Registered number 07905842

K & A Merger Limited

Annual Report and Financial Statements

for the 7 month period ended 31 October 2018

K & A Merger Limited

Annual Report and Financial Statements 31 October 2018

Contents

K & A Merger Limited

Directors and advisers

Directors

J Thomson
T Beale
M Priest

Registered office

The Waterfront
Lakeside Boulevard
Doncaster
South Yorkshire
DN4 5PL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

Bankers

Lloyds Bank plc
3rd Floor
10 Gresham Street
London
EC2V 7JD

K & A Merger Limited

Strategic report

Principal activities

The Company's principal activity during the year was exclusively that of an investment holding company.

Review of business and future developments

The Company continues to be an investment holding company heading a group of companies which, for the year under review, have been engaged in the construction of residential dwellings. The Company's subsidiaries are listed in note 5 to the financial statements.

The directors expect the principal activity to remain unchanged for the foreseeable future.

The Company changed its financial year end from March to October in order to support our continued growth plans in the wider Keepmoat Group.

Due to the nature of the business as an investment holding company it is not considered necessary to use key performance indicators (KPIs) to measure the Company's performance.

Principal risks and uncertainties

The directors believe that the nature of the Company, as an investment holding company, and the composition of its balance sheet mean it is not open to external risks and uncertainties other than those of a financial nature. The risk and uncertainties associated with the wider group owned by Keystone JVco Limited (the "Keepmoat Group" or "Group") are disclosed in their annual report, which does not form part of this report.

Financial risk management

The directors of Keystone JVco Limited, the ultimate owner, manage the Group's financial risks at a Group level. The financial risk management associated with the wider Keepmoat Group are disclosed in their annual report, which does not form part of this report. For this reason, the Company's directors believe that discussion of the Group's financial risks for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The financial risk management of the Group, which include those of the Company, and the development, performance and position of the Company are discussed in the annual report of the ultimate owner, Keystone JVco Limited, which does not form part of this report.

Approved by and signed on behalf of the Board

M Priest
Director

26 February 2019

K & A Merger Limited

Directors' report

The directors present their report, the Strategic report and the audited financial statements of the Company for the period ended 31 October 2018.

Future developments and financial risk management

The Strategic report sets out the future developments and financial risk management of the Company.

Results and dividends

The income statement for the period is set out on page 7. No dividends were paid during the period ended 31 October 2018. During the year ended 31 March 2018 the Company paid an interim cash dividend of £145,000,000 and a second interim dividend of £25,387,487, the dividend was settled by the transfer of an inter-company receivable balance.

Business review and future developments

A review of the results, performance and future developments for the Company is presented in the Strategic report.

Post balance sheet events

On 11 December 2018 the Company issued a £1 ordinary share to its parent, Lakeside 1 Limited at a premium of £159,331,000. The Company used the proceeds to subscribe for 1 £1 ordinary share in its subsidiary Castle 1 Limited, issued at a premium of £57,854,000 and the remaining £101,478,000 to repay its inter-company loan with fellow subsidiary Keystone Financing Limited.

On 11 December 2018, the Keystone JVco Group redeemed, its senior secured notes at par and on the same day drew down a £150,000,000 term loan facility attracting interest of 6.5% plus Libor due for repayment in December 2024. On 11 December 2018 the Group repaid in full its £37,500,000 revolving credit facility and on the same day drew down new debt in the form of a £27,500,000 revolving credit facility. The new facility is a super senior revolving credit facility with a limit of £27,500,000 due for renewal in June 2025 attracting interest at a rate of 3.0% plus Libor. On the same day the Group repaid its overdraft and drew down a new overdraft as part of the super senior revolving credit facility giving a combined limit of £55,000,000. The new facility is secured via a floating charge over the assets of the Group Companies.

Going concern

The directors have considered the adequacy of the Group's financial resources through a review of the financial projections for the business and taking into account the refinancing of the Group's debt post year end. The Group's existing senior secured loan notes were due for repayment on 15 October 2019, these were settled on 11 December 2018. The Group drew down a new facility on the same day. The new debt facility gives the Group an additional £22m of funding and is due for repayment in December 2024.

After careful consideration the directors are satisfied that the Company has adequate resources to continue in operation for the foreseeable future being at least twelve months from the date of signing the financial statements. For this reason the directors continue to apply the going concern basis in preparing the financial statements.

Directors

The directors who held office during the period and up to the date of signing the financial statements are given below:

J Thomson
T Beale
M Priest

Directors' indemnities

The Keystone JVco Limited Group maintains liability insurance for the directors and officers of member companies which remains in place up to the date of this Annual Report. The Company has also provided an indemnity for the directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Employees

The Company has no employees (31 March 2018: none).

Directors' report

Statement of directors' responsibilities in respect of the financial statements

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 period. 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 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.

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.

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.

Approved by and signed on behalf of the Board

MDA

M Priest
Director

26 February 2019

K & A Merger Limited
Independent auditors' report
to the members of K & A Merger Limited

Report on the audit of the company financial statements

Opinion

In our opinion, K & A Merger Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2018 and of its loss for the 7 month period (the "period") 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 balance sheet as at 31 October 2018; the income statement, the statement of changes in equity for the 7 month period then ended; the statement of accounting policies; and the notes to the financial statements.

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

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion 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.

K & A Merger Limited
Independent auditors' report
to the members of K & A Merger Limited

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 period ended 31 October 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities in respect of the financial statements set out on page 4, 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.

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Lee Wilkinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
27 February 2019

K & A Merger Limited

Income statement
for the 7 month period ended 31 October 2018

	Note	7 month Period ended 31 October 2018 £'000s	Year ended 31 March 2018 £'000s
Income from shares in group undertakings		-	300,790
Operating result/profit	2	-	300,790
Finance costs	3	**(6,259)**	(26,641)
(Loss)/profit before taxation		**(6,259)**	274,149
Income tax credit	4	**1,506**	2,035
(Loss)/profit for the financial period		**(4,753)**	276,184
Other comprehensive income		-	-
Total comprehensive (expense)/income		**(4,753)**	276,184

K & A Merger Limited

Balance sheet
as at 31 October 2018

	Note	31 October 2018 £'000s	31 March 2018 £'000s
Assets			
Deferred tax asset	4	**3,541**	2,035
Investments in subsidiaries	5	**289,321**	289,321
Total non-current assets		**292,862**	291,356
Current assets			
Trade and other receivables	6	**6,137**	6,137
Total current assets		**6,137**	6,137
Total assets		**298,999**	297,493
Equity			
Called up share capital	7	**-**	-
Capital reserve		**32,844**	32,844
Retained earnings		**39,821**	44,574
Total equity		**72,665**	77,418
Liabilities			
Trade and other payables	8	**-**	98,006
Total non-current liabilities		**-**	98,006
Trade and other payables	9	**226,334**	122,069
Total current liabilities		**226,334**	122,069
Total liabilities		**226,334**	220,075
Total equity and liabilities		**298,999**	297,493

The financial statements on pages 7 to 17 of K & A Merger Limited, registered number 07905842, were approved and authorised for issue by the Board of directors on 26 February 2019 and were signed on its behalf by:

M Priest
Director

K & A Merger Limited

Statement of changes in equity
for the 7 month period ended 31 October 2018

	Share capital £'000s	Capital reserve £'000s	(Accumulated losses)/retained earnings £'000s	Total equity £'000s
At 1 April 2017	-	32,844	(61,223)	(28,379)
Total comprehensive income for the year	-	-	276,184	276,184
Dividends paid	-	-	(170,387)	(170,387)
At 31 March 2018	-	32,844	44,574	77,418
Total comprehensive expense for the period	-	-	(4,753)	(4,753)
At 31 October 2018	**-**	**32,844**	**39,821**	**72,665**

The capital contribution reserve relates to a contribution of £32,844,000 received from Lakeside 1 Limited on 28 November 2014, the Company's immediate parent undertaking, in connection with the acquisition of Lakeside 1 Limited by the Keystone JVco Limited Group of companies and the subsequent refinancing.

Statement of accounting policies for the 7 month period ended 31 October 2018

General information

K & A Merger Limited is a private limited company incorporated and domiciled in the UK. The address of the registered office is K & A Merger Limited, The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101), under the historical cost convention and in accordance with the Companies Act 2006.

FRS 101 allows the income statement and balance sheet to be presented in accordance with International Accounting Standard (IAS) 1 - Presentation of Financial Statements.

A summary of the disclosure exemptions adopted for the financial period ended 31 October 2018 is presented below. Equivalent disclosures for financial instruments are included in the Keystone JVco Limited Group consolidated financial statements allowing the exemptions to be applied.

Area	Disclosure exemption
Cash flow statements	Exemption from preparing a cash flow statement.
Financial instrument disclosures	Exemption from the disclosure requirements of IFRS 7 (Financial Instruments) and related IFRS 13 disclosures. Disclosures in respect of management's objectives, policies and processes for managing capital (IAS1).
Related party disclosures	Exemption for related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to a transaction is wholly owned by such a member (IAS 24). Exemption from disclosure of key management personnel compensation.
Comparative information	Exemption from disclosure of comparative information for movements on share capital (IAS 1), tangible assets (IAS 16), intangible assets (IAS 38) and investment property (IAS 40).
Presentation of Financial Statements	Exemption from statement of compliance with (IAS 1), cash flow information and capital management policy.

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all the periods presented, unless otherwise stated.

Consolidation

The Company is a wholly owned subsidiary of Lakeside 1 Limited and its ultimate parent is Keystone JVco Limited. It is included in the consolidated financial statements of Keepmoat JVco which are publically available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Going concern

The directors have considered the adequacy of the Group's financial resources through a review of the financial projections for the business and taking into account the refinancing of the Group's debt post year end. The Group's existing senior secured loan notes were due for repayment on 15 October 2019, these were settled on 11 December 2018. The Group drew down a new facility on the same day. The new debt facility gives the Group an additional £22m of funding and is due for repayment in December 2024.

After careful consideration the directors are satisfied that the Company has adequate resources to continue in operation for the foreseeable future being at least twelve months from the date of signing the financial statements. For this reason the directors continue to apply the going concern basis in preparing the financial statements.

Statement of accounting policies for the 7 month period ended 31 October 2018

Investments

Investments in subsidiaries, joint ventures and associates are recorded in the Company's balance sheet at cost less any impairment. The directors review the investments for impairment when there are indicators of possible impairment.

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less loss allowance. The loss allowance is calculated based on historic loss rates from payment profiles of sales in prior periods. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the debtor's ability to settle the receivable.

In respect of accounting for trade and other receivables, the Group has applied IFRS 9's simplified approach to provisioning and has calculated this using lifetime expected losses. This calculation has had no material impact on the financial statements.

When a trade receivable is wholly or partially uncollectible, any uncollectible amount is written off against the loss allowance. Subsequent recoveries of amounts previously written off are credited against the loss allowance. Changes in the carrying amount of the loss allowance are recognised in the income statement.

Impairment of financial assets

IFRS 9 requires an expected credit loss model, rather than an incurred credit loss model to be applied. This requires the assessment of the expected credit loss on each class of financial asset at each reporting date. This assessment takes into consideration changes in credit risk since initial recognition of the financial asset.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been reduced For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows

For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets except trade receivables.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period, the previously recognised impairment loss is reversed through the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less. Bank overdrafts are also included, as they are an integral part of the Company's cash management. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, are recorded at their fair value on the date of acquisition of the asset to which they relate and subsequently held at amortised cost. The discount to the nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate.

Provisions for liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Statement of accounting policies for the 7 month period ended 31 October 2018

Income tax

The income tax expense represents the current and deferred tax charges.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Current tax is the Company's expected tax liability on taxable profits for the year using tax rates substantively enacted at the reporting date and any adjustment to tax in respect of the previous years. Where current tax losses are available but not utilised in the period, a deferred tax asset is recognised to the extent that it is considered recoverable.

Taxable profit differs from that reported in the income statement because it is adjusted for items of income or expense that are assessable or deductible in other years, or are never assessable or deductible.

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

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

Equity instruments

Equity instruments such as ordinary share capital, issued by the Company are recorded at the proceeds received net of directly attributable incremental issue costs.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

The preparation of financial statements in conformity with FRS101 recognises the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out below:

- **Carrying value of investments and inter-company balances**

  The Company tests whether its investments and inter-company balances have suffered any impairment in accordance with the accounting policy set out above. The recoverable amounts have been determined based on value in use calculations, or present values of future cashflows for inter-company balances, both of which require the use of estimates.

- **Carrying value and recognition of deferred tax assets**

  The recognition of the deferred tax asset is dependent on taxable profits being available in future periods in the relevant entities within the Group. Predicting future profitability relies on the use of estimates.

Notes to the financial statements for the 7 month period ended 31 October 2018

1 Directors' emoluments and staff numbers

The emoluments of the directors are paid by Keepmoat Homes Limited, a fellow subsidiary of the Keystone JVco Limited Group, without recharge to the Company and, as it is not practical to apportion these between subsidiaries, their emolument disclosures are included in the financial statements of Keepmoat Homes Limited.

The Company did not have any employees during the period (31 March 2018: None)

2 Operating result/profit

Auditors' remuneration

The following costs have been borne by Keepmoat Homes Limited without recharge to the Company.

	7 month Period ended 31 October 2018 £'000s	Year ended 31 March 2018 £'000s
Fees payable for the audit of the Company's financial statements	**2**	2

3 Finance costs

	7 month Period ended 31 October 2018 £'000s	Year ended 31 March 2018 £'000s
Interest payable to fellow Group undertakings	**6,259**	26,641

4 Income tax credit

	7 month Period ended 31 October 2018 £'000s	Year ended 31 March 2018 £'000s
Current tax		
UK corporation tax on (loss)/profit for the period at 19% (31 March 2018: 19%)	**-**	-
Adjustments in respect of prior years	**-**	-
Deferred tax		
Origination and reversal of timing differences	**(10)**	(2,035)
Adjustments in respect of prior years	**(1,497)**	-
Effect of change in rate of corporation tax	**1**	-
Total tax credit	**(1,506)**	(2,035)

4 Income tax credit (continued)

The table below reconciles the income tax credit for the period to tax at the UK statutory rate:

	7 month Period ended 31 October 2018 £'000s	Year ended 31 March 2018 £'000s
(Loss)/profit before taxation	**(6,259)**	274,149
Income tax credit for the period at 19% (31 March 2018: 19%)	**(1,189)**	52,088
Effects of:		
Transfer pricing adjustment	**(2,478)**	(3,579)
Income not taxable	-	(57,149)
Adjustments in respect of prior years	**(1,497)**	-
Difference in applicable tax rates	**1**	239
Group relief not paid for	**3,657**	6,366
Income tax credit for the period/year	**(1,506)**	(2,035)

Factors affecting current and future tax charges

Changes to the UK Corporation tax rates were enacted as part of the Finance Bill 2015-2016 and the Finance Act 2016. These include reductions to the main rate to of corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020.

Deferred tax is calculated in full on temporary differences under the liability method, using a tax rate of 17% (31 March 2018: 18%).

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets, where it is probable that the assets will be recovered through trading and taxable profits.

Deferred tax assets

	Tax losses £'000s	Corporate interest Restriction £'000s	Total £'000s
At 1 April 2018	327	1,708	2,035
Credit to income statement	1,260	246	1,506
At 31 October 2018	**1,587**	**1,954**	**3,541**

5 Investments in subsidiaries

	£'000
Cost and net book value	
At 31 March 2018 and 31 October 2018	**289,321**

On 28 November 2014 the Company increased its investment in Castle 1 Limited in the form of a capital contribution totalling £289,321,000. The capital contribution followed the acquisition of Lakeside 1 Limited by Keystone Bidco Limited and the connected refinancing of the Lakeside 1 Limited Group. The directors believe that the carrying value of the investment is supported by the future financial performance and underlying net assets of the Castle 1 Limited Group.

The Company's directly owned subsidiaries are:

Name of Company	Principal activities	Shareholding
Castle 1 Limited	Intermediate holding company	100%

The indirectly owned subsidiaries are:

Name of Company	Principal activities	Shareholding
Keepmoat Limited	Intermediate holding company	100%
Keepmoat Homes Limited	Private house building development	100%
MCI Developments Limited	Partnership house building	100%
Keepmoat Property Limited	Property development and the holding of property on behalf of other Group companies	100%
Keepmoat Site Services Limited	Provision of corporate services	100%
Force Solutions Limited	Dormant	100%
Conquest Bidco Limited	Intermediate holding company	100%
Apollo Support Services Group Limited	Intermediate holding company	100%
Apollo Holdco Limited	Intermediate holding company	100%
Toucan Holdings Limited	Property management	100%
Goldhall Electrical Limited	Housing regeneration	100%
Huyton Freehold Limited	Property investment company	100%
KGP (SHC) Limited	Intermediate holding company	90%

All subsidiaries are incorporated in England and Wales and have the same Registered Office as the Company, which is: The Waterfront, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL. Details of operating joint venture undertakings and associates, all of which are incorporated in England and Wales, are as follows:

Name of undertaking	Description of shares and proportion of nominal value of that class held	Proportion of voting rights held
Durham Villages Regeneration Limited	A class ordinary shares of £1 each (51% held)	50%
Sheffield Housing Company Limited	Ordinary shares of £1 each (45% held)	45%
BK Scotswood LLP	Members' capital (50% held)	50%
New Tyne West Development Company LLP	Members' capital (25% held)	25%
Osmaston Regeneration Partnership LLP	Members' capital (50% held)	50%
Ilke Homes Holdings Limited	Ordinary shares of £0.01 each (5% held)	5%

Notes to the financial statements for the 7 month period ended 31 October 2018

6 Trade and other receivables

Current:	**31 October 2018 £'000s**	31 March 2018 £'000s
Amounts owed by Group undertakings	**6,137**	6,137

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

7 Called up share capital

	31 October 2018 £	31 March 2018 £
Allotted and fully paid		
2 (31 March 2018: 2) Ordinary shares of £1 each	**2**	2

8 Trade and other payables: Non-current

	31 October 2018 £'000s	31 March 2018 £'000s
Amounts owed to Group undertakings	**-**	98,006

The amount owed to fellow Group undertakings represented a loan from Keystone Financing Plc whereby the lender has advanced the net proceeds after costs from the issue of senior secured notes due 15 October 2019 to facilitate the refinancing of the Lakeside 1 Limited Group. Under the terms of the proceeds loan, the timing of repayment coincides with maturity of the senior secured notes or earlier if repayment of the senior secured notes is accelerated. The loan bears interest at an effective rate of 10.8% and is repayable on demand. The loan is unsecured.

9 Trade and other payables: Current

	31 October 2018 £'000s	31 March 2018 £'000s
Amounts owed to Group undertakings	**226,334**	122,069

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand with the exception of the loan from Keystone Financing Plc detailed below.

At 31 October 2018 £99,041,000 (31 March 2018: £4,442,970) is payable to Keystone Financing Plc in respect of the proceeds and accrued interest from the issue of senior secured notes due 15 October 2019 to facilitate the refinancing of the Lakeside 1 Limited Group. Under the terms of the proceeds loan, the timing of repayment coincides with maturity of the senior secured notes or earlier if repayment of the senior secured notes is accelerated. The loan bears interest at an effective rate of 10.8% and is repayable on demand. The balance with Keystone Financing Plc includes accrued interest of £423,000 (31 March 2018: £4,381,056). The loan was settled on 11 December 2018, see note 11.

Notes to the financial statements for the 7 month period ended 31 October 2018

10 Contingent liabilities

The Company has given guarantees in respect of the bank borrowings of other Keystone JVco Limited Group companies in addition to performance and other guarantees. At 31 October 2018 borrowings covered by the guarantees amounted to £37,500,000 (31 March 2018: £37,500,000). The guarantees are in the form of a floating charges over the assets of certain Group companies. Following the Group's refinancing on 11 December 2018 the Group has a revolving credit facility of £27,500,000 and overdraft facility of £27,500,000 secured by a floating charge over the assets of certain Group companies.

The Company is party to the Keystone Midco Limited Group ("Midco Group") senior facility agreement whereby the Midco Group has committed borrowing facilities totalling £75,000,000 representing revolving credit facilities and overdraft, which are due for renewal on 31 March 2019. At 31 October 2018 the Midco Group had bank borrowings under the revolving credit facility of £37,500,000 (31 March 2018: £37,500,000) and bank overdrafts of £29,154,000 (31 March 2018: £1,868,000).

11 Post balance sheet events

On 11 December 2018 the Company issued a £1 ordinary share to its parent, Lakeside 1 Limited at a premium of £159,331,000. The Company used the proceeds to subscribe for 1 £1 ordinary share in its subsidiary Castle 1 Limited, issued at a premium of £57,854,000 and the remaining £101,478,000 to repay its inter-company loan with fellow subsidiary Keystone Financing Plc.

On 11 December 2018, the Keystone JVco Group redeemed, its senior secured notes at par and on the same day drew down a £150,000,000 term loan facility attracting interest of 6.5% plus Libor due for repayment in December 2024.

On 11 December 2018 the Group repaid in full its £37,500,000 revolving credit facility and on the same day drew down new debt in the form of a £27,500,000 revolving credit facility. The new facility is a super senior revolving credit facility with a limit of £27,500,000 due for renewal in June 2025 attracting interest at a rate of 3.0% plus Libor. On the same day the Group repaid its overdraft and drew down a new overdraft as part of the super senior revolving credit facility giving a combined limit of £55,000,000. The new facility is secured via a floating charge over the assets of the Group Companies.

12 Ultimate controlling party

The Company's immediate parent undertaking is Lakeside 1 Limited, a company registered in England and Wales.

The directors regard Keystone JVco Limited, a company registered in England and Wales, as the Company's ultimate UK based parent company.

Keystone JVco Limited is the parent of the largest and Keystone Midco Limited is the parent of the smallest group in which these results are consolidated.

The Company's ultimate parent company is Cotton Holding S.à.r.l., a company incorporated in Luxembourg, whilst the Company's ultimate controlling party is TDR Capital LLP through investment funds that they manage.

The consolidated financial statements of Keystone JVco Limited and Keepmoat Limited may be obtained from Keepmoat Limited, The Waterfront, Lakeside Boulevard, Doncaster, DN4 5PL.