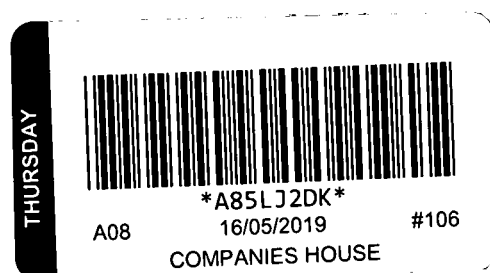


Company Registration No. 05852456 (England and Wales)

**COUNTRYSIDE SIGMA LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**



# **COUNTRYSIDE SIGMA LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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The Directors present their Strategic Report of Countryside Sigma Limited (the 'Company') for the year ended 30 September 2018.

### **Business Activities**

Countryside Sigma Limited is a housing developer and is also engaged in the sourcing and provision of affordable housing for housing associations and other registered social landlords.

Liverpool Inpartnership 2007 Limited owns a 25.1% shareholding interest in the Company and Countryside Properties (UK) Limited, a subsidiary of Countryside Properties PLC (the 'Group'), owns a 74.9% shareholding interest. The Company is controlled pursuant to the Shareholders' and Operating Agreement dated 22 February 2013 (the "Agreement").

The Company owns an interest in freehold land known as Norris Green 1C, Norris Green 2, Queen Mary and Gateacre in Liverpool. The sites have detailed planning permission for a total of 604 (2017: 604) new homes. Construction commenced in 2013 and a total of 542 new homes had been completed at 30 September 2018 (2017: 427).

Countryside Properties (UK) Limited and Liverpool Inpartnership 2007 Limited provide project and development management and other services to the Company pursuant to the Agreement.

### **Trading Results**

Revenue for the financial year was £37.9m (2017: £28.5m). Operating profit was £4.8m (2017: £2.2m) and profit before taxation was £4.7m (2017: £1.8m).

Total shareholders' funds as at 30 September 2018 were £7.0m (2017: £3.2m).

### **Overview of the market**

Overall demand for housing of all tenures remains strong across all areas of operation. Mortgage availability and the recently announced extension of Help to Buy until 2023 have ensured that demand from first time buyers has remained robust.

However, some stresses in the UK housing market started to emerge during the year, with property sales in the second-hand market slowing, particularly at higher price points as a result of the impact of increased Stamp Duty together with the uncertain macro-economic backdrop. The impact is limited by the strategic decision taken years ago to reduce average selling prices to ensure our product is affordable for local owner occupiers.

At the same time, according to the National House-Building Council (NHBC), 2017 was the best year for new builds in the decade since the financial crisis, with builders delivering 160,000 new homes, up by six per cent on 2016. Government and all-party recognition of the need for additional housing continued to be strong during the year, with nearly 200,000 new homes in 2018 and the Government's stated annual target of 300,000 new homes.

### **Strategy**

The Company's principal objective is to deliver sustainable growth in shareholder value throughout the year, through responsible development.

# COUNTRYSIDE SIGMA LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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### **Principal Risks and Uncertainties**

The main business risks identified are:

#### *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 the risk, forward sales, cash flow and work in progress are carefully monitored to give the Company 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 Company 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, or shortages of sub-contractors or building materials at competitive prices to support the Company's forecast.

To mitigate the risk, the Company 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 potentially termination of 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 project is financially viable and consistent with the Company's strategy.

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

A deterioration in the Company'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 Company'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.

# COUNTRYSIDE SIGMA LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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### **Financial risk management**

The key financial risks affecting the Company are:

#### *Liquidity risk*

The company finances its operations through a mixture of equity (Company share capital, reserves and retained earnings) and debt (loans from shareholders). The Company manages its liquidity risk by monitoring its funding headroom against the requirements based on short term and long term cash flow forecasts.

#### *Credit risk*

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

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

### **Key Performance Indicators**

The Directors consider the Company's KPIs are revenue, profit before interest and taxation, and net assets, which are disclosed in the trading results section of this strategic report.

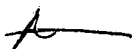
### **Future Outlook and Prospects**

The Company has the skills, abilities, experience, management and financial backing to enable it to make the most of its asset base and to respond successfully to the opportunities which lie ahead. It has developed a track record of delivering well-designed sustainable projects which places it in a good position to respond to the agenda for sustainable development.

The Company believes that its proven approach to sustainable quality development places it in the best position to ensure its success during changing market conditions.

The Directors are confident that the Company is well-positioned to meet its short term aspirations.

By order of the Board



T M Warren

Secretary

28 MARCH 2019

# **COUNTRYSIDE SIGMA LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 30 SEPTEMBER 2018***

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The Directors present their Report and audited Financial Statements of the Company for the year ended 30 September 2018.

### **Directors**

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

I Simpson  
I R Kelley  
G Hogg  
G G Thomson

### **Dividends**

The Directors do not recommend the payment of the dividend on ordinary shares (2017: £Nil).

### **Qualifying third party indemnity provisions**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year in accordance with Section 234 of the Companies Act 2006 which remain in force at the date of approval of the Financial Statements.

### **Going concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

### **Financial risk management**

The Directors' opinion on financial risk management has been included in the Strategic Report.

### **Future developments**

The Directors' opinion on the future outlook and prospects of the Company has been included in the Strategic Report.

### **Independent Auditors**

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

# COUNTRYSIDE SIGMA LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 company will continue in business.

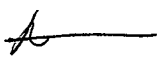
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the relevant steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

  
.....  
T M Warren  
Secretary  
26 MAR 2019

# **COUNTRYSIDE SIGMA LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF COUNTRYSIDE SIGMA LIMITED**

---

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Countryside Sigma Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 2018; the income statement, the statement of changes in equity 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 company 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

##### **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 directors 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 on or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

# **COUNTRYSIDE SIGMA LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF COUNTRYSIDE SIGMA LIMITED**

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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.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

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

As explained more fully in the Statement of the Directors' Responsibilities set out on page 5, the directors 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 directors 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company 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 opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.



# **COUNTRYSIDE SIGMA LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF COUNTRYSIDE SIGMA LIMITED**

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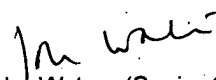
#### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; 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

26 March 2019

# COUNTRYSIDE SIGMA LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 £	2017 £
Revenue	4	37,931,378	28,505,353
Cost of sales		(33,129,905)	(26,335,018)
<b>Gross profit</b>		<b>4,801,473</b>	<b>2,170,335</b>
Administrative expenses		(10,000)	(3,444)
<b>Operating profit</b>	5	<b>4,791,473</b>	<b>2,166,891</b>
Interest receivable and similar income	7	2,608	1,249
Interest payable and similar expenses	8	(124,508)	(318,238)
<b>Profit before tax</b>		<b>4,669,573</b>	<b>1,849,902</b>
Tax on profit	9	(876,845)	(360,796)
<b>Profit for the financial year</b>		<b>3,792,728</b>	<b>1,489,106</b>

Revenue and operating profit arise from the Company's continuing operations.

# COUNTRYSIDE SIGMA LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Available-for-sale financial assets		-	15,952
<b>Current assets</b>			
Inventories	10	8,157,738	17,206,597
Trade and other receivables	11	361,715	535,717
Cash and cash equivalents		12,626,906	2,895,806
		21,146,359	20,638,120
<b>Creditors: amounts falling due within one year</b>	12	(10,703,324)	(14,003,765)
<b>Total assets less current liabilities</b>		10,443,035	6,650,307
<b>Creditors: amounts falling due after more than one year</b>	13	(3,464,422)	(3,464,422)
<b>Net assets</b>		6,978,613	3,185,885
<b>Capital and reserves</b>			
Called up share capital	14	10	10
Retained earnings		6,978,603	3,185,875
<b>Total shareholders' funds</b>		6,978,613	3,185,885

The notes on pages 12 - 24 form part of these Financial Statements.

These Financial Statements on pages 9 to 24 were approved by the Board of Directors and were signed on its behalf by:

  
.....  
**I R Kelley**

Director

26 MARCH 2019

Company Registration No. 05852456

# COUNTRYSIDE SIGMA LIMITED

## STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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	Ordinary A shares	Ordinary B shares	Retained earnings	Total shareholders' funds
	£	£	£	£
Balance at 1 October 2016	2.51	7.49	1,696,769	1,696,779
Profit for the financial year	-	-	1,489,106	1,489,106
Total comprehensive income for the year	-	-	1,489,106	1,489,106
Balance at 30 September 2017	2.51	7.49	3,185,875	3,185,885
Profit for the financial year	-	-	3,792,728	3,792,728
Total comprehensive income for the year	-	-	3,792,728	3,792,728
Balance at 30 September 2018	2.51	7.49	6,978,603	6,978,613

The split of share capital between 'A' and 'B' ordinary shares was previously disclosed as 2.50 and 7.50 respectively. The rounding has been amended to improve accuracy.

The notes on pages 12 - 24 form part of these Financial Statements.

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

#### General information

Countryside Sigma Limited is a housebuilding business.

The Company is a private company, limited by shares, incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is Countryside House, The Drive, Great Warley, Brentwood, Essex, United Kingdom, CM13 3AT.

#### Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.1 Basis of preparation

The Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') as issued by the Financial Reporting Council and those parts of the Companies Act 2006 applicable to companies reporting under FRS 101.

The Financial Statements have been prepared on a going concern basis, in Sterling which is the functional currency of the Company, and under the historical cost convention.

The preparation of Financial Statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 3.

The Company is a subsidiary of Countryside Properties PLC. It is included in the consolidated Financial Statements of Countryside Properties PLC which are publicly available.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- IFRS 7, 'Financial Instruments Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the proceeding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
- IAS 7, 'Statement of cash flows'.
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

### 1 Accounting policies

(Continued)

#### 1.2 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.

##### *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.

##### *Land and commercial sales*

Revenue is recognised when substantially all of the risks and rewards of ownership of the land or commercial property transfer to the buyer, generally when there is an unconditional exchange of contracts. Revenue is measured as the fair value of consideration received or receivable.

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

Contract revenue and costs are recognised in accordance with IAS 11: *Construction Contracts*.

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 reporting 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.

#### 1.3 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 Company 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 Company'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.

For land and commercial property sales, cost of sales represents the carrying value of the related inventory on the Company's Statement of Financial Position and this is recognised within cost of sales when revenue is recognised in accordance with the Company's revenue recognition policy.

As outlined above, costs in relation to the sale of affordable housing and design and build contracts are recognised in accordance with IAS 11: *Construction Contracts*.

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

### 1 Accounting policies

(Continued)

#### 1.4 Finance income and expense

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Finance cost associated with the time value of money on discounted receivables and payables is recognised within finance costs and the discount unwinds over the life of the relevant item.

#### 1.5 Inventories

Inventories are held at the lower of cost and net realisable value. Costs comprise direct 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.

Land options purchased are initially stated at cost. Option costs are written off over the remaining life of the option and are also subject to impairment review. Impairment reviews are performed when circumstances arise which indicate an impairment is likely, such as a refusal of planning permission. Any impairments are recognised immediately in the Income Statement.

Land inventory is recognised when the substantial risks and rewards of ownership transfer to the Company after unconditional exchange of contracts. Where land is purchased with deferred payment terms, a corresponding liability is recognised within trade and other creditors.

Pre-contract expenditure is capitalised where it is probable that a contract will be signed or otherwise is recognised as an expense within costs of sales in the Income Statement.

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

#### 1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Company with maturities of three months or less. Bank overdrafts are presented in current liabilities.

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 1 Accounting policies

(Continued)

#### 1.7 Financial assets

The Company classifies its financial assets in the following categories:

- Loans and receivables; and
- Available for sale financial assets

##### *Loans 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 Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' 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.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Shared equity scheme loans are classified as available for sale financial assets and are initially recorded at fair value net of transaction costs. Fair value is assessed annually with gains and losses being recognised directly in the Income Statement until the loan is repaid. On repayment, the accumulated fair value, which had been recognised in the Statement of Changes in Equity, is recognised in the Income Statement. If a loan is determined to be impaired, any impairment loss is recognised immediately in the Income Statement.

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 Group transfers substantially all risk and rewards.

##### *Impairment of financial assets*

The Company 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.



# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.8 Financial liabilities and equity

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

##### *Trade creditors*

Trade creditors 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 creditors also include liabilities in respect of land overage where the Company 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 creditors.

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

##### *Share Capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

#### 1.9 Taxation

##### *Current tax*

The current tax payable is based on taxable profit for the period which differs from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and those items never taxable or deductible. The Company's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial information and the corresponding tax rates used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the substantively enacted tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the Company intends to settle the balances on a net basis.

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2018

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#### 2 Adoption of new and revised standards and changes in accounting policies

##### **New and amended standards adopted by the Company**

No new standards, amendments or interpretations effective for the first time for the financial year beginning on 1 October 2016 have had a material impact on the financial statements.

The following amendments to standards and interpretations which will be relevant to the preparation of the Company's financial statements have been issued, are not effective, but available for early adoption for the financial year beginning 1 October 2017:

- IFRS 9: 'Financial Instruments', on 'Classification and Measurement' (effective 1 October 2018)
- IFRS 15: 'Revenue from Contracts with Customers' (effective 1 October 2018)
- IFRS 16: 'Leases' (effective 1 October 2019)
- Amendments to IAS 7 and IAS 12 (effective 1 October 2018)
- Amendment to IFRS 2 (effective 1 October 2018)
- Amendment to IFRS 15 (effective 1 October 2018)

There are no IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Company for the financial year beginning 1 October 2017.

##### **Standards which are in issue but not yet effective**

The Company has not applied the following amendments to standards which are EU endorsed but not yet effective:

- Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Separate Financial Statements on the Equity Method
- Annual Improvements to IFRSs 2014 Cycle

The Company is currently considering the impact of these amendments on the Company; however, it is anticipated they will be minimal and effects will principally relate to the amendment of current disclosures.

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2018

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#### 3 Critical accounting estimates and judgements

The preparation of the Company's financial statements under Financial Reporting Standard 101 ("FRS 101") requires the Directors to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, expenses and related disclosures.

##### *Critical accounting judgements*

In the process of applying the Company's accounting policies, which are described in note 1, the Directors 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 and carrying value of inventory*

In order to determine the profit or loss that the Company recognises on its developments and construction contracts in a specific period, the Company allocates the total cost of each development or 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 Company's activities and because actual costs are subject to market fluctuations. Company management has established internal controls to review and ensure the appropriateness of estimates made on an individual development or contract basis. No plausible change in estimates would result in a material change to the Company's results. As an illustration, a change in margins of 5% would have changed gross profits by an estimated £0.2m.

#### 4 Revenue

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

#### 5 Operating profit

	2018 £	2017 £
Fees payable to the company's auditor for the audit of the company's financial statements	10,000	-
Cost of inventories recognised as an expense	32,743,285	25,934,813

The Company had no employees during the financial year (2017: Nil).

The Directors did not receive any remuneration in respect of services provided to this Company in the current or prior year.

The audit and tax compliance fees for the Company are borne by Countryside Properties (UK) Limited for the current and prior year.

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 6 Auditors' remuneration

	2018 £	2017 £
Audit fees payable to the company's auditors	20,000	10,000
	<u>          </u>	<u>          </u>

The audit and taxation fees for the Company are borne by the immediate parent undertaking, Countryside Properties (UK) Limited, for the current and prior year.

### 7 Interest receivable and similar income

	2018 £	2017 £
Unwinding of discount	2,608	1,249
	<u>          </u>	<u>          </u>

### 8 Interest payable and similar expenses

	2018 £	2017 £
Interest on bank overdrafts and loans	-	3,587
Unwinding of discount	124,508	314,651
	<u>          </u>	<u>          </u>
	<u>124,508</u>	<u>318,238</u>

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 9 Tax on profit

	2018 £	2017 £
<b>Corporation tax</b>		
Current year	876,845	360,796

The tax assessed for the year is the same (2017: same) than the standard rate of corporation tax in the United Kingdom of 19.0% (2017: 19.5%).

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 on 15 September 2016. These include reductions to the main rate to 19.0% from 1 April 2017 and to 17.0% from 1 April 2020. This will reduce the Company's future tax charge accordingly. Deferred taxes at the balance sheet date have been measured using the enacted rates that are expected to apply to the unwind of each asset or liability.

	2018 £	2017 £
Profit before taxation	4,669,573	1,849,902
Profit before taxation multiplied by standard rate of UK corporation tax of 19.0% (2017: 19.5%)	886,638	360,796
<b>Taxation impact of factors affecting tax charge:</b>		
Adjustments in respect of prior periods	(3,464)	-
Additional deduction for land remediation	(6,329)	-
Total adjustments	(9,793)	-
Tax charge for the year	876,845	360,796

### 10 Inventories

	2018 £	2017 £
Development land and work in progress	7,294,167	14,844,629
Completed properties unlet, unsold or awaiting completion	863,571	2,361,968
	8,157,738	17,206,597

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 11 Trade and other receivables

	2018	2017
	£	£
Trade receivables	164,998	218,992
Other receivables	-	113,677
Corporation tax recoverable	-	203,048
VAT recoverable	196,717	-
	<u>361,715</u>	<u>535,717</u>

### 12 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	2,315,781	2,025,290
Corporation tax	251,651	-
Amounts due to group undertakings	6,015,214	11,135,306
Accruals	2,103,967	830,697
Other taxation and social security	16,711	12,472
	<u>10,686,613</u>	<u>14,003,765</u>

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

### 13 Creditors: Amounts falling due after more than one year

	2018	2017
	£	£
Deferred land purchase consideration payable:		
- Between one and two years	573,252	573,252
- Between two and five years	2,891,170	2,891,170
	<u>3,464,422</u>	<u>3,464,422</u>

### 14 Called up share capital

	2018	2017
	£	£
<b>Issued and fully paid</b>		
251 (2017: 251) 'A' Ordinary shares of 1p each	2.51	2.51
749 (2017: 749) 'B' Ordinary shares of 1p each	7.49	7.49
	<u></u>	<u></u>

The rights of the holders of the "A" ordinary shares and "B" ordinary shares are identical and rank pari passu in all respects including dividend/distribution payments, entitlement on winding-up and voting.

# COUNTRYSIDE SIGMA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 15 Contingent liabilities

The Company has entered into counter indemnities to bankers, insurance companies and statutory undertakings, in the normal course of business.

### 16 Related party transactions

The Company is controlled pursuant to the Shareholders' and Operating Agreement dated 22 February 2013. The Company has had the following transactions with Countryside Properties (UK) Limited and Liverpool Inpartnership 2007 Limited during the year:

<b>Countryside Properties (UK) Limited and associated companies:</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Sales and Marketing and advisory fees	3,139,217	839,373
Project and Development Management Services	4,700,097	4,409,552
Accounting and Administration Services	20,000	30,000
	<u>7,859,314</u>	<u>5,278,925</u>

<b>Liverpool Inpartnership 2007 Limited and associated companies:</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Project and Development Management Services	<u>386,880</u>	<u>283,332</u>

As at the Balance Sheet date, the following balances were owed by the Company to related parties.

<b>Countryside Properties (UK) Limited and associated companies:</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Marketing, legal and technical services	881,307	-
Project and Development Management Services	4,485,453	10,421,163
Other transactions	10,449	-
	<u>5,377,209</u>	<u>10,421,163</u>

<b>Liverpool Inpartnership 2007 Limited and associated companies:</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Project and Development Management Services	<u>1,519,312</u>	<u>714,142</u>



# **COUNTRYSIDE SIGMA LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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### **17 Controlling parties**

The Company's shareholders are:

Countryside Properties (UK) Limited	74.90%
Liverpool Inpartnership 2007 Limited	25.10%

The Company's majority shareholder is Countryside Properties (UK) Limited.

The ultimate parent company of the Countryside Properties (UK) Limited is Countryside Properties PLC. The financial statements of Countryside Properties PLC are available from Companies House, Crown Way, Cardiff, CF14 3UX.

The immediate parent company of Liverpool Inpartnership 2007 Limited is Sigma Inpartnership Limited (a company incorporated in Scotland). The ultimate parent company and ultimate controlling entity of Liverpool Inpartnership 2007 Limited and the smallest and largest Group into which that Company is consolidated is considered to be Sigma Capital Group plc, a company incorporated in the United Kingdom.

A copy of the Financial Statements for the Sigma Capital Group plc is available from Sigma Capital Group plc, 18 Alva Street, Edinburgh EH2 4QG.