

Registered number: 11050597

**Legal & General Homes Communities (Arborfield)
Limited**

**Annual report and financial statements
for the year ended 31 December 2020**



Legal & General Homes Communities (Arborfield) Limited

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Legal & General Homes Communities (Arborfield) Limited

Directors and advisers

Directors

N J Stoddart
K Whitaker
A J Dicker (resigned 1 September 2020)
C A Swordy (resigned 1 September 2020)
J Allan (resigned 1 September 2020)

Company secretary

Ledge Services Limited

Registered office

CALA House
The Causeway
Staines-upon-Thames
England
TW18 3AX

Independent auditor

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

Banker

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Legal & General Homes Communities (Arborfield) Limited

Strategic Report

The strategic report contains information which has been provided for the purpose of assisting shareholders, as a body, in assessing the strategies adopted by the Company and the potential for those strategies to succeed. Any forward-looking statements have been made in good faith based on the information available at the time of approval of this report. These include the challenges currently being presented by COVID-19, with Legal & General Homes Communities (Arborfield) Limited and the wider industry now emerging from the lockdown restrictions. As a result, actual outcomes may be different from those anticipated because of the inherent risks in the markets in which the Company operates, and no assurances can be given about any such statements.

Business review

The Company has continued the development of a 272-acre site at Finchampstead called Finchwood Park of which 98 acres will be developed for approximately 1,500 high-quality homes, with suitable natural greenspace.

Against a background of an increasingly challenging and competitive environment, where the site was closed between late March and June, the Company made a loss before tax of £265,890 (2019: loss £261,659). The Company held net assets of £22,591,047 as at 31 December 2020 (2019: £22,788,057).

Transfer of trade from L&G Homes Communities

On 28 July 2020, the directors took the decision to integrate the operations of the Company with CALA Management Limited, a fellow subsidiary of CALA Group (Holdings) Limited. As a result the trade, assets and liabilities in relation to future phases of the development were transferred to CALA Management Limited on 8 December 2020. The acquisition by CALA Management Limited represents an internal reorganisation within the wider CALA group and therefore the assets and liabilities have been transferred at book value. No cash consideration was made as part of this transaction and consequently an intercompany debtor has been created with CALA Management Limited to reflect the value of net assets transferred.

The residential units that were not legally complete at the date of transfer have not been transferred and will continue to be reported within the Company.

Market Review

The housebuilding industry is emerging from the continuing impact of the COVID-19 pandemic and the impact in 2020.

The loss of revenue for 3 months, in April/May/June provided significant challenges, at the time, to the Company. The approach of the business, the mitigating actions taken, aligned with support of both our owner, Legal & General plc, and our banking group allowed for quick solutions and a clear path forward, in terms of our facility extensions. I would also like to thank all of our people, for their hard work and dedication to CALA, despite the challenges of COVID-19 pandemic, in the early stages and continued to this day.

Legal & General Homes Communities (Arborfield) Limited

Strategic Report (Continued)

Market Review (continued)

The market was unsure as to how it would respond from the initial lockdown. It was pleasing to see that the demand for 'New' build homes has been strong across the country with a strong bounce back from July, with pent-up demand, Government Incentives and people making lifestyle choices fueling this level of demand. This level of demand has continued into 2021. There are clearly continued economic uncertainties, however the high level view for housing, under supply, low cost of mortgage, supports a stable market in the short term and our views for 2021.

Risk management

The operation of the business and the execution of the Company's strategy are subject to several risks. The key business risks currently affecting the Company relate to:

- Health and safety, including alterations to our sites in respect of COVID-19
- Market uncertainty and the general economic background following COVID-19
- Impacts of EU withdrawal
- Skilled tradesmen
- Planning permission
- Key personnel
- Premium brand and reputation
- Growth management
- Financial risk and treasury management

The management and mitigation of risks and uncertainties is performed at a wider group level and these are discussed in the "Risk management" section of the Strategic Report in the Annual Report and Accounts of the intermediate parent company, at which level these financial statements are consolidated, CALA Group (Holdings) Limited - registered number 08428265. For this reason, the directors believe that is not necessary or appropriate to review the Company's risks in this report.

The Strategic Report was approved by the board on 10 August 2021.



Neil Stoddart
Director

Legal & General Homes Communities (Arborfield) Limited

Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 December 2020.

Activities and Review

During the year ended 31 December 2020, the company's principal activity was the development of the Finchwood Park site providing high quality homes and living environment.

As outlined in the strategic report, the directors took the decision to integrate the operations of the Company with CALA Management Limited, a fellow subsidiary of CALA Group (Holdings) Limited. As a result the trade, assets and liabilities in relation to future phases of the development were transferred to CALA Management Limited on 8 December 2020. The existing phase of development has not been transferred and will continue to be reported within the Company, however all future phases will be reported within CALA Management Limited.

As the directors intend for the Company's trading to cease on the completion of the existing phase, they have not prepared the financial statements on a going concern basis. There was no impact on the financial statements as a result of this reporting change as explained in note 1.3.

Directors

The names of the current directors and changes in directorships during the year end up to the date of approval of the annual report and financial statements, are listed on page 1.

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its directors.

Modern slavery

Legal & General Group Plc and its global subsidiaries recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free.

Legal & General's full modern slavery statement can be found at:

<https://www.legalandgeneralgroup.com/>.

Dividends

The directors do not recommend payment of a dividend (2019: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the current or prior years.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Legal & General Homes Communities (Arborfield) Limited

Directors' report (Continued)

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 2 and 3.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



NJ Stoddart
Director

CALA House,
The Causeway,
Staines-Upon-Thames
England
TW18 3AX
10 August 2021

Legal & General Homes Communities (Arborfield) Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. As explained in note 1.3, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's report to the members of Legal & General Homes Communities (Arborfield) Limited

Opinion

We have audited the financial statements of Legal & General Homes Communities (Arborfield) Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1.3 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud; and
- Reading Board minutes.

We communicated identified fraud risks throughout the audit and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because we consider that there are limited incentives and opportunities to fraudulently adjust revenue recognized. No other fraud risks were identified throughout the audit.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls. The procedures we performed included the identification of journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected journal combinations.

Independent Auditor's report to the members of Legal & General Homes Communities (Arborfield) Limited (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors and management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's report to the members of Legal & General Homes Communities (Arborfield) Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Deborah Ramsay (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS
10 August 2021

Legal & General Homes Communities (Arborfield) Limited

Profit and loss account

For the year ended 31 December 2020

	Note	2020 £	2019 £
Revenue		14,606,941	20,207,809
Cost of Sales		(13,309,670)	(17,750,559)
Gross Profit		1,297,271	2,457,250
Operating Expenses		(1,563,161)	(2,721,377)
Interest receivable		-	2,468
Loss before income tax		(265,890)	(261,659)
Tax credit	5	68,880	49,715
Loss for the year		(197,010)	(211,944)

All activities are continuing.

The company has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of other comprehensive income has been presented.

The notes on pages 13-21 form an integral part of these financial statements.

Legal & General Homes Communities (Arborfield) Limited

Balance Sheet As at 31 December 2020

	Note	2020 £	2019 £
Assets			
Non-Current Assets			
Property, Plant and Equipment	6	-	708,496
Debtors	8	19,995,390	1,127,681
Total non-current assets		19,995,390	1,836,177
Current Assets			
Inventories	7	4,223,098	125,837,798
Debtors	8	57,746	2,120,206
Total current assets		4,280,844	127,958,004
Liabilities			
Current liabilities			
Creditors	9	(1,685,187)	(51,006,124)
Net current assets		2,595,657	76,951,880
Total assets less current liabilities		22,591,047	78,788,057
Non-Current Liabilities			
Creditors	9	-	(56,000,000)
Net assets		22,591,047	22,788,057
Equity			
Ordinary shares	10	4	4
Share premium		22,999,997	22,999,997
Retained earnings		(408,954)	(211,944)
Total equity		22,591,047	22,788,057

The notes on pages 13-21 form an integral part of these financial statements.

The financial statements of Legal & General Homes Communities (Arborfield) Limited, company registration number : 11050597 were approved by the board of directors on 10 August 2021 and were signed on its behalf by:



NJ Stoddart
Director

Legal & General Homes Communities (Arborfield) Limited

Statement of changes in equity

	Called up share capital	Share Premium	Retained Earnings	Total Equity
	£	£	£	£
As at 1 January 2019	3	15,999,998	-	16,000,001
Loss for the year	-	-	(211,944)	(211,944)
Shares issued during the Year	1	6,999,999	-	7,000,000
As at 31 December 2019	4	22,999,997	(211,944)	22,788,057
Loss for the year	-	-	(197,010)	(197,010)
At 31 December 2020	4	22,999,997	(408,954)	22,591,047

The notes on pages 13 to 21 form an integral part of these financial statements.

Legal & General Homes Communities (Arborfield) Limited

Notes to the financial statements for the year to 31 December 2019

1 Accounting policies

Legal & General Homes Communities (Arborfield) Limited (the company) is a private company incorporated in England and domiciled in Scotland in the UK under the Companies Act 2006. The address of the registered office is given on page 1. The company is being wound up.

1.1 Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the company applies the recognition measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The presentation currency of the financial statements is sterling. All amounts have been rounded to the nearest £.

The intermediate parent company, at which level these financial statements are consolidated, is CALA Group (Holdings) Limited. The consolidated financial statements of CALA Group (Holdings) Limited are available from CALA House, 54 The Causeway, Staines-Upon-Thames, Surrey TW18 3AX.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transaction with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Legal & General Homes Communities (Arborfield) Limited

Notes to the financial statements for the year to 31 December 2020 (continued)

1 Accounting policies (continued)

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going Concern

On 28 July 2020, the directors took the decision to integrate the operations of the company with CALA Management Limited, a fellow subsidiary of CALA Group (Holdings) Limited. As a result, a number of the company's assets were transferred to CALA Management Limited during the year, and operations will continue under that legal entity. As the directors intend to cease trading and transfer the remaining balances on or before 31 December 2021, they have not prepared the financial statements on a going concern basis. There was no impact on the financial statements as a result of this reporting change.

1.4 Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation on property, plant and equipment is provided on a straight line basis at rates estimated to write off the relevant assets over their expected useful lives. The annual rates used are:

Buildings	10% Straight Line
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Freehold land is not depreciated

1.5 Inventory

Due to the scale of the Company's developments, site-wide development costs are allocated between units built in the current period and those to be built in future years. In making this allocation the Company has to estimate costs to complete on such developments. In making these assessments, there is a degree of inherent uncertainty. The Company has developed internal controls to assess and review carrying values and the appropriateness of estimates made. Inventories are valued at the lower of cost and net realisable value. Net realisable value for home building is assessed internally after taking account of any relevant available market information.

1.6 Cost of sales

Home building cost of sales includes land, construction, design, advertising and site overheads. All such costs are written off on a site-by-site basis by comparing turnover to date with turnover forecast for the whole site, and applying the resulting proportion to the total forecast costs.

Legal & General Homes Communities (Arborfield) Limited

Notes to the financial statements for the year to 31 December 2020 (continued)

1 Accounting policies (continued)

1.7 Revenue recognition

Revenue consists of the sales of houses net of discounts and sales incentives, land and commercial properties, and joint venture management fees. Sales of houses are recognised on legal completion. The sale proceeds of part exchange properties are not included in revenue however the net gain or loss, inclusive of transaction costs, for the purchase and sale of part exchange properties is included as a reduction in turnover as the purchase and sale of part exchange properties is regarded as a mechanism for selling.

Where the outcome of a contract, in terms of profitability, on which revenue is recognised over time can be estimated reliably, revenue is recognised by reference to the stage of completion of contract activity at the balance sheet date. This is measured by surveys of work performed to date.

1.8 Interest

Interest is charged/ credited to the profit and loss account in the year in which it is incurred.

1.9 Taxation

Tax on the profit for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using enacted or substantially enacted tax rates, and adjusted for any tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when the group intends to settle its current tax assets and liabilities on a net basis.

Legal & General Homes Communities (Arborfield) Limited

Notes to the financial statements for the year to 31 December 2020 (continued)

1.10 Debtors

Trade receivables on normal terms do not carry any interest, are stated at amortised cost and are assessed for recoverability on an on-going basis.

1.11 Creditors

Trade payable on normal terms are not interest bearing and are stated at amortised cost. Trade payables on extended terms, particularly in respect of land purchases, are initially recorded at their fair value at the date of acquisition of the asset to which they relate by discounting at prevailing market interest rates at the date of recognition. The discount to nominal value, which will be paid in settling the deferred purchase terms liability, is amortised over the period of the credit term and charged to finance costs using the effective interest rate method. Subcontractor accruals are recorded within trade payables and are based on the valuation of work performed.

2 Critical accounting judgements

In applying the Company's accounting policies, the directors have made no individual judgements that have a significant impact upon the financial statements, except those involving estimation, which are dealt with below.

The key sources of estimation uncertainty at the balance sheet date are:

Site margins and inventories

Valuations which include an estimation of costs to complete and remaining revenues are carried out at regular intervals throughout the year, during which site development costs are allocated between units built in the current year and those to be built in future years. These assessments include a degree of inherent uncertainty when estimating the profitability of a site and in assessing any impairment provisions which may be required against inventory in the Balance Sheet.

The Company has conducted a review of the net realisable value of its inventory carrying values which resulted in no change to the inventory value. The reviews were conducted on a site basis, using valuations that incorporated selling price and development cost movements, based on local management and the board's assessment of market conditions existing at the balance sheet date. If there are significant movements in UK house prices or development costs beyond management's expectations then further impairments/reversals of previous write downs of land and work in progress may be necessary.

Legal & General Homes Communities (Arborfield) Limited

Notes to the financial statements for the year to 31 December 2020 (continued)

3 Auditor's Remuneration

Fees in respect of audit services were £15,000 (2019: £12,000). Fees in respect of taxation services were £nil (2019: £nil).

4 Directors and employees

	Year to 31 December 2020 Number	Year to 31 December 2019 Number
Average monthly number of employees:		
Directors	<u>5</u>	<u>5</u>

The company has no employees, therefore no employment costs were incurred during the year to 31 December 2020 (2019: £nil).

Directors' remuneration is borne between CALA Management Limited and Legal & General Homes Services Limited, both fellow group companies. No material qualifying services were provided by the directors to the company during either the current or prior year.

5 Taxation

	2020 £	2019 £
(a) Recognised in the profit and loss account		
Current tax		
Adjustment in respect of prior years	(18,361)	-
Current tax credit	(50,519)	(49,715)
Tax on loss	<u>(68,880)</u>	<u>(49,715)</u>

(b) Reconciliation of effective tax rate:

The difference between the tax charge for the year, reported in the profit and loss account and the current year charge that would result in applying the relevant standard rate of tax to the profit before taxation, is explained as follows:

Legal & General Homes Communities (Arborfield) Limited

Notes to the financial statements for the year to 31 December 2020 (continued)

5 Taxation (continued)

	2020 £	2019 £
Loss for the year	(197,010)	(211,944)
Total tax credit	(68,880)	(49,715)
Loss before taxation	(265,890)	(261,659)
Loss before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	(50,519)	(49,715)
Adjustment in respect of prior years – current tax	(18,361)	-
Total tax credit for the year	(68,880)	(49,715)

(c) Factors affecting future tax charges

The UK Budget on 3 March 2021 included an announcement that the corporation tax rate will increase to 25% from 1 April 2023 for certain companies. This increase has not yet been substantively enacted.

Under IAS 12, deferred tax is required to be calculated using rates that have been substantively enacted at the balance sheet date.

Consequently, deferred tax should continue to be calculated at 19% until the 25% tax rate has been substantively enacted, which we expect to occur during Summer of 2021.

In the meantime, the 25% tax rate announcement is a non-adjusting post balance sheet event.

Legal & General Homes Communities (Arborfield) Limited

Notes to the financial statements for the year to 31 December 2020 (continued)

6 Property Plant & Equipment

	Land and buildings £	Total £
Cost		
At 1 January 2020	708,496	708,496
Transfer out	(708,496)	(708,496)
At 31 December 2020	<u>-</u>	<u>-</u>
Accumulated depreciation		
At 1 January 2020	-	-
Charge in the year	53,334	53,334
Transfer out	(53,334)	(53,334)
At 31 December 2020	<u>-</u>	<u>-</u>
Net book value		
At 31 December 2020	<u>-</u>	<u>-</u>
Net book value		
At 31 December 2019	<u>708,496</u>	<u>708,496</u>

Transfers relate to fixed assets acquired by Cala Management Limited as outlined in note 1.3.

7 Inventories

	2020 £	2019
Land	236,493	110,752,312
Work in progress	3,986,605	15,085,486
	<u>4,223,098</u>	<u>125,837,798</u>

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £13.3 million (2019: £17.8 million).

Legal & General Homes Communities (Arborfield) Limited

Notes to the financial statements for the year to 31 December 2020 (continued)

8 Trade and other receivables

	2020 £	2019 £
Amounts falling due within 1 year:		
Corporation tax receivable	50,519	49,715
Trade receivables	<u>7,227</u>	<u>2,070,491</u>
	<u>57,746</u>	<u>2,120,206</u>
Amounts falling due after 1 year:		
Amounts due from group undertakings	19,995,390	1,127,681
	<u>19,995,390</u>	<u>1,127,681</u>
Total trade and other receivables	<u>20,053,136</u>	<u>3,247,887</u>

The directors consider that the carrying value of debtors approximates their fair value.

Amounts due from group undertakings are unsecured and are repayable on demand.

9 Creditors: amounts falling due within one year

	2020 £	2019 £
Amounts falling due within 1 year:		
Trade creditors	-	2,156,224
Land Creditor	-	22,400,000
Other Creditors	-	15,564,090
Accrued expenses	-	1,132,840
Amounts due to group undertakings	<u>1,685,187</u>	<u>9,752,970</u>
	<u>1,685,187</u>	<u>51,006,124</u>
Amounts falling due after 1 year:		
Land Creditor	-	56,000,000
	-	<u>56,000,000</u>
Total	<u>1,685,187</u>	<u>107,006,124</u>

Amounts owed to group undertakings are unsecured, bear interest at a market rate and are repayable on demand.

The directors consider that the carrying value of creditors approximates their fair value.

Legal & General Homes Communities (Arborfield) Limited

Notes to the financial statements for the year to 31 December 2020 (continued)

10 Called up share capital

	2020 £	2019 £
Authorised, allotted and fully paid Equity		
4 (2019: 4) ordinary shares of £1 each	4	4
	<u>4</u>	<u>4</u>

11 Related parties

The company has taken advantage of an exemption offered by FRS101, with regard to the non-disclosure of related party transactions with other group companies on the grounds it is a wholly owned subsidiary of a group headed by Legal & General Group plc whose financial statements are publicly available.

12 Ultimate parent company and controlling party

The immediate parent undertaking is Legal and General Homes Communities Limited.

The intermediate parent company, at which level these financial statements are consolidated, is CALA Group (Holdings) Limited. The consolidated financial statements of CALA Group (Holdings) Limited are available from CALA House, 54 The Causeway, Staines-Upon-Thames, Surrey TW18 3AX.

The ultimate parent company is Legal & General Group Plc. Legal & General Group Plc is the largest group of financial statements where the results of the company are consolidated. Copies of the accounts of the ultimate holding company, Legal & General Group Plc, are available, at the Registered Office, One Coleman Street, London, EC2R 5AA, on the group website at www.legalandgeneralgroup.com or from the Company Secretary.