Edenstone Homes Limited

Strategic report, Directors' report and financial statements

Registered number 06397071

30 April 2020

Contents

Strategic report

The directors present their strategic report on Edenstone Homes Limited ("the Company") for the year ended 30 April 2020.

Business review

Highlights

- Turnover reduced by 47% to £18.9m (2019: £35.5m)
- 20 new jobs created – increasing the workforce by 38%
- 54 private house sale completions in the year ended 30 April 2020 (2019: 74)
- Acquired 10 new sites totalling 814 plots or 64 acres

Overview

The Coronavirus pandemic had an adverse effect on the Company's financial results for the year ending 30 April, 2020. The national lockdown, which came into force in March, was the major factor. Construction ceased, effectively extending build programmes by approximately three months, and sales outlets were closed in line with Government guidelines. These two measures combined delayed completions in what would otherwise have been one of the Company's busiest periods.

Against this backdrop, it's perhaps unsurprising that gross profit for the year reduced to £2.6m (£4.5m in 2019). There was also a reduction in the operating profit, which stood at a loss of £298,000 at year end (profit of £2.1m in 2019). Gross profit and operating profit were both impacted by the effect of the pandemic by approximately £2m.

During the period under review, the Company acquired 10 new sites, spanning a total of 64 acres and representing 814 plots.

Over the course of the year, we created 20 new jobs across the business bringing the total number of employees to 73. More than 85% of staff were furloughed for at least two months during the first national lockdown, but the vast majority have since returned to work.

The team has demonstrated resilience and adaptability, quickly embracing the changes required to enable the business to resume operations and continue trading quickly.

Strategy

The pandemic will have a lasting impact on the global economy that will undoubtedly influence the UK housing market in the years ahead. As an independent, privately-held business, with an experienced team at its helm, the Company has the ability to adapt in response to those challenges and has already shown great resilience.

Recognising the hard work and dedication shown by key workers during the pandemic, we introduced a 5% key worker discount scheme at developments across South Wales and the South West of England.

As people spent more time at home than ever before during the pandemic, it has led to a change in buyers' criteria when looking for a new home. The rapid rise in home working has increased demand for space that could be used as a study; while access to outside space - either a garden or somewhere to spend time outdoors close to home - has become more of a priority. We are adapting our house types and development layouts to address these factors to ensure that the communities we create reflect buyers' changing needs.

With more flexible working practices, there's been a shift in where people want to live with many looking to move away from urban centres to communities on the edge of towns and more rural locations, like our garden villages.

Strategic report *(continued)*

Market outlook

As a result of delays in completions due to the Coronavirus lockdown, the Company entered the new financial year in a strong forward sold position and we have worked with those customers to ensure they could complete their purchase and move into their new home as soon as practical.

The housing and construction industries are poised to play a key role in the UK's economic recovery in the wake of the pandemic. Since the Company returned to work after the first lockdown, there was a rapid return to normal trading conditions. In fact there has been some catching up of the lost quarter as the market was particularly strong during the summer and autumn months. This has, in part, been boosted by the Stamp Duty/ Land Transaction Tax holiday and our own voluntary 5% discount, offered to all key workers across our developments in Lydney, Morriston and Ross on Wye.

Amid general uncertainty in the wider economy as a result of the pandemic, Brexit and unemployment rates, the Company will be maintaining greater focus on increasing the forward sales book.

Edenstone Foundation

A proportion of the proceeds from every home sold by the Company is gifted to the Edenstone Foundation, with staff also raising funds in aid of the Foundation to support good causes. We facilitated a makeover of outside space at Birchgrove Comprehensive School, winning the community project category of the Wales Online Property Awards following a public vote.

The Foundation also hosted a gala dinner to raise money for a specially adapted wheelchair for a young adult with Spinal Muscular Atrophy.

The Foundation's only overseas partnership was with Compassion UK, helping bring access to clean water and toilets to a community in Kpele, in the Haho region of Togo, West Africa. This is part of a two-year partnership.

Edenstone Homes

The Edenstone Homes brand has long appealed to affluent and mature buyers, including those downsizing after their adult children have moved into homes of their own. With this in mind, and in the knowledge that new build bungalows are in short supply, we opened bungalow show homes at our three garden villages – St Mary's in Ross on Wye, River View in Lydney and Parc Ceirw in Morriston. The bungalows have been well-received by buyers of all ages, as have our two-storey family-sized homes.

During the period, Edenstone Homes achieved sell-out success at The Woodlands in Dinas Powys. Work to prepare for an exclusive development of luxurious homes in Lisvane village, one of Cardiff's most desirable neighbourhoods, was finalised in the second half of the year. The first homes at Beaufort Gardens were released for sale off plan in autumn 2020 and forward interest has been extremely strong.

Bluebell Homes

In 2019/2020, Bluebell Homes expanded from building on one site – River View Garden Village – to three, with homes at Parc Ceirw Garden Village and St Mary's Garden Village in Ross on Wye becoming available "off plan". As part of the Company's growth plan, a new standalone Bluebell Homes site, Trinity Quarter, in Brockworth is due to launch in the 2020/2021 financial year. Construction of the 166 home-scheme is due to start in January 2021.

Strategic report *(continued)*

Developing Communities

One of the things that sets the Company apart from other homebuilders, is the community facilities we provide alongside new homes. We are keen to ensure that residents benefit from the additional amenities at the earliest opportunity. Cycle hire is already available at River View and will be introduced at Parc Ceirw and St Mary's. Those three locations will feature walking and fitness trails, while Parc Ceirw and St Mary's will also boast an indoor gym. Residents of River View have been keen to take on allotments and they will also feature at Parc Ceirw.

Sustainability

The Company is committed to ensuring the homes and communities it creates are sustainable. Having previously built a zero carbon home, we are investing heavily in zero carbon construction and living, as part of our commitment to the environment. Our aim is that by 2023 every home we build and every community we create will be powered by renewable energy with battery storage, creating zero carbon new homes across every development.

Our in house master-planners work to ensure we enrich the landscape of the sites we build on. At the heart of this is our "back to nature" policy, with our communities featuring a range of biodiverse areas including wetland habitats, wildflower meadows and other open spaces where residents of our homes can enjoy spending time.

Development Spotlight – St Mary's Garden Village, Ross on Wye

Initially launched off plan in summer 2019, St Mary's Garden Village is a 460-home scheme taking shape less than a mile from Ross-on-Wye town centre. The new community features designs from Edenstone Homes and Bluebell Homes. A bungalow show home opened on the Edenstone phase in November 2019, with the opening of the Bluebell show homes postponed until summer 2020 because of delays caused by the Coronavirus lockdown.

The wider development will also include a community building with an equipped indoor gym, community hall and kitchen; an abundance of open space including play areas; a walking trail with outdoor exercise equipment and allotments. At least one new tree will be planted for every new home built at St Mary's Garden Village and, along with humans, the community has also welcomed ducks and Canada geese to the pond.

Downsizers Mary and Keith Woodward had their move to St Mary's Garden Village delayed for a month because of Coronavirus restrictions. Our team kept in touch with the Woodwards, making sure they were kept updated as to when the site was reopening and when they would be able to move.

"It couldn't have been an easier move to get us in and since we have moved in everyone has been amazing. Edenstone have been helpful and supportive even though they're under stress themselves. I couldn't speak highly enough of the whole experience," Mary said.

"I have no regrets whatsoever about moving here. I can tick living in a brand new home off my bucket list and don't have to move again. I'm happy to be part of the new community here."

Georgia Chambers, who hopes to compete in dressage at the Paralympics, relocated from Portsmouth to Ross on Wye to be closer to her horses. The 23-year-old, who has cerebral palsy, loves that her bungalow offers apartment-style living without having neighbours above or below, plus the advantage of a garden.

Strategic report *(continued)*

Principal Risks and Uncertainties

Risk is a natural constituent of any business and the management of risk is a key operating component of the Company. The Company has identified and put in place strategies to mitigate the principal risks and uncertainties faced by the business.

The directors consider that the most significant risks and uncertainties for the Company relate to conditions in the UK economy as a result of the COVID-19 pandemic and Brexit negotiations and the subsequent impact on the housing market. Other risks include delays in the planning system in the UK and the availability of development finance.

The current UK housing market remains strong supported by relatively low unemployment, an absence of forced sellers, good availability of mortgage finance and Government support through Help to Buy and stamp duty holidays. Ongoing concerns regarding COVID-19 and Brexit continue to generate short-term uncertainty although the UK housing market is performing well.

The Company's revolving credit facility is committed to 31 December 2023. The directors monitor and manage cashflows in detail to ensure that sufficient capacity is available in the Company's credit facility to finance the Company's growth plans.

The Company is very active in the land market to ensure that sufficient land is acquired to satisfy the growth objectives. Authorisation of land acquisitions is required by the Board, supported by rigorous acquisition appraisals for all potential land purchases. The Company has also increased its pipeline of Partnerships work which gives us increased confidence on our ability to deliver our medium-term plans and provides a diversification which reduces exposure to market risk

Approved by the Board on 1 APRIL 2021 and signed on its behalf by:

MJ Taylor
Director

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2020.

Principal activity

The company's principal activity is the construction and sale of residential properties.

Results

The results for the year ended 30 April 2020 are set out in the profit and loss account on page 9 and discussed in the Strategic report on pages 1 to 3.

Proposed dividend

The directors do not recommend the payment of a dividend for the year *(2019: £Nil)*.

Directors

The directors who held office during the year were as follows:

SJ Rodden
MJ Taylor
JS Taylor
MJH Holden

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish the company's auditor is aware of such information.

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

SJ Rodden
Director

Building 102
Wales One Business Park
Magor
Monmouthshire
NP26 3DG

1 APRIL 2021

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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.

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.

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Independent auditor's report to the members of Edenstone Homes Limited

Opinion

We have audited the financial statements of Edenstone Homes Limited ("the company") for the year ended 30 April 2020 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 30 April 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Edenstone Homes Limited *(continued)*

Strategic report and Directors' report

The directors are responsible for the Strategic report and 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.

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.

Independent auditor's report to the members of Edenstone Homes Limited *(continued)*

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.

Jeremy Thomas

Jeremy Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
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CF10 4AX

8 April 2021

Profit and loss account
for the year ended 30 April 2020

	Note	**2020** **£000**	2019 £000
Turnover	*2*	**18,895**	35,459
Cost of sales		**(16,342)**	(31,004)
Gross profit		**2,553**	4,455
Administrative expenses		**(3,079)**	(2,460)
Other operating income	*3*	**228**	89
Operating (loss)/ profit	*3-5*	**(298)**	2,084
Interest payable and similar expenses	*6*	**(25)**	(22)
(Loss)/profit before taxation		**(323)**	2,062
Taxation on (loss)/profit	*7*	**271**	(457)
(Loss)/profit and total comprehensive income for the financial year		**(52)**	1,605

The results above relate wholly to continuing activities.

The notes form part of the financial statements.

Balance sheet
at 30 April 2020

	Note	2020 £000	2019 £000
Tangible fixed assets	*8*	**228**	125
Current assets			
Stocks	*9*	**37,900**	15,748
Debtors (including £1,295,000 (*2019: £1,597,000*) due in more than one year)	*10*	**4,943**	3,947
Cash at bank		**654**	424
		43,497	20,119
Creditors: amounts falling due within one year	*11*	**(4,219)**	(11,578)
Net current assets		**39,278**	8,541
Total assets less current liabilities		**39,506**	8,666
Creditors: amounts falling due after more than one year	*12*	**(31,818)**	(926)
Net assets		**7,688**	7,740
Capital and reserves			
Share capital	*14*	**1**	1
Profit and loss account		**7,687**	7,739
Shareholder's funds		**7,688**	7,740

The notes form part of the financial statements.

These financial statements were approved by the board of directors on 1 APRIL 2021 and were signed on its behalf by:

Srodd

SJ Rodden
Director

Registered number: 06397071

Statement of changes in equity
for the year ended 30 April 2020

	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1 May 2018	33,524	(27,389)	6,135
Profit for the financial year, being total comprehensive income for the year	-	1,605	1,605
Capital reduction	(33,523)	33,523	-
Balance at 30 April 2019 and 1 May 2019	1	7,739	7,740
Loss for the financial year, being total comprehensive income for the year	-	(52)	(52)
Balance at 30 April 2020	**1**	**7,687**	**7,688**

Notes
(forming part of the financial statements)

1 Accounting policies

Edenstone Homes Limited (the "Company") is a company limited by shares and incorporated, domiciled and registered in the UK (Wales).

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Edenstone Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Edenstone Holdings Limited are available to the public and may be obtained from Building 102, Wales One Business Park, Magor, NP26 3DG. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Edenstone Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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 17.

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

Measurement convention

The financial statements have been prepared in accordance with the historical cost convention, except financial liabilities classified at fair value through profit or loss are stated at fair value.

Going concern

As at 30 April 2020, the company had net current assets of £39,278,000 *(2019: £8,541,000)*, including cash of £654,000 *(2019: £424,000)*, net assets of £7,688,000 *(2019: £7,740,000)* and reported a loss for the year then ended of £52,000 *(2019: profit of £1,605,000)*. The directors have prepared the financial statements on a going concern basis which they consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Coronavirus pandemic had an adverse effect on the Company's financial results for the year ended 30 April 2020. The first national lockdown, which came into force in March 2020, was a major factor. Construction ceased, effectively extending build programmes by approximately three months, and sales outlets were closed in line with Government guidelines. However, in subsequent lockdowns all development and sales operations have continued, with measures on sites to operate safely and effectively.

In preparing these cash flow forecasts the directors have considered reasonably possible downside scenarios resulting from the impact of COVID-19. Specifically, the following assumptions and scenarios have been considered:

- Sale completions: Current sale completions are ahead of latest forecasts for the financial year ending 30 April 2021, and all operations have continued during the current lockdowns. However, the directors have considered scenarios in which further lockdowns during December 2021 / January 2022 cause sale completions to fall by 50% in those months. Under this scenario the company has sufficient resources available to continue trading and meet its liabilities as they fall due over the forecast period.

Notes *(continued)*

1 Accounting policies *(continued)*

- External funding covenant compliance: The company has external facilities totalling £25m which are secured against the assets of the project to which they relate, and which are subject to financial covenants. Even under the severe but plausible downside scenario outlined above, the directors consider the risk of a covenant breach to be a remote likelihood as the covenants are related to the level of development rather than the level of sale completions and can therefore be controlled by the directors. The forecasts indicate that even in the severe but plausible downside scenario outlined above, the Company has sufficient headroom to remain within the limit of the facilities and comply with the related covenants.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Trade and other debtors/ creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Stocks

Stocks and work in progress are stated at the lower of cost and estimated selling price (less costs to complete and sell). Cost comprises land, site development and construction costs and finance costs.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the company's activities. The company operates a range of legal and contractual structures and these structures are tailored to the land deal and the parties to the contract. Our recognition of revenue reflects the underlying nature of these contracts.

On the sale of private housing, revenue is recognised once unconditional exchange of contracts for the sale of the property takes place and the property is build complete. Where a private development site includes the provision of affordable housing under Section 106 of the Town and Country Planning Act 1990 (as amended), pricing is established in advance and therefore revenue is recognised by reference to the stage of completion, based on regular certification of the works.

In certain instances, property may be accepted in part consideration for a sale of a residential property. The fair value is established by independent surveyors, reduced for the costs to sell. Differences between net proceeds received on re-sale and fair value are recorded as a reduction or an increase in cost of sales.

Notes *(continued)*

1 Accounting policies *(continued)*

Government Grants

Grants relating to revenue are recognised under the accrual method. Grants related to income are recognised on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate. Such income is presented as part of profit and loss within other income or credited to the cost category of the cost to which the grant relates. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset.

Interest payable

Finance costs that are directly attributable to the development of residential housing are capitalised within work in progress and expensed within cost of sales on the sale of each property included in the residential development. Other finance costs are expensed as incurred.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Notes *(continued)*

2 Turnover

Turnover is derived solely from the development and sale of residential property within the UK.

3 Expenses and auditor's remuneration

	2020 £000	2019 £000
Included within profit/ loss are the following		
Audit fees for this company	10	8
Other operating income	(228)	(89)

The company also incurred audit fees of £16,000 (*2019: £14,000*) on behalf of other companies within its group.

Other operating income is made up of government grants receivable, rental income and profit from the sale of incidental extras packages.

4 Directors

Directors' emoluments were £352,000 *(2019: £71,000)*. The emoluments of the highest paid director were £139,000 (*2019: £26,000*).

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2020	2019
Management	11	10
Administration	35	16
Operations	27	27
	73	53

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	3,219	2,193
Social security costs	355	241
Other pension costs	49	25
	3,623	2,459

6 Interest payable and similar expenses

	2020 £000	2019 £000
Net loss/ (gain) on financial liabilities measured at fair value through profit or loss	20	17
Interest on bank loans	5	5
	25	22

Notes *(continued)*

7 Taxation

Total tax recognised in the profit and loss account

	2020 £000	2019 £000
Current tax		
Adjustments in respect of prior periods	-	(40)
Deferred tax		
Origination and reversal of timing differences	(61)	392
Change in deferred tax rate	(186)	187
Adjustments in respect of prior periods	(24)	(82)
Total deferred tax	(271)	497
Total tax	(271)	457

Reconciliation of effective tax rate

	2020 £000	2019 £000
(Loss)/ profit for the year	(52)	1,605
Total tax (credit)/ expense	(271)	457
(Loss)/ profit excluding taxation	(323)	2,062
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	(61)	392
Over provided in prior years	(24)	(122)
Change in tax rate	(186)	187
Total tax included in profit and loss account	(271)	457

At 30 April 2020, the company had tax losses of £14,668,000 *(2019: £14,381,000)*, in relation to which a deferred tax asset has been recognised; see note 10.

Factors that may affect future tax charges

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 30 April 2020 has been calculated at 19% (2019: 19%). Further, in the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

Notes *(continued)*

8 Tangible fixed assets

	Leasehold Improvements £000	Office equipment £000	Plant & Machinery £000	Total £000
Cost				
At beginning of year	37	84	33	154
Additions	31	3	120	154
Disposals	-	-	-	-
At end of year	68	87	153	308
Depreciation				
At beginning of year	14	11	4	29
Charge for the year	11	17	23	51
Released on disposals	-	-	-	-
At end of year	25	28	27	80
Net book value				
At 30 April 2020	**43**	**59**	**126**	**228**
At 30 April 2019	23	73	29	125

9 Stocks

	2020 £000	2019 £000
Land, site development and construction costs	37,900	15,748

The total carrying amount of stocks pledged as security for liabilities in the year amounted to £26,013,000 *(2019: £9,809,000)*. Stocks include capitalised finance costs of £1,520,000 (*2019: £430,000*). Total borrowing costs capitalised during the year was £2,235,000.

10 Debtors

	2020 £000	2019 £000
Trade debtors	41	827
Prepayments	150	72
Other debtors	885	27
Amounts due from group undertakings	1,080	434
Corporation tax	-	40
Deferred tax asset	2,787	2,547
	4,943	3,947

Included within the deferred tax asset is £1,295,000 (*2019: £1,597,000*) due after more than one year. The deferred tax asset in each year is attributable entirely to unused tax losses.

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank and development finance loans	-	4,968
Other financial liabilities (see note 13)	-	130
Trade creditors	2,145	2,622
Land creditors	1,142	1,247
Other creditors and accruals	409	131
Amounts due to group undertakings	523	2,480
	4,219	11,578

Amounts due to group undertakings are non-interest bearing and are repayable on demand.

12 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Bank and development finance loans	25,168	98
Land creditors	6,650	828
	31,818	926

Bank and development finance loans comprise:

(i). A mortgage loan of £98,000 with Monmouthshire Building Society which is secured on an individual plot and bears interest at the society's standard variable rate and is repayable in 2033.

(ii). Revolving credit facilities of £25,070,000 with Ultimate I Sarl and Marshal European Investment Co. I Sarl. These loans are priced at a margin over LIBOR and are secured against the assets of the project to which they relate. The facility is repayable on 31 December 2023.

13 Other financial liabilities

Amounts falling due within one year		
Financial liabilities designated as fair value through profit or loss	-	130

The other financial liabilities related to a loan held by JS Taylor, a director of the company. The nominal value of the loan was £150,000 and the loan was non-interest bearing. The loan was repaid in December 2019.

Notes *(continued)*

14 Share capital

	Ordinary Shares
On issue at 1 May 2019 and 30 April 2020	1,000

	2020 £000	2019 £000
Allotted, called up and fully paid		
1,000 (*2019: 1,000*) ordinary shares of £1 each	**1**	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

15 Ultimate parent undertaking

The company is a wholly owned subsidiary of Edenstone Limited and the ultimate parent undertaking is Edenstone Holdings Limited. Both companies are registered in England and Wales and have their registered office at Building 102, Wales One Business Park, Magor, NP26 3DG. Consolidated accounts for Edenstone Holdings Limited (which heads the only group of undertakings for which group financial statements are drawn up and of which the company is a member) are available to the public and can be obtained from the registered office.

The directors consider there to be no ultimate controlling party.

16 Related party disclosures

A loan of £nil (*2019: £150,000*) was held by JS Taylor who is a director of the company at the year end.

A loan of £12,446,000 *(2019: £4,968,000)* is held by Ultimate I Sarl, a company of which MJH Holden is an indirect shareholder. The movement reflects net repayments made to an existing credit facility.

17 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management considers the key sources of estimation uncertainty relate to:

Margin recognition

In order to determine the profit that the company recognises on its developments, the company has to allocate site-wide land and development costs between the homes built on the development. It also has to estimate costs to complete on the development and make estimates relating to future selling prices on those developments and homes. In making these assessments there is a degree of inherent uncertainty. The company has developed internal controls to assess and review carrying values and costs to complete and the appropriateness of estimates made.

Notes *(continued)*

18 Operating leases

Non-cancellable operating lease rentals are payable by the company as follows:

	2020 Land and buildings £000	Other £000	2019 Land and buildings £000	Other £000
Less than one year	**90**	**222**	90	166
Between one and five years	**135**	**212**	225	155
More than five years	**-**	**-**	-	-
	225	**434**	315	321