		
<b>12 Creditors: amounts falling due after more than one year</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Trade creditors	<u>-</u>	<u>275,748</u>

# ACTON GARDENS LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

### 13 Related party transactions

The Partnership had the following transactions with related parties during the year:

#### Due to Countryside Properties (UK) Limited and associates:

	2017	2016
	£	£
Transfer of legal and beneficial interest in work in progress	383,201	303,207
Legal, sales and marketing services	925,114	654,688
Project management fees	5,110,211	4,444,816
Accounting and administration services	70,000	70,000
Site establishment services	1,615,131	1,562,458
Design and Build contracting	-	643,986
Other transactions	319	3,508
	<u>8,103,976</u>	<u>7,682,663</u>

#### Due from L&Q New Homes Limited and associates:

	2017	2016
	£	£
Marketing, legal and technical services	1,063,546	837,218
Design and Build contracting for affordable housing	(32,952,590)	(30,844,467)
	<u>(31,889,044)</u>	<u>(30,007,249)</u>

At the financial reporting date, the following balances were owed (by)/to the Partnership (to)/by related parties:

#### Due from/(to) Countryside Properties (UK) Limited and associates:

	2017	2016
	£	£
Amounts due by the Partnership	(458,594)	(269,802)
Amounts due to the Partnership	228,100	-
	<u>(230,494)</u>	<u>(269,802)</u>
Amounts due by the Partnership to associate	(294,804)	-
	<u>(294,804)</u>	<u>-</u>

#### Due from L&Q New Homes Limited and associates:

	2017	2016
	£	£
Amounts due to the Partnership	<u>2,870,329</u>	<u>2,516,539</u>

## ACTON GARDENS LLP

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

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#### 14 Controlling party

The Partnership is a joint venture between Countryside Properties (UK) Limited and L&Q New Homes Limited.

The ultimate parent company of Countryside Properties (UK) Limited is Countryside Properties PLC.

The ultimate parent undertaking and controlling entity of L&Q New Homes Limited is considered to be London & Quadrant Housing Trust. The smallest and largest group into which the Partnership's results are consolidated is considered to be London & Quadrant Housing Trust. All entities are incorporated in the United Kingdom and Financial Statements for all entities can be obtained from London & Quadrant, One Kings Hall Mews, Lewisham, London, SE13 5JQ.

<b>15 Cash generated from operations</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	21,114,350	13,176,650
<i>Adjustments for:</i>		
Finance costs recognised in profit or loss	-	691,317
Investment income recognised in profit or loss	(50)	-
<i>Movements in working capital:</i>		
Decrease/(increase) in inventories	19,243,570	(14,973,555)
Increase in trade and other receivables	(988,718)	(1,729,952)
Increase in trade and other payables	5,210,792	6,870,018
<b>Cash generated from operations</b>	<b>44,579,944</b>	<b>4,034,478</b>