

LONDON SQUARE (STREATHAM) LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2019
REGISTERED NUMBER: 08573567

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COMPANIES HOUSE

LONDON SQUARE (STREATHAM) LIMITED

DIRECTORS

A P Lawrence
S D Brown
R S Littler
A Maciejewski
S S Hudson
M C Smith
M S Phillips
M S Evans

COMPANY SECRETARY

A P Lawrence

INDEPENDENT AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

BANKERS

The Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

REGISTERED OFFICE

One York Road
Uxbridge
Middlesex
UB8 1RN

COMPANY REGISTRATION NUMBER

08573567

LONDON SQUARE (STREATHAM) LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for London Square (Streatham) Limited (the "Company") for the year ended 31 March 2019.

BUSINESS REVIEW

During the year, the Company completed the development of residential and commercial properties in Streatham, London. In the current and forthcoming years the Company will be responsible for resolving any customer care issues that might arise.

The Company's results for the year are reported in the Profit and Loss Account on page 7 of these financial statements.

The performance of the Company is susceptible to the political uncertainty around the final nature of the implementation of the referendum decision on the UK's membership of the European Union. Impact on the consumer confidence could reduce future performance.

DIVIDENDS

No dividends were recommended, approved or paid during the year (2018: £nil).

GOING CONCERN

The Company has received a letter of financial support from its parent undertaking, London Square Limited, in which it has agreed to provide financial support to the Company to meet its liabilities as they fall due. On the basis of this continued support these financial statement have been prepared on the going concern basis.

FINANCIAL RISK MANAGEMENT

Cash flow and liquidity - Cash flows are reviewed by management on a regular basis enabling them to assess the Company's ability to meet its liabilities as they fall due and determine its ability to make land purchases and fund development works from the Company's cash and undrawn borrowing facilities.

Capital risk management - The Company's primary objectives in managing capital are to ensure the Company's continued ability to meet its liabilities as they fall due and to maintain an appropriate balance of equity to debt while minimising its cost of capital. The Company is funded by a combination of retained earnings and intercompany loans.

Credit risk - The Company's exposure to credit risk is limited as its principal receivables are from other companies in the London Square group.

Interest rate risk - The Company is not exposed to interest rate risk as all its debts are interest-free.

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements are:

A P Lawrence

B A Betsy (resigned 24 May 2018)

S D Brown

R S Littler

A Maciejewski

S S Hudson

M C Smith

M S Phillips

M S Evans (appointed 16 January 2019)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

As permitted by the Companies Act 2006, the Company carries appropriate insurance cover in respect of possible legal action being taken against its directors and senior employees. Such qualifying third party indemnity provision was in place throughout the year and remains in force as at the date of this report.

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.

DISCLOSURE OF INFORMATION TO AUDITORS

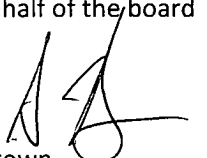
In the case of each director in office at the date the Directors' Report is approved:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) 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.

SMALL COMPANY EXEMPTIONS

This report has been prepared in accordance with the special provisions relating to small companies of Part 15 of the Companies Act 2006, including the exemption from providing a strategic report.

On behalf of the board


S D Brown
Director

8 November 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON SQUARE (STREATHAM) LIMITED

Opinion

We have audited the financial statements of London Square (Streatham) Limited for the year ended 31 March 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON SQUARE (STREATHAM) LIMITED
(CONTINUED)**

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON SQUARE (STREATHAM) LIMITED
(CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

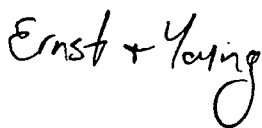
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

A handwritten signature in black ink, appearing to read 'Ernst & Young' in a stylized, cursive script.

Peter McIver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
8 November 2019

LONDON SQUARE (STREATHAM) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

	<u>Note</u>	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Revenue	2	16,247	108,584
Cost of sales		(11,598)	(81,781)
Gross profit		4,649	26,803
Selling costs		(632)	(1,691)
Administrative expenses		(3)	(61)
Operating profit		4,014	25,051
Interest receivable and similar income		1	4
Interest payable and similar expenses	5	(272)	(1,332)
Profit before taxation		3,743	23,723
Tax on profit	6	832	(3,877)
Profit for the financial year		4,575	19,846

All amounts relate to continuing operations.

The Company had no other comprehensive income other the profit for the year reported above.

LONDON SQUARE (STREATHAM) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

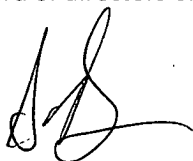
	<u>Called up share capital</u> <u>£'000</u>	<u>Retained earnings</u> <u>£'000</u>	<u>Total equity</u> <u>£'000</u>
At 31 March 2017, as previously reported	-	(1,814)	(1,814)
Adjustment on initial application of IFRS 15, before tax	-	(2,058)	(2,058)
Deferred tax effect of IFRS 15	-	391	391
At 1 April 2017	-	(3,481)	(3,481)
Loss for the financial year	-	19,846	19,846
At 31 March 2018	-	16,365	16,365
Profit for the financial year	-	4,575	4,575
At 31 March 2019	-	20,940	20,940

LONDON SQUARE (STREATHAM) LIMITED
REGISTERED NUMBER: 08573567

BALANCE SHEET AS AT 31 MARCH 2019

			<u>Restated</u>	<u>Restated</u>
		<u>31 Mar</u>	<u>31 Mar</u>	<u>1 Apr</u>
	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fixed assets				
Deferred tax asset	6	-	403	391
Current assets				
Stocks	7	-	9,340	58,081
Debtors	8	25,130	29,569	693
		<u>25,130</u>	<u>38,909</u>	<u>58,774</u>
Creditors: amounts falling due within one year	9	(2,803)	(21,617)	(62,646)
		<u>22,327</u>	<u>17,292</u>	<u>(3,872)</u>
Net current assets		<u>22,327</u>	<u>17,292</u>	<u>(3,872)</u>
Total assets less current liabilities		<u>22,327</u>	<u>17,695</u>	<u>(3,481)</u>
Provisions for liabilities	10	(1,387)	(1,330)	-
		<u>20,940</u>	<u>16,365</u>	<u>(3,481)</u>
Net assets		<u>20,940</u>	<u>16,365</u>	<u>(3,481)</u>
Capital and reserves				
Called up share capital	11	-	-	-
Retained earnings		<u>20,940</u>	<u>16,365</u>	<u>(3,481)</u>
Total equity		<u>20,940</u>	<u>16,365</u>	<u>(3,481)</u>

The financial statements on pages 7 to 19 were approved and authorised for issue by the board of directors on 8 November 2019.



S D Brown
Director
8 November 2019

LONDON SQUARE (STREATHAM) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

General information

The Company is a private company limited by shares incorporated and domiciled in England and Wales. The Company's financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise indicated.

Basis of preparation

These financial statements were prepared on the going concern basis, under the historical cost convention, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), the Companies Act 2006 and applicable accounting standards.

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

- (a) the requirements of IFRS 7 *Financial Instruments: Disclosures* ;
- (b) the requirement of paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 *Presentation of Financial Statements* ; and
 - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment* .
- (c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements* ;
- (d) the requirements of IAS 7 *Statement of Cash Flows* ;
- (e) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ;
- (f) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures* ; and
- (g) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions 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 Company's parent undertaking, London Square (Investments) Limited, was notified and did not object to the use of the disclosure exemptions.

Going concern

The Company has received a letter of financial support from its parent undertaking, London Square Limited, in which it has agreed to provide financial support to the Company to meet its liabilities as they fall due. On the basis of this continued support these financial statement have been prepared on the going concern basis.

New and amended standards and interpretations

The Company has not adopted any standards or interpretations early in either the current or the preceding year.

At the date of approving these financial statements there are no new or revised interpretations or standards in existence but not yet effective that are expected to have a material effect to the Company's financial position or performance.

IFRS 9 *Financial Instruments* became effective in this report replacing IAS 39 *Financial Instruments: Recognition and Measurement* and the Directors have assessed that the change in standard has not had a material effect on the financial statements. This is because the Company does not hold any complex financial instruments, any trade debtors are recognised under normal payment terms with customers and the Company has not experienced any defaults on these balances and do not expect this to change going forward. The Company does not expect any impairment losses on intercompany balances owed from other London Square group undertakings.

LONDON SQUARE (STREATHAM) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (CONTINUED)

New and amended standards and interpretations (continued)

IFRS 15 *Revenue from contracts with customers* has been adopted in this report for the first time replacing IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. IFRS 15 has been adopted retrospectively for each period being presented in accordance with IAS 8 (and its transitional provisions as applicable) and establishes a comprehensive framework for establishing the existence, amount and timing of revenue.

The following is an assessment of the Company's two main revenue streams comparing IFRS 15 versus the previous standards:

Sale of Properties

(i) Individual Private dwellings, commercial units and land sales

IFRS 15 has not had a material impact on the timing or measurement of revenue recognised in respect of the sale of individual private residential dwellings, commercial units or land sales which continue to be recognised on legal completion in accordance with the revenue accounting policy.

(ii) Sales of freehold reversionary assets

The common UK legal structure of, particularly apartment-led, property developments is to sell the purchaser a long leasehold interest to their property which reverts to the freeholder at the end and requires an annual payment of ground rent to the freeholder. The Company sells the freehold reversionary interest to third parties and often this sale is agreed at an early stage of the development, prior to the completion of the sale of the leaseholds, with a substantial deposit paid by the purchaser. The Company retains the legal freehold title in order to permit the sale of the leasehold properties and the Company pays the freehold purchaser an annual notional ground rent.

The Company's previous accounting policy has been to recognise the value of the freehold reversionary interest sale as Other Income when the sale is exchanged as the purchaser had the right to the principal economic benefits of the asset (the ground rent income stream) from that date. Under IFRS 15 the Company consider that the sale should be recognised when the transfer of the freehold title completes and any amounts received in advance should be presented as deferred income. The Company also considers it appropriate to present this as revenue generated by the developments, not other income.

Contracted development sales

Development agreements are treated as long term contracts where agreements are entered into such that the units and the customer controls all the work in progress as the units are being built. This is because the units are being built to an agreed specification and if the contract is terminated by the customer then the Company is entitled to payment of the value of works performed. Therefore, revenue from these contracts and associated costs are recognised over time and invoices are issued accordingly. There is no change to the timing of development agreement revenue recognition under IFRS 15. The Company performs development management services for related entities. There is no change to the timing of development management revenue recognition under IFRS 15 however the Company now recognises this work within Revenue on a gross basis rather than net through Other operating income.

LONDON SQUARE (STREATHAM) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (CONTINUED)

New and amended standards and interpretations (continued)

The Company has adopted the full retrospective application of new standard and accordingly restated its prior period financial performance and position. The effect can be seen below:

	<u>2018</u> <u>As previously</u> <u>reported</u> <u>£'000</u>	<u>IFRS 15</u> <u>Transition</u> <u>adjustment</u> <u>£'000</u>	<u>2018</u> <u>Restated</u> <u>£'000</u>
Revenue	108,584	-	108,584
Cost of Sales	(83,051)	1,270	(81,781)
Stocks	8,030	1,310	9,340
Creditors	(19,519)	(2,098)	(21,617)
Deferred Tax Asset	253	150	403
Retained Earnings	17,003	(638)	16,365

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and underlying assumptions are reviewed on an ongoing basis.

The following judgements have the most significant impact on the amounts recognised in the financial statements:

Impairment of stocks and margin estimation

To determine the profit and loss that the Company is able to recognise on its developments in a specific period, the Company has to allocate total costs of each development 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. The Company has developed internal controls to review the carrying value of each development on a quarterly basis, estimating future revenue and expenditure. Where it is determined forecast revenues are lower than expected expenditure, an impairment charge is made. Charges made to previously impaired assets may be reversed in future years where there is evidence of increased selling prices or reduced expenditure.

Customer care provisions

On completion of each residential unit the Company creates a provision for customer care and estimated remaining costs. Provisions are created in the year the sale of the unit is completed to ensure that future years' earnings are not distorted to reflect costs which may be incurred on historic sales.

LONDON SQUARE (STREATHAM) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies

The principal accounting policies adopted, which have been applied consistently throughout the year, are set out below.

Revenue

In the current year, the Company adopted IFRS 15 *Revenue from Contracts with Customers*. The new standard establishes a comprehensive five-step model to determine the amount and timing of revenue recognised from contracts with customers. Further information on the adoption of IFRS 15 and the impact on the financial position and performance of the Company for the current and prior year can be found above earlier in this note.

Revenue represents the total receivable in respect of sales and services provided once performance obligations are met.

Revenue from the sale of individual private residential dwellings, commercial units, land sales and freehold reversions are recognised on legal completion at the value of consideration received or receivable, net of selling discounts.

Revenue from contracted development sales is recognised using the input method i.e. cost completion percentage over the period the work is performed. The percentage of completion is measured through reference to the proportion that contract costs incurred for work performed to date compared to the estimated total contract costs.

Where payments from customers are received after the associated performance obligations being met and therefore revenue recognised in the profit and loss account, contract assets are recognised. Conversely where payments from customers are received in advance of the associated performance obligations being met and therefore revenue being recognised in the profit and loss account, contract liabilities are recognised and these include buyer deposits.

Cost of sales

Costs attributable to fully develop the private residential dwellings and commercial units are regularly assessed and are fairly apportioned and charged to the profit and loss account to reflect the legal completions recognised in the financial period.

Costs associated with contracted development sales are recognised in the period in which they are incurred.

Costs include direct materials, labour costs, site overheads, associated professional charges and other attributable overheads.

Stocks

Owned and contracted land and its related purchase costs and development expenses are valued at the lower of cost and net realisable value. Costs include direct materials, labour costs, site overheads, associated professional charges and other attributable overheads incurred in bringing a site to its stage of completion at the period end, including an appropriate proportion of indirect expenses. Net realisable value represents the estimated selling prices less all estimated costs of completion.

LONDON SQUARE (STREATHAM) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

New property deposits and on account contract receipts are held within contract liabilities until the legal completion of the related property or cancellation of the sale.

Bank loans

Interest bearing borrowings are recorded at the proceeds received, net of direct issue costs. Interest costs are recognised as an expense in the profit and loss account in the period to which they relate. Issue costs are recognised over the period of the facility using the effective interest rate method.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

LONDON SQUARE (STREATHAM) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (CONTINUED)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2 REVENUE

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Sale of properties	15,923	107,290
Contracted development revenue	324	1,294
	<hr/> 16,247 <hr/>	<hr/> 108,584 <hr/>

Include within revenue for the year was £2,248,000 which was included as a contract liability at the previous balance sheet date (2018: £8,924,000). No revenue was recognised in the year from performance obligations satisfied in previous periods (2018: £nil).

3 AUDITORS' REMUNERATION

The fee payable to the Company's auditors for the audit of the financial statements of £4,000 (2018: £4,000) was borne by London Square Developments Limited, a fellow subsidiary undertaking of London Square Developments (Holdings) Limited.

4 DIRECTORS' REMUNERATION

The directors did not receive any remuneration in respect of their services to the Company (2018: £nil).

LONDON SQUARE (STREATHAM) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5 INTEREST PAYABLE AND SIMILAR EXPENSES

	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
Bank loan interest payable	144	1,285
Other finance costs	128	47
	<hr/> 272	<hr/> 1,332
	<hr/> <hr/>	<hr/> <hr/>

6 TAX ON PROFIT

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Current taxation:		
Current tax on profit for the year	-	3,889
Adjustments in respect of prior years	(1,235)	-
	<hr/> (1,235)	<hr/> 3,889
Deferred taxation:		
Origination and reversal of temporary differences	150	(12)
Adjustments in respect of prior years	253	-
	<hr/> 403	<hr/> (12)
Total deferred tax	<hr/> 403	<hr/> (12)
	<hr/> <hr/>	<hr/> <hr/>
Tax on profit	(832)	3,877
	<hr/> <hr/>	<hr/> <hr/>

The tax assessed for the year is different from the rate of corporation tax in the UK of 19% (2018: 19%). The difference is explained below:

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Profit before taxation	3,743	23,723
	<hr/> 711	<hr/> 4,507
Tax at the UK standard rate of tax of 19% (2018: 19%)	<hr/> 711	<hr/> 4,507
Effects of:		
Expenses not deductible	-	5
Expenses qualifying for enhanced deduction	(7)	-
Permanent differences	515	(68)
Adjustments in respect of prior years	(982)	-
Losses group relieved	(1,069)	(567)
	<hr/> (832)	<hr/> 3,877
Total tax for the year	<hr/> (832)	<hr/> 3,877
	<hr/> <hr/>	<hr/> <hr/>

Corporation tax rate changes

Legislation has been enacted reducing the main UK corporation tax rate from 1 April 2020 to 17%.

LONDON SQUARE (STREATHAM) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6 TAX ON PROFIT (CONTINUED)

Deferred tax

The temporary differences at the previous year end were expected to reverse within one year and accordingly deferred tax was measured using the 19% tax rate.

The deferred tax included in the Balance Sheet is as follows:

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Accruals deductible on paid basis	-	253
Asset tax bases in excess of carrying amount	-	150
	<hr/>	<hr/>
Deferred tax asset	-	403
	<hr/> <hr/>	<hr/> <hr/>

The deferred tax debit / (credit) in the Profit & Loss Account comprises the following:

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Accruals deductible on paid basis	253	(253)
Asset tax bases in excess of carrying amount	150	241
	<hr/>	<hr/>
Deferred tax debit / (credit)	403	(12)
	<hr/> <hr/>	<hr/> <hr/>

7 STOCKS

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Land	-	1,654
Work in progress	-	7,686
	<hr/>	<hr/>
	-	9,340
	<hr/> <hr/>	<hr/> <hr/>

The costs of sales expense reported in the Profit and Loss Account represents the value of stocks recognised as an expense for the current and preceding year.

LONDON SQUARE (STREATHAM) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8 DEBTORS

	<u>2019</u> <u>£'000</u>	<u>2018</u> <u>£'000</u>
Amounts owed by parent undertakings	25,036	29,135
Trade debtors	-	11
Other debtors	94	191
Contract assets	-	129
Prepayments and accrued income	-	103
	<hr/> 25,130 <hr/>	<hr/> 29,569 <hr/>

Amounts owed by parent undertakings are unsecured, interest-free and are repayable on demand. Their recoverability is dependent upon the performance of developments in other London Square group companies. The directors have reviewed this and are confident the balance is fully recoverable.

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2019</u> <u>£'000</u>	<u>Restated</u> <u>2018</u> <u>£'000</u>
Bank loans	-	15,386
Contract liabilities	-	2,248
Accruals and deferred income	90	94
Corporation tax liability	2,713	3,889
	<hr/> 2,803 <hr/>	<hr/> 21,617 <hr/>

The bank loans in the prior year were secured on the assets of the Company and repayable from the proceeds of the development under construction. Interest costs were incurred at LIBOR plus a fixed margin and paid on a quarterly basis. These bank loans were repaid during the current year.

Contract liabilities represent amounts held in relation to monies received on exchange of contracts.

10 PROVISIONS FOR LIABILITIES

	<u>£'000</u>
At 1 April 2018	1,330
Utilised in the year	(95)
Unused amounts released	(380)
Created in the year	532
	<hr/>
At 31 March 2019	1,387 <hr/>

LONDON SQUARE (STREATHAM) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****10 PROVISIONS FOR LIABILITIES (CONTINUED)**

	<u>£'000</u>
At 1 April 2017	-
Utilised in the year	-
Created in the year	1,330
	<hr/>
At 31 March 2018	1,330
	<hr/>

Provisions relate to customer care and estimated remaining costs for completed residential units.

During the year the Directors reassessed the level of provision based on the level of costs incurred to date and those anticipated to arise. This resulted in a reduction in the level of provision, generating a credit in the Profit & Loss account.

11 CALLED UP SHARE CAPITAL

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
<i>Authorised, allotted, called up and fully paid:</i>		
2 (2018: 2) ordinary shares of £1 each	2	2
	<hr/>	<hr/>

12 RELATED PARTY TRANSACTIONS

During the previous year four of the Company's directors and their close family members completed the acquisition of four units at the Company's development for £2,208,000. There were no such related party acquisitions in the current year. and there were no rescinded sales agreements with any director (2018:1)

As at 31 March 2018, one of the Company's directors had exchanged on a sale agreement to purchase a unit at the Company's development for £392,000 and included within contract liabilities was the deposit of £42,000 received by the Company in relation to this purchase. During the year the Company rescinded this sales agreement. At year end there are no remaining sales agreements with related parties nor deposits within contract liabilities.

13 IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The Company's immediate parent undertaking is London Square (Investments) Limited and the ultimate controlling parties are funds managed by affiliates of Ares Management LLC. The smallest and largest group financial statements in which the Company is included are prepared by London Square Developments (Ventures) Limited and London Square Developments (Holdings) Limited respectively.

Financial statements for companies in the London Square Developments (Holdings) Limited group are available from the Company Secretary, One York Road, Uxbridge, Middlesex, UB8 1RN.