

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

ACTON GARDENS LLP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020



ACTON GARDENS LLP

MEMBERS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Members present their audited report on Acton Gardens LLP (the 'Partnership') for the year ended 30 September 2020.

The Partnership is a joint venture whose Designated Members (the 'Members') are Countryside Properties (UK) Limited and L&Q New Homes Limited. The relevant percentage of each Member's interest is 50% respectively. Control is exercised pursuant to a Limited Liability Partnership Agreement dated 25 March 2011.

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 Partnership entered into a Development Agreement with Ealing Borough Council on 25 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 3,463 new homes together with associated infrastructure and community facilities. There is a 50% allocation on a habitable room basis to affordable housing which will be delivered through a Registered Provider.

Construction activity is live across Phases 6, 7 and 9. Phases 1 to 5 are now sales complete.

Trading performance and financial position

Revenue for the financial year decreased by 2% to £88.2m (2019: £89.7m). Profit before Members' remuneration and profit shares decreased by 38% to £16.5m (2019: £26.6m).

Total Members' interests as at 30 September 2020 were £25.6m (2019: £44.4m).

During the year a discretionary profit distribution of £26.6m (2019: £19.1m) was made to Members in the Partnership ratios.

Overview of the market

Market performance across the past 12 months has been dominated by the unprecedented effect which the Covid-19 pandemic has had across the world's economies as well as the continued political uncertainty created by the UK's decision to leave the European Union.

Despite these historic events, demand for housing of all tenures has remained remarkably strong, with mortgage approvals quickly recovering to pre-lockdown levels and house price increases demonstrating the extent of pent-up demand within the housing market. The Government's objective to satisfy this strong demand through the delivery of 300,000 additional homes annually by the mid-2020s is being advanced but remains some way off, with 179,000 homes delivered in 2019, prior to the disruption in the sector during 2020 as a result of the Covid-19 pandemic.

Looking forward, there is a significant degree of uncertainty as to whether such positive sentiment will be maintained. Whilst interest rates remain low, there has been a reduction in mortgage availability with many of the high loan-to-value products being withdrawn, particularly affecting first-time buyers. Furthermore, as Government support for employees and businesses affected by the Covid-19 pandemic tapers off many forecasters project an increase in unemployment levels.

Strategy

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

ACTON GARDENS LLP

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Principal risks and uncertainties

The main business risks identified are:

A major incident impacts the United Kingdom, or countries where key suppliers are located and significantly impacts the business.

The impact of a catastrophic event, such as flooding, failure of the National Grid, or the spread of an infectious disease on an epidemic or pandemic scale can lead to the imposition of Government controls on the movement of people with the associated cessation of large parts of the economy for a significant period of time. The cessation of business can lead to zero or reduced revenues until business activity can be safely recommenced.

To mitigate this risk, the Partnership maintains a strong balance sheet to sustain periods of complete or partial cessation of business. The Partnership also has robust and tested business interruption plans, including "slow down" and "stop" procedures for all supply and contractor agreements are in place.

Adverse macroeconomic conditions

A decline in the macroeconomic conditions, or conditions in the UK residential property market, can reduce the propensity to buy homes. Higher unemployment, interest rates and inflation can affect consumer confidence and reduce demand for new homes. Constraints on mortgage availability, or higher costs of mortgage funding, may make it more difficult to sell homes.

To mitigate this risk, contracts are phased and, where possible, subject to viability testing. Forward sales, cash flow and work in progress are carefully monitored to give the Partnership time to react to changing market conditions.

Adverse changes in Government policy and regulation

Adverse changes to Government policy in areas such as tax, housing, the environment and building regulations 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. 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, or shortages of sub-contractors or building materials at competitive prices to support the Partnership's growth ambitions.

To mitigate the risk, the Partnership optimises the use of standard house types and design to maximise buying power. The Partnership uses implements robust contract terms to control costs and works strategically with suppliers to leverage volume price reductions and minimise supply chain disruption.

Programme delay (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 potentially termination of a project.

To mitigate this risk, the budgeted programme for each phase is reviewed and monitored on a regular basis.

ACTON GARDENS LLP

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Inadequate health, safety and environmental procedures

A deterioration in the Partnership's health, safety or environmental standards could put its contractors or the general public at risk of injury or death and could lead to litigation, 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. Environmental risk assessments are carried out and insurance is put in place prior to any land acquisition.

Cyber security

A failure of the Partnership's IT systems or a security breach of the internal systems, website or loss of data could significantly impact the Partnership's business.

To mitigate this risk, regular system updates and backups are carried out and data is stored off-site.

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 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 the holding of cash and cash equivalents.

Key performance indicators (KPIs)

The Members consider the Partnership's KPIs to be revenue; profit before Members' remuneration and profit shares; and total Members' interests, which are disclosed in the 'Trading performance and financial position' section of this report.

Members' capital

Pursuant to the Limited Liability Partnership Agreement dated 25 March 2011, the Partnership had no secured funding by way of non-interest bearing loans 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 other reserves classified as equity within Members' interests.

ACTON GARDENS LLP

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Members' drawings, contributions and repayments

The Members' drawing policy allows each member to draw a proportion of their profit share, subject to the cash requirements of the business.

Going concern

The Members have a reasonable expectation that the Partnership will have adequate resources to meet its liabilities falling due for a period no less than 12 months from the date of signing the financial statements. The Partnership therefore continues to adopt the going concern basis in preparing its financial statements.

Designated Members

The Designated Members 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 auditors for a further term.

Statement of disclosure of information to auditors

So far as the Members are aware, there is no relevant audit information of which the 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 Partnership's auditors are aware of that information.

On behalf of the Members



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Countryside Properties (UK) Limited
Designated Member
17. March 2021

ACTON GARDENS LLP

MEMBERS' RESPONSIBILITIES STATEMENT Type text here FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 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.

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.

ACTON GARDENS LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACTON GARDENS LLP

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 2020 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 2020; the statement of comprehensive income, the statement of cash flows and the reconciliation of members' interests for the year then ended; 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 where:

- 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

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. 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

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.



Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 March 2021

ACTON GARDENS LLP

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

		2020	2019
	Note	£	£
Revenue	3	88,160,365	89,650,163
Cost of sales		(71,581,271)	(62,995,081)
Gross profit		<u>16,579,094</u>	<u>26,655,082</u>
Administrative expenses		(98,900)	(93,224)
Operating profit	4	<u>16,480,194</u>	<u>26,561,858</u>
Interest payable and similar charges	6	(90)	-
Profit for the financial year available for discretionary division among Members		<u><u>16,480,104</u></u>	<u><u>26,561,858</u></u>

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

ACTON GARDENS LLP

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	Note	2020		2019	
		£	£	£	£
Fixed assets					
Property, plant and equipment	7		7,280		11,440
Current assets					
Inventories	9	42,521,842		65,437,727	
Trade and other receivables	10	6,726,023		6,841,920	
Cash at bank and in hand		369,002		1,634,545	
		<u>49,616,867</u>		<u>73,914,192</u>	
Current liabilities: amounts falling due within one year	11	<u>(19,872,251)</u>		<u>(24,224,465)</u>	
Net current assets			<u>29,744,616</u>		<u>49,689,727</u>
Total assets less current liabilities			<u>29,751,896</u>		<u>49,701,167</u>
Represented by:					
Members' other interests					
Members' capital classified as equity			13,271,792		23,139,309
Other reserves classified as equity			16,480,104		26,561,858
Total			<u>29,751,896</u>		<u>49,701,167</u>
Total Members' interests					
Amounts due from Members			(4,525,593)		(5,419,794)
Loans and other debts due to Members			339,161		111,799
Members' other interests			29,751,896		49,701,167
			<u>25,565,464</u>		<u>44,393,172</u>

The notes on pages 14 to 25 form part of these financial statements.

The financial statements on pages 9 to 25 were approved by the Members on 17 March 2021 and signed on its behalf by


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Countryside Properties (UK) Limited
Designated Member

Limited Liability Partnership Registration No. OC351063

ACTON GARDENS LLP

RECONCILIATION OF MEMBERS' INTERESTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Members' capital classified as equity £	Other reserves classified as equity £	Total equity £	Other amounts £	Total Members' interests £
Amounts due to Members				111,799	
Amounts due from Members				(5,419,794)	
Members' interests at 1 October 2019	23,139,309	26,561,858	49,701,167	(5,307,995)	44,393,172
Profit for the financial year available for discretionary division among Members	-	16,480,104	16,480,104	-	16,480,104
Members' interests after profit for the year	23,139,309	43,041,962	66,181,271	(5,307,995)	60,873,276
Distribution of profits	-	(26,561,858)	(26,561,858)	-	(26,561,858)
Introduced by Members	38,844,502	-	38,844,502	-	38,844,502
Repaid to Members	(48,712,019)	-	(48,712,019)	-	(48,712,019)
Other movements	-	-	-	1,121,563	1,121,563
Members' interests at 30 September 2020	13,271,792	16,480,104	29,751,896	(4,186,432)	25,565,464
Amounts due to Members				339,161	
Amounts due from Members				(4,525,593)	
				(4,186,432)	

ACTON GARDENS LLP

RECONCILIATION OF MEMBERS' INTERESTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Members' capital classified as equity £	Other reserves classified as equity £	Total equity £	Other amounts £	Total Members' interests £
Amounts due to Members				254,069	
Amounts due from Members				(3,811,577)	
Members' interests at 1 October 2018	11,532,754	19,080,395	30,613,149	(3,557,508)	27,055,641
Profit for the financial year available for discretionary division among Members	-	26,561,858	26,561,858	-	26,561,858
Members' interests after profit for the year	11,532,754	45,642,253	57,175,007	(3,557,508)	53,617,499
Distribution of profits	-	(19,080,395)	(19,080,395)	-	(19,080,395)
Introduced by Members	11,606,555	-	11,606,555	-	11,606,555
Other movements	-	-	-	(1,750,487)	(1,750,487)
Members' interests at 30 September 2019	23,139,309	26,561,858	49,701,167	(5,307,995)	44,393,172
Amounts due to Members				111,799	
Amounts due from Members				(5,419,794)	
				(5,307,995)	

ACTON GARDENS LLP

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020	2019
		£	£
Cash flows from operating activities			
Cash generated from operations	15	35,163,922	331,340
Interest paid		(90)	-
Net cash generated from operating activities		<u>35,163,832</u>	<u>331,340</u>
Financing activities			
Capital introduced by Members (classified as equity)		38,844,502	11,606,555
Repayment of capital to members		(48,712,019)	-
Members discretionary profit distribution		(26,561,858)	(19,080,395)
Net cash used in financing activities		<u>(36,429,375)</u>	<u>(7,473,840)</u>
Net decrease in cash and cash equivalents		<u>(1,265,543)</u>	<u>(7,142,500)</u>
Cash and cash equivalents at beginning of year		1,634,545	8,777,045
Cash and cash equivalents at end of year		<u><u>369,002</u></u>	<u><u>1,634,545</u></u>

ACTON GARDENS LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

1.1 Limited liability partnership information

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

1.3 Going concern

The Members have a reasonable expectation that the Partnership will have adequate resources to meet its liabilities falling due for a period no less than 12 months from the date of signing the financial statements. The Partnership therefore continues to adopt the going concern basis in preparing its financial statements.

ACTON GARDENS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

1.4 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 statement of comprehensive income on legal completion at the fair value of the consideration received.

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.

Cash is received by the Partnership on legal completion and there is no variable or financing component to the consideration received. Where customers use the Government's Help to Buy scheme, the Partnership typically receives the cash from Home England within two weeks of legal completion.

Affordable housing, design and build and private rented sector ("PRS") contracts

Contract revenue for affordable housing, design and build and PRS contracts is recognised over time based on surveyor-certified valuations of work performed at the balance sheet date.

As the build progresses, customer-controlled assets are created, with the design tailored to the specification of the customer. The Partnership has an enforceable right to be paid for the work completed to date and invoices are issued and paid over the life of the development.

Variations in contract work and claims are included to the extent that it is highly probable that there will not be a significant reversal when the value of such payments are finalised.

Where progress towards the satisfaction of contractual obligations cannot be reasonably determined, revenue is recognised over time as the work is performed, to the extent that costs have been incurred and are expected to be recoverable, and 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 statement of comprehensive income within cost of sales.

Other revenue – commercial sales

Revenue is typically recognised in the statement of comprehensive income at a point in time on unconditional exchange of contracts. Cash is received on legal completion and, in most cases, there is no variable or financing component to the consideration received.

In some cases, for example in design and build contracts, revenue is recognised over time as described in the "Affordable housing, design and build and private rented sector ("PRS") contracts" section above. Revenue is measured as the fair value of consideration received or receivable.

ACTON GARDENS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies (Continued)

1.5 Cost of sales

The Partnership determines the value of inventories charged to cost of sales based on the total forecast margin of developing the relevant phase of the site. Once the total expected margin of the phase is established it is allocated based on revenue to calculate a build cost per unit. These costs are recognised within cost of sales when the related revenue (private, affordable, PRS or commercial) is recognised in accordance with the Partnership's revenue recognition policy. To the extent that additional costs or savings are identified and the expected margin changes as the phase progresses, the change is recognised over the remaining units.

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.

1.6 Members' participating interests

Members' participating 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. 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'.

1.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any applicable impairment losses.

Depreciation is charged at rates to write off the cost of the asset (to its residual value) on a straight line basis over the estimated useful life of the asset. The applicable annual rates are:

Plant and machinery	20% to 25%
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The Company does not own any land or buildings considered to be non-trade related.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount.

ACTON GARDENS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

1.8 Inventories

Inventories are held at the lower of cost or net realisable value. Costs comprises materials, applicable direct labour and those overheads incurred to bring the inventories to their present location and condition. Net realisable value represents estimated selling price less all estimated costs to sell, including sales and marketing costs.

Pre-contract expenditure is capitalised into inventories where it is probable that a contract will be signed or otherwise is recognised as an expense within costs of sales in the statement of comprehensive income.

Provisions for inventories are made, where appropriate, to reduce the value of inventories to their net realisable value.

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.

1.9 Cash and cash equivalents

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

1.10 Financial instruments

Financial assets

The Partnership's financial assets comprise cash and cash equivalents, trade receivables and amounts due from Members, as disclosed in Note 8. They are included in current assets, except for those with maturities greater than 12 months from the end of the reporting period, which are classified as non-current assets.

Being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, they are held at amortised cost less any provision for impairment.

Financial assets are de-recognised only when the contractual rights to the cash flows from the financial asset expire, or the Partnership transfers substantially all risk and rewards.

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.

ACTON GARDENS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

Financial liabilities

The Partnership's financial liabilities consist of trade payables and amounts due to Members (except where classified as equity), as disclosed in Note 8. They are classified as current liabilities if payment is due within one year or less. If not, they are classified as non-current liabilities.

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

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.

1.11 Taxation

The Partnership is not liable to corporate or income taxation and any liability or benefit for taxation arising on profits or losses from the Partnership is borne by the Members.

1.12 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 2020

2 Critical accounting estimates and judgements

In the application of the 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.

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 phases in a specific period, the Partnership allocates the total cost of each phase between the proportion completing in the period and the proportion completing in future periods. The assessment of the total costs to be incurred requires a degree of estimation. Actual costs may differ to forecasts for several reasons such as site delays, unforeseen costs, change orders and uncontracted cost inflation and the Partnership is exposed to various market fluctuations also. The long-term nature of the Partnership's activities adds further complexity as forecasts are required for the duration of phases. The Covid-19 pandemic has increased this estimation uncertainty during the year due to the potential impact on house prices, materials, labour costs and construction timelines. Internal controls are in place to review and ensure the appropriateness of estimates made on each phase.

The Members note that a change in estimated margins (due, for example, to changes in estimates of cost inflation or a material reduction in house prices in the private market) could materially alter future profitability. The Members have performed a detailed review of the Partnership's phases, considering the impact of the Covid-19 pandemic, and have concluded that no impairment of inventory is required at 30 September 2020.

As an illustration, if the forecast margins of all phases were reduced by 500 basis points, the gross profit recognised in the year would have reduced by £4.4m, with a reduction to net assets of the same value. Likewise, increasing margins by 500 basis points would have increased gross profit and net assets by the same values.

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 2020

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging:		
Fees payable to the Partnership's auditors for the audit of the Partnership's financial statements	21,879	17,595
Depreciation of owned property, plant and equipment	4,160	4,160
Cost of inventories recognised as an expense	70,219,449	61,636,680
	<u>70,245,488</u>	<u>61,658,435</u>

The Partnership had no employees during the financial year (2019: Nil).

5 Members

	2020	2019
	Number	Number
The average number of Members during the year was	<u>2</u>	<u>2</u>

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

6 Interest payable and similar charges

	2020	2019
	£	£
Other interest	<u>90</u>	<u>-</u>

ACTON GARDENS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

7 Property, plant and equipment

	Plant and machinery £
Cost	
At 1 October 2018	16,640
Additions	-
	<hr/>
At 30 September 2019	16,640
Additions	-
	<hr/>
At 30 September 2020	16,640
	<hr/>
Accumulated depreciation and impairment	
At 1 October 2018	1,040
Depreciation charged in the year	4,160
	<hr/>
At 30 September 2019	5,200
Depreciation charged in the year	4,160
	<hr/>
At 30 September 2020	9,360
	<hr/>
Carrying amount	
At 30 September 2020	7,280
	<hr/> <hr/>
At 30 September 2019	11,440
	<hr/> <hr/>

8 Financial instruments

	2020 £	2019 £
Cash at bank and in hand	369,002	1,634,545
	<hr/> <hr/>	<hr/> <hr/>
Financial assets at amortised cost		
Trade and other receivables	6,221,850	6,841,920
	<hr/> <hr/>	<hr/> <hr/>
Financial liabilities at amortised cost		
Trade and other payables	15,282,597	15,568,661
	<hr/> <hr/>	<hr/> <hr/>

Trade and other receivables presented above excludes "Other taxation and social security".

Trade and other payables presented above excludes "Other taxation and social security" and "Accruals and deferred income".

ACTON GARDENS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

9 Inventories

	2020	2019
	£	£
Development work in progress	19,530,155	56,150,399
Completed properties unsold or awaiting sale	22,991,687	9,287,328
	<u>42,521,842</u>	<u>65,437,727</u>

10 Trade and other receivables

	2020	2019
	£	£
Amounts falling due within one year:		
Trade receivables	1,678,210	1,154,000
Amounts due from Members	4,525,593	5,419,794
Other receivables	18,047	268,126
Other taxation and social security	504,173	-
	<u>6,726,023</u>	<u>6,841,920</u>

Amounts due from Members are unsecured, non-interest bearing, repayable on demand and have no fixed date of repayment.

11 Current liabilities: amounts falling due within one year

	2020	2019
	£	£
Trade payables	14,943,436	15,456,862
Amounts due to Members	339,161	111,799
Other taxation and social security	-	101,370
Accruals and deferred income	4,589,654	8,554,434
	<u>19,872,251</u>	<u>24,224,465</u>

Amounts due to Members are unsecured, non-interest bearing, repayable on demand and have no fixed date of repayment.

Trade payables include overage payable which relate to forecast overage payments which are unsecured and non-interest bearing.

ACTON GARDENS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

12 Related party transactions

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

Countryside Properties (UK) Limited and associates:

	2020	2019
	£	£
Transfer of legal and beneficial interest in work in progress	275,714	475,721
Legal, sales and marketing services	392,839	718,292
Project management fees	4,794,530	4,459,063
Accounting and administration services	70,000	70,000
Site establishment services	1,544,703	2,460,670
Other transactions	-	15,446
	<u>7,077,786</u>	<u>8,199,192</u>

L&Q New Homes Limited and associates:

	2020	2019
	£	£
Marketing, legal and technical services	788,741	753,532
Design and Build contracting for affordable housing	(21,371,645)	(35,795,922)
	<u>(20,582,904)</u>	<u>(35,042,390)</u>

ACTON GARDENS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

12 Related party transactions (Continued)

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

Due to Countryside Properties (UK) Limited and associates

	2020 £	2019 £
Amounts owed by the Partnership	(339,161)	(111,799)

Due from L&Q New Homes Limited and associates

	2020 £	2019 £
Amounts owed to the Partnership	4,525,593	5,419,794

13 Controlling parties

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 smallest and largest group into which the Partnership's results are consolidated is Countryside Properties PLC. Financial statements for Countryside Properties PLC are available from the Company Secretary, Countryside House, The Drive, Brentwood, Essex, CM13 3AT.

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, 29-35 West Ham Lane, Stratford, London, E15 4PH.

ACTON GARDENS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

14 Contingent liabilities

The Partnership has entered into counter indemnities to bankers, insurance companies, statutory undertakings and the National House Building Council in the normal course of business.

During the prior financial year, an amendment to Building Regulations banned the use of combustible materials on the external cladding of tall (over 18m) buildings. An independent third-party desktop review of historical multi-occupied developments (buildings of apartments) was completed during the year and found that the Partnership had no high risk buildings where it was required to perform remediation works.

In January 2020, the Ministry of Housing, Communities & Local Government's ("MHCLG") published "Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings". This requires that a formal fire safety assessment must be conducted by a suitably qualified and competent professional (typically a Fire Engineer) for all multi-occupancy buildings. In December 2019, the Royal Institute of Chartered Surveyors ("RICS"), UK Finance and the Building Societies Association introduced the External Wall Fire Review process to support mortgage valuation processes. This requires assessment of the external wall system for buildings over 18m, or where specific fire safety concerns exist, which is summarised on the newly introduced form EWS1.

An independent third party has been engaged to complete these assessments for all Partnership owned or controlled buildings where EWS1 is applicable. The Partnership is also working with a number of partners and third parties to assist in their review of buildings within the scope of the MHCLG advice note and EWS1 and the review process remains ongoing. No provision has been made for fire safety-related works as at 30 September 2020 and the Partnership's liability in respect of these matters will be kept under review as the independent risk assessments are concluded during 2021.

15 Cash generated from operations	2020 £	2019 £
Profit for the financial year	16,480,104	26,561,858
Adjustments for:		
Interest payable and similar charges	90	-
Depreciation of property, plant and equipment	4,160	4,160
Movements in working capital:		
Decrease/(increase) in inventories	22,915,885	(12,413,009)
Decrease/(increase) in trade and other receivables	115,897	(2,316,609)
Decrease in trade and other payables	(4,352,214)	(11,505,060)
Cash generated from operations	35,163,922	331,340