Company Registration No. 05852456 (England and Wales)

COUNTRYSIDE SIGMA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

COUNTRYSIDE SIGMA LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their Strategic Report of Countryside Sigma Limited (the 'Company') for the year ended 30 September 2019.

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 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 (2018: 604) new homes. Construction commenced in 2013 and a total of 604 homes have been completed as at 30 September 2019 (2018: 542). The development is now fully build complete.

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 performance and financial position
Revenue for the financial year was £20.5m (2018: £37.9m). Operating profit was £2.7m (2018: £4.8m) and profit before taxation was £2.7m (2018: £4.7m).

Total shareholders' funds as at 30 September 2019 were £9.2m (2018: £7.0m).

Overview of the market
Demand for housing of all tenures remains robust with support from both national and local Government. Low interest rates, good mortgage availability, low levels of unemployment and the extension of Help to Buy until 2023 have ensured that demand has remained robust, particularly for first time buyers.

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 macroeconomic backdrop.

While the supply of new housing continues to grow steadily, latent demand is far from satisfied with net additions to the housing stock lagging significantly behind the totals required. It has been estimated that over 250,000 and up to 340,000 new homes are required in England each year to maintain the balance of supply and demand.

Strategy
Following the sale of the last home in 2019, the Company has begun to wind down its activities at Gateacre and Queen Mary.

Principal risks and uncertainties
The Company's risk management strategy is primarily controlled by the Board of Countryside Properties PLC, the Company's ultimate parent company. Whilst overall responsibility sits with the Board, this is overseen in detail by Countryside Properties PLC's Risk Management Committee. The Board has overall responsibility for the Company's systems of internal control and their effectiveness and maintains an overview of these systems of internal control relating to operational, financial and compliance matters. Further information is available from the consolidated financial statements of Countryside Properties PLC available from www.countrysideproperties.com.

Principal risks and uncertainties (continued)
Risk identification and management is built into every aspect of Countryside's daily operations, ranging from the appraisal of new sites, assessment of the prospects of planning success, building safely and selling effectively to achieve long-term success through the property market cycle. Risk management is built into standardised processes for each part of the business at every stage of the house building process. Financial risk is managed centrally through maintenance of a strong balance sheet, forward selling of new homes and the careful allocation of funds to the right projects, at the right time and in the right locations.

The Group's risk register is maintained to record all principal risks and uncertainties identified in each part of the business. The most appropriate member of the Group's Executive Committee is allocated as the 'owner' for each risk. The risk owners call upon the appropriate expertise to conduct an analysis of each risk.

The Risk Management Committee reviews the assessments made, compares it to the Group's appetite for each risk, reviews the current level of preparedness and determines whether further actions or resource are required. In reviewing and agreeing the mitigating actions, the Risk Management Committee considers the impact of risks individually and in combination, in both the short and the longer term.

The main business risks identified are:

Infectious diseases of epidemic or pandemic potential
The spread of an infectious disease on an epidemic or pandemic scale can lead to the imposition of Government controls on the movement of people with the associated cessation of large parts of the economy for a significant period of time. The cessation of business can lead to zero or reduced revenues until business activity can be safely recommenced.

To mitigate this risk, we maintain of a strong balance sheet able to withstand a sustained period of complete or partial cessation of business of activity. Maintenance and regular testing of business continuity and disaster recovery plans, supported by investment in information technology to enable robust home-working facilities.

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

To mitigate this risk, land is purchased based on planning prospects, forecast demand and market resilience. 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.

Principal risks and uncertainties (continued)

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 and 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.

Inability to attract and retain talented employees
Inability to attract and retain highly skilled, competent people at all levels could adversely affect the Company's results, prospects and financial condition.

To mitigate the risk, remuneration packages are regularly benchmarked against industry standards to ensure competitiveness. Succession plans are in place for all key roles within the Company, and exit interviews are used to identify any areas for improvement.

Inadequate health, safety and environmental procedures
A deterioration in the Company's Health, Safety & Environmental standards could put the Company's 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, and appropriate insurance is in place to cover the risks associated with housebuilding.

Financial risk management
The key financial risks affecting the Company are as follows:

Liquidity risk
The Company finances its operations through a mixture of equity (share capital and retained earnings) and debt (overdrafts and amounts owed to fellow Group undertakings). The Company manages its liquidity risk by monitoring its funding headroom against 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 private sales. The Company's remaining credit risk predominantly arises from receivables under construction contracts and cash and cash equivalents.

Key performance indicators (KPIs)
The Group Board manages the Group's KPIs on a divisional, as opposed to a statutory entity, basis. Details of the Group's KPIs are included in the Group's financial statements. The Directors consider the Company's KPIs are revenue, operating profit, profit before taxation and total shareholders' funds, which are disclosed in the 'Trading performance and financial position' section of this report.

Future outlook and prospects
The Company will be dealing with residual property matters over the coming year.

By order of the Board

T M Warren
Secretary
3 November 2020

COUNTRYSIDE SIGMA LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their Report and audited Financial Statements of the Company for the year ended 30 September 2019.

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	(Resigned 10 September 2019)
G G Thomson	

Dividends

The Directors did not recommend the payment of a final dividend on ordinary shares for the year ended 30 September 2019 (2018: £Nil).

On 28 April 2020 and 30 September 2020, dividends totalling £8.6m were declared in relation to the year ended 30 September 2020. Refer to Note 17.

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 at least 12 months from the date of these Financial Statements. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Refer to Note 1.2.

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.

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.

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director 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
3 November 2020

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 2019 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 2019; the statement of comprehensive income for the year ended 30 September 2019, the statement of changes in equity for the year ended 30 September 2019; 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 where:

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify 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 2019 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 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. 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.

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.

Diane Walmsley

Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 November 2020

COUNTRYSIDE SIGMA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Revenue	4	20,536,414	37,931,378
Cost of sales		(17,768,666)	(33,129,905)
Gross profit		2,767,748	4,801,473
Administrative expenses		(20,000)	(10,000)
Operating profit	5	2,747,748	4,791,473
Interest receivable and similar income	6	42	2,608
Interest payable and similar expenses	7	(40,171)	(124,508)
Profit before tax		2,707,619	4,669,573
Tax on profit	8	(512,392)	(876,845)
Profit for the financial year and total comprehensive income		2,195,227	3,792,728

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

COUNTRYSIDE SIGMA LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Current assets			
Inventories	**9**	-	8,157,738
Trade and other receivables	**10**	308,801	361,715
Cash and cash equivalents		17,833,859	12,626,906
		18,142,660	21,146,359
Creditors: amounts falling due within one year	**11**	(8,968,820)	(10,703,324)
Total assets less current liabilities		9,173,840	10,443,035
Creditors: amounts falling due after more than one year	**12**	-	(3,464,422)
Net assets		9,173,840	6,978,613
Capital and reserves			
Called up share capital	**13**	10	10
Retained earnings		9,173,830	6,978,603
Total shareholders' funds		9,173,840	6,978,613

The notes on pages 12 to 24 form part of these financial statements.

The financial statements on pages 9 to 24 were approved by the Directors on 3 November 2020 and signed on its behalf by

I Simpson
Director

Company Registration No. 05852456

COUNTRYSIDE SIGMA LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Ordinary A shares	Ordinary B shares	Retained earnings	Total shareholders' funds
	£	£	£	£
Balance at 1 October 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
Profit for the financial year	-	-	2,195,227	2,195,227
Total comprehensive income for the year	-	-	2,195,227	2,195,227
Balance at 30 September 2019	2.51	7.49	9,173,830	9,173,840

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

1 Accounting policies

General information
Countryside Sigma Limited is a housebuilding developer.

The Company is a private company limited by shares and is incorporated 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 of Countryside Sigma Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') 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 the Company's Financial Statements under FRS 101 requires the Directors to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and related disclosures. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 3.

The Company is an indirectly held subsidiary of Countryside Properties PLC. It is included in the consolidated Financial Statements of Countryside Properties PLC which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated Financial Statements.

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)
- Paragraph 10 (d) (statement of cash flows) of IAS 1, 'Presentation of financial statements'
- IAS 7, 'Statement of cash flows',

1.2 Going concern

The Directors have performed a going concern review, assessing the Company's liquidity and ability to meet its liabilities as they fall due for at least 12 months from the date of these financial statements. The potential impact of the COVID-19 pandemic was considered as part of this assessment.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of these financial statements. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

The COVID-19 pandemic occurred after the year end and the Directors consider this to be a non-adjusting post balance sheet event with no impact on the financial statements of the Company.

1 Accounting policies **(Continued)**

1.3 Revenue

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

Private housing

Revenue is recognised in the statement of comprehensive income at a point in time on legal completion as this is when the customer obtains control of the property. Revenue is recognised at the fair value of the consideration received.

Cash is received by the Company on legal completion and there is no variable or financing component to 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.

1.4 Cost of sales

The Company determines the value of inventories charged to cost of sales based on the total forecast margin of developing a site or a phase of a site. Once the total expected margin of the site or phase of a site is established it is allocated based on revenue to calculate a build cost per plot. These costs are recognised within cost of sales when the related revenue (private or affordable) is recognised in accordance with the Company's revenue recognition policy.

To the extent that additional costs or savings are identified and the expected margin changes as the site progresses, the change is recognised over the remaining plots.

1.5 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 Accounting policies **(Continued)**

1.6 Inventories

Inventories are normally stated at cost and held at the lower of cost or 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 on a straight line basis 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 statement of comprehensive income. Upon exercise, the unamortised balance of an option is included within the value of inventory.

Land inventory is recognised when the Company obtains control of the land, which is considered to be on unconditional exchange of contracts. Where land is purchased on deferred payment terms, a corresponding liability is recognised within trade and other payables.

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

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

Financial assets at amortised cost

Financial assets at amortised cost 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 fixed assets. The Company's financial assets at amortised cost 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.

The Company applies the simplified approach under IFRS 9 to measure expected credit losses ("ECL") associated with trade receivables. The carrying value of the receivable is reduced at each reporting date for any increase in the lifetime ECL, with an impairment loss recognised in the statement of comprehensive income.

If collection is expected in one year or less, receivables are classified as current assets. If not, they are classified as fixed assets.

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.

1 Accounting policies **(Continued)**

1.7 Financial liabilities and equity

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

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.

Trade payables

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

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

Trade payables 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 payables.

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

1.8 Taxation

Income tax comprises current tax.

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.

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

During the financial year ended 30 September 2019, the Company adopted the following standards issued by the International Accounting Standards Board:

- **IFRS 9 'Financial Instruments'**

Classification and measurement of financial assets
IFRS 9 replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement' and addresses the classification, measurement, impairment and recognition of financial assets and financial liabilities. This change did not have a material impact on the reported results of the company.

Impairment of financial assets
IFRS 9 also requires the Company to recognise expected credit losses ('ECL') and to update the amount of ECL recognised at each reporting date to reflect changes in the credit risk of financial assets.

The Company applies the simplified approach under IFRS 9. This involves measuring the lifetime ECL for trade and other receivables at all times. Given the nature of the receivables and lack of significant exposure to ECL, no adjustments were required on transition to IFRS 9.

- **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. The core principle of IFRS 15 is that an entity will recognise revenue to reflect the transfer of goods and services to customers at the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

IFRS 15 has been adopted using the modified retrospective approach with no restatement of comparative information.

Under IFRS 15, proceeds from the sale of part exchange properties are now presented as revenue, as opposed to an offset to cost of sales. During the year ended 30 September 2019, no revenue has been recognised on the sale of part exchange properties (2018: £522k).

2 Adoption of new and revised standards and changes in accounting policies (Continued)

A full assessment of the Company's principal revenue streams against the requirements of IFRS 15 has been performed as set out in the table below:

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Impact of IFRS 15 compared with previous accounting standards
Private housing	Revenue is recognised at a point in time on legal completion as this is when the customer obtains control of the property. Cash is received by the Company on legal completion and there is no variable or financing component to the consideration received.	Under IAS 18, revenue was recognised when the risks and rewards were transferred to the customer, which was deemed to be on legal completion. There is therefore no impact on the timing of revenue recognition on transition to IFRS 15.
Sale of part exchange properties	Revenue is recognised at a point in time on legal completion of the part exchange property as this is when the customer obtains control of the property. Cash is received on completion and there is no variable or financing component to the consideration received.	Under IAS 18, the profit/(loss) on the sale of a part exchange property was included within cost of sales, linked to a sale of a Countryside property. Under IFRS 15, the sale of the part exchange property is treated as a separate transaction with revenue recognised in line with the treatment of private housing. The proceeds are presented within private revenue.
Affordable housing and private rental sector contracts	Revenue is recognised over time based on surveyor-certified valuations of work performed at the balance sheet date. As the build progresses, customer-controlled assets are created, with the design tailored to the specification of the customer. The Company has an enforceable right to be paid for the work completed to date and invoices are issued and paid over the life of the development.	These contracts were previously recognised in accordance with IAS 11 with revenue and costs recognised by reference to stage of completion of the contract activity. There is therefore no impact of the timing of revenue recognition on transition to IFRS 15.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- **IFRS 16 'Leases'**
  IFRS 16 addresses the definition, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces IAS 17 'Leases' and related interpretations.

  The Directors have not identified any contracts within the scope of IFRS 16 and therefore there is no expected impact on transition at 1 October 2019.

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 5.0% would have changed gross profits and net assets by an estimated £1m.

4 Revenue

All of the Company's revenues are generated in the United Kingdom from its housebuilding and related development activities. An analysis of reported revenue by type is set out below:

	2019	**2018**
	£	**£**
Private	20,483,995	37,766,559
Other revenue	52,419	164,819
	20,536,414	37,931,378

Other revenue recognised in the current year relates to the sale of freeholds. Freehold reversion relates to the sale of the freehold on properties which were previously sold on a leasehold basis.

5 Operating profit

	2019	2018
	£	£
Cost of inventories recognised as an expense	17,490,234	32,743,285

The Company had no employees during the financial year (2018: 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.

6 Interest receivable and similar income

	2019	2018
	£	£
Interest income	42	2,608

7 Interest payable and similar expenses

	2019	2018
	£	£
Unwinding of discount	40,171	124,508
	40,171	124,508

Unwind of discount relates to land purchases on deferred payment terms.

COUNTRYSIDE SIGMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

8 Tax on profit

	2019	2018
	£	£
Corporation tax		
Current year	512,392	876,845

The tax assessed for the year is lower (2018: lower) as the standard rate of corporation tax in the United Kingdom of 19.0% (2018: 19.0%).

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. If the proposal had been substantively enacted at the balance sheet date, there would have been no impact on these financial statements.

	2019	2018
	£	£
Profit before taxation	2,707,619	4,669,573
Profit before taxation multiplied by standard rate of UK corporation tax of 19.0% (2018: 19.0%)	514,448	886,638
Taxation impact of factors affecting tax charge:		
Adjustments in respect of prior periods	-	(3,464)
Additional deduction for land remediation	(2,056)	(6,329)
Total adjustments	(2,056)	(9,793)
Tax charge for the year	512,392	876,845

9 Inventories

	2019	2018
	£	£
Development land and work in progress	-	7,294,167
Completed properties unlet, unsold or awaiting completion	-	863,571
	-	8,157,738

10 Trade and other receivables

	2019	2018
	£	£
Trade receivables	53,999	164,998
VAT recoverable	95,355	196,717
Corporate tax receivable	159,447	-
	308,801	361,715

Trade and other receivables includes £Nil (2018: £Nil) of contract assets relating to uninvoiced amounts where revenue has been recognised in the statement of comprehensive income.

11 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	261,291	2,315,781
Corporation tax	-	251,651
Amounts due to related parties	8,159,010	6,015,214
Accruals	545,703	2,103,967
Other taxation and social security	2,816	16,711
	8,968,820	10,703,324

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

The value of contract liabilities, where the value of payments made by customers exceeds the revenue recognised in the statement of comprehensive income, was £Nil at 30 September 2019 (2018: £Nil).

12 Creditors: Amounts falling due after more than one year

	2019	2018
	£	£
Deferred land purchase consideration payable:		
- Between one and two years	-	573,252
- Between two and five years	-	2,891,170
	-	3,464,422

Deferred land payments of £3.5m were fully settled during the year.

13 Called up share capital	**2019**	**2018**
	£	**£**
Issued and fully paid		
251 (2018: 251) 'A' Ordinary shares of 1p each	2.51	2.51
749 (2018: 749) 'B' Ordinary shares of 1p each	7.49	7.49

The rights of the holders of the "A" ordinary shares and "B" ordinary shares rank pari passu in respect to voting. Any profits available for distribution and any surplus assets as a result of a return of capital are to be distributed equally between "A" and "B" shareholders.

14 Contingent liabilities

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

15 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:

Countryside Properties (UK) Limited:	**2019**	**2018**
	£	**£**
Sales and Marketing and advisory fees	930,993	3,139,217
Project and Development Management Services	2,529,276	4,700,097
Accounting and Administration Services	20,000	20,000
	3,480,269	7,859,314

Liverpool Inpartnership 2007 Limited:	**2019**	**2018**
	£	**£**
Project and Development Management Services	240,686	386,880

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

Countryside Properties (UK) Limited:	**2019**	**2018**
	£	**£**
Marketing, legal and technical services	-	881,307
Project and Development Management Services	6,999,273	4,485,453
Other transactions	16,210	10,449
	7,015,483	5,377,209

Liverpool Inpartnership 2007 Limited:	**2019**	**2018**
	£	**£**
Project and Development Management Services	1,143,527	1,519,312

16 Controlling parties

The Company's shareholders are:

Countryside Properties (UK) Limited	74.9%
Liverpool Inpartnership 2007 Limited	25.1%

The Company's majority shareholder is Countryside Properties (UK) Limited.
The ultimate parent company of Countryside Properties (UK) Limited is Countryside Properties PLC . Financial statements for Countryside Properties PLC are available from the Company Secretary, Countryside House, The Drive, Brentwood, Essex, CM13 3AT.

The 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 the at 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.

17 Events after the reporting date

On 28 April 2020, the Directors declared an interim dividend relating to the year ended 30 September 2020 of £6,455,190. The dividend was paid on 28 April 2020 to the shareholders registered at the close of business on 27 April 2020.

On 30 September 2020, the Directors declared a further dividend relating to the year ended 30 September 2020 of £2,100,000. The dividend was paid on 30 September 2020 to the shareholders registered at the close of business on 29 September 2020.

Neither dividend has been recognised as a liability or distribution in these financial statements as the shareholders' right to receive the dividends had not been established at 30 September 2019.